

## ASSESSMENT OF MOST MARKETABLE USES EAST OTAY SPECIFIC PLAN

County of San Diego  
Otay Mesa, California  
December 2020

## CONTACT INFORMATION

This market analysis was prepared by Meyers Research, a market research and consulting firm specializing in the real estate industry. It has been commissioned by the County of San Diego.

Tim Sullivan, Senior Managing Principal, reviewed all recommendations and conclusions. Shaun McCutcheon served as Project Director and oversaw all aspects of the study. Follow-up questions should be directed to Tim Sullivan at (858) 381-4381 or [tsullivan@meyersllc.com](mailto:tsullivan@meyersllc.com).

## OBJECTIVE

The objective of this analysis is to assess the market-based opportunity for additional industrial uses in the East Otay Mesa Specific Plan ("The Project"). The Project is an amendment to the Specific Plan and does not involve any specific approvals or entitlements. Future discretionary permits will be required for any development proposals under the Specific Plan. The Project includes changes to land uses and specific plan road network, the land use matrix and development regulations, updates to reflect Caltrans acquisitions for State Route 11 and 125, and increases to the development footprint for the new Port of Entry (POE), and miscellaneous typographical and editorial updates to text, tables and figures. The Project results in the increase of land use designations by approximately 60.8 acres for Mixed-Use – Residential Emphasis, 209.8 acres for Heavy Industrial, 255.91 acres for Circulation Corridors. The Project results in the decrease of land use designations by approximately 53.12 acres for Mixed-Use – Employment Emphasis, 99.11 acres for Mixed Industrial, 107.34 acres for Light Industrial, and 266.94 acres for Technology Business Park. The scope of this assignment includes a demand analysis, commentary on existing and planned industrial uses, market trends as well as economic and demographic indicators. The data used in this report was collected in November and December 2020.

## LIMITING CONDITIONS

The County of San Diego is responsible for representations about the development plans, marketing expectations and for disclosure of any significant information that might affect the ultimate realization of the projected results. There will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and the difference may be material. We have no responsibility to update our report for events and circumstances occurring after the date of our report. Payment of any and all of our fees and expenses is not in any way contingent upon any factor other than our providing services related to this report.

**Note:** *This report was completed during the ongoing global health crisis created by the COVID-19 (coronavirus) outbreak, the duration and consequences of which are still largely unknown. Our research and conclusions are based upon the best information available to us at the time of publication.*

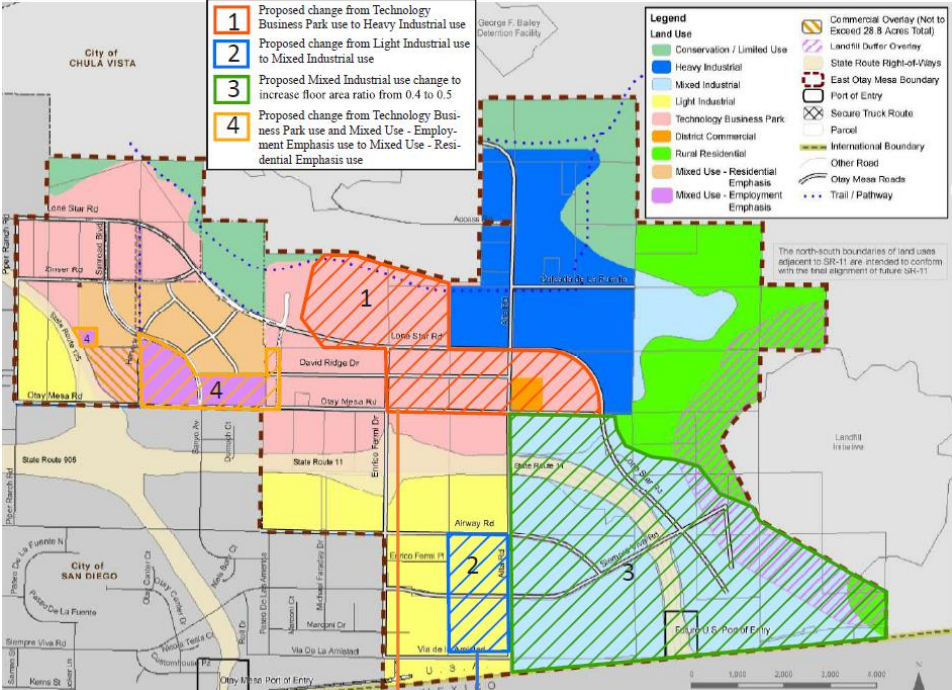
*Market projections and the majority of data points utilized within this study were determined prior to the outbreak, and the likelihood of achieving these projections will be increasingly challenging the longer the disruption extends.*

*While prospects for the housing and commercial markets through the remainder of 2020 and beyond have become clouded by the pandemic, we believe this has the full attention of the federal government to help minimize both the markets' health and economic impact. The likely prospect for continued low interest rates, and generally positive housing supply conditions that prevailed in the region before this setback to our local markets should lead to a positive recovery as more clarity is realized.*

Key Findings	5
Location Overview	10
Industrial Demand Analysis	20
Industrial Market Trends	26
Office Demand Analysis	36
Office Market Trends	42
Projects Under Development	56
Economic & Demographic Overview	64
Appendix	72



The objective of this analysis is to assess the most marketable land uses for the East Otay Mesa Specific Plan, in particular with respect to the potential rezoning of 209.8 acres of Technology Business Park land to General/ Heavy Industrial and 77.7 acres of Light Industrial land to Mixed Industrial use, as shown on the map below. The regional location of the East Otay Mesa Specific Plan is highlighted on the map to the left, while the approximate locations of the areas to be considered for rezoning are shown on the map to the right. See the **Appendix** for detailed definitions and allowable uses of each zoning designation.



Land Use Designation	Existing Acres	Proposed Acres	Net Change
Activity Node Overlay	28.0 (Maximum)	28.0 (Maximum)	0
Commercial Center Overlay	28.8 (Maximum)	28.8 (Maximum)	0
District Commercial	11	11	0
Mixed-Use - Residential Emphasis	108.5	169.3	60.8
Mixed-Use - Employment Emphasis	53.1	0	-53.1
Heavy Industrial	292.00	501.80	209.8
Mixed Industrial	629.9	530.8	-99.1
Light Industrial	363	255.7	-107.3
Technology Business Park	652.4	385.5	-266.9
Rural Residential	311.30	311.30	0
Conservation/Limited Use	241	241	0
Circulation Corridors (1)	350.40	606.30	255.9

77.7 Acres  
Light Industrial land  
to Mixed Industrial

Note: Changes resulting from CalTrans acquisitions for State Route 11 and 125 and increased to the development footprint for new port of entry were not analyzed as a part of this study.



# Key Findings

---

Assessment of Most Marketable Land Uses, East Otay Mesa Specific Plan

**Based on our research, including site visits, industrial and commercial office market trends, supply-demand factors and conversations with local industrial brokers, the East Otay Mesa Specific Plan offers a strong demand opportunity for warehouse/ distribution, manufacturing and open air storage uses, while the demand for office and technology related uses are under the current Technology/ Business Park zoning is minimal even over the long term.** Key conclusions from our analysis are as follows:

- **Industrial market conditions are relatively strong in the San Diego MSA in general and are very favorable in the Otay Mesa submarket.** In the San Diego MSA, average industrial lease rates have increased to record highs, while vacancies have increased slightly as well. Industrial lease rates average \$1.37 per square foot per month currently, marking nine consecutive years of rent growth. The vacancy rate reached a low of 4.6% in 2017 and has increased to 6.0% currently, a function of new inventory entering the market. Although the vacancy rate has increased, this level of vacancy still represents a healthy industrial market. Otay Mesa is a strong performing industrial submarket, among the leading San Diego submarkets in terms of positive absorption, low lease rates, new deliveries and space under construction. Otay Mesa is the second largest industrial submarket in the county (behind Mira Mesa/ Miramar), driven by industrial land availability, proximity to the US-Mexico border, and the lowest average lease rates of any submarket in the county (\$0.77 per square foot). The 4.6 million square feet under construction in Otay Mesa is by far the largest amount of construction activity in the county (90% of the county total), driven by Amazon's 3.4 million square foot building in East Otay Mesa.
- **Conversely, office market conditions are weakening as a result of the COVID-19 pandemic.** The vacancy rate in San Diego County has increased to 11.6% in 2020, a function of decreased demand for office space due to the COVID-19 pandemic. Going forward, CoStar projects rents to increase to \$3.18 per square foot per month and for vacancy to remain at approximately 11% by 2024. The San Diego MSA office market is currently experiencing negative net absorption in 2020—absorption has outpaced new deliveries in each of the past 10 years, indicating there has historically been more demand than supply in San Diego MSA—there is a great deal of uncertainty in the coming years in terms of how office absorption recovers. The South San Diego market and Otay Mesa submarket represent a small portion of the office market in the county and are not enjoying any of the positive leasing activity that is taking place in today's challenging environment. One bright spot is technology firms leasing new office space, with Apple leasing over 550,000 square feet of office space in UTC and Rancho Bernardo over the past 12 months. However, none of the top leases have occurred in South County, and brokers we spoke to cite there is no interest for technology-oriented firms to locate in Otay Mesa in the near term (or even in the long term).
- **Our jobs growth based demand model calls for 880,400 square feet of industrial space annually in the East Otay Mesa Specific Plan, or 17.6 million square feet over 20 years.** At 50% building coverage, this equates to approximately 808.4 acres needed for this amount of industrial building development. The rezoning of 209 acres of Technology/ Business Park space to General Industrial space will, in part, help accommodate this level of demand for industrial development over the next two decades.
- **Our demand model suggests significantly less support for new office-oriented development that would locate in Technology/ Business Park zoned land at the East Otay Mesa Specific Plan.** The average of our jobs growth based demand models calls for 7,640 square feet of office space annually in the East Otay Mesa Specific Plan, or 152,700 square feet over 20 years. At 35% building coverage, this equates to approximately 10.52 acres needed for this amount of office building development. There are currently 968 acres of Technology/ Business Park zoned land in the East Otay Mesa Specific Plan—most of which is vacant—that can accommodate future office related uses. The rezoning of 209 acres of Technology/ Business Park land to 209 acres of General Industrial zoned land will not materially impact future potential demand for office space to locate on TBP land, considering there will be approximately 385 acres of TBP zoned land remaining *after* the rezoning occurs.

- **Locational attributes and land supply constraints are evident that support the proposed rezoning measures.** The Heavy Industrial area of the East Otay Mesa Specific Plan is effectively built out, indicating there is a need for additional land for General/ Heavy Industrial uses. Existing uses in this area include Calpine Otay Mesa power plant, Otay Mesa Detention Center, Vulcan Materials Company, Ramirez Recycling, Pacific Tire Recyclers, Otay Mesa Compost Facility, and a number of automobile storage facilities (both salvage yards and new truck storage). In contrast, the land that is currently zoned as Technology Business Park is largely vacant. Industrial brokers we interviewed all agreed that demand is strong for Heavy Industrial uses, namely auto storage yards, while demand is weak for technology business park uses. Further, as Amazon enters the market there is likely to be more demand for logistics uses, including the acquisition of existing auto salvage yards to redevelop as logistics buildings—these auto salvage yards will need to relocate to land that is zoned for General (Heavy) Industrial use. While the majority of Light Industrial zoned land in the Specific Plan is vacant, the shift to Mixed Industrial Zoning for a portion of this land will allow for flexibility for industrial development going forward. Light Industrial zoning limits uses to “wholesale storage and distribution, manufacturing, general industrial and several commercial uses”. While these uses are viable and likely to evolve on portions of this land, the Mixed Industrial Zoned land to the east is going to be significantly reduced by the development of the Otay Mesa II Port of Entry to the east. The land available for auto storage yards is limited (for new car/truck storage, container storage and auto salvage yards), and the proposed Mixed Industrial zoning planned for +/-77 acres of the Light Industrial zoned land will allow for flexibility and enable open air storage facilities to exist here, while allowing sufficient opportunity for additional light industrial development to take place on vacant parcels within this area.
- **Land values are estimated at \$7.00 to \$8.00 per square foot for unimproved land, while finished land is selling for \$15.00 and there are land listings as high as \$22.00 per square foot.** These land values are confirmed by commercial brokers that are active in the local market (see Appendix). Recent raw land transactions include the 65-acre Amazon fulfillment site located within the East Otay Mesa Specific Plan which sold for \$22.7 million in 2019 (\$8.02 per square foot). A partially improved 51-acre site was purchased by Copart for auto auction/ storage uses for \$30 million in 2019 (\$13.50 per square foot). And finished industrial pads at Otay Crossings Commerce Park have averaged \$15.00 per square foot according to the broker representative, though the remaining lots are offered at \$17.00 to \$22.00 per square foot.



The table below represents realistic demand (average CalTrans job projections and Woods & Poole job projections) for industrial space annually over the next 20 years. The average of our jobs growth based demand models calls for 880,400 square feet of industrial space annually in the East Otay Mesa Specific Plan, or 17.6 million square feet over 20 years. At 50% building coverage, this equates to approximately 808.4 acres needed for this amount of industrial building development. The rezoning of 209 acres of Technology/ Business Park space to Heavy Industrial space will, in part, help accommodate this level of demand for industrial development over the next two decades. Further, the rezoning of 77 acres from Light Industrial land to Mixed Industrial will allow for greater flexibility to accommodate industrial building demand going forward. For perspective, the Specific Plan currently has approximately 393 acres that are built out and operational, 105 acres that are under construction, 108 acres with active building permits, and 1,207 acres that are approved for development but vacant (see Appendix).

MEYERS <u>Realistic</u> Buildout for EAST OTAY SPECIFIC PLAN (Avg. of CalTrans, Woods & Poole Proj.) - Industrial Size and Demand (SF)			
Year	San Diego MSA Industrial Demand (SF)	South Bay Demand (SF)	Total Industrial Demand (SF) SUBJECT
2021	5,640,037	4,512,029	3,666,024
2022	3,510,171	2,808,137	2,281,611
2023	3,122,668	2,498,135	2,029,734
2024	2,386,288	1,610,744	823,269
2025	2,247,691	1,517,191	775,453
2026	2,200,200	1,485,135	759,069
2027	2,249,641	1,068,580	551,162
2028	2,386,054	1,133,375	584,583
2029	2,355,479	1,118,852	577,092
2030	2,298,035	919,214	482,587
2031	2,354,950	941,980	494,540
2032	2,344,385	937,754	492,321
2033	2,350,758	940,303	493,659
2034	2,380,057	952,023	499,812
2035	2,370,794	948,318	497,867
2036	2,420,604	968,242	508,327
2037	2,400,171	960,068	504,036
2038	2,483,305	993,322	521,494
2039	2,524,721	1,009,888	530,191
2040	2,548,413	1,019,365	535,167
AVERAGE:	2,628,721	1,417,133	880,400
TOTAL:	52,574,420	28,342,655	17,607,999

Source: Meyers Research,  
Woods & Poole, CA DOT, CoStar

Total Acreage @ 50%  
Coverage808.4

The table below represents realistic demand (average CalTrans job projections and Woods & Poole job projections) for office space annually over the next 20 years. The average of our jobs growth based demand models calls for 7,640 square feet of office space annually in the East Otay Mesa Specific Plan, or 152,700 square feet over 20 years. At 35% building coverage, this equates to approximately 10.52 acres needed for this amount of office building development. There are currently 968 acres of Technology/ Business Park zoned land in the East Otay Mesa Specific Plan that can accommodate future office related uses. The rezoning of 209 acres of Technology/ Business Park land to 209 acres of General Industrial zoned land will not materially impact future potential demand for office space to locate on TBP land, considering there will be approximately 761 acres of TBP zoned land remaining *after* the rezoning occurs.

MEYERS <u>Realistic</u> Buildout for EAST OTAY SPECIFIC PLAN (Avg. of CalTrans, Woods & Poole Proj.) - Office Size and Demand (SF)			
Year	San Diego MSA Office Demand (SF)	South Bay Demand (SF)	Total Office Demand (SF) SUBJECT
2021	2,077,020	207,702	6,646
2022	2,250,183	225,018	7,201
2023	2,200,114	220,011	7,040
2024	1,545,872	170,046	5,411
2025	1,486,264	163,489	5,202
2026	1,417,062	155,877	4,960
2027	1,429,503	157,245	5,003
2028	1,402,322	154,255	4,908
2029	1,386,411	152,505	4,852
2030	1,363,744	150,012	9,546
2031	1,355,642	149,121	9,489
2032	1,346,275	148,090	9,424
2033	1,325,942	145,854	9,282
2034	1,318,284	145,011	9,228
2035	1,315,694	144,726	9,210
2036	1,296,287	142,592	9,074
2037	1,308,340	143,917	9,158
2038	1,287,341	141,608	9,011
2039	1,300,941	143,104	9,107
2040	1,291,608	142,077	9,041
AVERAGE:	1,485,242	160,113	7,640
TOTAL:	29,704,849	3,202,260	152,794

Source: Meyers Research,  
Woods & Poole, CA DOT, CoStar

Total Acreage @ 33% Coverage	10.52
------------------------------	-------

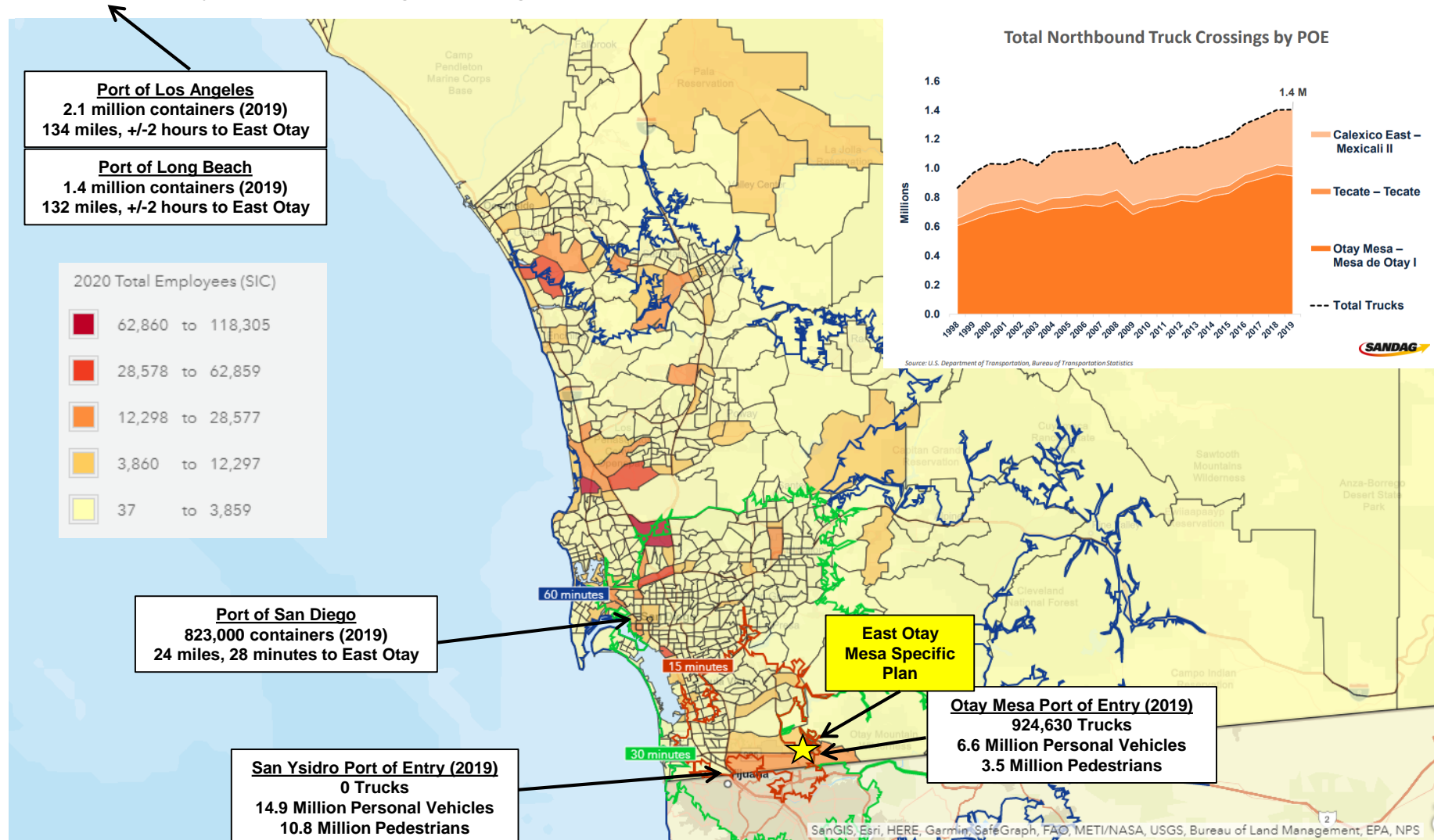
# Location Overview

---

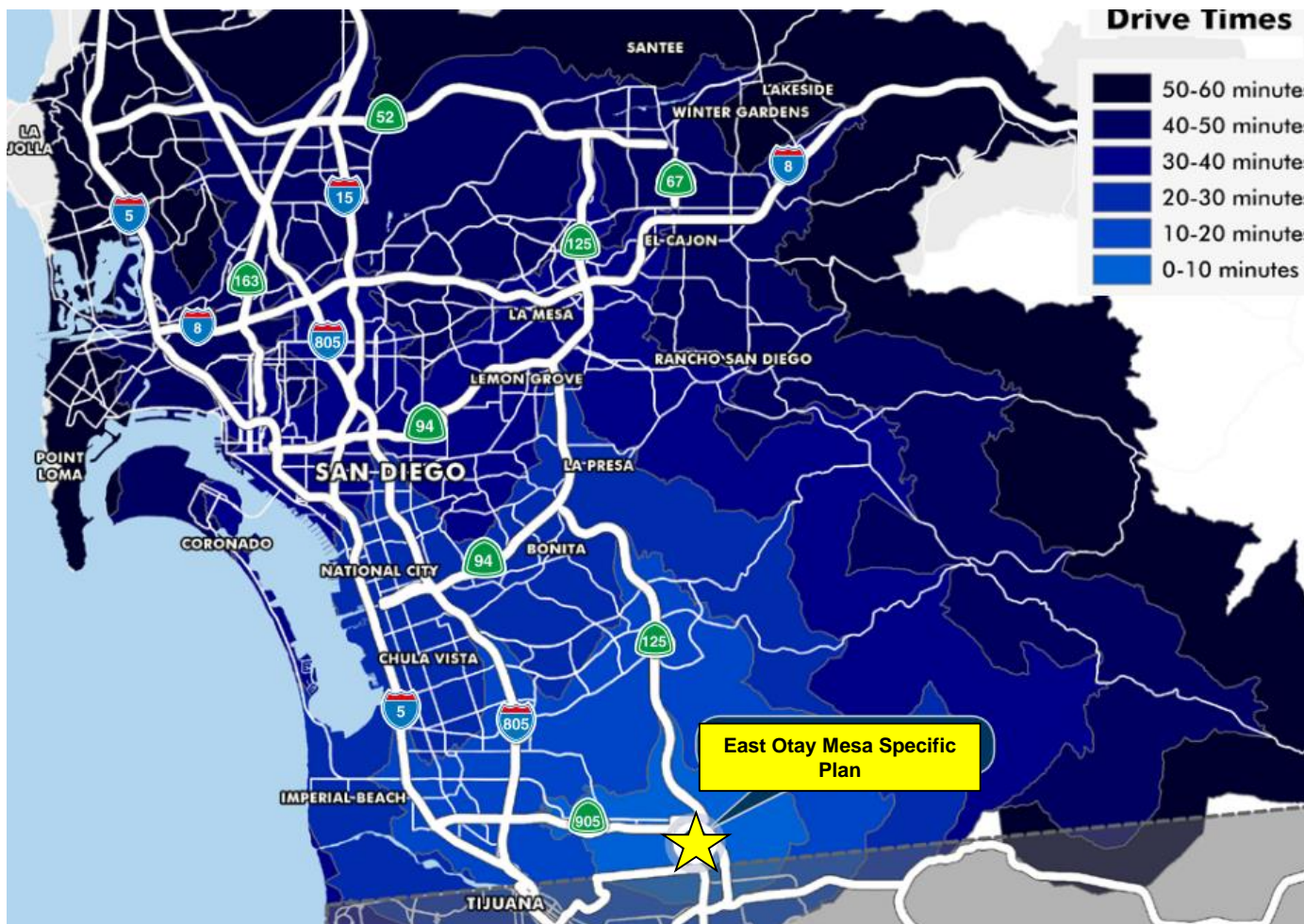
Assessment of Most Marketable Land Uses, East Otay Mesa Specific Plan



**The East Otay Mesa Specific Plan and surrounding area is a major employment hub in San Diego County, and is proximate to the region's largest border crossing for trucking.** While the San Ysidro Port of Entry is the busiest land border crossing in the world (with over 40,000 vehicles and 29,000 pedestrians crossing into the US each day), the major trucking route is at the Otay Mesa Port of Entry, with nearly one million trucks crossing to the north each year. Truck volume continued to increase over the past 20 years, as shown on the graph to the right.



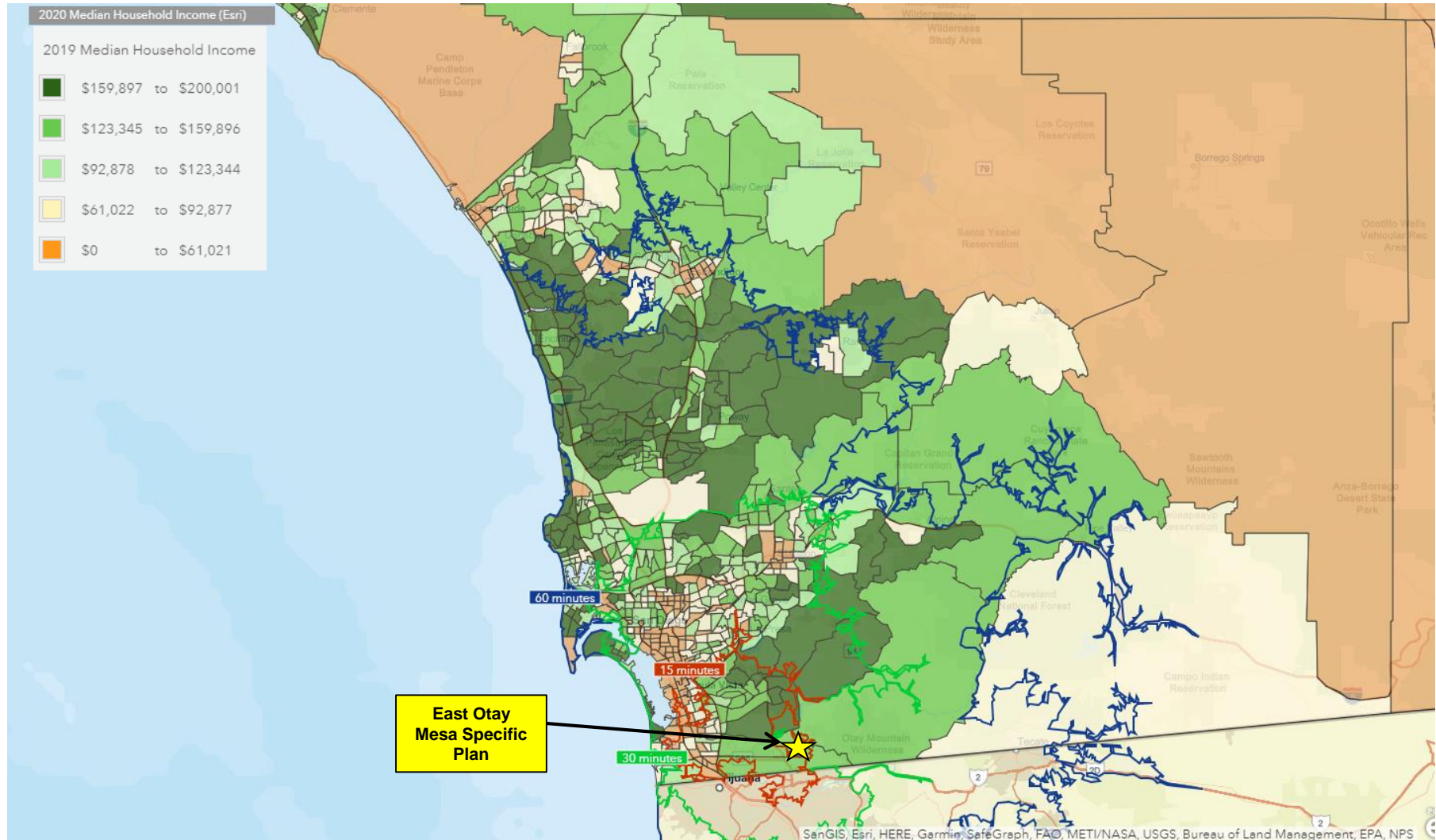
Most of San Diego County can be reached within a drive time of 60 minutes from the East Otay Mesa Specific Plan location.



Source: CBRE

## Location Overview

Households that live in areas surrounding the East Otay Mesa Specific Plan appear to have relatively high median incomes, though it is likely that the majority of these residents commute to areas of San Diego to the north.



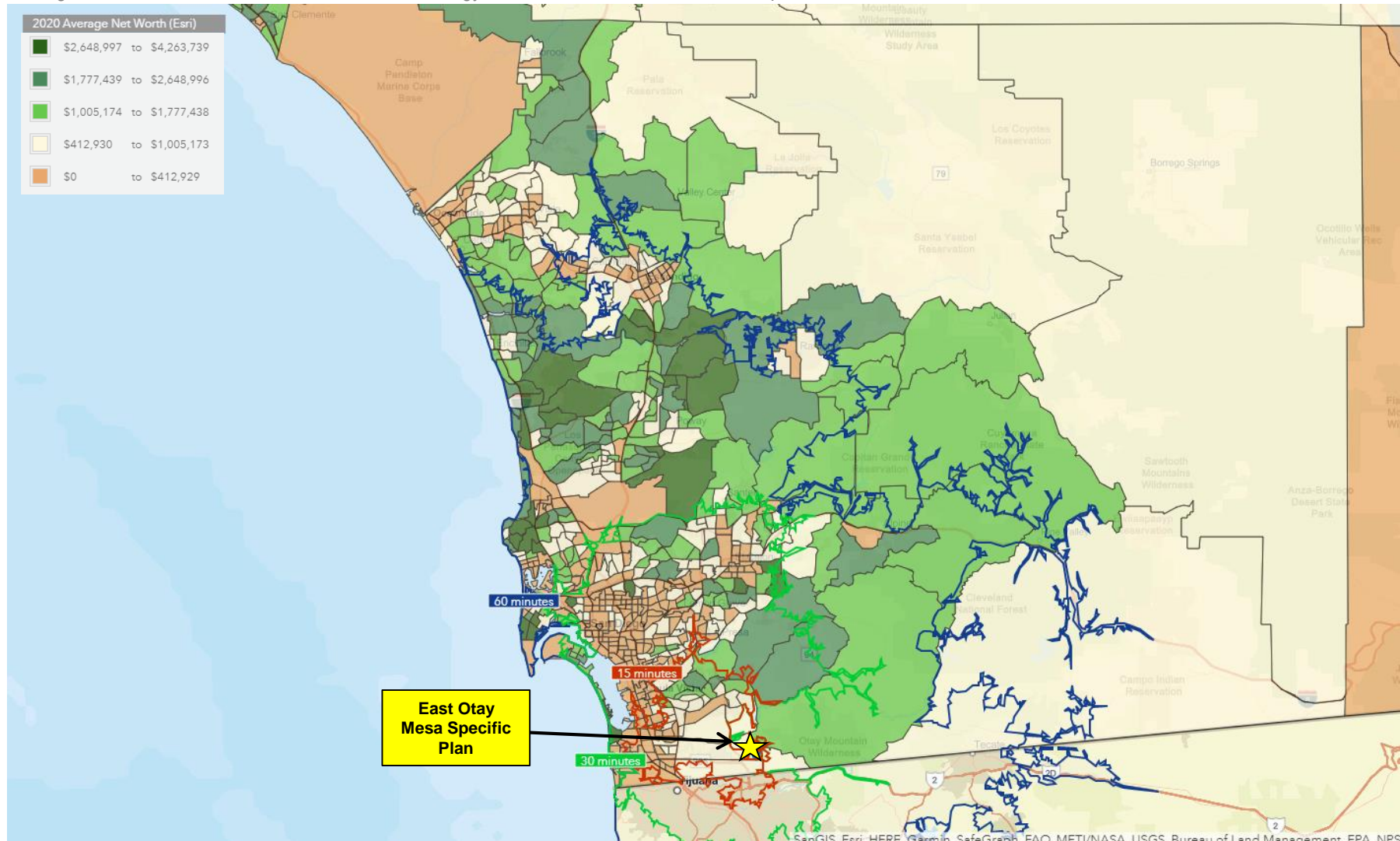
Source: ESRI



# NET WORTH HEAT MAP

## Location Overview

**Net worth levels are relatively low in areas surrounding the East Otay Mesa Specific Plan.** This map illustrates 2019 average net worth by census tract in the region. Higher net income levels and low net worth levels indicate that local residents are young professionals who have yet to accumulate net worth (savings or home equity). The fact that net worth levels are low in Otay Mesa and San Ysidro indicates that it may be challenging to attract high paying, technology oriented firms to the area, and supports the rezoning shift that will reduce the total areas of Technology Business Park zoned land in the Specific Plan.



Source: ESRI

**Several major transportation improvement projects are underway in Otay Mesa.** Most notably for the East Otay Mesa Specific Plan, the continuation of SR11 heading east through the Specific Plan is currently under construction, and a new border crossing known as Otay Mesa II Port of Entry is planned for site development starting in 2021 (upper left image). **This development in particular will enhance the desirability of the East Otay Mesa Specific Plan in terms of attracting additional Light Industrial, Mixed Industrial and Heavy Industrial users to locate facilities here.**





# MAJOR WAREHOUSE & DISTRIBUTION USERS IN OTAY MESA

## Location Overview

**Otay Mesa is home to a variety of logistics, manufacturing and automobile storage facilities.** These companies are typically located to the south of Brown Field Airport and extend to the US-Mexico border to the south. Established business parks to the south and west of East Otay Mesa Specific Plan include Siempre Viva Business Park (2.1 million total square feet and home to General Dynamics, Bose, UPS, FedEx and Iron Mountain) and Brown Field Technology Park (planned for 3.2 million square feet including Honeywell, Johnson & Johnson, Salvation Army). The introduction of a new 3.4 million square foot Amazon fulfillment center within the East Otay Mesa Specific Plan is likely to spur additional logistics development nearby, as has occurred in Perris and Moreno Valley to the north, for example (see the following page).

Otay Mesa Facing West



Otay Mesa Facing East





# CASE STUDY: WAREHOUSE & DISTRIBUTION FACILITIES IN PERRIS AND MORENO VALLEY

## Location Overview



**Perris and Moreno Valley are a major logistics hub located just over 100 miles to the north with over 50 warehouse and distribution facilities for several Fortune 500 companies.**

These companies are clustered along I-215 freeway exit roads, most notably Ramona Expressway and Alessandro Road. Some of the largest retailers in the United States are located here—Amazon, Lowe's, Home Depot, Wayfair, UPS and Ross have multiple locations here and the area is also home to Walgreens, P&G, General Mills, Ralphs and Pepsi among others. Inland Empire logistics facilities serve distribution needs in a much larger trade area throughout Southern California while Otay Mesa industrial uses typically serve logistics needs in San Diego County only—brokers we spoke to did not believe Otay Mesa could evolve to the scale of Perris/ Moreno Valley's logistics uses. **However, the introduction of Amazon's 3.4 million square foot fulfillment center in Otay Mesa indicates there is an opportunity to capture additional logistics and fulfillment demand in East Otay going forward.**

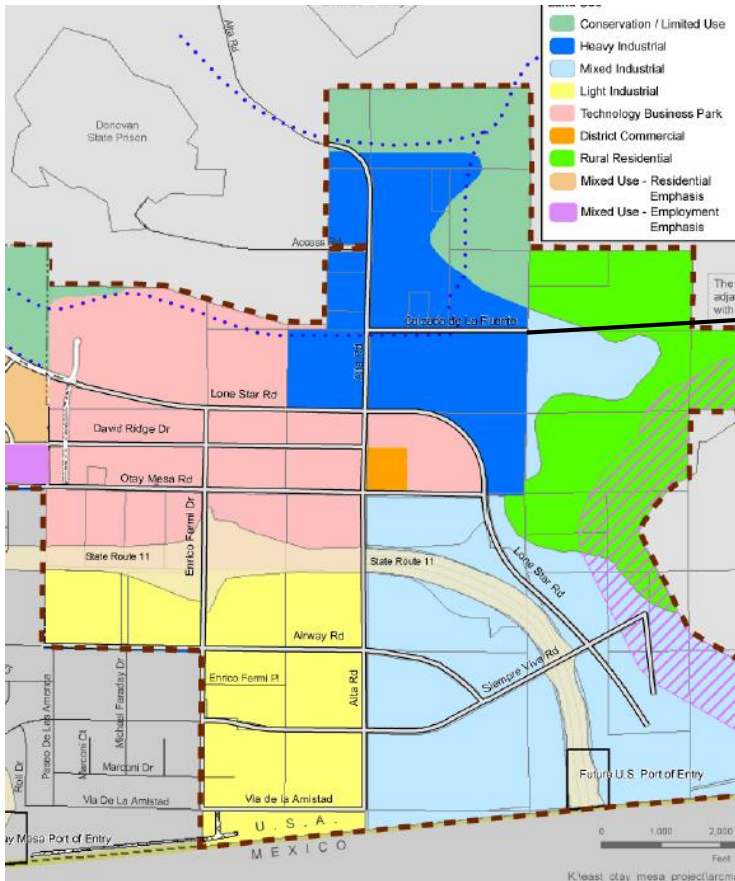
**East Otay Mesa  
Specific Plan  
111 Miles South**



# HEAVY INDUSTRIAL USES IN EAST OTAY SPECIFIC PLAN

## Location Overview

**The Heavy Industrial area of the East Otay Mesa Specific Plan is effectively built out, indicating there is a need for additional land for General/ Heavy Industrial uses.** This area is shown in **blue** on the Land Use Plan (lower left) and by a blue boundary on the aerial image to the right. Existing uses include Calpine Otay Mesa power plant, Otay Mesa Detention Center, Vulcan Materials Company, Ramirez Recycling, Pacific Tire Recyclers, Otay Mesa Compost Facility, and a number of automobile storage facilities (both salvage yards and new truck storage). **In contrast, the land that is currently zoned as Technology Business Park (in pink) is vacant.** Industrial brokers we interviewed all agreed that demand is strong for Heavy Industrial uses, namely auto storage yards, while demand is weak for technology business park uses. Further, as Amazon enters the market there is likely to be more demand for logistics uses further to the west, including the acquisition of existing auto salvage yards to redevelop as logistics buildings—these auto salvage yards will need to relocate to land that is zoned for General (Heavy) Industrial use.

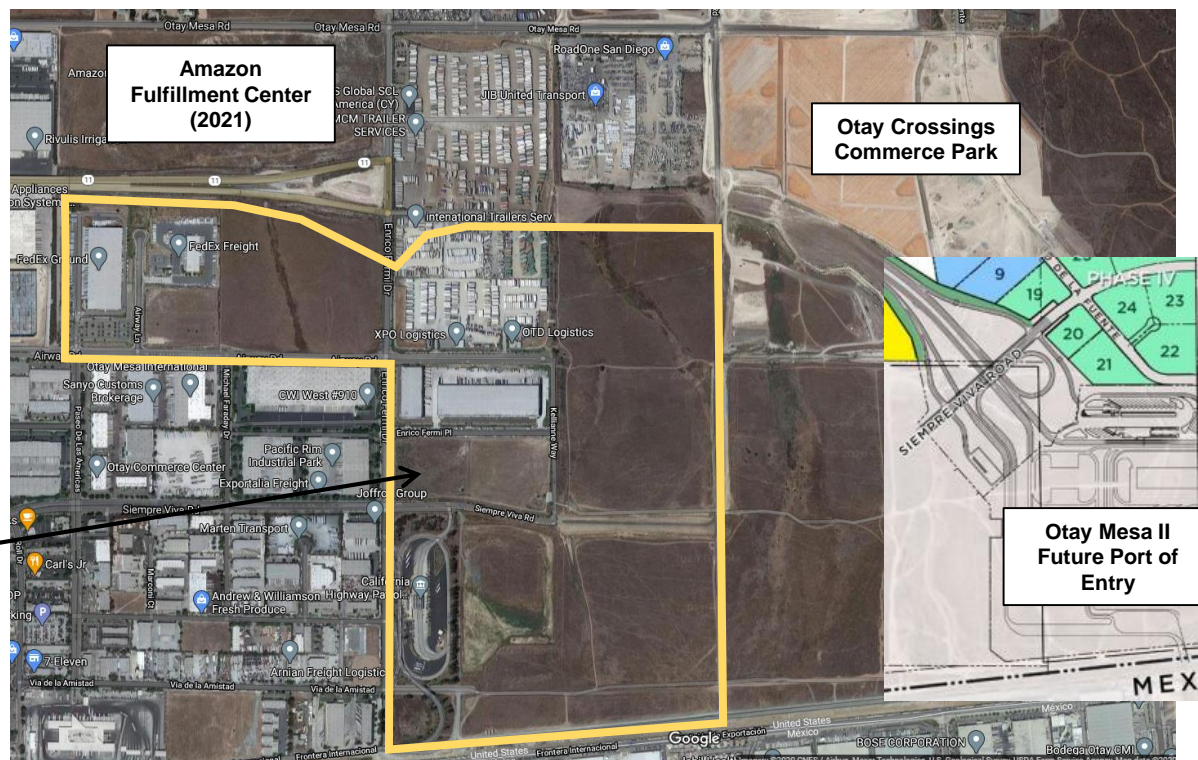
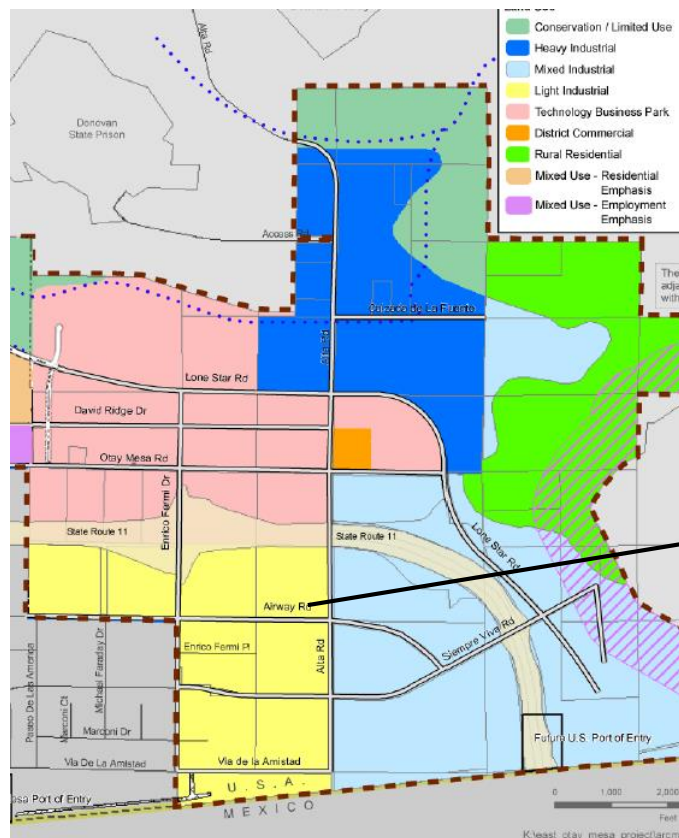


Source: Murphy Development Company, Sunroad





While the majority of Light Industrial zoned land in the Specific Plan is vacant, the shift to Mixed Industrial Zoning for a portion of this land will allow for flexibility for industrial development going forward. This area shown in yellow on the Land Use Plan (lower left) is zoned Light Industrial, which limits uses to “wholesale storage and distribution, manufacturing, general industrial and several commercial uses”. While these uses are viable and likely to evolve on portions of this land, the Mixed Industrial Zoned land to the east is going to be significantly reduced by the development of the Otay Mesa II Port of Entry to the east. Again, similar to the previous page, the land available for auto storage yards is limited (for both new cars and auto salvage yards), and the proposed Mixed Industrial zoning planned for +/-77 acres of the Light Industrial zoned land will allow for flexibility and enable a greater variety of industrial uses to locate here, while allowing sufficient opportunity for additional light industrial development to take place on vacant parcels within this area.



Source: Murphy Development Company, Sunroad

# Industrial Demand Analysis

---

Assessment of Most Marketable Land Uses, East Otay Mesa Specific Plan

The table below represents realistic demand (average CalTrans job projections and Woods & Poole job projections) for industrial space annually over the next 20 years. At 50% building coverage, this equates to approximately 808.4 acres needed for this amount of industrial building development. The rezoning of 209 acres of Technology/ Business Park space to Heavy Industrial space will, in part, help accommodate this level of demand for industrial development over the next two decades. Further, the rezoning of 77 acres from Light Industrial land to Mixed Industrial will allow for greater flexibility to accommodate industrial building demand going forward.

MEYERS <u>Realistic</u> Buildout for EAST OTAY SPECIFIC PLAN (Avg. of CalTrans, Woods & Poole Proj.) - Industrial Size and Demand (SF)			
Year	San Diego MSA Industrial Demand (SF)	South Bay Demand (SF)	Total Industrial Demand (SF) SUBJECT
2021	5,640,037	4,512,029	3,666,024
2022	3,510,171	2,808,137	2,281,611
2023	3,122,668	2,498,135	2,029,734
2024	2,386,288	1,610,744	823,269
2025	2,247,691	1,517,191	775,453
2026	2,200,200	1,485,135	759,069
2027	2,249,641	1,068,580	551,162
2028	2,386,054	1,133,375	584,583
2029	2,355,479	1,118,852	577,092
2030	2,298,035	919,214	482,587
2031	2,354,950	941,980	494,540
2032	2,344,385	937,754	492,321
2033	2,350,758	940,303	493,659
2034	2,380,057	952,023	499,812
2035	2,370,794	948,318	497,867
2036	2,420,604	968,242	508,327
2037	2,400,171	960,068	504,036
2038	2,483,305	993,322	521,494
2039	2,524,721	1,009,888	530,191
2040	2,548,413	1,019,365	535,167
AVERAGE:	2,628,721	1,417,133	880,400
TOTAL:	52,574,420	28,342,655	17,607,999

Source: Meyers Research,  
Woods & Poole, CA DOT, CoStar

Total Acreage @ 50%  
Coverage

808.4



The demand analysis below is based on job growth projections per the California Department of Transportation (CalTrans) by industry for the San Diego MSA, then refined by applying low and high capture (%) estimates for the appropriate submarkets, and ultimately for the East Otay Mesa Specific Plan. The tables below represent demand (average of low and high capture %) for industrial space annually through 2040. Our CalTrans-based demand model supports an average of 544,712 square feet of industrial space at the East Otay Mesa Specific Plan annually, for a total of 10.894 million square feet during a 20 year timeframe. It is important to note that CalTrans job projections are conservative, and we have considered a demand model based on Woods & Poole projections as well (see the follo

MEYERS <u>Conservative</u> Buildout for EAST OTAY MESA (CalTrans Projections) - Industrial Size and Demand (SF) Capture Rates				
Year	Estimated Annual Capture: SOUTH SD COUNTY (%)		Estimated Annual Capture: EAST OTAY MESA (SUBJECT) (%)	
	Low	High	Low	High
2021	70.0%	90.0%	70.0%	90.0%
2022	70.0%	90.0%	70.0%	90.0%
2023	70.0%	90.0%	70.0%	90.0%
2024	60.0%	75.0%	40.0%	60.0%
2025	60.0%	75.0%	40.0%	60.0%
2026	60.0%	75.0%	40.0%	60.0%
2027	40.0%	55.0%	40.0%	60.0%
2028	40.0%	55.0%	40.0%	60.0%
2029	40.0%	55.0%	40.0%	60.0%
2030	30.0%	50.0%	40.0%	60.0%
2031	30.0%	50.0%	40.0%	60.0%
2032	30.0%	50.0%	40.0%	60.0%
2033	30.0%	50.0%	40.0%	60.0%
2034	30.0%	50.0%	40.0%	60.0%
2035	30.0%	50.0%	40.0%	60.0%
2036	30.0%	50.0%	40.0%	60.0%
2037	30.0%	50.0%	40.0%	60.0%
2038	30.0%	50.0%	40.0%	60.0%
2039	30.0%	50.0%	40.0%	60.0%
2040	30.0%	50.0%	40.0%	60.0%

Assumptions/ Rationale:

Market:	The South Bay market comprises 16.8% of the total Industrial inventory in the San Diego MSA, though current indicators suggest a stronger capture in terms of Industrial development: annual deliveries over the past two years represent 37.9% of the MSA, and absorption equates to 31.3% of overall absorption. Over the past 12 months, deliveries have comprised 18.1% of the MSA (though net absorption is negative over the past 12 months). Construction activity is very strong in South San Diego County, with 95.9% of all inventory in San Diego County occurring in South County (71% is preleased). Accordingly, we suggest a strong capture of 80% to 95% of the overall market over the next three years and then gradually decreasing to a more "normal" range of 30% to 50% going forward.
Subject:	Capture as a percentage of the South Bay Market is intentionally aggressive in the near term (90%-97%) since currently the majority of construction activity in South County is taking place in the Otay Mesa submarket, particularly in the East Otay Mesa area. We assume that roughly half (40% to 60%) of this growth could take place within the East Otay Mesa Specific Plan.

Source: Meyers Research, CA DOT, CoStar

MEYERS <u>Conservative</u> Buildout for EAST OTAY MESA (CalTrans Projections) - Industrial Size and Demand (SF)			
Year	San Diego MSA Industrial Demand (SF)	South SD County Demand (SF)	Total Industrial Demand (SF) E. OTAY MESA
2021	6,797,384	5,437,907	4,418,299
2022	3,336,522	2,669,217	2,168,739
2023	2,344,936	1,875,949	1,524,209
2024	859,566	580,207	296,550
2025	702,892	474,452	242,498
2026	575,019	388,138	198,382
2027	691,842	328,625	169,501
2028	887,377	421,504	217,407
2029	798,038	379,068	195,519
2030	660,410	264,164	138,686
2031	727,150	290,860	152,702
2032	665,710	266,284	139,799
2033	625,415	250,166	131,337
2034	638,054	255,222	133,991
2035	571,398	228,559	119,994
2036	616,638	246,655	129,494
2037	522,652	209,061	109,757
2038	632,659	253,064	132,858
2039	659,921	263,968	138,583
2040	647,277	258,911	135,928
AVERAGE:	1,198,043	767,099	544,712
TOTAL:	23,960,860	15,341,981	10,894,234

For Perspective - CoStar Market Data

South Bay market share of San Diego MSA	16.8%	South SD County Markets' % share of San Diego MSA
Avg. Annual Inventory Growth in San Diego MSA (2008 - 2020YTD)	701,234	
Avg. Annual Inventory Growth in San Diego MSA (2016 - 2020YTD)	1,490,822	
Avg. Annual Inventory Growth in San Diego MSA (2020P - 2023P)	929,319	
San Diego MSA Under Construction (Current)	4,899,941	
Average Absorption in San Diego MSA (2008 - 2020YTD)	645,438	
Average Absorption in San Diego MSA (2016 - 2020YTD)	822,516	
Average Absorption in San Diego MSA (2020P - 2023P)	450,741	
Avg. Annual Deliveries in South SD County (2019 - 2020)	265,796	
Industrial Deliveries in South SD County (Last 12 Mo.)	269,631	
Avg. Absorption in South SD County (2019 - 2020)	202,337	37.9%
Industrial Absorption in South SD County (Last 12 Mo.)	(181,843)	18.1%
South SD County Under Construction (Current)	4,698,000	31.3%
		-22.1%
		95.9%

The demand analysis below is based on job growth projections per Woods & Poole by industry for the San Diego MSA, then refined by applying low and high capture (%) estimates for the appropriate submarkets, and ultimately for the East Otay Mesa Specific Plan. The tables below represent demand (average of low and high capture %) for industrial space annually over the next 20 years. Our Woods & Poole based demand model supports an average of 1.216 million square feet of industrial space at the East Otay Mesa Specific Plan annually, for a total of 24.321 million square feet during a 20 year timeframe.

MEYERS <u>Optimistic</u> Buildout for EAST OTAY MESA (Woods & Poole Projections) - Industrial Size and Demand (SF) Capture Rates				
Year	Estimated Annual Capture: SOUTH SD COUNTY (%)		Estimated Annual Capture: EAST OTAY MESA (SUBJECT) (%)	
	Low	High	Low	High
2021	70.0%	90.0%	70.0%	90.0%
2022	70.0%	90.0%	70.0%	90.0%
2023	70.0%	90.0%	70.0%	90.0%
2024	60.0%	75.0%	40.0%	60.0%
2025	60.0%	75.0%	40.0%	60.0%
2026	60.0%	75.0%	40.0%	60.0%
2027	40.0%	55.0%	40.0%	60.0%
2028	40.0%	55.0%	40.0%	60.0%
2029	40.0%	55.0%	40.0%	60.0%
2030	30.0%	50.0%	40.0%	60.0%
2031	30.0%	50.0%	40.0%	60.0%
2032	30.0%	50.0%	40.0%	60.0%
2033	30.0%	50.0%	40.0%	60.0%
2034	30.0%	50.0%	40.0%	60.0%
2035	30.0%	50.0%	40.0%	60.0%
2036	30.0%	50.0%	40.0%	60.0%
2037	30.0%	50.0%	40.0%	60.0%
2038	30.0%	50.0%	40.0%	60.0%
2039	30.0%	50.0%	40.0%	60.0%
2040	30.0%	50.0%	40.0%	60.0%

Assumptions/ Rationale:

Market:	The South Bay market comprises 16.8% of the total Industrial inventory in the San Diego MSA, though current indicators suggest a stronger capture in terms of Industrial development: annual deliveries over the past two years represent 37.9% of the MSA, and absorption equates to 31.3% of overall absorption. Over the past 12 months, deliveries have comprised 18.1% of the MSA (though net absorption is negative over the past 12 months). Construction activity is very strong in South San Diego County, with 95.9% of all inventory in San Diego County occurring in South County (71% is preleased). Accordingly, we suggest a strong capture of 80% to 95% of the overall market over the next three years and then gradually decreasing to a more "normal" range of 30% to 50% going forward.
Subject:	Capture as a percentage of the South Bay Market is intentionally aggressive in the near term (90%-97%) since currently the majority of construction activity in South County is taking place in the Otay Mesa submarket, particularly in the East Otay Mesa area. We assume that roughly half (40% to 60%) of this growth could take place within the East Otay Mesa Specific Plan.

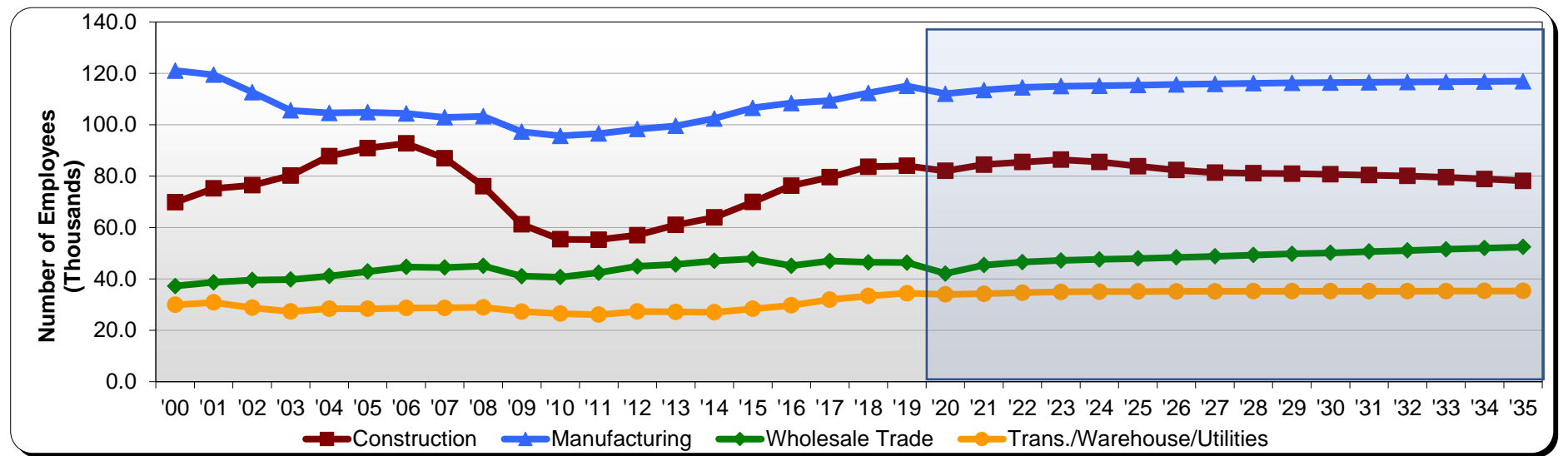
Source: Meyers Research, Woods & Poole, CoStar

MEYERS <u>Optimistic</u> Buildout for EAST OTAY MESA (Woods & Poole Projections) - Industrial Size and Demand (SF)			
Year	San Diego MSA Industrial Demand (SF)	South SD County Demand (SF)	Total Industrial Demand (SF) E. OTAY MESA
2021	4,482,690	3,586,152	2,913,749
2022	3,683,820	2,947,056	2,394,483
2023	3,900,400	3,120,320	2,535,260
2024	3,913,010	2,641,282	1,349,988
2025	3,792,490	2,559,931	1,308,409
2026	3,825,380	2,582,132	1,319,756
2027	3,807,440	1,808,534	932,823
2028	3,884,730	1,845,247	951,759
2029	3,912,920	1,858,637	958,665
2030	3,935,660	1,574,264	826,489
2031	3,982,750	1,593,100	836,378
2032	4,023,060	1,609,224	844,843
2033	4,076,100	1,630,440	855,981
2034	4,122,060	1,648,824	865,633
2035	4,170,190	1,668,076	875,740
2036	4,224,570	1,689,828	887,160
2037	4,277,690	1,711,076	898,315
2038	4,333,950	1,733,580	910,130
2039	4,389,520	1,755,808	921,799
2040	4,449,550	1,779,820	934,405
AVERAGE:	4,059,399	2,067,166	1,216,088
TOTAL:	81,187,980	41,343,330	24,321,763

For Perspective - CoStar Market Data

South Bay market share of San Diego MSA	16.8%	
Avg. Annual Inventory Growth in San Diego MSA (2008 - 2020YTD)	701,234	
Avg. Annual Inventory Growth in San Diego MSA (2016 - 2020YTD)	1,490,822	
Avg. Annual Inventory Growth in San Diego MSA (2020P - 2023P)	929,319	
San Diego MSA Under Construction (Current)	4,899,941	
Average Absorption in San Diego MSA (2008 - 2020YTD)	645,438	Markets'
Average Absorption in San Diego MSA (2016 - 2020YTD)	822,516	% share of
Average Absorption in San Diego MSA (2020P - 2023P)	450,741	San Diego MSA
Avg. Annual Deliveries in South SD County (2019 - 2020)	265,796	37.9%
Industrial Deliveries in South SD County (Last 12 Mo.)	269,631	18.1%
Avg. Absorption in South SD County (2019 - 2020)	202,337	31.3%
Industrial Absorption in South SD County (Last 12 Mo.)	(181,843)	-22.1%
South SD County Under Construction (Current)	4,698,000	95.9%

**CalTrans projections for industrial related uses show strongest growth in the Wholesale Trade sector, with a decline in Construction jobs.** Manufacturing jobs represent the largest portion of industrial based jobs in the San Diego MSA, with approximately 112,000 jobs currently and expected to increase to 116,900 jobs by 2035. Wholesale Trade jobs comprise 42,000 jobs currently, but are projected to grow at the fastest rate of any industrial sector, reaching 52,400 jobs by 2035. Note: CalTrans projections tend to be conservative, meaning they are often understated versus actual job growth; thus we also considered job growth projections by Woods & Poole (next page).

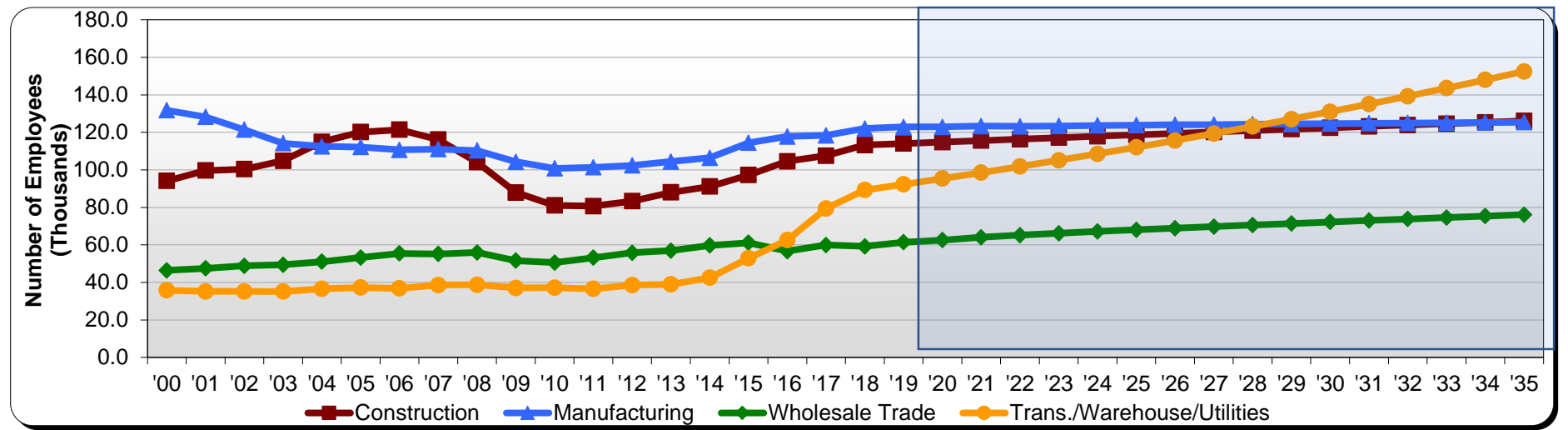


	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17
Construction	69.82	75.20	76.44	80.24	87.81	90.91	92.70	86.96	76.09	61.20	55.43	55.24	57.03	61.02	63.93	69.92	76.28	79.54
Manufacturing	121.04	119.43	112.67	105.58	104.60	104.83	104.35	102.89	103.28	97.26	95.68	96.52	98.33	99.56	102.41	106.56	108.39	109.40
Wholesale Trade	37.23	38.66	39.54	39.77	41.09	42.88	44.64	44.45	45.04	41.07	40.69	42.43	44.92	45.64	47.00	47.77	45.11	46.99
Trans./Warehouse/Utilities	29.91	30.86	28.78	27.33	28.43	28.35	28.70	28.75	28.95	27.28	26.52	26.08	27.31	27.20	27.00	28.37	29.71	31.95
% Change Construction	—	7.7%	1.6%	5.0%	9.4%	3.5%	2.0%	-6.2%	-12.5%	-19.6%	-9.4%	-0.3%	3.2%	7.0%	4.8%	9.4%	9.1%	4.3%
% Change Manufacturing	—	-1.3%	-5.7%	-6.3%	-0.9%	0.2%	-0.5%	-1.4%	0.4%	-5.8%	-1.6%	0.9%	1.9%	1.3%	2.9%	4.1%	1.7%	0.9%
% Change Wholesale Trade	—	3.8%	2.3%	0.6%	3.3%	4.3%	4.1%	-0.4%	1.3%	-8.8%	-0.9%	4.3%	5.9%	1.6%	3.0%	1.6%	-5.6%	4.2%
% Trans./Warehouse/Utilities	—	3.2%	-6.7%	-5.0%	4.0%	-0.3%	1.2%	0.2%	0.7%	-5.8%	-2.8%	-1.7%	4.7%	-0.4%	-0.7%	5.1%	4.7%	7.5%

	'18	'19	'20	'21	'22	'23	'24	'25	'26	'27	'28	'29	'30	'31	'32	'33	'34	'35
Construction	83.65	84.03	82.03	84.50	85.47	86.39	85.49	83.87	82.35	81.38	81.09	80.95	80.71	80.38	80.06	79.57	78.90	78.13
Manufacturing	112.33	115.07	112.01	113.50	114.51	115.01	115.12	115.38	115.65	115.89	116.12	116.30	116.41	116.52	116.62	116.72	116.82	116.92
Wholesale Trade	46.47	46.37	42.09	45.37	46.53	47.18	47.61	47.97	48.36	48.79	49.30	49.74	50.14	50.63	51.08	51.51	51.98	52.41
Trans./Warehouse/Utilities	33.34	34.43	33.96	34.23	34.61	34.93	35.04	35.08	35.14	35.18	35.18	35.19	35.19	35.19	35.20	35.24	35.29	35.33
% Change Construction	5.2%	0.5%	-2.4%	3.0%	1.2%	1.1%	-1.0%	-1.9%	-1.8%	-1.2%	-0.4%	-0.2%	-0.3%	-0.4%	-0.4%	-0.6%	-0.8%	-1.0%
% Change Manufacturing	2.7%	2.4%	-2.7%	1.3%	0.9%	0.4%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
% Change Wholesale Trade	-1.1%	-0.2%	-9.2%	7.8%	2.6%	1.4%	0.9%	0.8%	0.8%	0.9%	1.0%	0.9%	0.8%	1.0%	0.9%	0.8%	0.9%	0.8%
% Trans./Warehouse/Utilities	4.4%	3.3%	-1.4%	0.8%	1.1%	0.9%	0.3%	0.1%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%

Source: CA DOT

**Woods & Poole projections anticipate very strong increases in Transportation, Warehouse and Utilities in the coming years.** This sector is projected to grow from 95,400 jobs currently to 152,500 jobs by 2035. Note: Woods & Poole projections were published in early 2020 and do not include job losses due to the COVID-19 pandemic, thus the current number of jobs as well as projections may be optimistic.



	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17
Construction	94.15	99.72	100.38	104.85	114.98	120.15	121.41	116.21	104.09	87.93	81.06	80.72	83.32	88.05	91.16	97.24	104.62	107.61
Manufacturing	131.83	128.28	121.46	114.18	112.53	112.22	110.68	111.04	110.33	104.31	100.83	101.39	102.36	104.45	106.46	114.46	117.78	118.38
Wholesale Trade	46.41	47.47	48.87	49.39	51.04	53.29	55.48	55.22	55.97	51.66	50.54	53.21	55.84	56.98	59.73	61.18	56.65	59.95
Trans./Warehouse/Utilities	35.83	35.21	35.20	35.15	36.64	37.25	36.83	38.65	38.77	37.07	37.21	36.55	38.63	39.01	42.53	52.93	62.55	79.43
% Change Construction	--	5.9%	0.7%	4.4%	9.7%	4.5%	1.1%	-4.3%	-10.4%	-15.5%	-7.8%	-0.4%	3.2%	5.7%	3.5%	6.7%	7.6%	2.9%
% Change Manufacturing	--	-2.7%	-5.3%	-6.0%	-1.4%	-0.3%	-1.4%	0.3%	-0.6%	-5.5%	-3.3%	0.6%	1.0%	2.0%	1.9%	7.5%	2.9%	0.5%
% Change Wholesale Trade	--	2.3%	2.9%	1.1%	3.3%	4.4%	4.1%	-0.5%	1.4%	-7.7%	-2.2%	5.3%	5.0%	2.0%	4.8%	2.4%	-7.4%	5.8%
% Trans./Warehouse/Utilities	--	-1.7%	0.0%	-0.1%	4.2%	1.6%	-1.1%	5.0%	0.3%	-4.4%	0.4%	-1.8%	5.7%	1.0%	9.0%	24.4%	18.2%	27.0%

	'18	'19	'20	'21	'22	'23	'24	'25	'26	'27	'28	'29	'30	'31	'32	'33	'34	'35
Construction	113.28	114.07	114.85	115.63	116.40	117.17	117.94	118.70	119.45	120.21	120.96	121.70	122.44	123.18	123.91	124.65	125.37	126.10
Manufacturing	122.06	122.96	122.92	123.36	123.23	123.45	123.72	123.86	124.04	124.17	124.35	124.52	124.67	124.83	124.98	125.13	125.28	125.43
Wholesale Trade	59.26	61.44	62.57	64.08	65.22	66.23	67.17	68.07	68.93	69.77	70.59	71.41	72.21	73.01	73.80	74.59	75.37	76.14
Trans./Warehouse/Utilities	89.29	92.30	95.40	98.57	101.82	105.15	108.57	112.08	115.68	119.37	123.15	127.03	131.01	135.10	139.29	143.59	148.00	152.52
% Change Construction	5.3%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
% Change Manufacturing	3.1%	0.7%	0.0%	0.4%	-0.1%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
% Change Wholesale Trade	-1.2%	3.7%	1.8%	2.4%	1.8%	1.5%	1.4%	1.3%	1.3%	1.2%	1.2%	1.2%	1.1%	1.1%	1.1%	1.1%	1.0%	1.0%
% Trans./Warehouse/Utilities	12.4%	3.4%	3.3%	3.3%	3.3%	3.3%	3.3%	3.2%	3.2%	3.2%	3.2%	3.2%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%

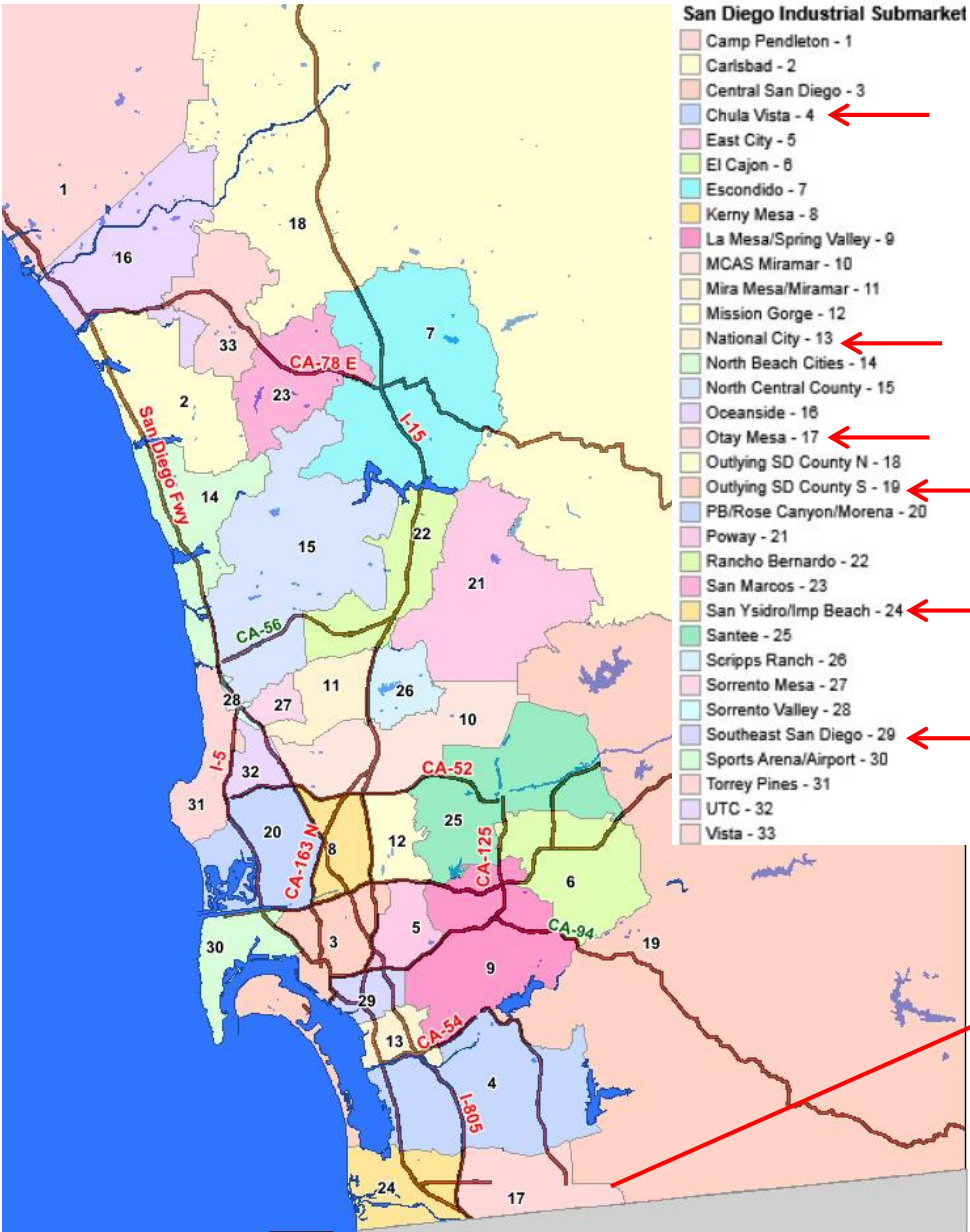
Source: Woods & Poole



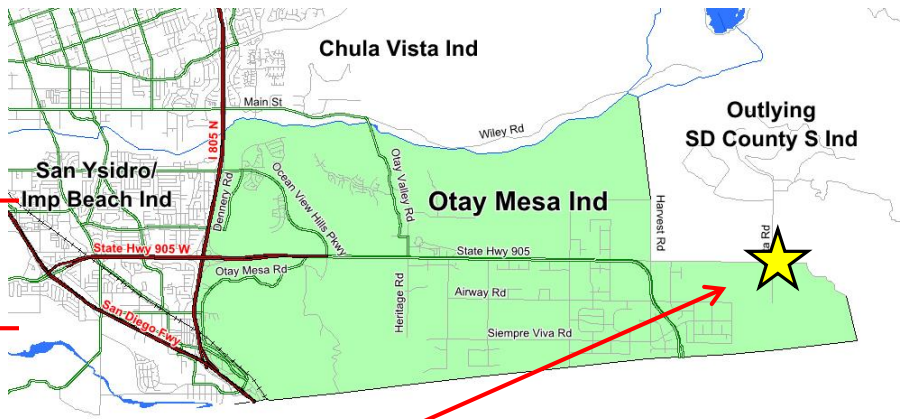
# Industrial Market Trends

---

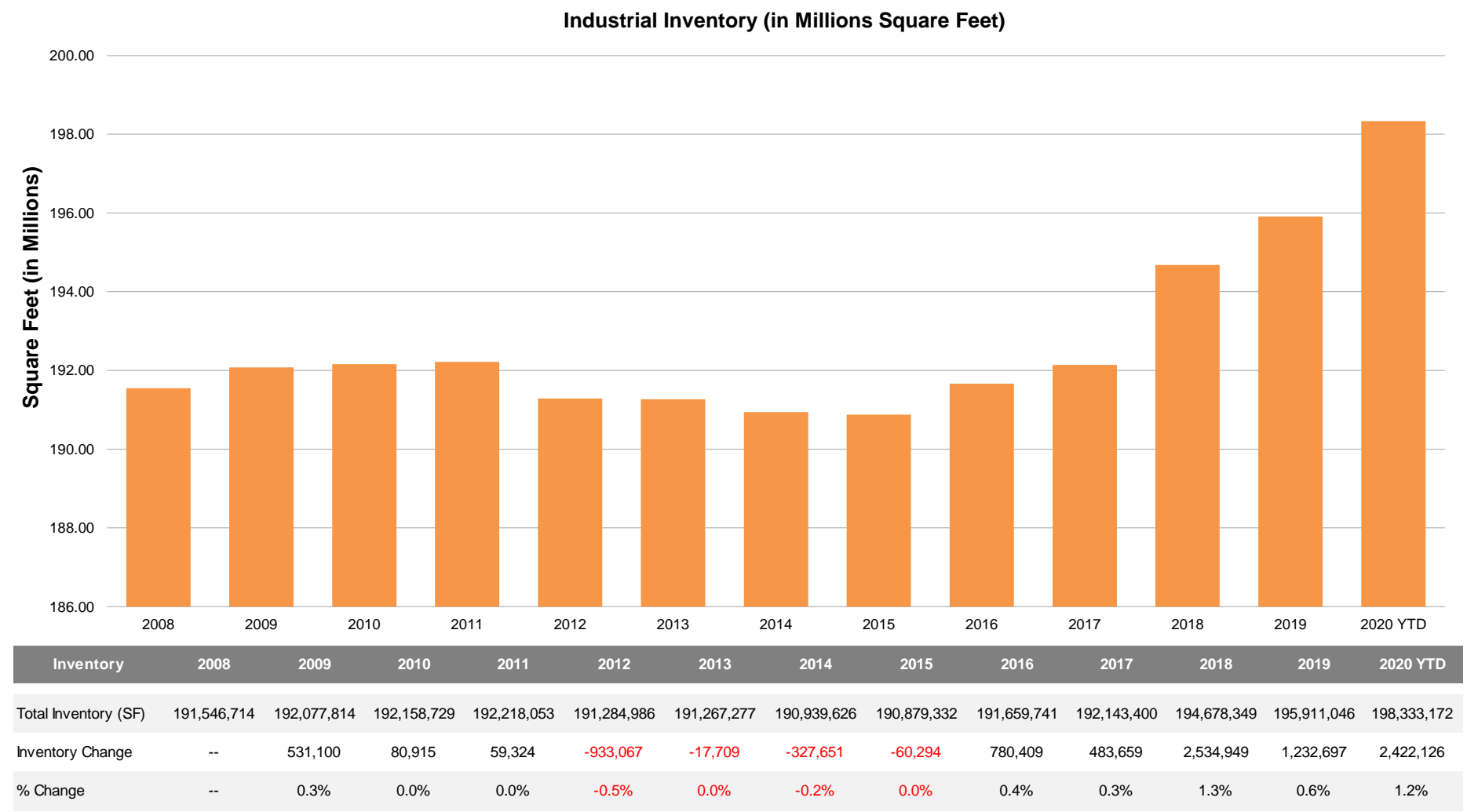
Assessment of Most Marketable Land Uses, East Otay Mesa Specific Plan



The San Diego MSA is comprised of 33 of industrial submarkets that divide up the MSA. The East Otay Mesa Specific Plan is located in the South Bay Market, which is comprised of six submarkets (in red)—the Otay Mesa and Outlying San Diego County South submarkets (location of Site), as well as San Ysidro/ Imperial Beach, Southeast San Diego, National City, and Chula Vista submarkets.

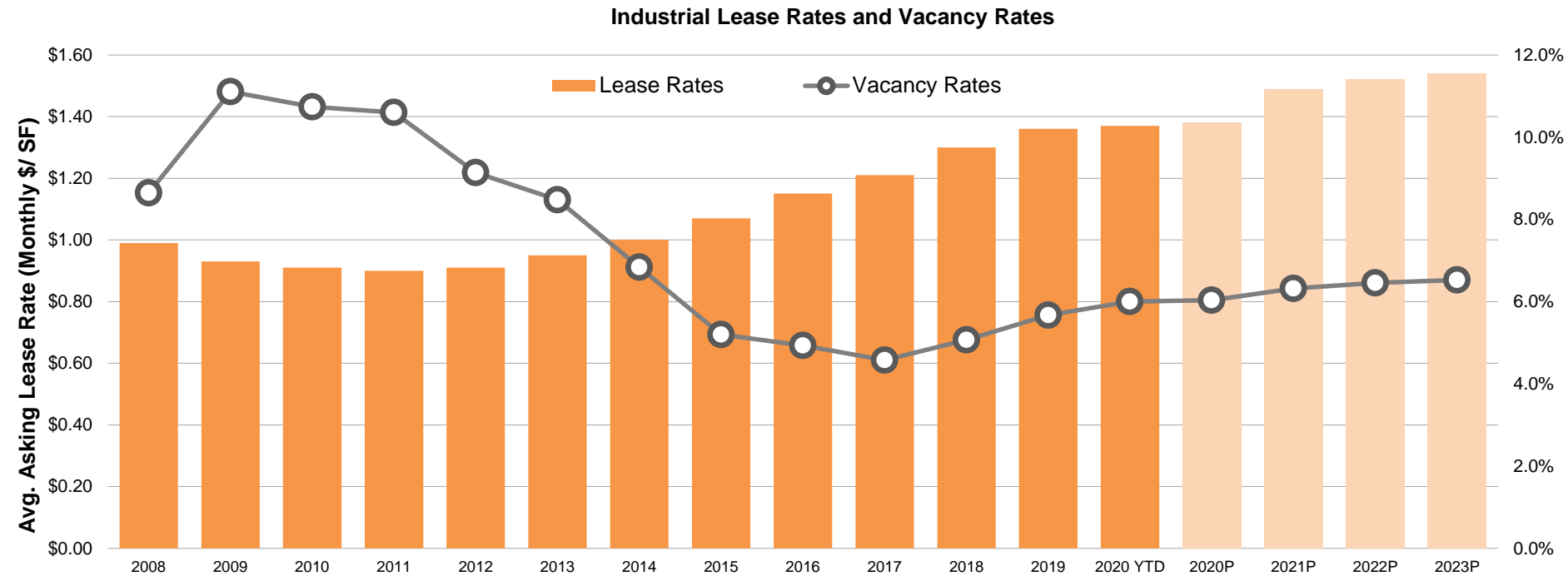


Industrial inventory in the San Diego MSA has been increasing over the three years, with 2 million square feet of increased inventory annually, on average from 2018 through 2020 to date. This year is projected to close with an increase of 2.4 million square feet, which is higher than any year over the past decade.



Source: CoStar

**Average industrial lease rates have increased to record highs, while vacancies have increased slightly as well.** Industrial lease rates average \$1.37 per square foot per month currently, marking nine consecutive years of rent growth. The vacancy rate reached a low of 4.6% in 2017 and has increased to 6.0% currently, a function of new inventory entering the market as shown on the previous page. Although the vacancy rate has increased, this level of vacancy still represents a stable industrial market.



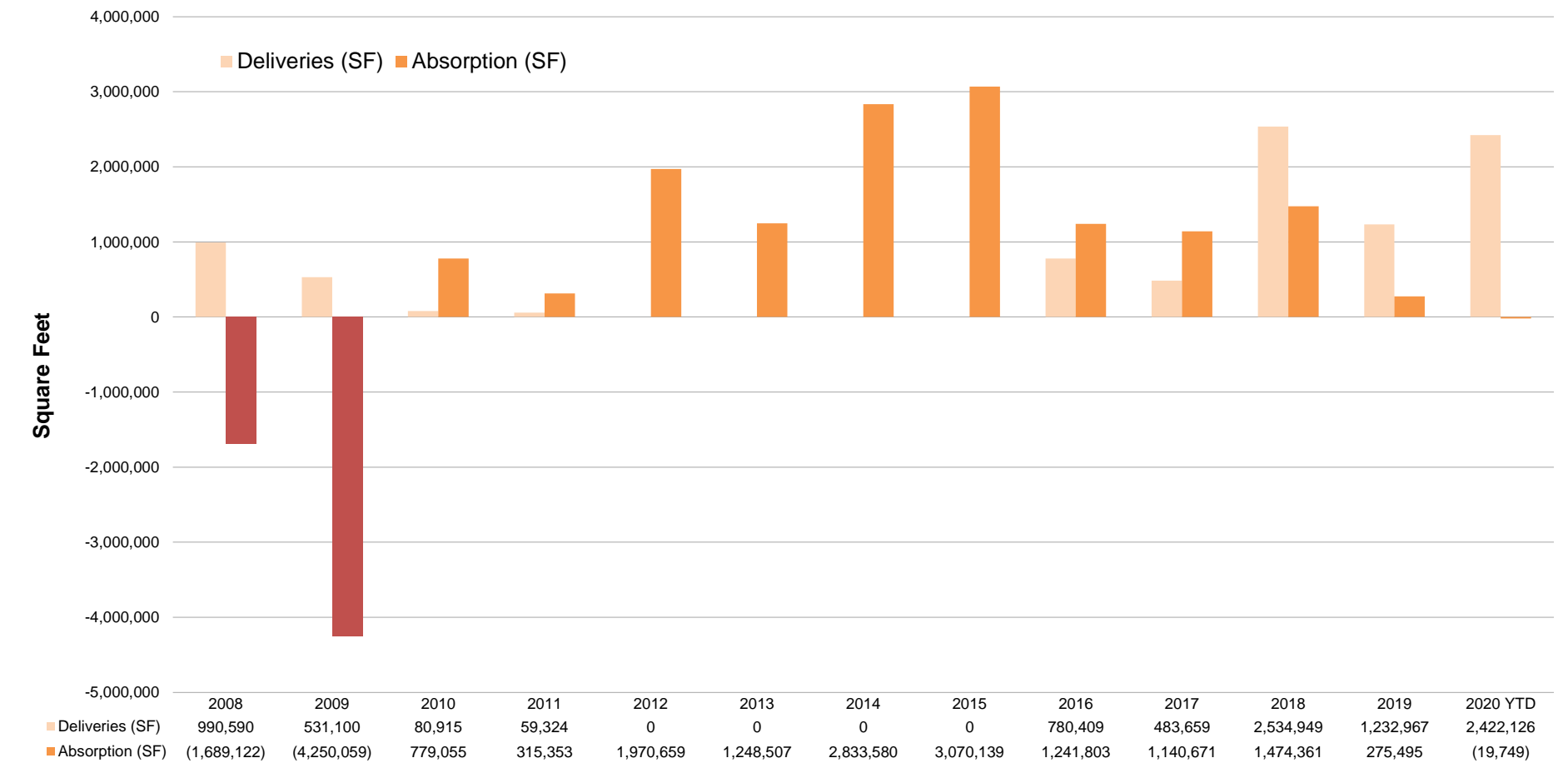
Lease Rates	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 YTD	2020P	2021P	2022P	2023P
Lease Rate (\$/ SF/ l	\$0.99	\$0.93	\$0.91	\$0.90	\$0.91	\$0.95	\$1.00	\$1.07	\$1.15	\$1.21	\$1.30	\$1.36	\$1.37	\$1.38	\$1.49	\$1.52	\$1.54
Lease Rate Change	--	(\$0.06)	(\$0.02)	(\$0.01)	\$0.01	\$0.04	\$0.05	\$0.07	\$0.08	\$0.06	\$0.09	\$0.06	\$0.01	\$0.01	\$0.11	\$0.03	\$0.02
% Change	--	-6.1%	-2.2%	-1.1%	1.1%	4.4%	5.3%	7.0%	7.5%	5.2%	7.4%	4.6%	0.7%	0.7%	8.0%	2.0%	1.3%

Vacancy Rates	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 YTD	2020P	2021P	2022P	2023P
Vacancy Rate	8.6%	11.1%	10.7%	10.6%	9.1%	8.5%	6.8%	5.2%	4.9%	4.6%	5.1%	5.7%	6.0%	6.0%	6.3%	6.5%	6.5%
Vac. Rate Change	--	2.5%	-0.4%	-0.1%	-1.5%	-0.7%	-1.6%	-1.6%	-0.3%	-0.4%	0.5%	0.6%	0.3%	0.0%	0.3%	0.1%	0.1%
% Change	--	28.5%	-3.3%	-1.3%	-13.8%	-7.2%	-19.4%	-24.0%	-5.0%	-7.2%	10.7%	11.9%	5.9%	0.6%	4.7%	2.2%	1.1%



**San Diego MSA industrial market absorption exceeded new deliveries for eight consecutive years following the Great Recession (2010-2017), though this trend has reversed in recent years.** The San Diego MSA industrial market was overbuilt during 2008 and 2009, with 1.5 million square feet delivered and six million square feet of negative net absorption during this period. Since then, the market has had steady recovery, with 14 million square feet absorbed versus 7.5 million square feet of new deliveries from 2010 through 2020 to-date. Although deliveries are exceeding net absorption in 2018, 2019 and 2020, it is only a matter of time before newly delivered space is absorbed.

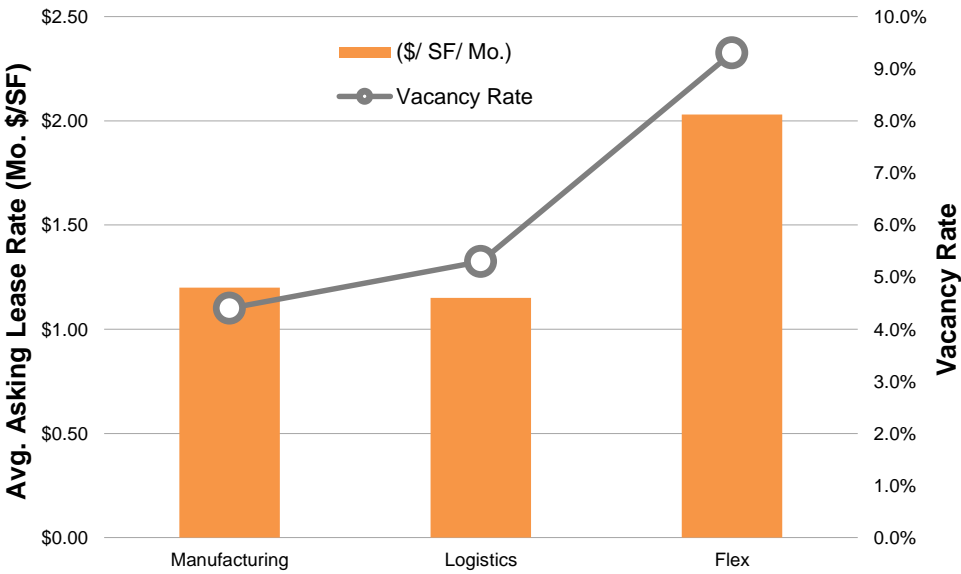
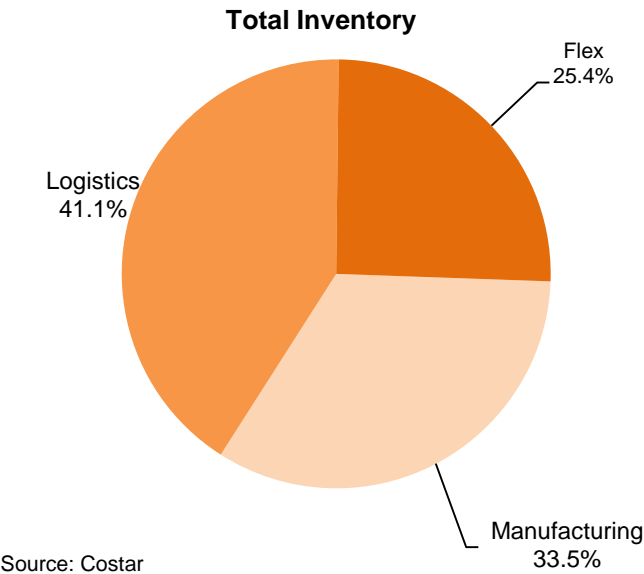
INDUSTRIAL MARKET ABSORPTION VS. COMPLETED SPACE



Source: Costar

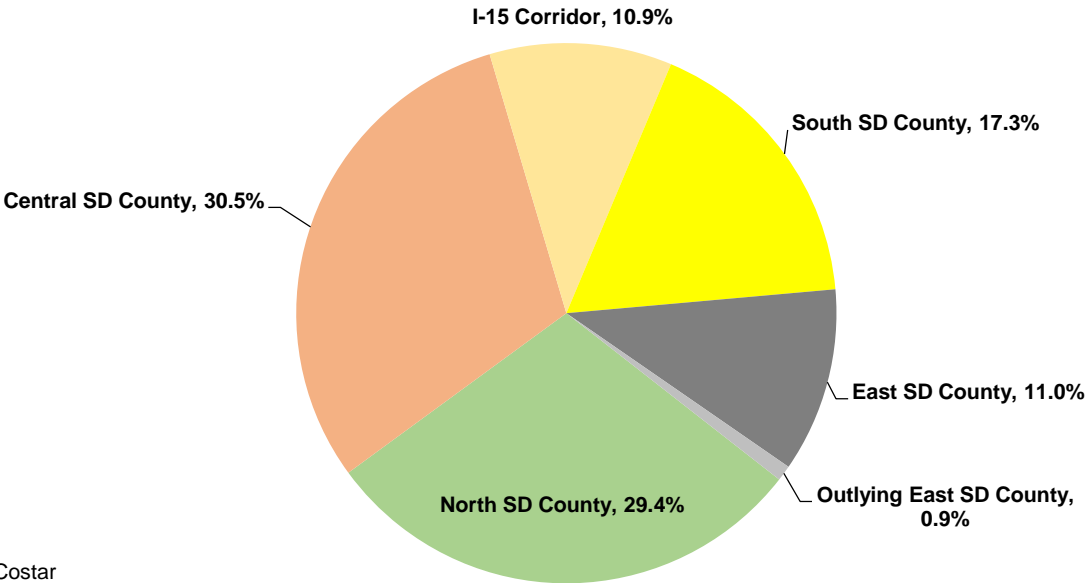
**The San Diego MSA industrial market represents a relatively even mix of Logistics, Manufacturing, and Flex (R&D) uses.** Flex (R&D) space achieves the highest lease rates but also has a higher vacancy rate than other industrial building classes. Logistics buildings dominate the industrial market in terms of absorption, deliveries, and product under construction, with +/-6 million square feet in all three categories.

Type	Total SF	Vacant SF	Vacancy Rate	Absorption (SF) 2019	Deliveries (SF) 2019	Under Construction (SF)	Asking Rent (\$/ SF/ Mo.)
Manufacturing	66,634,398	2,931,914	4.4%	(47,822)	119,378	105,146	\$1.20
Logistics	81,851,665	4,338,138	5.3%	720,166	745,985	4,670,493	\$1.15
Flex	50,477,109	4,694,371	9.3%	(210,148)	485,707	124,302	\$2.03
TOTAL:	198,963,172	11,964,423	6.0%	462,196	1,351,070	4,899,941	\$1.37



**The South San Diego County market comprises 17.3% of the San Diego MSA industrial market overall, and represents a more affordable market than other regions of the County.** South San Diego County has an average industrial lease rate of \$0.85 per square foot per month, which is lower than the county average of \$1.09 per square foot; the vacancy rate is consistent with the county average of 6.0%. Although net absorption is negative in South San Diego County, net absorption is positive in the Otay Mesa submarket (as shown on the following slide). Further, deliveries and space under construction are all positive, and it is only a matter of time that net absorption turns positive considering that approximately 71% of space under construction is pre leased (most notably Amazon’s 3.4 million square foot building in East Otay Mesa).

Market	Total SF	Vacant SF	Vacancy Rate	Last 12 Months Net Absorption (SF)	Last 12 Months Deliveries (SF)	Under Construction (SF)	Avg. Asking Rent (\$/ SF/ Mo.)
North SD County	56,608,561	4,472,076	7.9%	(53,237)	68,774	0	\$0.99
Central SD County	58,688,537	3,814,755	6.5%	(471,804)	98,000	223,826	\$1.27
I-15 Corridor	21,029,267	588,819	2.8%	983,632	675,468	0	\$1.34
<b>South SD County</b>	<b>33,238,628</b>	<b>2,027,556</b>	<b>6.1%</b>	<b>(77,033)</b>	<b>237,631</b>	<b>4,765,157</b>	<b>\$0.85</b>
East SD County	21,267,214	659,284	3.1%	(12,986)	7,413	110,119	\$1.00
Outlying East SD County	1,783,781	21,405	1.2%	(8,514)	0	0	\$1.30
<b>TOTAL:</b>	<b>192,615,988</b>	<b>11,583,896</b>	<b>6.0%</b>	<b>360,058</b>	<b>1,087,286</b>	<b>5,099,102</b>	<b>\$1.09</b>



Source: Kidder Mathews, Costar

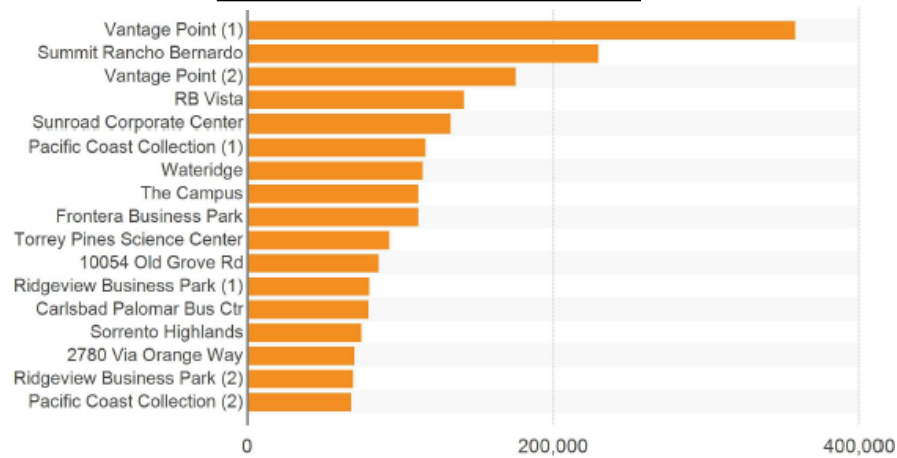


**Otay Mesa is a strong performing industrial submarket, among the leading San Diego submarkets in terms of positive absorption, low lease rates, new deliveries and space under construction.** Otay Mesa is the second largest industrial submarket in the county (behind Mira Mesa/ Miramar), driven by industrial land availability, proximity to the US-Mexico border, and the lowest average lease rates of any submarket in the county (\$0.77 per square foot). The 4.6 million square feet under construction in Otay Mesa is by far the largest amount of construction activity in the county (90% of the county total), driven by Amazon's 3.4 million square foot building in East Otay Mesa.

Submarket	Total SF	Vacant SF	Vacancy Rate	2020 YTD Net Absorption (SF)	2020 YTD Deliveries (SF)	Under Construction (SF)	Avg. Asking Rent (\$/ SF/ Mo.)
Carlsbad	15,488,541	1,641,785	10.6%	273,102	50,150	0	\$1.16
Escondido	7,561,330	249,524	3.3%	(11,936)	0	0	\$0.97
North Beach Cities	347,865	2,783	0.8%	2,951	0	0	--
Oceanside	10,228,421	337,538	3.3%	46,176	0	0	\$0.92
San Marcos	8,864,651	877,600	9.9%	(137,249)	18,624	0	\$0.91
Vista	14,117,753	1,369,422	9.7%	(226,281)	0	0	\$0.93
Kearny Mesa	15,486,393	774,320	5.0%	(100,289)	0	0	\$1.56
Mira Mesa/ Miramar	17,649,396	882,470	5.0%	(96,495)	0	0	\$1.48
PB/ Rose Canyon/ Morena	2,750,281	178,768	6.5%	(121,568)	0	0	\$1.08
Sorrento Mesa	10,300,189	1,133,021	11.0%	(69,016)	0	28,000	\$2.05
Sorrento Valley	3,287,261	312,290	9.5%	(40,178)	0	0	\$1.94
Sports Arena/ Airport	2,875,098	120,754	4.2%	(5,590)	0	0	\$1.30
Torrey Pines	3,847,854	246,263	6.4%	(15,349)	0	195,826	\$2.50
UTC	2,492,065	176,937	7.1%	(23,319)	98,000	0	\$2.20
Mission Gorge	1,894,984	102,329	5.4%	(59,949)	0	0	\$1.57
Poway	9,697,985	164,866	1.7%	611,177	533,950	0	\$1.11
Rancho Bernardo	7,968,449	294,833	3.7%	366,885	141,518	0	\$1.58
Scripps Ranch	1,467,849	27,889	1.9%	65,519	0	0	\$1.24
Chula Vista	9,940,644	675,964	6.8%	(241,161)	0	163,000	\$1.04
Downtown	1,786,534	37,517	2.1%	17,815	0	0	--
National City	3,741,199	33,671	0.9%	(15,651)	0	0	\$1.01
<b>Otay Mesa</b>	<b>16,405,683</b>	<b>1,279,643</b>	<b>7.8%</b>	<b>154,094</b>	<b>237,631</b>	<b>4,602,157</b>	<b>\$0.77</b>
San Ysidro/ Imperial Beach	1,364,568	15,010	1.1%	7,870	0	0	\$1.01
East San Diego	914,729	0	0.0%	0	0	0	--
El Cajon	9,744,899	360,561	3.7%	(178,716)	0	0	\$1.04
La Mesa/ Spring Valley	2,485,692	82,028	3.3%	144,722	0	0	\$0.88
Santee	4,042,328	137,439	3.4%	(16,387)	7,413	110,119	\$1.07
Southeast San Diego	4,079,566	81,591	2.0%	37,395	0	0	\$1.13
Outlying SD County North	982,004	11,784	1.2%	1,706	0	0	\$1.30
<b>Outlying SD County South</b>	<b>801,777</b>	<b>10,423</b>	<b>1.3%</b>	<b>(10,220)</b>	<b>0</b>	<b>0</b>	<b>\$0.00</b>
<b>TOTAL:</b>	<b>192,615,988</b>	<b>11,619,023</b>	<b>6.0%</b>	<b>360,058</b>	<b>1,087,286</b>	<b>5,099,102</b>	<b>\$1.37</b>

**Three of the top ten industrial buildings in terms of absorption activity are located in Otay Mesa.** Specifically, Sunroad Corporate Center, The Campus at San Diego Business Park and Frontera Business Park have absorbed a total of 356,000 square feet over the past year.

**12 MONTH NET ABSORPTION SF IN SELECTED BUILDINGS**



Building Name/Address	Submarket	Bldg SF	Vacant SF	Net Absorption SF				
				1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	12 Month
Vantage Point (1)	Poway Ind	358,313	0	0	0	358,313	0	358,313
Summit Rancho Bernardo	Rancho Bernardo Ind	229,598	0	229,598	0	0	0	229,598
Vantage Point (2)	Poway Ind	175,637	0	0	0	175,637	0	175,637
RB Vista	Rancho Bernardo Ind	141,518	0	0	141,518	0	0	141,518
Sunroad Corporate Center	Otay Mesa Ind	801,417	0	132,864	0	0	0	132,864
Pacific Coast Collection (1)	Oceanside Ind	117,528	0	0	0	0	0	116,250
Wateridge	Sorrento Mesa Ind	183,565	60,279	0	20,694	0	0	114,661
The Campus	Otay Mesa Ind	137,000	25,163	0	0	346	111,491	111,837
Frontera Business Park	Otay Mesa Ind	111,644	0	111,644	0	0	0	111,844
Torrey Pines Science Center	Torrey Pines Ind	94,000	0	0	0	0	0	92,799
10054 Old Grove Rd	Scripps Ranch Ind	85,824	0	0	0	85,824	0	85,824
Ridgeview Business Park (1)	Poway Ind	80,500	0	0	0	0	0	79,624
Carlsbad Palomar Bus Ctr	Carlsbad Ind	148,987	0	0	0	0	0	79,130
Sorrento Highlands	Sorrento Mesa Ind	74,571	0	74,558	0	0	0	74,558
2780 Via Orange Way	La Mesa/Spring Vall...	70,000	0	0	22,700	47,300	0	70,000
Ridgeview Business Park (2)	Poway Ind	70,000	0	0	0	0	0	69,239
Pacific Coast Collection (2)	Oceanside Ind	109,163	41,250	0	0	67,913	0	67,913
<b>Subtotal Primary Competitors</b>		<b>2,789,265</b>	<b>126,692</b>	<b>548,664</b>	<b>184,912</b>	<b>735,333</b>	<b>111,491</b>	<b>2,111,409</b>
Remaining San Diego Market		195,543,907	11,749,756	(553,086)	(347,758)	(395,012)	(131,240)	(1,947,430)
<b>Total San Diego Market</b>		<b>198,333,172</b>	<b>11,876,448</b>	<b>(4,422)</b>	<b>(162,846)</b>	<b>340,321</b>	<b>(19,749)</b>	<b>163,979</b>

Source: CoStar

**Five of the top 25 industrial leases over the past 12 months are located in Otay Mesa.** These leases comprise approximately 402,000 square feet. Amazon is a leader in terms of leasing space in San Diego County, with four out of the top ten leases to Amazon over the past year (748,000 square feet in total) in Poway, Rancho Bernardo and PB/Rose Canyon/ Morena.

**TOP INDUSTRIAL LEASES PAST 12 MONTHS**

Building Name/Address	Submarket	Leased SF	Qtr	Tenant Name	Tenant Rep Company	Leasing Rep Company
14500 Kirkham Way	Poway	358,313	Q2 20	Amazon	Lee & Associates	Kidder Mathews
14400 Kirkham Way	Poway	175,637	Q2 20	Amazon	Lee & Associates	Kidder Mathews
9330 Balboa Ave	Kearny Mesa	150,000	Q4 19	Jack In The Box	-	-
16915 Via Del Campo	Rancho Bernardo	141,518	Q3 20	Amazon	Lee & Associates	JLL
2020 Piper Ranch Rd	Otay Mesa	132,864	Q4 19	QS Customs Brokers	Cushman & Wakefield	CBRE
2065 Sanyo Ave	Otay Mesa	111,491	Q3 20	Hillebrand	-	JLL
1345 Sycamore Ave *	Vista	108,758	Q1 20	Ernest Packaging Solutions	Lee & Associates	-
10015 Waples Ct	Sorrento Mesa	106,412	Q3 20	Quidel Corporation	-	Colliers International
10054 Old Grove Rd	Scrpps Ranch	85,824	Q1 20	-	-	Cushman & Wakefield
4370 Jutland Dr	PB/Rose Canyon/Morena	72,716	Q2 20	Amazon	Lee & Associates	Kidder Mathews
6305 El Camino Real	Carlsbad	67,528	Q4 19	Palomar Technologies, Inc.	-	Cushman & Wakefield
2882 Whiptail Loop E	Carlsbad	66,084	Q4 19	ShipCaln	-	Cushman & Wakefield
528 E Mission Rd	San Marcos	64,287	Q2 20	TRI-M-CO	-	-
1224 Exposition Way	Otay Mesa	62,983	Q4 19	3PL Winner	-	CBRE
9269 Lightwave Ave	Kearny Mesa	62,572	Q3 20	-	-	Cushman & Wakefield;...
7130 Miramar Rd	Mira Mesa/Miramar	59,317	Q4 19	TForce Logistics	-	Cushman & Wakefield
2777 Loker Ave W	Carlsbad	59,215	Q1 20	-	-	Kidder Mathews
2611 Commerce Way	Vista	55,296	Q3 20	DIG	-	Kidder Mathews
6740-6760 Cobra Way	Sorrento Mesa	52,959	Q1 20	Sekisui Diagnostics	-	Kidder Mathews
7130 Miramar Rd	Mira Mesa/Miramar	50,922	Q2 20	-	-	Cushman & Wakefield
1491 Poinsettia Ave *	Vista	49,384	Q4 19	Plansee	-	Cushman & Wakefield
8123 Miralani Dr	Mira Mesa/Miramar	48,000	Q2 20	Cutwater Spirits	CBRE	Colliers International
6855 Calle De Linea	Otay Mesa	47,838	Q3 20	-	-	CBRE
2780 Via Orange Way	La Mesa/Spring Valley	47,300	Q2 20	Vey's Powersports	Inland Pacific	Inland Pacific
7550 Panasonic Way	Otay Mesa	46,830	Q4 19	Costco	-	Lee & Associates Com...
2580 Progress St	Vista	45,465	Q2 20	PDQ Pickup	Colliers International	Palomar Commercial
1690 Brandywine Ave	Chula Vista	45,183	Q4 19	Dynamex Operations Wes...	Colliers International	Cushman & Wakefield
740 Los Vallecitos Blvd	San Marcos	40,067	Q1 20	Western Pacific Wholesale	-	JLL
8991 Crestmar Pt	Mira Mesa/Miramar	40,000	Q4 19	-	-	Kidder Mathews
955 Gateway Center Way *	Southeast San Diego	39,777	Q1 20	RRD San Diego	-	Kidder Mathews
6080 Nancy Ridge Dr	Mira Mesa/Miramar	38,660	Q2 20	BlueNalu, Inc.	Cresa - San Diego	CBRE
1865 Ord Way	Oceanside	35,463	Q3 20	Paradox Foods	-	Kidder Mathews
1330 30th St *	San Ysidro/Imp Beach	35,038	Q2 20	Leidos Engineering & Sci...	JLL	Voit Real Estate Services
1445 Engineer St	Vista	35,000	Q4 19	Medco	-	CBRE
2954 Norman Strasse Rd	San Marcos	34,854	Q4 19	Abena North America, Inc.	-	Cushman & Wakefield
9649-9669 Distribution Ave *	Mira Mesa/Miramar	34,150	Q4 19	Northrop Grumman Innov...	CBRE	Voit Real Estate Services
6131 Innovation Way	Carlsbad	32,227	Q2 20	-	-	Voit Real Estate Services
1445 Engineer St	Vista	32,221	Q4 19	North County Food Bank	-	CBRE
2500 Sweetwater Springs Blvd	La Mesa/Spring Valley	31,800	Q2 20	Coastal Trading Ventures...	Inland Pacific	Voit Real Estate Services
1166-1168 Fesler St	El Cajon	29,783	Q3 20	Agorus	Cushman & Wakefie...	Inland Pacific

\*Renewal

Source: CoStar

# Office Demand Analysis

---

Assessment of Most Marketable Land Uses, East Otay Mesa Specific Plan



The table below represents realistic demand (average CalTrans job projections and Woods & Poole job projections) for office space annually over the next 20 years. At 35% building coverage, this equates to approximately 10.52 acres needed for this amount of office building development. There are currently 968 acres of Technology/ Business Park zoned land in the East Otay Mesa Specific Plan that can accommodate future office related uses. The rezoning of 209 acres of Technology/ Business Park land to 209 acres of General Industrial zoned land will not materially impact future potential demand for office space to locate on TBP land, considering there will be approximately 761 acres of TBP zoned land remaining *after* the rezoning occurs.

MEYERS <u>Realistic</u> Buildout for EAST OTAY SPECIFIC PLAN (Avg. of CalTrans, Woods & Poole Proj.) - Office Size and Demand (SF)			
Year	San Diego MSA Office Demand (SF)	South Bay Demand (SF)	Total Office Demand (SF) SUBJECT
2021	2,077,020	207,702	6,646
2022	2,250,183	225,018	7,201
2023	2,200,114	220,011	7,040
2024	1,545,872	170,046	5,411
2025	1,486,264	163,489	5,202
2026	1,417,062	155,877	4,960
2027	1,429,503	157,245	5,003
2028	1,402,322	154,255	4,908
2029	1,386,411	152,505	4,852
2030	1,363,744	150,012	9,546
2031	1,355,642	149,121	9,489
2032	1,346,275	148,090	9,424
2033	1,325,942	145,854	9,282
2034	1,318,284	145,011	9,228
2035	1,315,694	144,726	9,210
2036	1,296,287	142,592	9,074
2037	1,308,340	143,917	9,158
2038	1,287,341	141,608	9,011
2039	1,300,941	143,104	9,107
2040	1,291,608	142,077	9,041
AVERAGE:	1,485,242	160,113	7,640
TOTAL:	29,704,849	3,202,260	152,794

Source: Meyers Research,  
Woods & Poole, CA DOT, CoStar

Total Acreage @ 33% Coverage	10.52
------------------------------	-------

The demand analysis below is based on job growth projections per the California Department of Transportation (CalTrans) by industry for the San Diego MSA, then refined by applying low and high capture (%) estimates for the appropriate submarkets, and ultimately for the East Otay Mesa Specific Plan. The tables below represent demand (average of low and high capture %) for office space annually through 2040. Our CalTrans-based demand model supports an average of 3,720 square feet of office space at the East Otay Mesa Specific Plan annually, for a total of 74,399 square feet during a 20 year timeframe. It is important to note that CalTrans job projections are conservative, and we have considered a demand model based on Woods & Poole projections as well (see the following page).

MEYERS Optimistic Buildout for EAST OTAY MESA SPECIFIC PLAN (CalTrans Projections) - Office Size and Demand (SF) Capture Rates				
Year	Estimated Annual Capture: SOUTH BAY (%)		Estimated Annual Capture: EAST OTAY (SUBJECT) (%)	
	Low	High	Low	High
2021	9.0%	11.0%	1.0%	5.0%
2022	9.0%	11.0%	1.0%	5.0%
2023	9.0%	11.0%	1.0%	5.0%
2024	10.0%	12.0%	1.0%	5.0%
2025	10.0%	12.0%	1.0%	5.0%
2026	10.0%	12.0%	1.0%	5.0%
2027	10.0%	12.0%	1.0%	5.0%
2028	10.0%	12.0%	1.0%	5.0%
2029	10.0%	12.0%	1.0%	5.0%
2030	10.0%	12.0%	2.0%	10.0%
2031	10.0%	12.0%	2.0%	10.0%
2032	10.0%	12.0%	2.0%	10.0%
2033	10.0%	12.0%	2.0%	10.0%
2034	10.0%	12.0%	2.0%	10.0%
2035	10.0%	12.0%	2.0%	10.0%
2036	10.0%	12.0%	2.0%	10.0%
2037	10.0%	12.0%	2.0%	10.0%
2038	10.0%	12.0%	2.0%	10.0%
2039	10.0%	12.0%	2.0%	10.0%
2040	10.0%	12.0%	2.0%	10.0%

Assumptions/ Rationale:

Market:	The South Bay market comprises 9.5% of the total office inventory in the San Diego MSA, and current indicators suggest mixed indicators in terms of office development: annual deliveries over the past five years represent 4.5% of the MSA, and absorption equates to 7.2% of overall absorption. Over the past 12 months, deliveries have comprised 33.7% of the MSA and absorption has represented 6.7% of the MSA. We suggest a capture of 9.0% to 11.0% of the overall market over the next five years and increasing to the 10% to 12% range going forward.
Subject:	Capture as a percentage of the South Bay Market is minimal (1% to 10%), based on the limited office development activity that has occurred to date in Otay Mesa as well as feedback from commercial brokers that are active in the local market.

Source: Meyers Research, CA DOT, CoStar

MEYERS Optimistic Buildout for EAST OTAY MESA SPECIFIC PLAN (CalTrans Projections) - Office Size and Demand (SF)			
Year	San Diego MSA Office Demand (SF)	South Bay Demand (SF)	Total Office Demand (SF) EAST OTAY
2021	1,727,469	172,747	5,528
2022	1,999,080	199,908	6,397
2023	2,061,383	206,138	6,596
2024	860,180	94,620	3,011
2025	715,684	78,725	2,505
2026	561,629	61,779	1,966
2027	608,021	66,882	2,128
2028	603,284	66,361	2,111
2029	595,267	65,479	2,083
2030	557,533	61,329	3,903
2031	556,329	61,196	3,894
2032	559,344	61,528	3,915
2033	539,583	59,354	3,777
2034	539,139	59,305	3,774
2035	545,357	59,989	3,818
2036	519,054	57,096	3,633
2037	556,260	61,189	3,894
2038	525,218	57,774	3,677
2039	562,358	61,859	3,937
2040	550,261	60,529	3,852
AVERAGE:	787,122	83,689	3,720
TOTAL:	15,742,433	1,673,788	74,399

For Perspective - CoStar Market Data

South Bay market share of San Diego MSA	9.5%	Markets' % share of San Diego MSA
Avg. Annual Deliveries in San Diego MSA (1982 - 2019)	2,100,000	
Avg. Annual Deliveries in San Diego MSA (2010 - 2019)	497,897	
Avg. Annual Deliveries in San Diego MSA (2018 - 2019)	329,548	
Avg. Annual Deliveries in San Diego MSA (2020P - 2024P)	902,987	
San Diego MSA Under Construction (Current)	2,124,181	
Average Absorption in San Diego MSA (2010 - 2019)	1,040,465	
Average Absorption in San Diego MSA (2018 - 2019)	624,890	
Average Absorption in San Diego MSA (2020P - 2024P)	145,742	
Avg. Annual Deliveries in South Bay (2015 - 2020)	22,572	
Office Deliveries in South Bay (Last 12 Mo.)	111,000	
Avg. Absorption in South Bay (2015 - 2020)	74,676	
Office Absorption in South Bay (Last 12 Mo.)	41,608	
South Bay Under Construction (Current)	0	

The demand analysis below is based on job growth projections per Woods & Poole by industry for the San Diego MSA, then refined by applying low and high capture (%) estimates for the appropriate submarkets, and ultimately for the East Otay Mesa Specific Plan. The tables below represent demand (average of low and high capture %) for office space annually over the next 20 years. Our Woods & Poole based demand model supports an average of 11,559 square feet of office space at the East Otay Mesa Specific Plan annually, for a total of 231,190 square feet during a 20-year timeframe.

MEYERS Optimistic Buildout for EAST OTAY MESA SPECIFIC PLAN (Woods & Poole Projections) - Office Size and Demand (SF) Capture Rates				
Year	Estimated Annual Capture: SOUTH BAY (%)		Estimated Annual Capture: EAST OTAY (SUBJECT) (%)	
	Low	High	Low	High
2021	9.0%	11.0%	1.0%	5.0%
2022	9.0%	11.0%	1.0%	5.0%
2023	9.0%	11.0%	1.0%	5.0%
2024	10.0%	12.0%	1.0%	5.0%
2025	10.0%	12.0%	1.0%	5.0%
2026	10.0%	12.0%	1.0%	5.0%
2027	10.0%	12.0%	1.0%	5.0%
2028	10.0%	12.0%	1.0%	5.0%
2029	10.0%	12.0%	1.0%	5.0%
2030	10.0%	12.0%	2.0%	10.0%
2031	10.0%	12.0%	2.0%	10.0%
2032	10.0%	12.0%	2.0%	10.0%
2033	10.0%	12.0%	2.0%	10.0%
2034	10.0%	12.0%	2.0%	10.0%
2035	10.0%	12.0%	2.0%	10.0%
2036	10.0%	12.0%	2.0%	10.0%
2037	10.0%	12.0%	2.0%	10.0%
2038	10.0%	12.0%	2.0%	10.0%
2039	10.0%	12.0%	2.0%	10.0%
2040	10.0%	12.0%	2.0%	10.0%

Assumptions/ Rationale:

Market:	The South Bay market comprises 9.5% of the total office inventory in the San Diego MSA, and current indicators suggest mixed indicators in terms of office development: annual deliveries over the past five years represent 4.5% of the MSA, and absorption equates to 7.2% of overall absorption. Over the past 12 months, deliveries have comprised 33.7% of the MSA and absorption has represented 6.7% of the MSA. We suggest a capture of 9.0% to 11.0% of the overall market over the next five years and increasing to the 10% to 12% range going forward.
Subject:	Capture as a percentage of the South Bay Market is minimal (1% to 10%), based on the limited office development activity that has occurred to date in Otay Mesa as well as feedback from commercial brokers that are active in the local market.

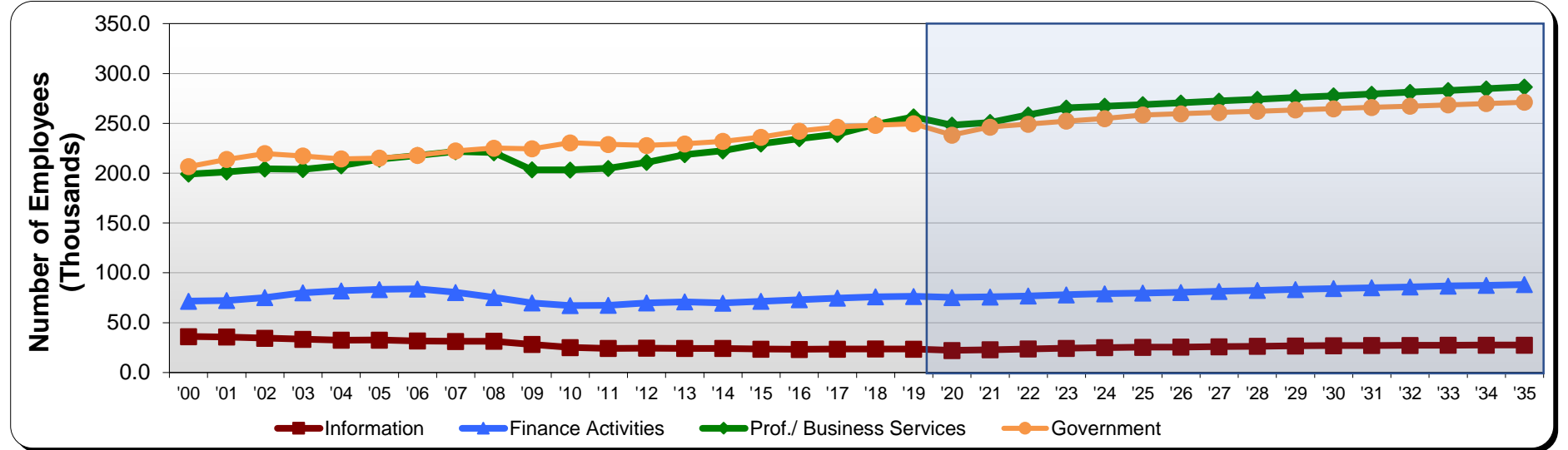
Source: Meyers Research, Woods & Poole, CoStar

MEYERS Optimistic Buildout for EAST OTAY MESA SPECIFIC PLAN (Woods & Poole Projections) - Office Size and Demand (SF)			
Year	San Diego MSA Office Demand (SF)	South Bay Demand (SF)	Total Office Demand (SF) EAST OTAY
2021	2,426,570	242,657	7,765
2022	2,501,285	250,128	8,004
2023	2,338,845	233,885	7,484
2024	2,231,565	245,472	7,810
2025	2,256,845	248,253	7,899
2026	2,272,495	249,974	7,954
2027	2,250,985	247,608	7,878
2028	2,201,360	242,150	7,705
2029	2,177,555	239,531	7,621
2030	2,169,955	238,695	15,190
2031	2,154,955	237,045	15,085
2032	2,133,205	234,653	14,932
2033	2,112,300	232,353	14,786
2034	2,097,430	230,717	14,682
2035	2,086,030	229,463	14,602
2036	2,073,520	228,087	14,515
2037	2,060,420	226,646	14,423
2038	2,049,465	225,441	14,346
2039	2,039,525	224,348	14,277
2040	2,032,955	223,625	14,231
AVERAGE:	2,183,363	236,537	11,559
TOTAL:	43,667,265	4,730,732	231,190

For Perspective - CoStar Market Data

South Bay market share of San Diego MSA	9.5%	Markets' % share of San Diego MSA
Avg. Annual Deliveries in San Diego MSA (1982 - 2019)	2,100,000	
Avg. Annual Deliveries in San Diego MSA (2010 - 2019)	497,897	
Avg. Annual Deliveries in San Diego MSA (2018 - 2019)	329,548	
Avg. Annual Deliveries in San Diego MSA (2020P - 2024P)	902,987	
San Diego MSA Under Construction (Current)	2,124,181	
Average Absorption in San Diego MSA (2010 - 2019)	1,040,465	
Average Absorption in San Diego MSA (2018 - 2019)	624,890	
Average Absorption in San Diego MSA (2020P - 2024P)	145,742	
Avg. Annual Deliveries in South Bay (2015 - 2020)	22,572	
Office Deliveries in South Bay (Last 12 Mo.)	111,000	
Avg. Absorption in South Bay (2015 - 2020)	74,676	
Office Absorption in South Bay (Last 12 Mo.)	41,608	
South Bay Under Construction (Current)	0	

CalTrans projections for professional business services are relatively strong in the San Diego MSA, though 2020 is anticipated with job declines due to the COVID-19 pandemic. The Government and Professional Business Services sectors represent the largest office-oriented employment base in San Diego (486,000 jobs combined). In total, jobs in industrial oriented fields total 584,000 jobs as of 2020P, a -3.6% decrease during 2020 but an increase of 70,000 total jobs since 2000. Going forward, CalTrans projects a net increase of 109,000 office-oriented jobs through 2040 (a 0.6% annual average increase).



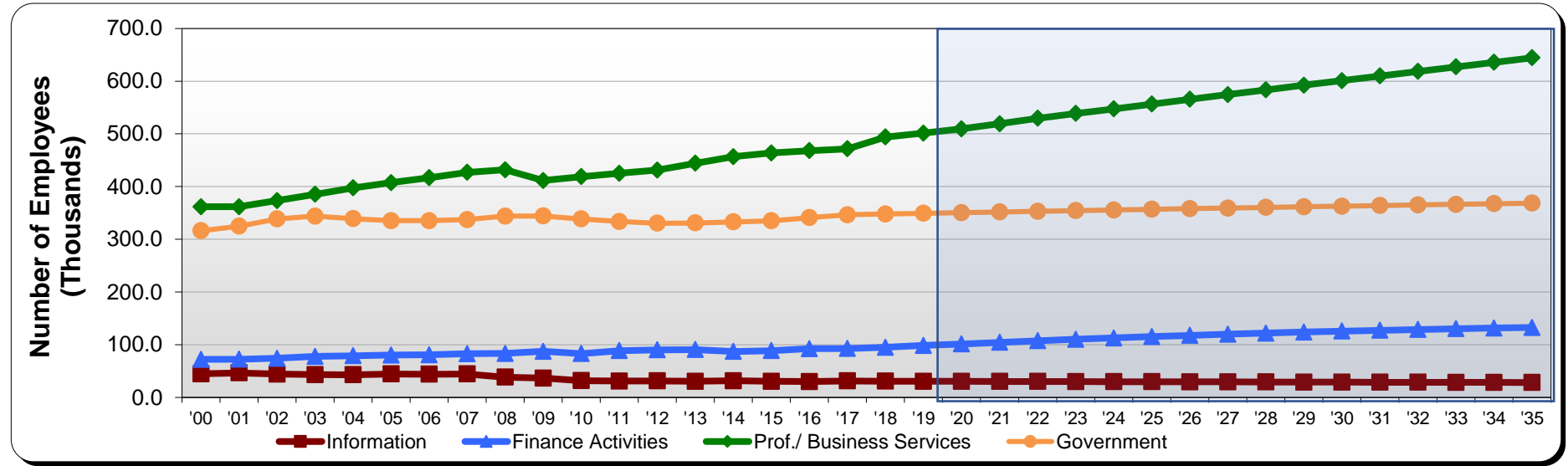
	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17
Information	36.00	35.62	34.43	33.41	32.50	32.56	31.68	31.27	31.40	28.23	25.08	24.17	24.39	24.13	24.14	23.43	23.23	23.43
Finance Activities	71.55	72.18	75.13	80.01	82.04	83.32	83.80	80.39	75.33	69.80	67.18	67.42	69.85	70.96	69.64	71.38	72.99	74.64
Prof./ Business Services	199.13	201.22	204.38	203.85	207.58	214.11	217.88	221.65	220.57	203.43	203.30	204.91	210.93	218.69	222.55	229.48	234.68	239.00
Government	206.65	213.80	219.69	217.28	214.31	215.11	217.94	222.38	225.12	224.53	230.47	228.96	227.83	229.48	231.92	236.16	242.24	246.29
% Change Information	—	-1.1%	-3.3%	-3.0%	-2.7%	0.2%	-2.7%	-1.3%	0.4%	-10.1%	-11.2%	-3.6%	0.9%	-1.1%	0.0%	-2.9%	-0.9%	0.9%
% Change Finance Activities	—	0.9%	4.1%	6.5%	2.5%	1.6%	0.6%	-4.1%	-6.3%	-7.3%	-3.8%	0.4%	3.6%	1.6%	-1.9%	2.5%	2.3%	2.3%
% Change Prof/Bus Services	—	1.05%	1.6%	-0.3%	1.8%	3.1%	1.8%	1.7%	-0.5%	-7.8%	-0.1%	0.8%	2.9%	3.7%	1.8%	3.1%	2.3%	1.8%
% Change Government	—	3.5%	2.8%	-1.1%	-1.4%	0.4%	1.3%	2.0%	1.2%	-0.3%	2.6%	-0.7%	-0.5%	0.7%	1.1%	1.8%	2.6%	1.7%

	'18	'19	'20	'21	'22	'23	'24	'25	'26	'27	'28	'29	'30	'31	'32	'33	'34	'35
Information	23.63	23.49	22.17	22.76	23.65	24.33	24.99	25.31	25.51	25.83	26.27	26.65	26.90	27.09	27.21	27.33	27.46	27.52
Finance Activities	76.03	76.42	75.29	75.87	76.76	77.97	79.00	79.72	80.39	81.39	82.39	83.36	84.22	85.07	85.91	86.75	87.53	88.25
Prof./ Business Services	248.93	256.58	248.28	250.99	258.58	265.55	267.29	268.91	270.65	272.39	274.13	275.87	277.62	279.36	281.22	282.97	284.71	286.57
Government	248.10	249.63	238.30	246.26	249.20	252.35	254.84	258.41	259.65	260.94	262.19	263.48	264.75	266.02	267.29	268.61	269.93	271.26
% Change Information	0.9%	-0.6%	-5.6%	2.7%	3.9%	2.8%	2.7%	1.3%	0.8%	1.3%	1.7%	1.4%	0.9%	0.7%	0.5%	0.5%	0.4%	0.2%
% Change Finance Activities	1.9%	0.5%	-1.5%	0.8%	1.2%	1.6%	1.3%	0.9%	0.8%	1.2%	1.2%	1.2%	1.0%	1.0%	1.0%	1.0%	0.9%	0.8%
% Change Prof/Bus Services	4.2%	3.1%	-3.2%	1.1%	3.0%	2.7%	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.7%	0.6%	0.6%	0.7%
% Change Government	0.7%	0.6%	-4.5%	3.3%	1.2%	1.3%	1.0%	1.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%

Source: Woods & Poole



Woods & Poole projections anticipate stronger increases in Professional/ Business Service jobs in the coming years. Note: Woods & Poole projections were published in early 2020 and do not include job losses due to the COVID-19 pandemic, thus the current number of jobs as well as projections may be optimistic.



	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17
Information	44.66	46.49	44.28	43.11	42.85	44.43	43.93	44.49	38.36	36.47	31.71	31.02	31.27	30.60	31.43	30.49	29.91	31.19
Finance Activities	72.05	72.38	74.23	77.69	79.13	80.23	80.84	82.90	83.28	87.44	83.11	88.71	90.08	90.68	87.09	88.63	92.40	92.79
Prof./ Business Services	361.66	361.63	373.41	385.28	397.40	407.41	416.84	426.89	431.70	411.43	418.80	425.11	431.31	444.32	456.65	463.70	468.07	471.77
Government	316.12	324.86	338.51	343.78	339.12	335.20	335.17	337.20	343.94	344.24	338.51	333.79	330.42	330.85	332.93	334.94	341.23	346.51
% Change Information	--	4.1%	-4.8%	-2.6%	-0.6%	3.7%	-1.1%	1.3%	-13.8%	-4.9%	-13.0%	-2.2%	0.8%	-2.2%	2.7%	-3.0%	-1.9%	4.3%
% Change Finance Activities	--	0.5%	2.6%	4.7%	1.8%	1.4%	0.8%	2.5%	0.5%	5.0%	-5.0%	6.7%	1.5%	0.7%	-4.0%	1.8%	4.2%	0.4%
% Change Prof/Bus Services	--	-0.01%	3.3%	3.2%	3.1%	2.5%	2.3%	2.4%	1.1%	-4.7%	1.8%	1.5%	1.5%	3.0%	2.8%	1.5%	0.9%	0.8%
% Change Government	--	2.8%	4.2%	1.6%	-1.4%	-1.2%	0.0%	0.6%	2.0%	0.1%	-1.7%	-1.4%	-1.0%	0.1%	0.6%	0.6%	1.9%	1.5%

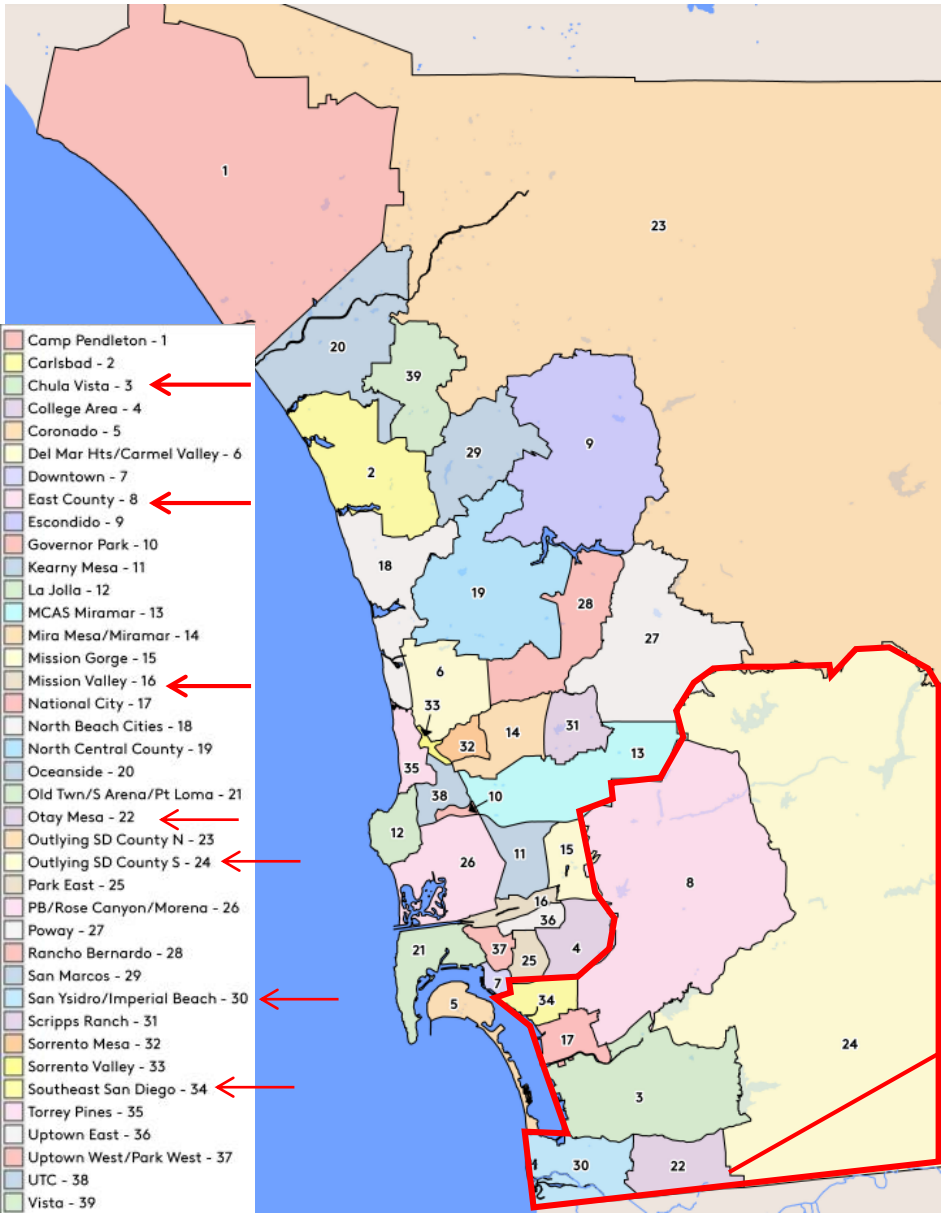
	'18	'19	'20	'21	'22	'23	'24	'25	'26	'27	'28	'29	'30	'31	'32	'33	'34	'35
Information	30.78	30.62	30.45	30.29	30.13	29.98	29.82	29.67	29.52	29.38	29.23	29.09	28.94	28.81	28.67	28.53	28.40	28.26
Finance Activities	94.91	98.62	101.24	104.51	107.46	110.25	112.88	115.37	117.72	119.92	121.98	123.90	125.68	127.32	128.83	130.22	131.47	132.61
Prof./ Business Services	494.06	501.47	509.60	519.09	529.48	538.78	547.43	556.37	565.51	574.60	583.42	592.17	600.96	609.73	618.44	627.09	635.72	644.34
Government	348.07	349.35	350.62	351.88	353.13	354.37	355.60	356.82	358.03	359.23	360.42	361.61	362.79	363.96	365.12	366.28	367.43	368.58
% Change Information	-1.3%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
% Change Finance Activities	2.3%	3.9%	2.7%	3.2%	2.8%	2.6%	2.4%	2.2%	2.0%	1.9%	1.7%	1.6%	1.4%	1.3%	1.2%	1.1%	1.0%	0.9%
% Change Prof/Bus Services	4.7%	1.5%	1.6%	1.9%	2.0%	1.8%	1.6%	1.6%	1.6%	1.6%	1.5%	1.5%	1.5%	1.5%	1.4%	1.4%	1.4%	1.4%
% Change Government	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%

Source: Woods & Poole

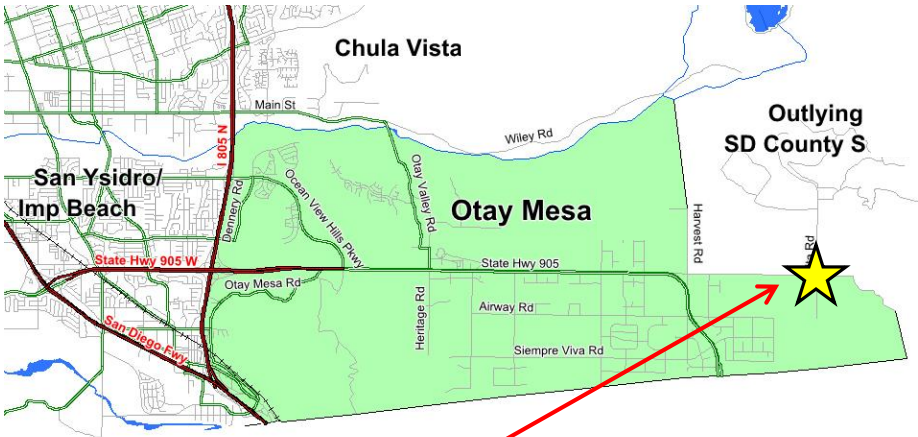
# Office Market Trends

---

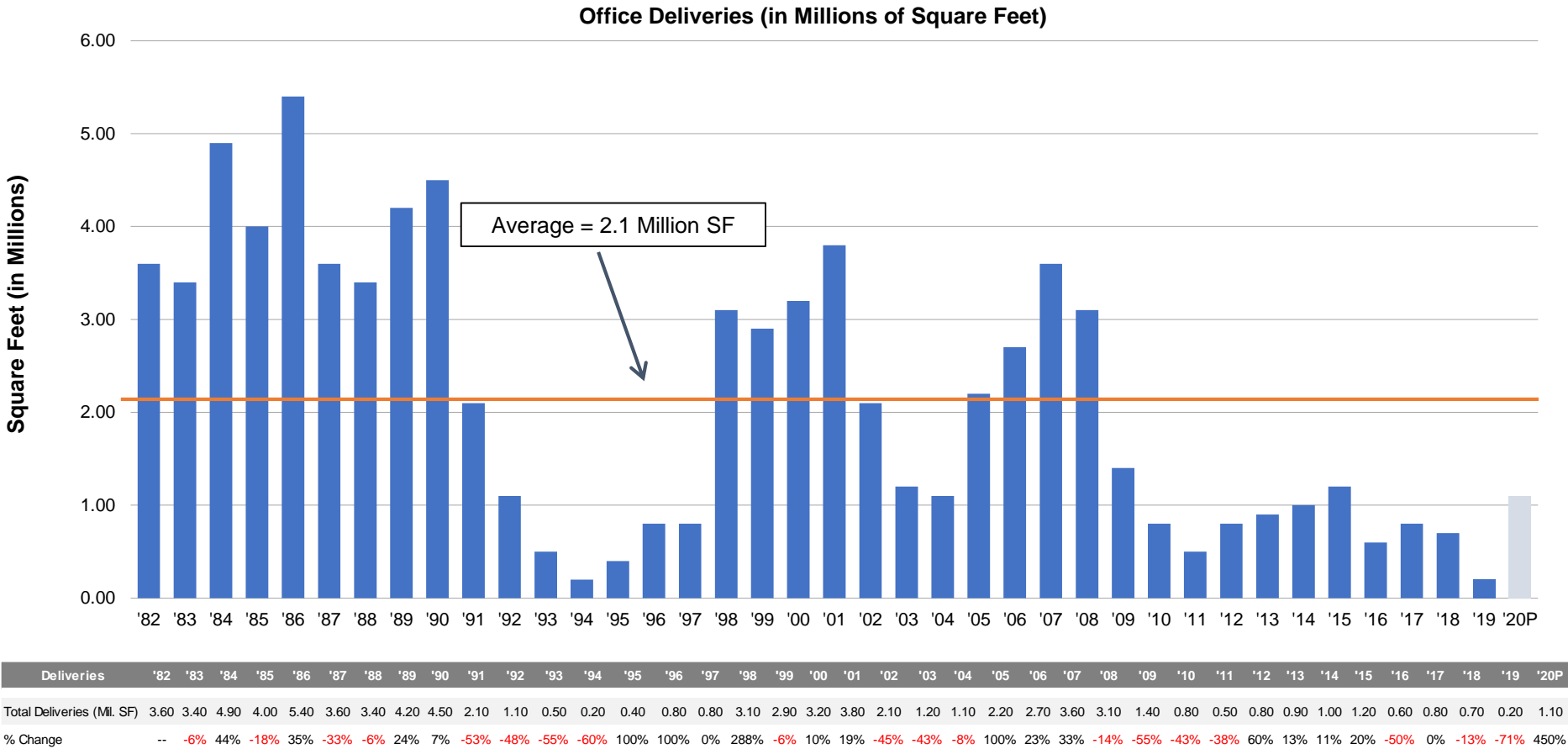
Assessment of Most Marketable Land Uses, East Otay Mesa Specific Plan



The San Diego MSA is comprised of 39 office submarkets that divide up the MSA. The East Otay Mesa Specific Plan is located in the South Bay Market, which is comprised of seven submarkets (red border)—the Otay Mesa and Outlying San Diego County South submarkets (location of Site), as well as San Ysidro/ Imperial Beach, East County, Southeast San Diego, National City, and Chula Vista submarkets.



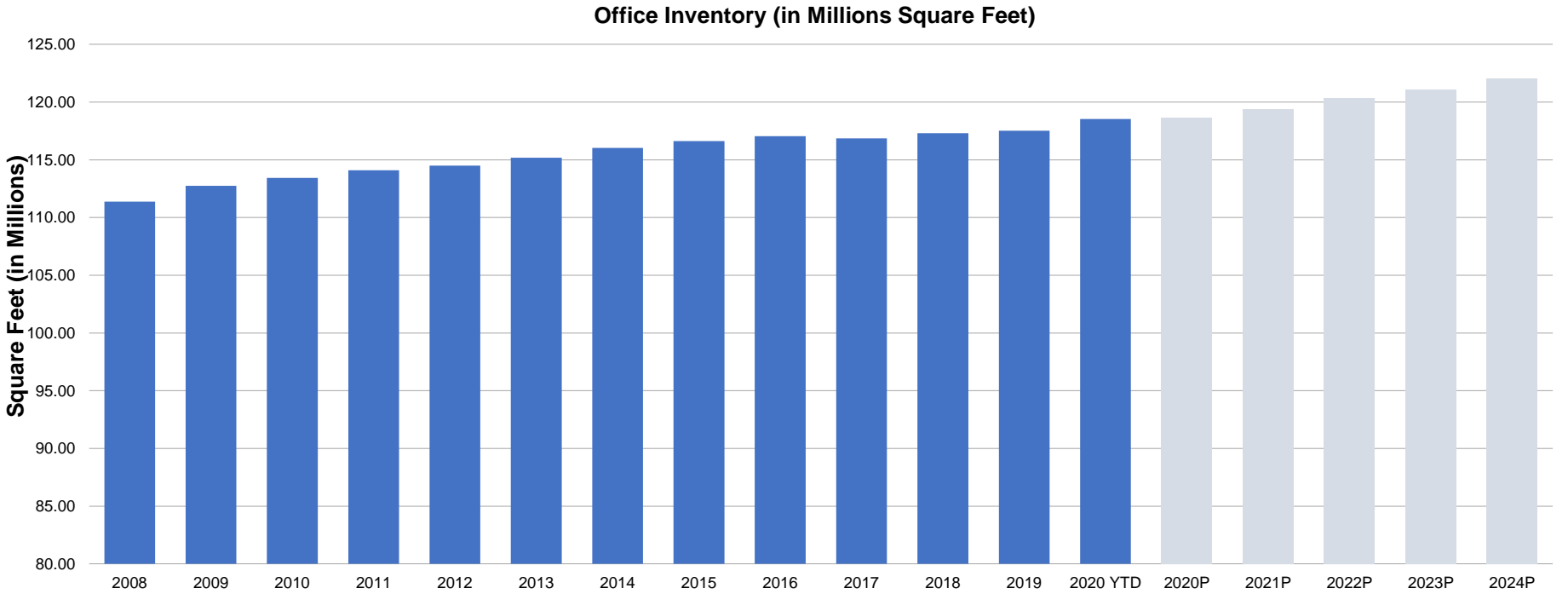
New office deliveries in the San Diego MSA averaged approximately 2.1 million square feet annually over the past 38 years. Office deliveries follow cycles of development, and this market had select years where deliveries were remarkably high—the mid-1980's, late 1990's/ and mid-2000's in particular. Annual deliveries have been very low for over a decade, but office development appears to be rebounding with 1.1 million square feet of space projected to be delivered in 2020.



Source: CoStar



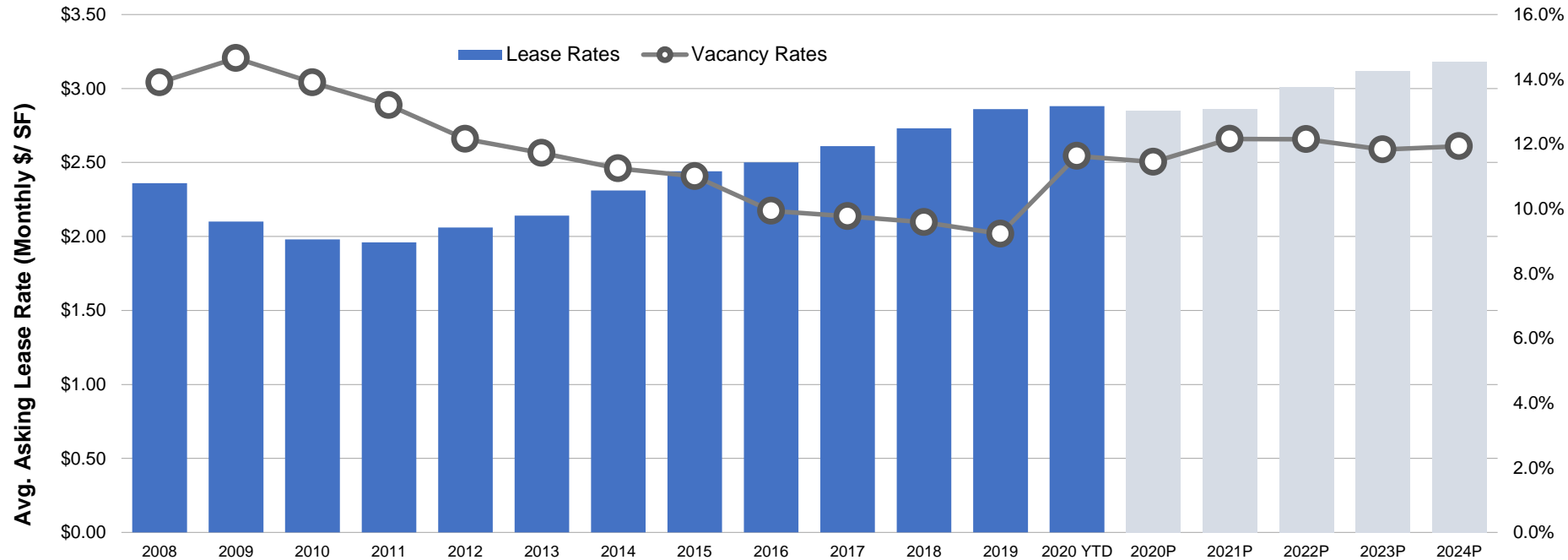
**After a decade with only marginal increase in inventory, the San Diego office inventory is starting to increase.** The past 10 years averaged just 557,000 square feet of increased inventory per year in the MSA, though that is changing—so far this year, inventory has increased by over 1.1 million square feet and CoStar projects that inventory will increase by 4.5 square feet over the next five years.



Inventory	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 YTD	2020P	2021P	2022P	2023P	2024P
Total Inventory (SF)	111,382,774	112,740,099	113,443,538	114,090,959	114,490,119	115,193,293	116,024,064	116,614,658	117,059,974	116,856,985	117,301,923	117,516,080	118,533,679	118,633,679	119,405,301	120,386,840	121,103,513	122,031,017
Inventory Change	--	1,357,325	703,439	647,421	399,160	703,174	830,771	590,594	445,316	-202,989	444,938	214,157	1,017,599	1,117,599	771,622	981,539	716,673	927,504
% Change	--	1.2%	0.6%	0.6%	0.3%	0.6%	0.7%	0.5%	0.4%	-0.2%	0.4%	0.2%	0.9%	0.1%	0.7%	0.8%	0.6%	0.8%

Source: CoStar

**Overall, average office lease rates appear to have stabilized at \$2.88 per square foot per month in 2020.** The vacancy rate has increased to 11.6% in 2020, a function of decreased demand for office space due to the COVID-19 pandemic. Going forward, CoStar projects rents to increase to \$3.18 per square foot per month and vacancy to remain at approximately 11% by 2024.



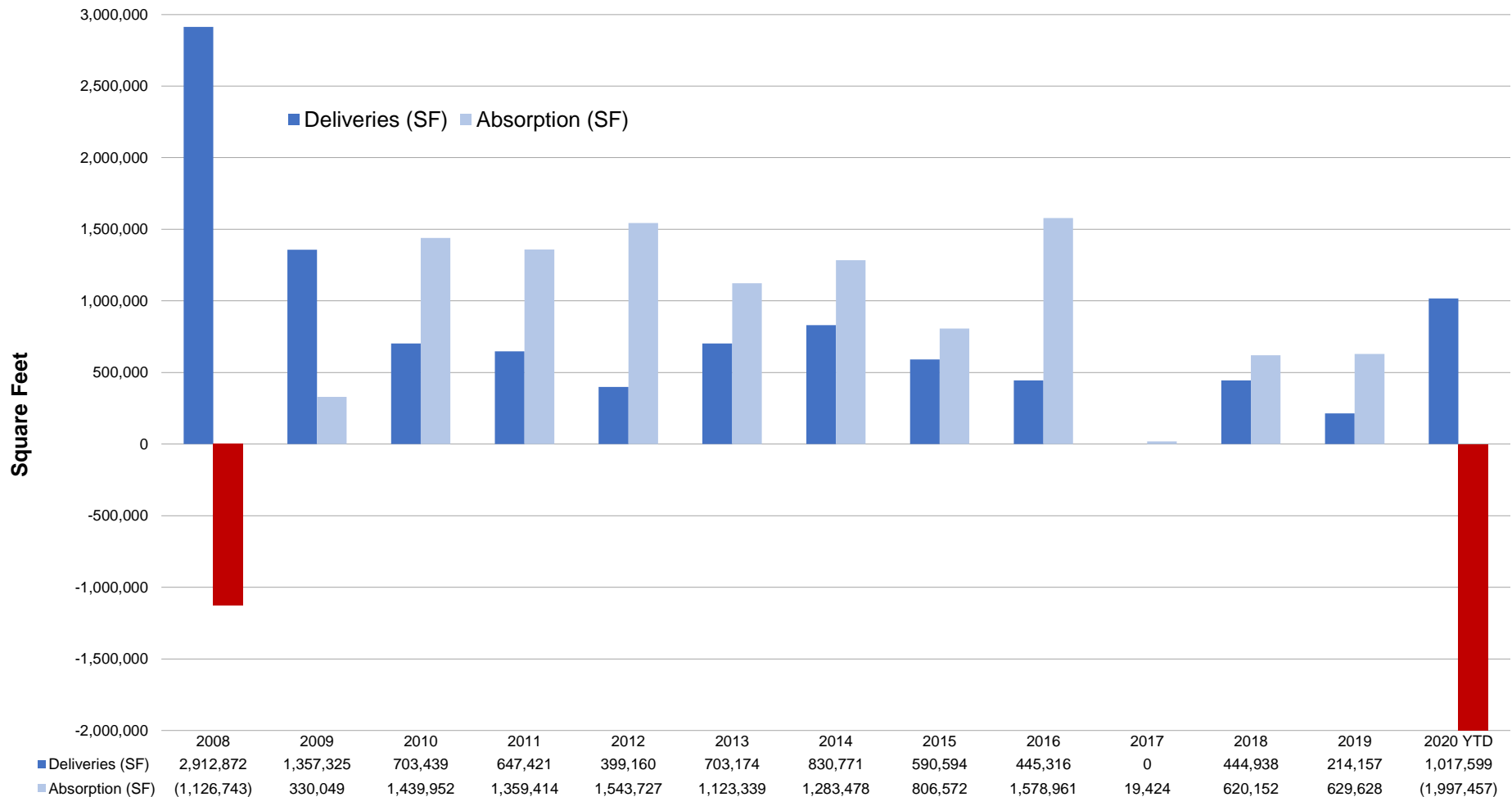
Lease Rates	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 YTD	2020P	2021P	2022P	2023P	2024P
Lease Rate (\$/ SF/ Mo.)	\$2.36	\$2.10	\$1.98	\$1.96	\$2.06	\$2.14	\$2.31	\$2.44	\$2.50	\$2.61	\$2.73	\$2.86	\$2.88	\$2.85	\$2.86	\$3.01	\$3.12	\$3.18
Lease Rate Change	--	(\$0.26)	(\$0.12)	(\$0.02)	\$0.10	\$0.08	\$0.17	\$0.13	\$0.06	\$0.11	\$0.12	\$0.13	\$0.02	(\$0.03)	\$0.01	\$0.15	\$0.11	\$0.06
% Change	--	-11.0%	-5.7%	-1.0%	5.1%	3.9%	7.9%	5.6%	2.5%	4.4%	4.6%	4.8%	0.7%	-1.0%	0.4%	5.2%	3.7%	1.9%

Vacancy Rates	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 YTD	2020P	2021P	2022P	2023P	2024P
Vacancy Rate	13.9%	14.6%	13.9%	13.2%	12.2%	11.7%	11.2%	11.0%	9.9%	9.8%	9.6%	9.2%	11.6%	11.4%	12.2%	12.1%	11.8%	11.9%
Vac. Rate Change	--	0.7%	-0.7%	-0.7%	-1.0%	-0.4%	-0.5%	-0.2%	-1.1%	-0.2%	-0.2%	-0.4%	2.4%	-0.2%	0.7%	0.0%	-0.3%	0.1%
% Change	--	5.4%	-5.1%	-5.1%	-7.9%	-3.6%	-4.0%	-2.2%	-9.7%	-1.7%	-1.9%	-3.8%	26.1%	-1.6%	6.2%	-0.1%	-2.7%	0.9%

# SAN DIEGO MSA OFFICE MARKET ABSORPTION VS. COMPLETED SPACE

Office Market Trends

**The San Diego MSA office market is currently experiencing negative net absorption in 2020, a function of decreased demand for office space due to the COVID-19 pandemic.** Absorption has outpaced new deliveries in each of the past 10 years, indicating there has historically been more demand than supply in San Diego MSA—there is a great deal of uncertainty in the coming years in terms of how office absorption recovers in the coming years.

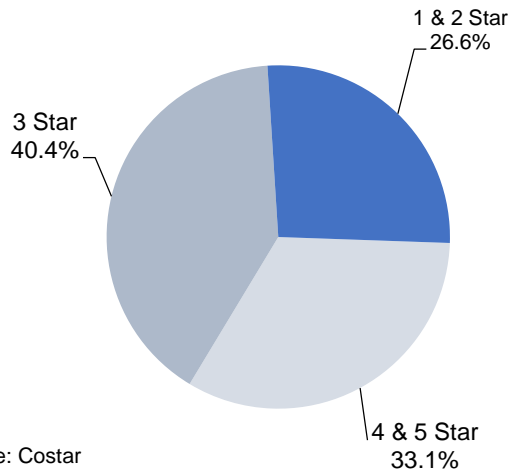


Source: Costar

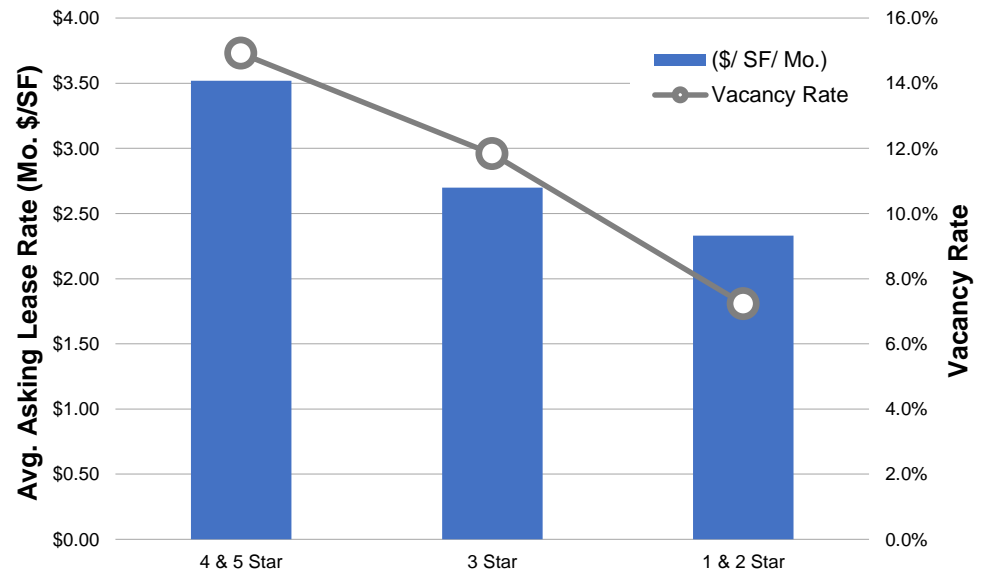
**Buildings that are designated as 4/5 Star (Class A) and 3 Star (Class B) space account for over 76% of total office space in the market.** Class A space achieves the highest lease rates but also has a higher vacancy rate than other building classes. San Diego is a relatively active Class A office development market with 1.7 million square feet under construction and 881,000 square feet delivered over the past 12 months. With that said, there may be oversupply issues in the coming months and years since the past year had nearly 2 million square feet of negative absorption (largely due to the COVID-19 pandemic). It is somewhat encouraging to note that the majority of the negative net absorption is in 3 Star (Class B) space, indicating that the 4 & 5 Star inventory—including new construction—is faring better than 3 Star space.

Type	Total SF	Vacant SF	Vacancy Rate	Absorption (SF) Last 12 Months	Deliveries (SF) Last 12 Months	Under Construction (SF)	Asking Rent (\$/ SF/ Mo.)
4 & 5 Star	39,216,320	5,849,611	14.9%	(356,579)	881,901	1,784,004	\$3.52
3 Star	47,830,970	5,657,858	11.8%	(1,208,329)	168,115	254,177	\$2.70
1 & 2 Star	31,486,389	2,273,469	7.2%	(432,549)	0	0	\$2.33
<b>TOTAL:</b>	<b>118,533,679</b>	<b>13,780,938</b>	<b>11.6%</b>	<b>(1,997,457)</b>	<b>1,050,016</b>	<b>2,038,181</b>	<b>\$2.88</b>

**Total Inventory**



Source: Costar



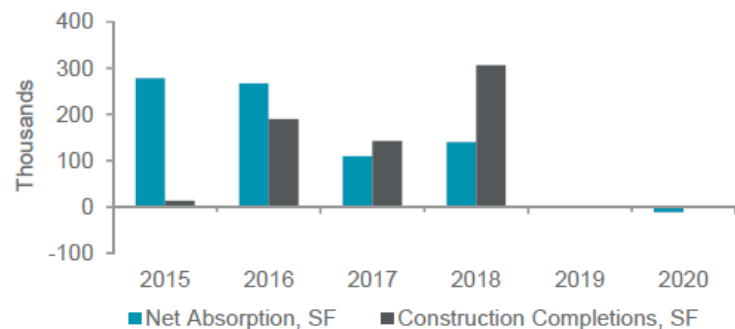


**The Medical Office market is faring better than the overall office market in terms of lease rates, vacancy rates, and absorption activity.** Overall, the San Diego medical office market has an average lease rate of \$3.10 per square foot (Full Service) versus the overall office lease rate of \$2.88 per square foot, and the medical office vacancy rate of 5.4% is significantly lower than the overall office vacancy rate of 11.6%. The South County medical office submarket has a very low vacancy rate of 3.4% compared to the overall medical office vacancy rate of 5.4% in San Diego County. There has been some softening in terms of absorption, with negative net absorption of -11,705 square feet in the medical office market, but that is a very small amount of contraction compared to the -1.7 million square feet of negative net absorption in the San Diego office market overall. Further, it is encouraging to note that absorption has been positive in South County, with 14,511 square feet of space absorbed this year. This data indicates that despite the uncertainty and soft market conditions in the conventional office market, the medical office market is performing well.

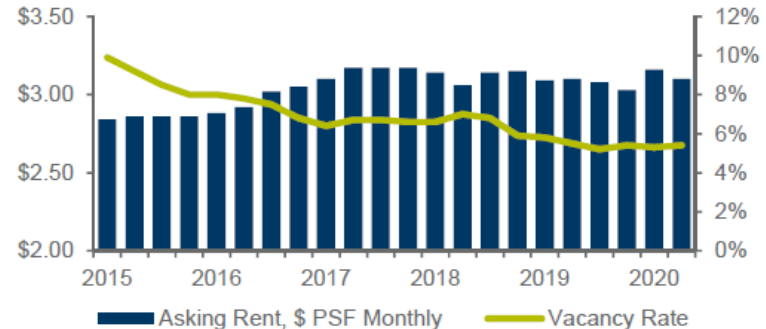
SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	YTD LEASING ACTIVITY** (SF)	YTD CONSTR COMPLETIONS (SF)	UNDER CNSTR (SF)	DIRECT AVG ASKING RENT (ALL CLASSES)*	DIRECT AVG ASKING RENT (CLASS A)*
Class A	3,550,834	10,069	172,383	4.9%	3,856	927	64,566	0	311,317	\$3.66	
Class B	7,456,583	7,969	431,481	5.8%	-34,942	-19,434	127,022	0	200,100	\$3.08	
Class C	1,972,790	0	103,150	5.2%	31,814	6,802	27,843	0	0	\$2.03	
North County	3,355,438	8,172	223,804	6.7%	5,585	4,628	53,886	0	155,317	\$2.91	\$3.59
Mid City	2,447,431	9,866	145,084	5.9%	-8,142	-7,806	44,150	0	0	\$3.87	\$4.37
I-15 Corridor	1,113,743	0	91,723	8.2%	-19,078	-24,222	31,930	0	0	\$2.89	\$4.00
Central Suburban	3,375,425	0	134,765	4.0%	23,766	2,405	48,095	0	270,100	\$2.88	\$3.71
East County	1,114,102	0	58,119	5.2%	-2,107	-1,221	10,961	0	86,000	\$2.83	\$3.23
South County	1,574,068	0	53,519	3.4%	704	14,511	30,409	0	0	\$2.81	\$3.52
On Campus	4,618,459	6,822	272,283	5.9%	1,191	3,002	44,236	0	175,000	\$2.87	\$3.69
Off Campus	8,361,748	11,216	434,731	5.2%	-463	-14,707	175,195	0	336,417	\$3.24	\$3.66
<b>SAN DIEGO TOTALS</b>	<b>12,980,207</b>	<b>18,038</b>	<b>707,014</b>	<b>5.4%</b>	<b>728</b>	<b>-11,705</b>	<b>219,431</b>	<b>0</b>	<b>511,417</b>	<b>\$3.10</b>	<b>\$3.66</b>

\*Rental rates reflect full service asking. \*\*Leasing includes renewals.

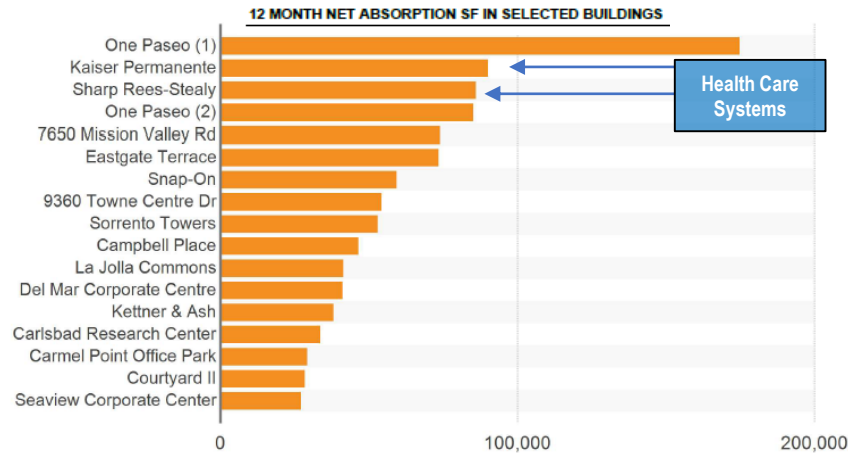
### SPACE DEMAND / DELIVERIES



### DIRECT VACANCY & ASKING RENT



**Major healthcare providers are active in the medical office market in San Diego, as evidenced by some of the largest absorption activity in the past year.** Aside from absorption activity at the One Paseo office development in Del Mar Heights, two of the largest moves have been by Kaiser Permanente moving into a 90,000 square foot medical office building in Kearny Mesa, and Sharp Rees-Stealy moving into an 86,000 square foot medical office facility in Santee. **Note: none of the top office building absorption activity has taken place in South San Diego County over the past year.**



Building Name/Address	Submarket	Bldg SF	Vacant SF	Net Absorption SF				
				1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	12 Month
One Paseo (1)	Del Mar Hts/Carmel...	196,443	21,641	0	0	90,890	83,912	174,802
Kaiser Permanente	Kearny Mesa	90,000	0	0	0	90,000	0	90,000
Sharp Rees-Stealy	East County	86,000	0	0	0	0	86,000	86,000
One Paseo (2)	Del Mar Hts/Carmel...	92,041	6,919	0	0	37,547	47,575	85,122
7650 Mission Valley Rd	Mission Valley	75,000	0	73,970	0	0	0	73,970
Eastgate Terrace	UTC	96,543	0	0	0	0	0	73,456
Snap-On	North Central County	78,000	0	0	0	0	0	59,347
9360 Towne Centre Dr	UTC	73,983	0	0	0	0	0	54,318
Sorrento Towers	Sorrento Mesa	139,264	12,475	(10,398)	63,419	(2,547)	2,547	53,021
Campbell Place	Carlsbad	46,370	0	0	46,370	0	0	46,370
La Jolla Commons	UTC	321,591	9,574	0	2,612	(2,188)	0	41,457
Del Mar Corporate Centre	Del Mar Hts/Carmel...	70,140	0	46,849	0	0	0	41,111
Kettner & Ash	Downtown	123,062	76,732	0	38,069	0	0	38,069
Carlsbad Research Center	Carlsbad	56,721	20,931	0	4,649	28,903	0	33,552
Carmel Point Office Park	Rancho Bernardo	29,180	0	13,558	15,622	0	0	29,180
Courtyard II	Sorrento Mesa	37,991	0	0	28,431	0	0	28,431
Seaview Corporate Center	Sorrento Mesa	93,242	42,261	11,794	(29,431)	44,736	0	27,099
<b>Subtotal Primary Competitors</b>		<b>1,705,571</b>	<b>190,533</b>	<b>135,773</b>	<b>169,741</b>	<b>287,341</b>	<b>220,034</b>	<b>1,035,305</b>
Remaining San Diego Market		116,828,108	13,590,405	(579,480)	(599,604)	(980,228)	(651,034)	(2,753,609)
<b>Total San Diego Market</b>		<b>118,533,679</b>	<b>13,780,938</b>	<b>(443,707)</b>	<b>(429,863)</b>	<b>(692,887)</b>	<b>(431,000)</b>	<b>(1,718,304)</b>

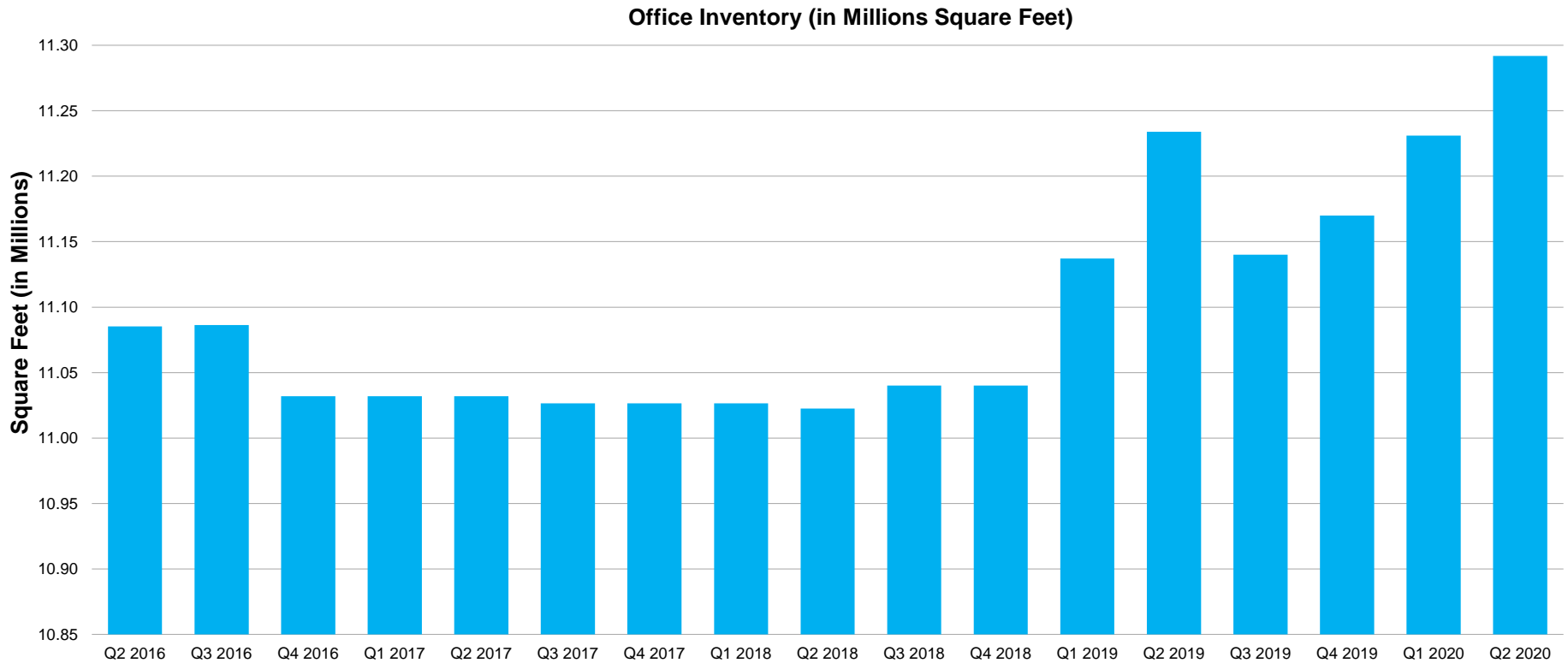
The top office leases in San Diego County over the past year are shown on the table to the right. The largest leases are predominantly to technology firms, with Apple leasing 567,000 square feet of office space in UTC and Rancho Bernardo. **Note:** none of the top office building leases have taken place in South San Diego County over the past year.

TOP OFFICE LEASES PAST 12 MONTHS

Building Name/Address	Submarket	Leased SF	Qtr	Tenant Name	Tenant Rep Compa...	Leasing Rep Company
Apex	UTC	204,000	Q4 19	Apple	-	-
Scripps Northridge Corp	Scripps Ranch	198,880	Q1 20	Fate Therapeutics	Hughes Marino	JLL
Summit Rancho Bernardo	Rancho Bernardo	198,734	Q1 20	Apple	-	CBRE
9455 TCD	UTC	185,000	Q4 19	Apple	-	Cushman & Wakefield
Carlsbad Airport Center	Carlsbad	121,541	Q4 19	Alphatec Spine	Savills	Cushman & Wakefield
The Boardwalk	Torrey Pines	74,000	Q2 20	Cooley LLP	-	CBRE
Rancho Vista Corporate Center	Rancho Bernardo	53,642	Q1 20	Covance, Inc.	-	-
Kilroy Sabre Springs	Rancho Bernardo	48,835	Q1 20	Intuit	-	CBRE
UTC Executive Plaza	UTC	48,991	Q4 19	BioMed Realty	-	JLL
Carlsbad Research Center	Carlsbad	48,823	Q1 20	Development Inc.	-	Cushman & Wakefield
Sorrento Towers	Sorrento Mesa	44,027	Q4 19	-	-	Cushman & Wakefield
INSPIRE   Creative Office	San Marcos	41,258	Q2 20	-	-	Cushman & Wakefield;...
6602-6604 Convoy Ct	Keamy Mesa	40,431	Q2 20	Autoanything	-	Hughes Marino
Torrey Pines Court La Jolla *	Torrey Pines	37,980	Q2 20	West Health Institute	-	JLL
550 West	Downtown	36,734	Q4 19	Lewis Brisbois, Bisgaard...	Avison Young	Cushman & Wakefield
Torrey Plaza	Del Mar Hts/Carmel Valley	33,975	Q4 19	American Assets Trust, Inc.	-	CBRE
Eastgate Technology Park	UTC	31,708	Q1 20	-	-	The Irvine Company
Scripps Ranch Tech Park *	Scripps Ranch	30,245	Q3 20	CUSO Financial Services	-	Voit Real Estate Services
Carlsbad Research Center	Carlsbad	29,053	Q1 20	SafeBuilt Insurance Servi...	-	Cushman & Wakefield
10240 Science Center Dr	Torrey Pines	29,019	Q4 19	Thermo Fisher Scientific	JLL	Hughes Marino
4400 Ruffin Rd	Keamy Mesa	28,523	Q1 20	Advantage	Cushman & Wakefield	CBRE
Eastgate Pointe	UTC	28,374	Q2 20	-	-	JLL
1333 Front St *	Downtown	27,889	Q4 19	Social Security Office	-	-
Sorrento Gateway	Sorrento Mesa	27,865	Q1 20	Mapp Biopharmaceutical Inc	Cushman & Wakefield	CBRE
Eastgate Technology Park	UTC	26,897	Q4 19	-	-	The Irvine Company
Kilroy Sabre Springs	Rancho Bernardo	26,143	Q4 20	-	-	JLL
Pacific Corporate Park *	Sorrento Mesa	23,947	Q4 19	Optum	-	Cushman & Wakefield
Scripps Ranch Tech Park	Scripps Ranch	23,843	Q4 19	Engineering Partners Inc	Voit Real Estate Ser...	Voit Real Estate Services
One Paseo	Del Mar Hts/Carmel Valley	23,423	Q1 20	-	-	Cushman & Wakefield
La Jolla Reserve	UTC	22,833	Q2 20	-	-	The Irvine Company
La Jolla Reserve *	UTC	22,833	Q4 19	Tyson & Mendes	Savills	-
Atlas	Carlsbad	22,588	Q4 19	-	-	Cushman & Wakefield
Sorrento Highlands	Sorrento Mesa	22,497	Q3 20	Helix	Hughes Marino	CBRE
2 Columbia Place *	Downtown	22,269	Q4 19	Tetra Tech	-	JLL
Eastgate Technology Park	UTC	22,097	Q1 20	Creative Nail Design	-	The Irvine Company
Mission Valley Crossroads *	Mission Valley	21,354	Q2 20	T.Y. Lin International Group	-	JLL
Campus Pointe by Alexandria	UTC	21,180	Q4 19	Heron Therapeutics	-	-
Muse Torrey Pines	Torrey Pines	20,685	Q3 20	-	-	JLL
Willow Creek Corporate Center	Scripps Ranch	20,543	Q1 20	Hitachi	Hughes Marino	JLL
Sorrento Towers	Sorrento Mesa	19,978	Q3 20	DexCom Inc.	-	Cushman & Wakefield

Renewal

**The South Bay office inventory is starting to increase over the past two years.** After 2016, 2017 and 2018 saw very little activity in terms of office inventory change, the past 18 months have experienced steady growth in office inventory, with 130,000 square feet added to the submarket in 2019 and 120,000 square feet added in the first half of 2020.



Inventory	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Total Inventory (SF)	11,085,293	11,086,252	11,031,883	11,031,883	11,031,883	11,026,483	11,026,483	11,026,483	11,022,436	11,040,090	11,040,090	11,137,045	11,234,000	11,140,000	11,170,000	11,231,000	11,292,000
Inventory Change	--	959	-54,369	0	0	-5,400	0	0	-4,047	17,654	0	96,955	96,955	-94,000	30,000	61,000	61,000
% Change	--	0.0%	-0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.9%	0.9%	-0.8%	0.3%	0.5%	0.5%

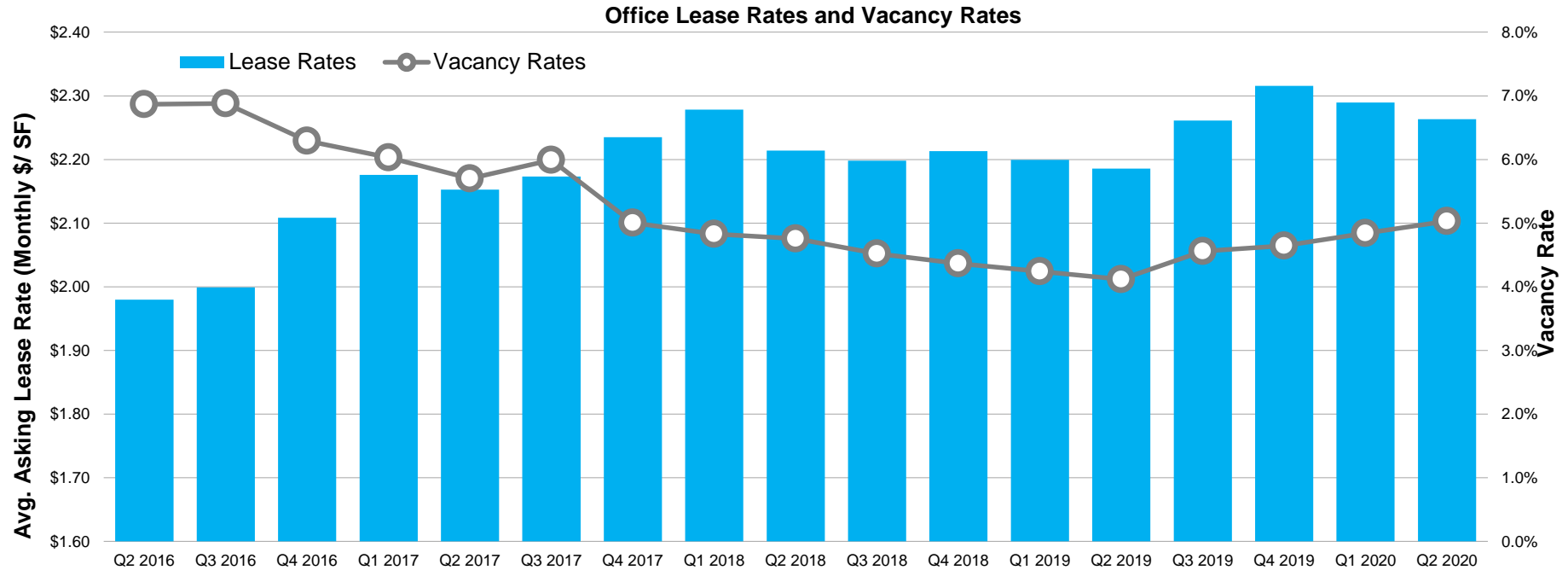
Source: CoStar



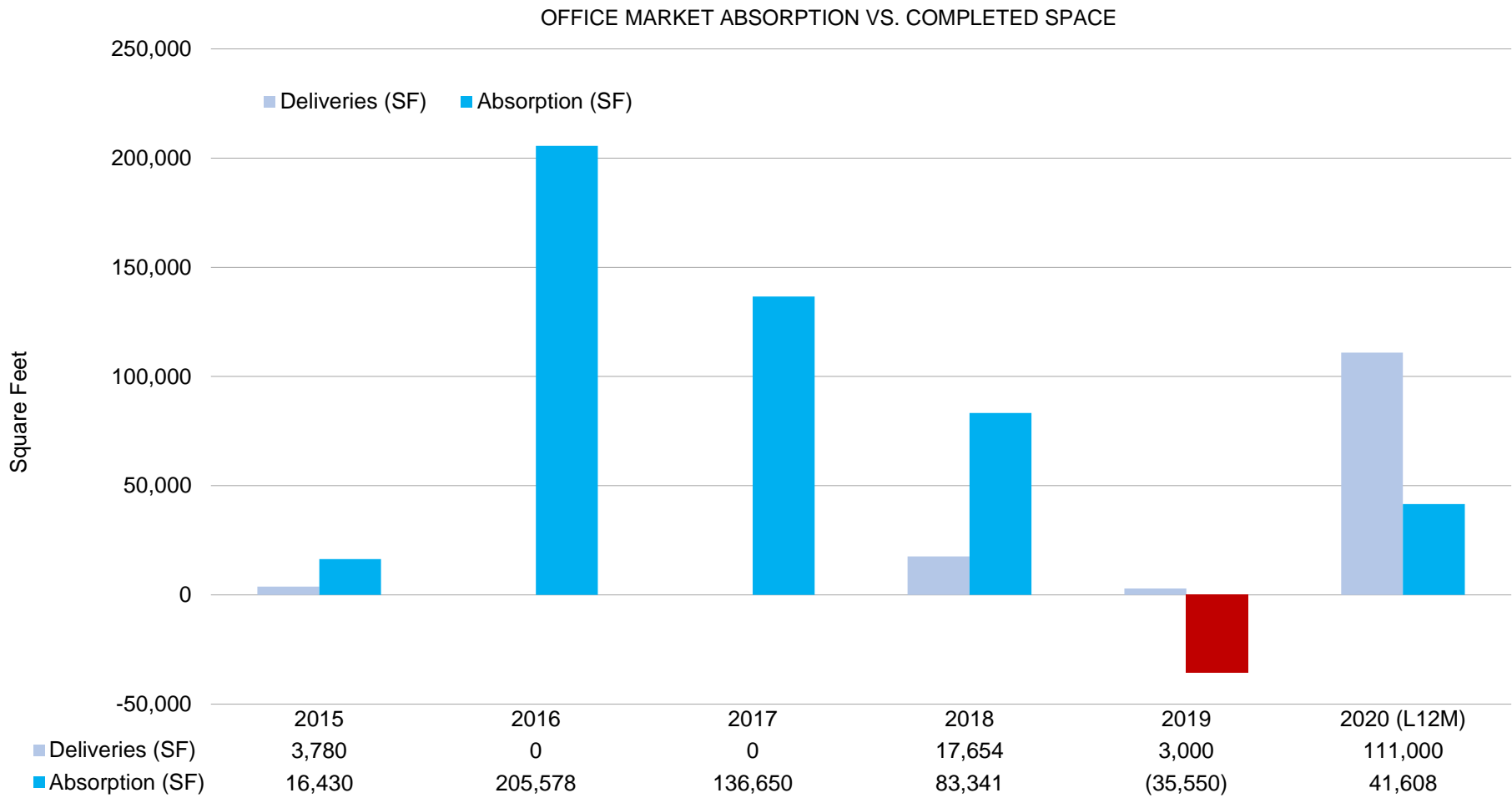
# SOUTH BAY AVERAGE OFFICE LEASE RATE VS. VACANCY RATE

Office Market Trends

**While South Bay lease rates have softened slightly in 2020, the vacancy rate remains relatively low.** Average lease rates came down off of their peak of \$2.32 per square foot in Q4 2019 to \$2.26 per square foot in mid-2020. The vacancy rate increased from a low of 4.1% in Q2 2020 to 5.0% in the second quarter of 2020, a function of slightly decreased demand for office space due to the COVID-19 pandemic. Still, a vacancy rate of 5.0% or lower represents an underserved office market that can support additional growth.



**The South Bay office market is rebounding in 2020 with new completions as well as positive net absorption.** New deliveries have finally outpaced absorption over the past 12 months, with 41,000 square feet of positive net absorption and 111,000 square feet of new completions. This is an improvement over negative net absorption in 2019 and follows several years with minimal new deliveries.



Source: Costar

# OFFICE CHARACTERISTICS BY SUBMARKET

## Office Market Trends

**The Otay Mesa and Outlying San Diego County South submarkets are a very small portion of the San Diego MSA, comprising only 0.34% of the office market overall.** It

is a more affordable office market than the San Diego MSA, with average lease rates of \$2.53 and \$2.14 per square foot versus \$2.88 per square foot in the MSA, though it is important to note that these indicators include all office inventory, much of which is Class B/C space in Otay Mesa. The vacancy rate is lower than the MSA overall, at 5.3% versus 4.4% in the MSA, though the total inventory size is very small in these two submarkets (406,000 square feet combined) versus 118 million square feet in the San Diego MSA. There is minimal net absorption activity and no office deliveries or new construction over the past 12 months.

Projections for office demand are shown on pages 9 and 37.

Submarket	Total SF	Vacant SF	Vacancy Rate	Last 12 Months Net Absorption (SF)	Last 12 Months Deliveries (SF)	Under Construction (SF)	Avg. Asking Rent (\$/ SF/ Mo.)
Carlsbad	7,641,000	1,217,109	15.9%	(79,676)	12,000	0	\$2.89
Chula Vista	3,449,000	201,316	5.8%	(10,586)	0	0	\$2.53
College Area	1,605,000	82,834	5.2%	(31,105)	0	0	\$2.39
Coronado	181,000	2,732	1.5%	3,290	0	0	\$2.95
Del Mar Hts/Carmel Valley	5,128,000	713,497	13.9%	221,535	288,000	217,000	\$4.31
Downtown	13,962,000	2,997,157	21.5%	(372,786)	372,000	1,073,000	\$2.94
East County	5,731,000	252,752	4.4%	52,046	111,000	0	\$2.13
Escondido	2,660,000	289,202	10.9%	(6,081)	80,000	0	\$2.21
Governor Park	899,000	111,468	12.4%	(25,902)	0	0	\$2.86
Kearny Mesa	11,385,000	1,178,952	10.4%	(292,648)	90,000	125,000	\$2.63
La Jolla	1,652,000	276,667	16.7%	(111,391)	0	0	\$3.40
MCAS Miramar	32,000	0	0.0%	0	0	0	\$2.27
Mira Mesa/Miramar	1,519,000	98,252	6.5%	(2,537)	0	0	\$2.46
Mission Gorge	697,000	9,080	1.3%	4,900	0	0	\$2.19
Mission Valley	7,346,000	1,055,895	14.4%	(259,812)	0	0	\$2.71
National City	797,000	23,035	2.9%	(923)	0	0	\$2.17
North Beach Cities	3,308,000	232,861	7.0%	(32,103)	26,000	80,000	\$3.50
North Central County	408,000	26,312	6.4%	49,451	59,000	0	\$3.86
Oceanside	1,771,000	140,845	8.0%	9,802	0	100,000	\$2.17
Old Twn/S Arena/Pt Loma	2,907,000	122,157	4.2%	(8,054)	0	0	\$2.61
<b>Otay Mesa</b>	<b>220,000</b>	<b>11,663</b>	<b>5.3%</b>	<b>(2,331)</b>	<b>0</b>	<b>0</b>	<b>\$2.53</b>
Outlying SD County N	741,000	44,303	6.0%	(5,325)	0	0	\$1.88
<b>Outlying SD County S</b>	<b>186,000</b>	<b>8,185</b>	<b>4.4%</b>	<b>4,525</b>	<b>0</b>	<b>0</b>	<b>\$2.14</b>
Park East	337,000	18,752	5.6%	315	0	0	\$2.28
PB/Rose Canyon/Morena	1,907,000	117,166	6.1%	(50,759)	0	0	\$2.26
Poway	1,536,000	40,131	2.6%	(10,834)	0	0	\$2.42
Rancho Bernardo	7,032,000	927,324	13.2%	(225,069)	0	0	\$3.02
San Marcos	1,726,000	138,410	8.0%	(37,815)	0	0	\$2.38
San Ysidro/Imperial Beach	245,000	0	0.0%	5,446	0	0	\$2.04
Scripps Ranch	2,954,000	484,197	16.4%	(30,598)	0	0	\$2.81
Sorrento Mesa	9,666,000	1,156,323	12.0%	(116,218)	0	0	\$3.07
Sorrento Valley	779,000	167,567	21.5%	(93,580)	0	0	\$2.46
Southeast San Diego	664,000	71,352	10.7%	(6,569)	0	0	\$2.17
Torrey Pines	3,231,000	261,837	8.1%	(37,447)	0	74,000	\$3.40
Uptown East	293,000	8,537	2.9%	5,250	0	0	\$2.23
Uptown West/Park West	3,382,000	240,817	7.1%	(101,469)	0	0	\$2.57
UTC	8,762,000	696,802	8.0%	(76,696)	0	369,000	\$3.75
Vista	1,795,000	355,449	19.8%	(46,549)	0	0	\$2.08
<b>TOTAL:</b>	<b>118,534,000</b>	<b>13,780,938</b>	<b>11.6%</b>	<b>(1,718,303)</b>	<b>1,038,000</b>	<b>2,038,000</b>	<b>\$2.88</b>

Source: CoStar

# Projects Under Development

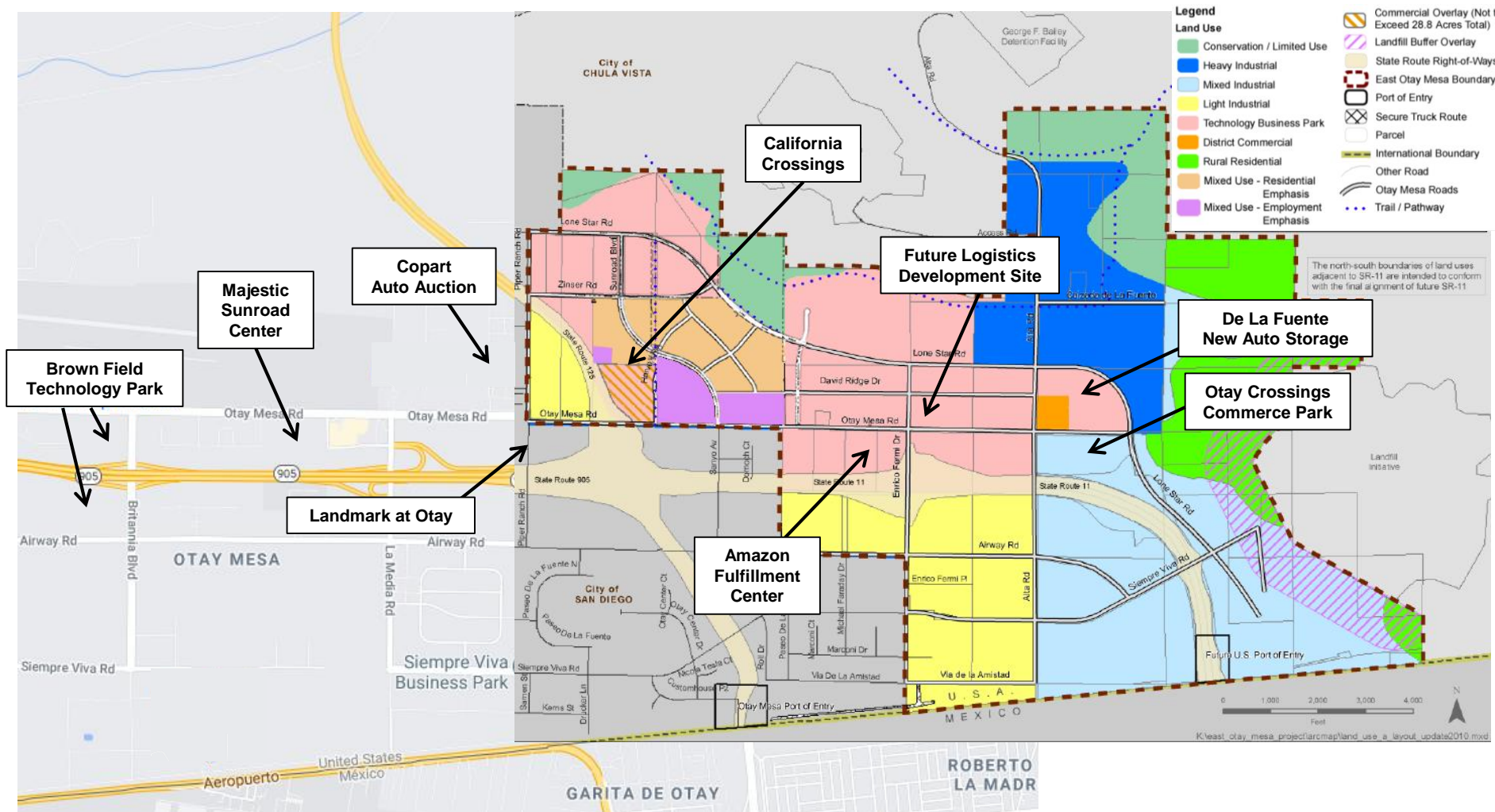
---

Assessment of Most Marketable Land Uses, East Otay Mesa Specific Plan

# PLANNED INDUSTRIAL DEVELOPMENTS IN OTAY MESA

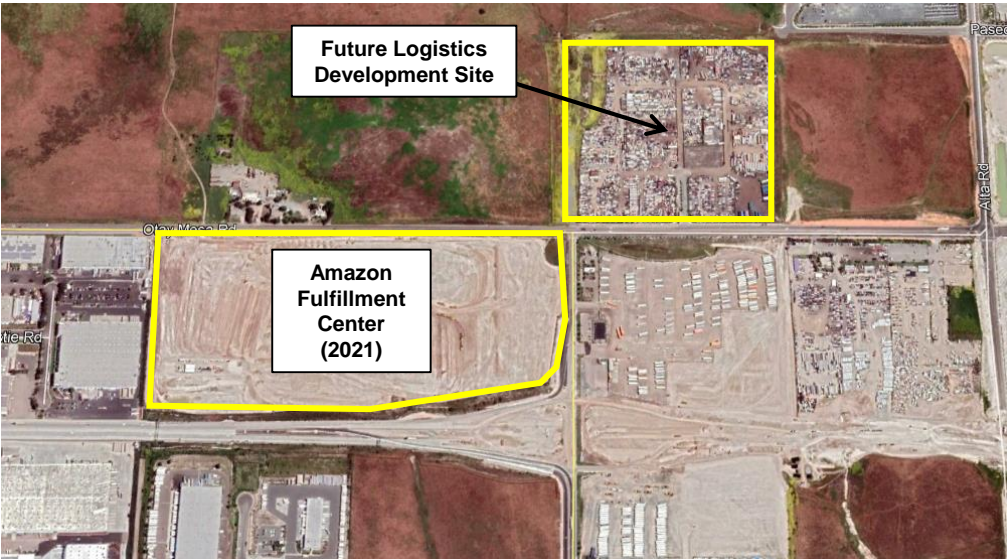
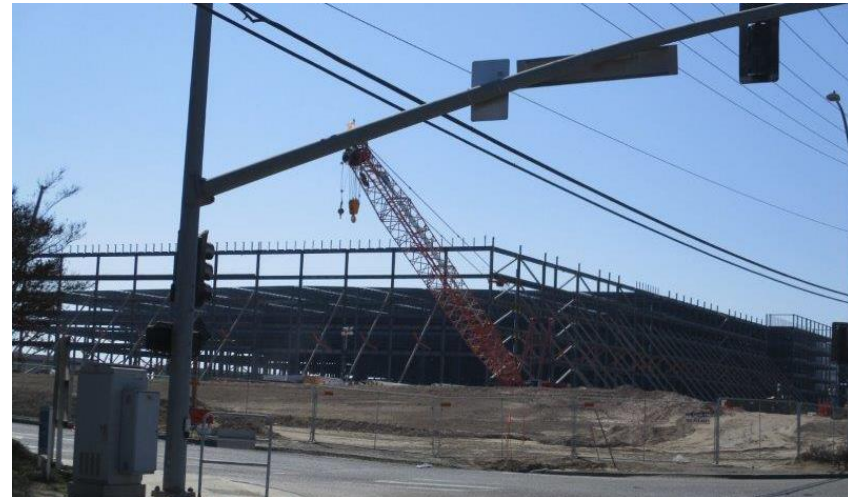
Projects Under Development

**We have identified nine industrial developments underway in the greater Otay Mesa area.** These projects offer a variety of uses including Amazon's fulfillment centers, new logistics buildings, auto storage facilities and other automotive uses. A total of five of these developments are within the East Otay Mesa Specific Plan, while the other four are outside of the specific plan boundary. See the following pages for a detailed description of these projects.





**Seefried Properties and Clayco Corp are developing a four story, 3.4 million square foot fulfillment center for Amazon.com, located south of Otay mesa Road and west of Enrico Fermi Drive.** The 3,402,028 square-foot distribution center includes four elevated concrete floors and around 600,000 square feet of mezzanines on the ground floor. The 65-acre site was purchased in 2019 for \$22.7 million (approximately \$8.00 per square foot). Although the fulfillment center will be robotics based in terms of its operations, the fulfillment center will still employ approximately 1,500 people after its completion in 2021. Local industrial brokers believe this development will be a “catalyst” for additional goods producing companies wanting to locate their warehouse/ distribution facility close to Amazon—the online retail giant is planning to develop an additional fulfillment center on a 40-acre site to the northeast of the current development, on a site that is currently used for auto salvage yards.

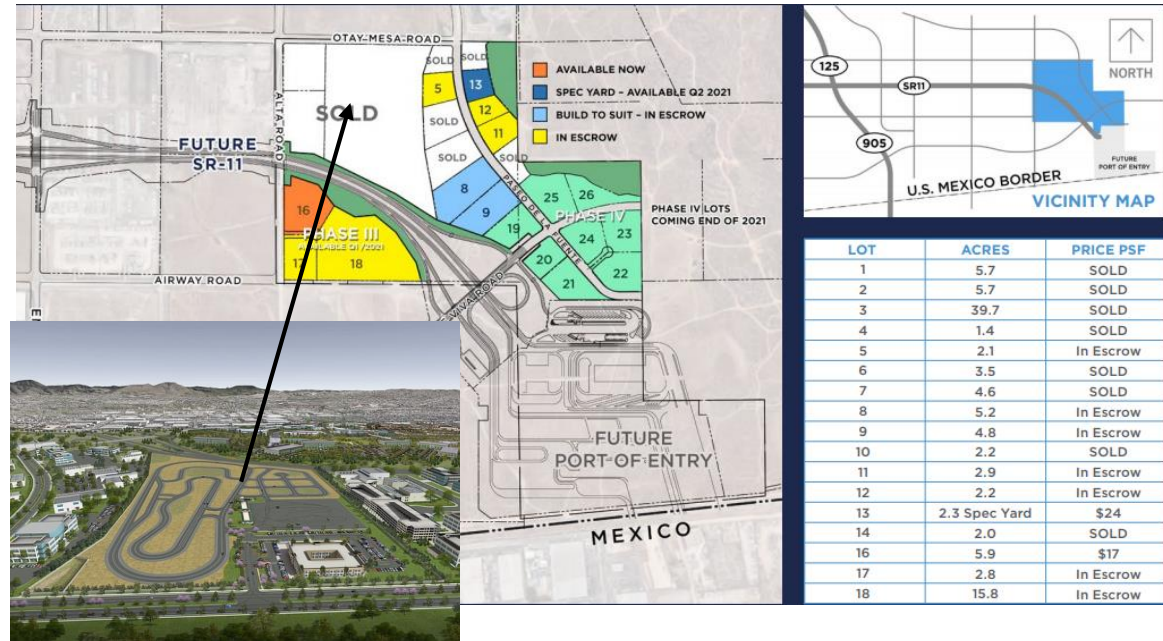




# INDUSTRIAL PROJECT PROFILE: OTAY CROSSINGS COMMERCE PARK

Projects Under Development

**Otay Crossings Commerce Park is a land development offering fully finished industrial pads for sale south of Otay Mesa Road and Alta Road.** The development offers a total of 108 acres for sale on 18 lots—currently nine of the sites are sold and seven are in escrow, indicating the project has sold 100 acres (93% sold) since marketing efforts began three years ago. Lot pricing has averaged \$15.00 per square foot according to broker representative, though the remaining lots are offered at \$17.00 to \$22.00 per square foot. One of the major land purchases was to the County, city of San Diego and the San Diego Community College District for a \$30 million Emergency Vehicle Operations Course. Broker representatives estimate that the remaining lots will be used for outside storage uses (approximately 75%) followed by traditional warehouse development (approximately 25%).

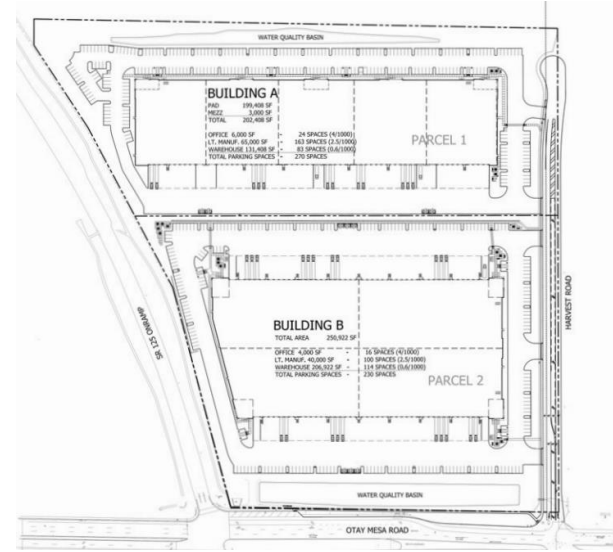




# INDUSTRIAL PROJECT PROFILE: CALIFORNIA CROSSINGS

Projects Under Development

**California Crossings** is a newly announced logistics building development on the north side of Otay Mesa Road and Harvest Road, just east of Highway 125. The project is planned for two buildings (202,408 and 250,922 square feet) each with 30 to 32-foot clear height. Asking lease rates are \$0.77 per square foot per month (NNN). Groundbreaking is expected later this month (December 2020), with completion estimated in late 2021. The leasing broker estimates that both buildings will be fully leased approximately six months after completion (mid-2022).





**Landmark at Otay is a warehousing and distribution building development on the south side of Otay Mesa Road, west of highway 125 and north of the 905 freeway.** The project comprises 845,830 square feet among four buildings—100 Landmark Road and 200 Landmark Road are the first to be developed, comprising 216,140 square feet and 153,630 square feet. Asking lease rates are \$0.75 per square foot per month (NNN). Completion of these two buildings is expected in July 2021.

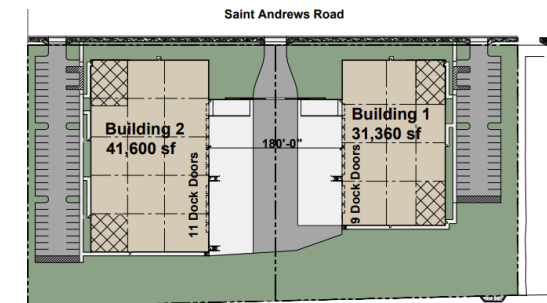
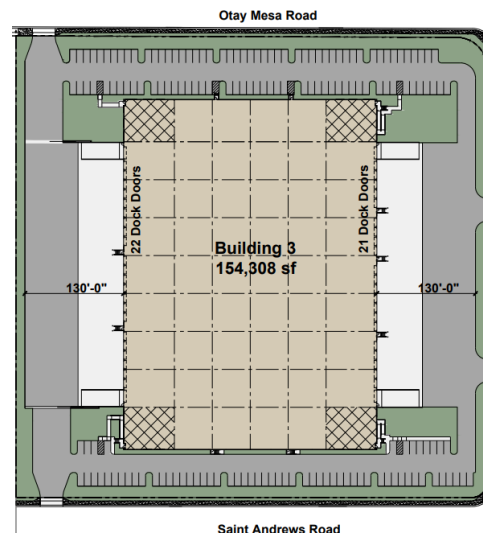




**Majestic Sunroad Center is a warehousing and distribution building development on the south side of Otay Mesa Road, west of La Media Road.** The project comprises 227,268 square feet among three buildings—Building 1 is fully leased and there is negotiations currently with a third party logistics company for Building 2. Asking lease rates are \$0.75 per square foot per month (NNN), with operating expenses (“nets”) at \$0.19 per square foot. Completion is expected in January 2021.



Source: Colliers, Sunroad, Majestic Realty





# INDUSTRIAL PROJECT PROFILE: BROWN FIELD TECHNOLOGY PARK

Projects Under Development

**Brown Field Technology Park is a 50 acre master-planned corporate industrial development in Otay Mesa on the east side of Britannia Blvd, to the north and south of the 905 freeway.** The first phase of the project is on the Northern Unit, and is comprised of four buildings: an 80,000 square foot building for a Salvation Army distribution center, a 45,000 square foot support services building (adult rehabilitation/job training), and two warehouse buildings comprising 105,150 square feet and 123,913 square feet. In total, Murphy Development Company plans to develop 1,000,000 square feet of Class A industrial buildings at the project.



# Economic & Demographic Overview

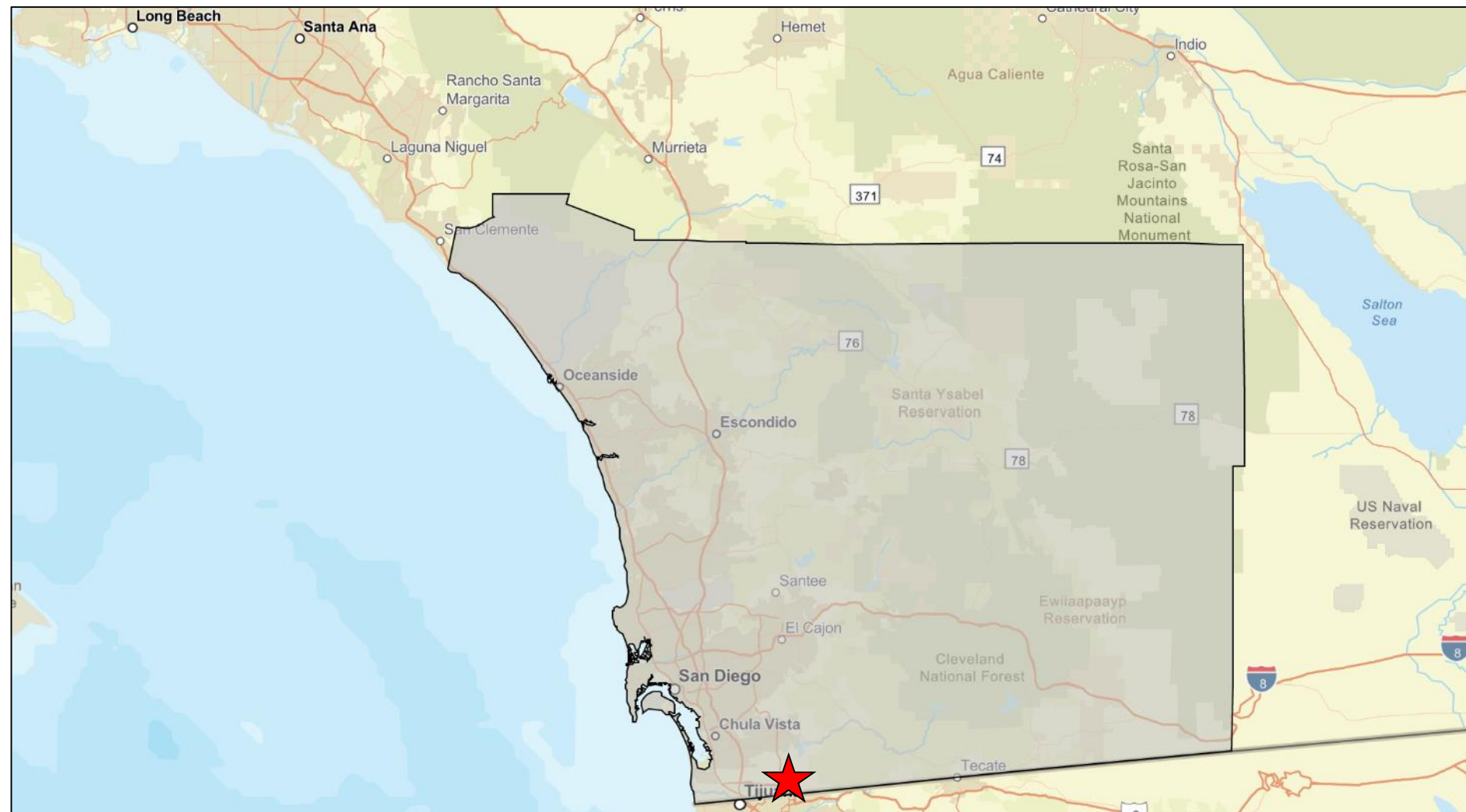
---

Assessment of Most Marketable Land Uses, East Otay Mesa Specific Plan

# SAN DIEGO MSA / SAN DIEGO COUNTY MAP

Economic & Demographic Overview

The East Otay Mesa Specific Plan is located within the San Diego-Carlsbad Metropolitan Statistical Area and San Diego County (the MSA and County are synonymous). The following slides highlight current, historical and projected economic indicators that could influence the success of the Subject property.



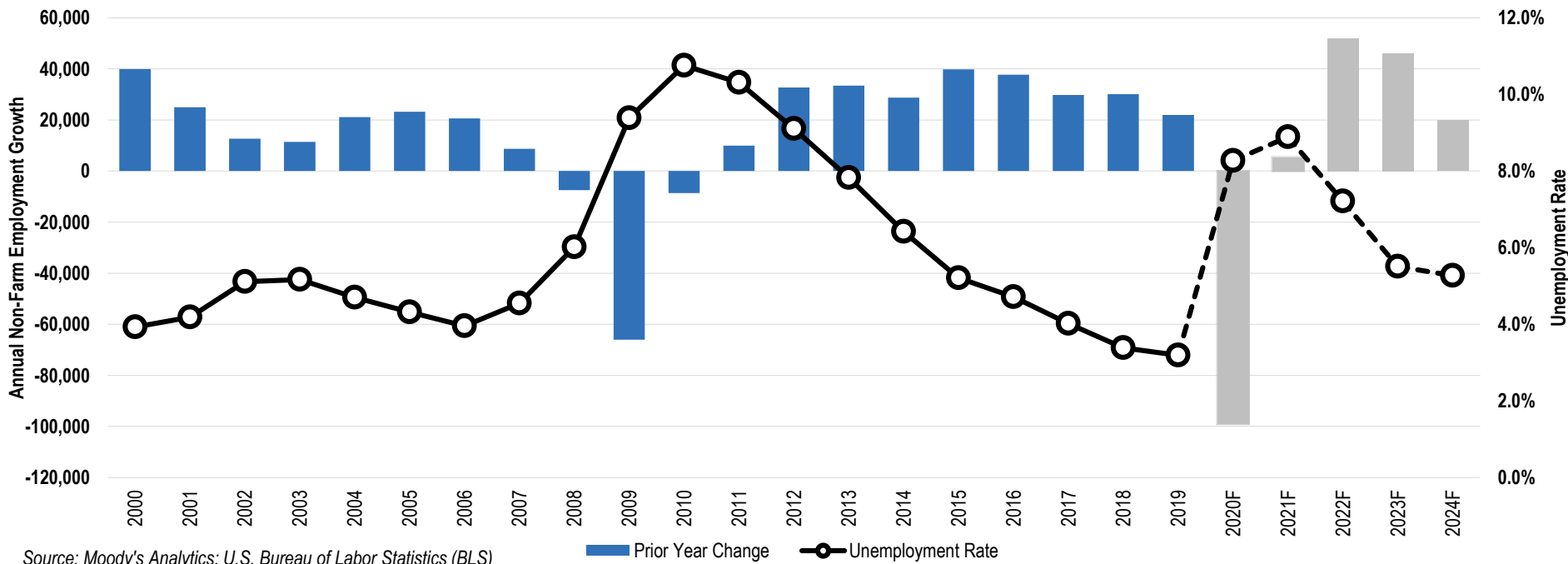
Source: ESRI



# EMPLOYMENT HISTORY AND FORECAST

Economic & Demographic Overview

**Prior to COVID-19, annual job growth in San Diego had been well above the historic average in San Diego for eight consecutive years.** Projections for years end will be well into the negative with an unemployment rate likely above 8%. This should however mitigate in the following years as with strong employment growth in 2022 and 2023 and an unemployment rate returning to the mid-5% range.



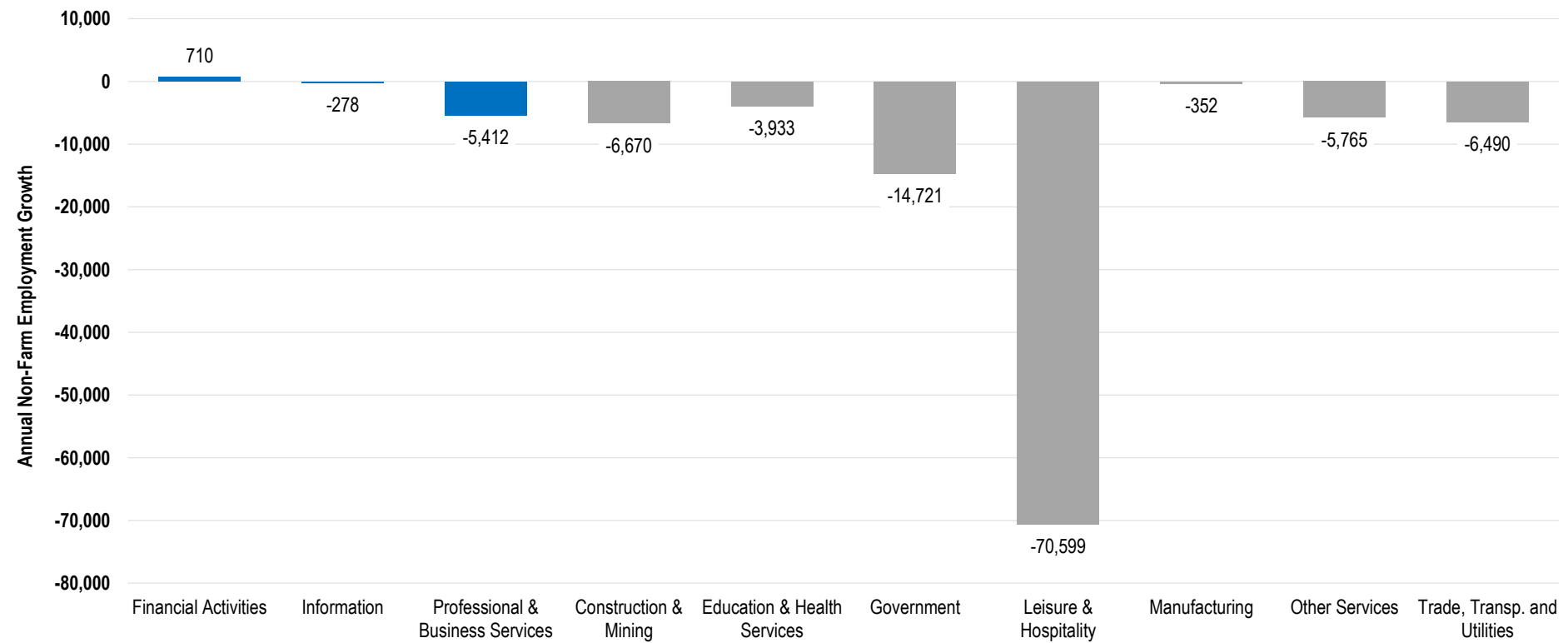
San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History											Moody's Analytics Five-Year Forecast				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020F	2021F	2022F	2023F	2024F
Non-Farm Employment	1,240,192	1,250,133	1,282,800	1,316,200	1,344,933	1,384,692	1,422,400	1,452,158	1,482,225	1,504,133	1,405,137	1,410,488	1,462,388	1,508,501	1,528,334
Prior Year Change	(8,667)	9,942	32,667	33,400	28,733	39,758	37,708	29,758	30,067	21,908	(98,997)	5,351	51,900	46,113	19,833
Annual % Change	-0.7%	0.8%	2.6%	2.6%	2.2%	3.0%	2.7%	2.1%	2.1%	1.5%	-6.6%	0.4%	3.7%	3.2%	1.3%
Unemployment Rate	10.8%	10.3%	9.1%	7.8%	6.4%	5.2%	4.7%	4.0%	3.4%	3.2%	8.3%	8.9%	7.2%	5.5%	5.3%

# EMPLOYMENT BY SECTOR

Economic & Demographic Overview

**Comparing the current month versus one year ago San Diego is experiencing job losses across nine of the ten sectors, including a strong decreases in Leisure & Hospitality.** Of all sectors in the economy, the high-paying Financial Activities sector has actually added an additional 700 positions locally. Of course these numbers are a direct impact from COVID-19 and we would expect some sort of a rebound once the virus is more contained.

	Financial Activities	Information	Professional & Business Services	Construction & Mining	Education & Health Services	Government	Leisure & Hospitality	Manufacturing	Other Services	Trade, Transp. and Utilities
Current Month (Jun-2020)	77,112	23,219	252,071	77,634	213,025	235,979	136,451	114,948	50,491	217,887
Current Month (Jun-2019)	76,401	23,497	257,483	84,304	216,958	250,700	207,050	115,300	56,255	224,377
12-Month Change	710	-278	-5,412	-6,670	-3,933	-14,721	-70,599	-352	-5,765	-6,490

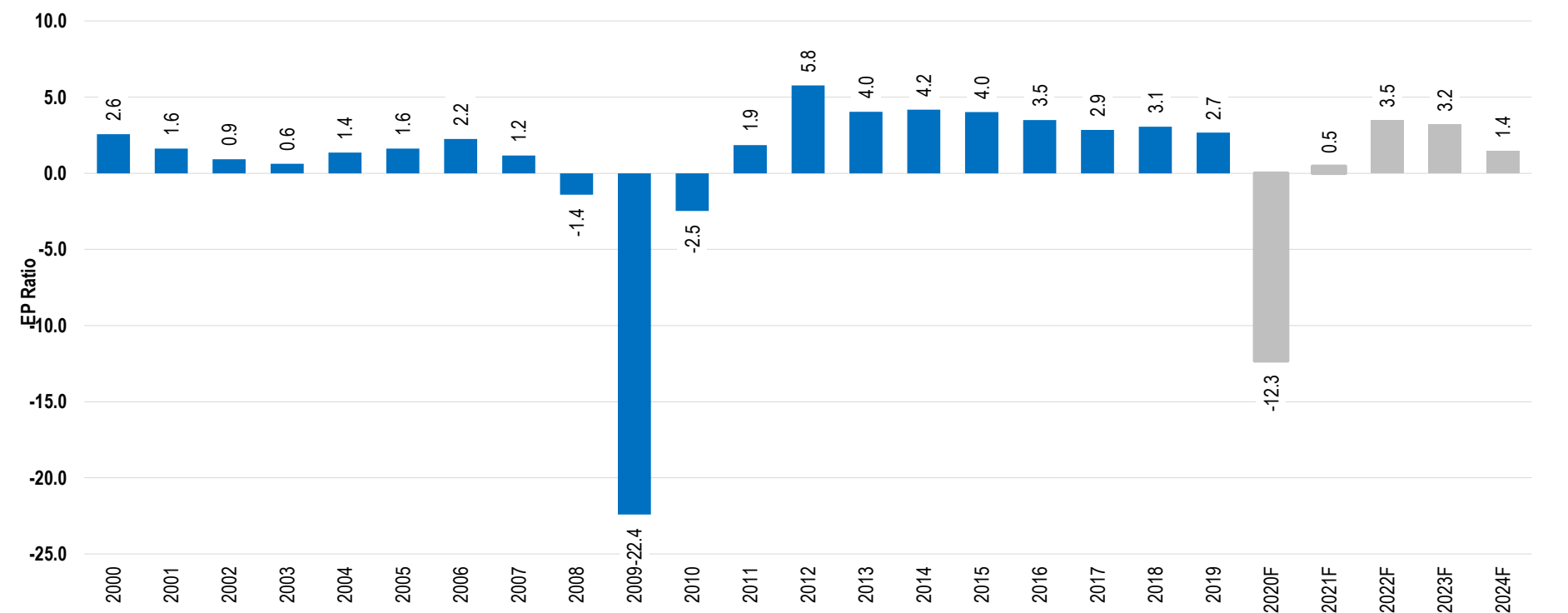


Source: Moody's Analytics; U.S. Bureau of Labor Statistics (BLS)



**San Diego has historically been an undersupplied housing market.** The E/P ratio compares employment growth to building permits. An E/P ratio over 1.0 means more jobs are being added than homes are being built. Ratios above 1.25 indicate a real opportunity to introduce new homes to a market. The San Diego MSA E/P Ratio has been well over the 1.25 equilibrium the last nine years and is projected to once again be well above 1.25 from 2022 on.

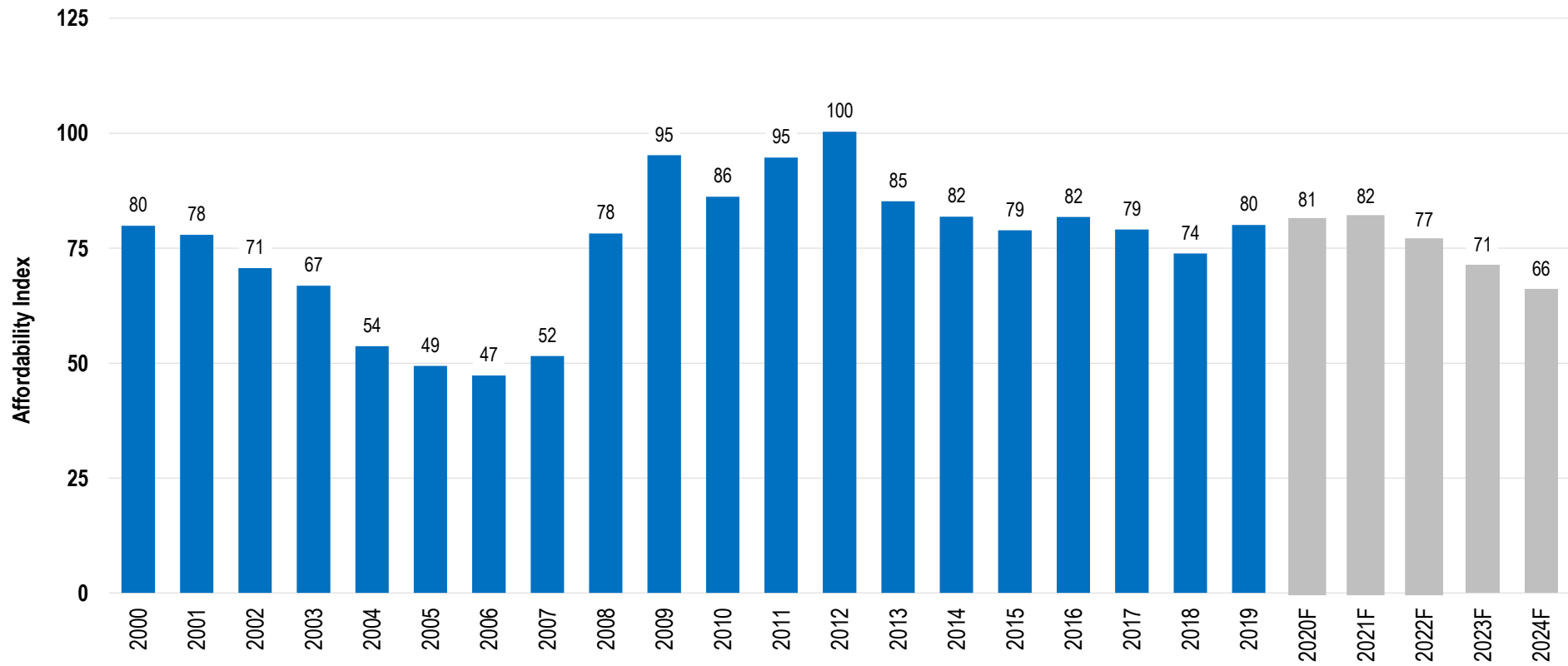
San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History											Moody's Analytics Five-Year Forecast				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020F	2021F	2022F	2023F	2024F
Non-Farm Employment	1,240,192	1,250,133	1,282,800	1,316,200	1,344,933	1,384,692	1,422,400	1,452,158	1,482,225	1,504,133	1,405,137	1,410,488	1,462,388	1,508,501	1,528,334
Prior Year Change	(8,667)	9,942	32,667	33,400	28,733	39,758	37,708	29,758	30,067	21,908	(98,997)	5,351	51,900	46,113	19,833
Building Permits	3,494	5,370	5,666	8,264	6,875	9,883	10,791	10,441	9,834	8,216	8,040	11,751	14,888	14,435	13,780
Employment/Housing	-2.5	1.9	5.8	4.0	4.2	4.0	3.5	2.9	3.1	2.7	-12.3	0.5	3.5	3.2	1.4



Source: Moody's Analytics; U.S. Bureau of Labor Statistics (BLS)

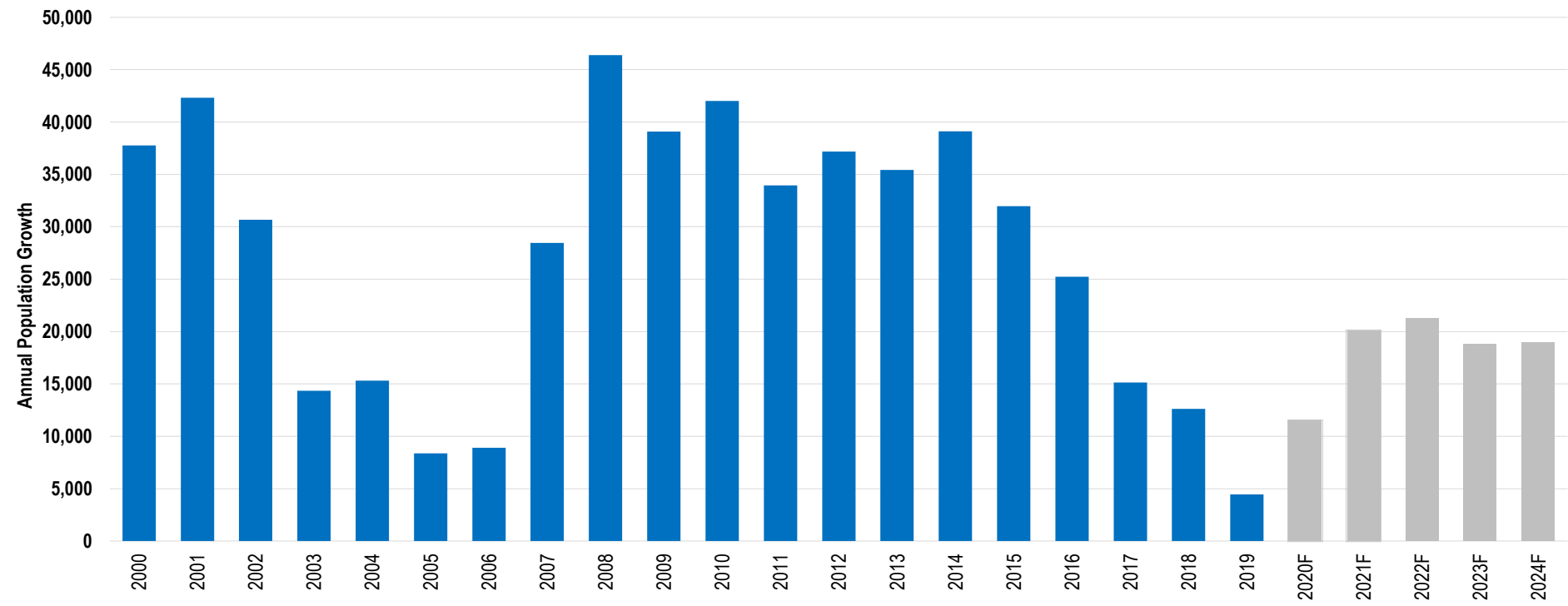
Affordability in San Diego County reached its peak between 2009 and 2012 with steady annual decreases (as a result of steep price increases) thereafter. **Current affordability is in the low 80s which is comparable to where the MSA/County was in 2000 and 2008.** Moody's Analytics forecasts that the affordability index may stay steady for this year and next and then decline with the anticipation that house prices increase further in the area.

San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History											Moody's Analytics Five-Year Forecast				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020F	2021F	2022F	2023F	2024F
Affordability Index	86.2	94.7	100.4	85.2	81.9	78.9	81.8	79.1	73.8	80.0	81.0	81.7	76.6	71.3	66.0



Source: Moody's Analytics; National Association of Realtors (NAR)

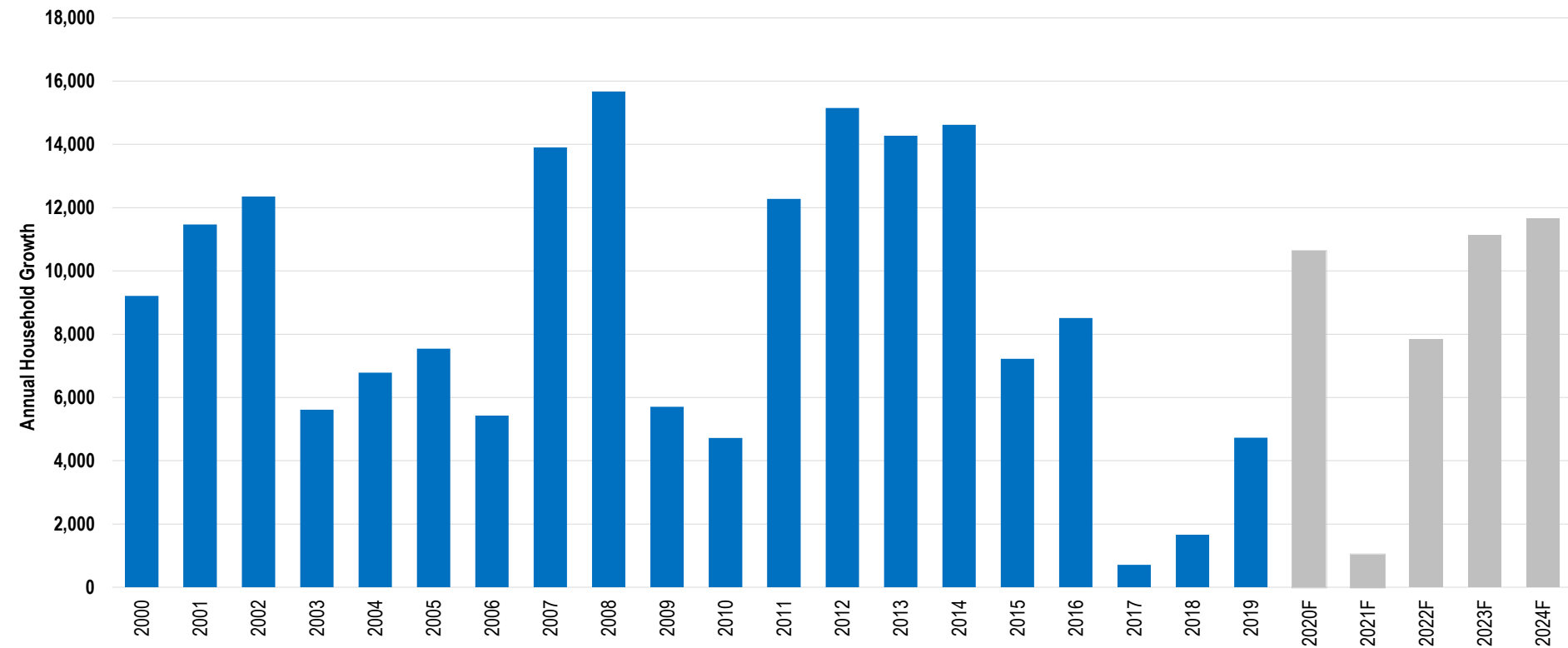
**Population growth has been positive in the San Diego MSA but gain have been mitigating.** The long-term average of +/-30,000 new people per year was exceeded annually from 2008 to 2015; however, population increases have moderated the past few years, likely due in part to consumer response to sharp home price and monthly rent increases. Moody's projects continued positive population growth, albeit at a somewhat lower rate in the near term. Even with population growth slowing, the County is still running out of vacant land, and with 11,500 to over 20,000 new people coming to San Diego annually, there will still be a demand for housing under several different economic scenarios.



Source: Moody's Analytics; U.S. Census Bureau (BOC)

San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History											Moody's Analytics Five-Year Forecast				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020F	2021F	2022F	2023F	2024F
Total Population	3,103,212	3,137,156	3,174,335	3,209,768	3,248,877	3,280,850	3,306,089	3,321,237	3,333,861	3,338,330	3,349,832	3,369,920	3,391,222	3,410,039	3,429,001
Prior Year Change	42,009	33,944	37,179	35,433	39,109	31,973	25,239	15,148	12,624	4,469	11,502	20,089	21,302	18,816	18,962
Annual % Change	1.4%	1.1%	1.2%	1.1%	1.2%	1.0%	0.8%	0.5%	0.4%	0.1%	0.3%	0.6%	0.6%	0.6%	0.6%

**Household growth appears to be rebounding in 2020 after three years of below average growth.** An additional 10,600 households could be formed in San Diego County this year, consistent with the historical average of +/-10,000 per year and more than double the number formed the year prior. There still are not enough homes being added to the housing stock. Reasons include: 1) scarcity of land; 2) slower/smart growth mentality; and 3) decreasing affordability.



Source: Moody's Analytics; U.S. Census Bureau (BOC)

San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History											Moody's Analytics Five-Year Forecast				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020F	2021F	2022F	2023F	2024F
Total Households	1,090,775	1,103,050	1,118,200	1,132,475	1,147,094	1,154,313	1,162,820	1,163,527	1,165,186	1,169,914	1,180,532	1,181,565	1,189,409	1,200,540	1,212,187
Prior Year Change	4,722	12,275	15,150	14,275	14,619	7,219	8,507	708	1,658	4,728	10,618	1,033	7,844	11,131	11,647
Annual % Change	0.4%	1.1%	1.4%	1.3%	1.3%	0.6%	0.7%	0.1%	0.1%	0.4%	0.9%	0.1%	0.7%	0.9%	1.0%

# Appendix

---

## Assessment of Most Marketable Land Uses, East Otay Mesa Specific Plan



Questions/ Participant	Chris Holder Colliers 858-677-5372	Jeffrey Givens Kearny Real Estate Company 619-702-8130	Rob Hixson CBRE 619-696-8350
1. How are overall market conditions for industrial space in the South SD County/ Otay Mesa market?	Good but slow, San Diego is not a large industrial building market. We are not serving 3 counties like Inland empire industrial centers do. Our tenant profile is looking for 40,000 to 100,000 SF spaces, not 500,000 SF.	Fairly good, stable.	Conditions are improving.
2. Would you say rents are rising, falling or the same as they were a year ago? What about vacancy rates?	Rents and Vacancy are stable.	No Comment	No Comment
3. Is industrial space difficult to find in the local area? Is there a greater need for a certain type of retail space, or a certain location?	Our tenant profile is looking for 40,000 to 100,000 SF spaces, not 500,000 SF.	Otay has the land, it's cheaper than the rest of the county, it's available, and it's ideal for cross border (logistics) uses.	Logistics space is in demand and outdoor storage for vehicles is in very high demand.
4. What is your reaction to shifting zoning away from Technology Business Park on the north side to General Industrial, and from Light Industrial to Mixed Ind on the south side?	Sounds good to change the zoning to give the industrial users flexibility. It would be great to get tech users down there, but they grow organically. It is good to open up the zoning on both the north and south side. The Technology Business Park has many restrictions that could limit tenants. There is plenty of land to the west to satisfy the possible Technology users in the future.	The Heavy industrial could be Mixed Industrial as well. The primary difference in Mixed Industrial versus Heavy industrial is the junk yard use. The fact that the south parcels would shift to Mixed Industrial and the north parcels would shift to Heavy Industrial makes sense.	The tech zoning is not realistic. The County needs to provide more truck parking and more auto storage parking. They should be doing even more than what is proposed--Instead of 200 acres of more Heavy Industrial, it should be 400 acres. The key issue is that everyone in San Diego drives a car, and no one knows where to put the cars when they are done with them. It's a major problem. No one wants them near their house. Right now most of the land is controlled by David Wick at National Enterprises. Also shortage of ind. yards open space for truck space, container storage. Possibly some warehouse dist. The south side rezoning to Mixed Industrial, fine with that too. Should have more heavier uses. Tech zone and yellow areas are limiting uses. The south side will likely be a combination of manufacturing and logistics.
5. Is there a difference in land value foot Technology Park vs. General Industrial? Light Ind. Vs. Mixed Industrial?	Land values are \$15/ SF for finished pad, \$8/ SF for raw land. But depends on flat level, roads, access.	Not really any difference in zoning. Proximity to roads and freeways is more important. \$15/ SF for fully improved industrial land. Raw land is \$7-\$8/ SF. Roland site, new Amazon sold for \$8.50/ SF.	Finished pads \$15/\$16/ SF. Can't put a value on raw land because of the different variables like environmental mitigation, access, utilities etc. It can vary greatly.
6. Will we see clustering of additional logistics buildings around the new Amazon development?	It's possible, but not to the scale that we see in the Inland Empire. San Diego is a smaller market.	Yes, plus the fact that San Diego doesn't have any available large sites. There is nothing in mid county. Otay is really the last location.	A few, probably not many.
7. Other Comments?	Sunroad owns a lot of land along David Ridge Road, could be residential. As long as the blue Heavy industrial area is not adjacent to the residential areas in the plan, the rezoning is reasonable.	The re-zoning is acceptable, the thought that Microsoft and Google would build office and R&D space here is misguided, they are not going there. The reason why Amazon chose that site so they could build 80 foot clear height. But there aren't many users that need that. The Port of San Diego is driven by the military uses, it's not really a port for consumer goods for the most part.	Technology companies do not want to be in Otay Mesa.

Land Use Designation	Approximate Acres	Built and Operational	Under Construction	Approved – Unbuilt	Active Permit
District Commercial	11.00			11	
Mixed-Use Residential Emphasis Commercial Emphasis	161.60 108.50 53.10			161.60	
Heavy Industrial	292.00	275			17
Mixed Industrial	629.90		12	471	10
Light Industrial	363.00	64		231	
Technology Business Park	652.40	54	93	294	81
Rural Residential	311.30				
Conservation/Limited Use	241.00				
Circulation Corridors	350.40				
<b>Total</b>	<b>3,012.70</b>	<b>393</b>	<b>105</b>	<b>1,207</b>	<b>108</b>

#### 2.1.4. Land Use Designations

*Multiple land use designations achieve the envisioned mixture of industrial, business, commercial, and conservation areas.*

The land use designations for East Otay Mesa are: Technology Business Park, District Commercial, Mixed-Use (Residential and Employment Emphases), Light Industrial, Heavy Industrial, Mixed Industrial, Rural Residential, and Conservation/Limited Use. A Commercial Center Overlay and Activity Nodes are located within the Technology Business Park. Activity Nodes may also be located within the Light Industrial District. A Landfill Buffer was established for those portions of Mixed Industrial and Rural Residential that are located within 1,000 feet of a landfill site, which is located outside the southeastern corner of the Specific Plan. These planned land uses will be implemented through various discretionary permits.

Multiple land use designations achieve the envisioned mixture of industrial, business and commercial land uses, as well as conservation areas. Table 2.1-1, Planned Land Use Tabulation, summarizes the amount of planned development by land use designation. The general intents of the Technology Business Park, Activity Node, Commercial Center, Light Industrial, Heavy Industrial, and Conservation/Limited Use Area designations are described below. Specific permitted uses and development requirements within each of these designations are detailed in Section 3.0.

Locations of East Otay Mesa Activity Nodes are based on a hierarchy of streets, topography, views and walking distances. The outer boundary of Activity Nodes shall be spaced a minimum of 300 feet from Prime Arterial or Major Roads. In addition, each Activity Node shall be a minimum of 1,250 feet apart. The proposed corridor alignment for State Route 11 is subject to change upon the completion of CalTrans' Environmental Studies. The north-south boundaries of adjacent land uses are intended to conform with the final alignment of future SR-11.

### Technology Business Park

The presence of applied scientific institutes and diverse research and development industries in the San Diego region creates a demand for future research, development, testing and manufacturing sites. East Otay Mesa is considered an ideal location for these facilities and offers the following amenities:

- Large, fairly level, developable land that is relatively inexpensive;
- Good access provided by three planned freeway links, an existing border crossing, and a planned additional border crossing;
- Ample employee pool from adjacent communities and Mexico;
- Special visual and environmental amenities associated with the San Ysidro Mountains and Otay River Valley; and
- Proximity to regional and international airports and to the Mexican border.

*The intent of the East Otay Mesa land use plan is to provide the quality environment that technology businesses are often accustomed to and create a pleasant working environment for employees, focusing development in parks, or campus-like settings.*

The Technology Business Park designation is applied in the northern and western portions of the Specific Plan Area, closest to planned regional highways, proposed light rail and urbanized lands (Figure 2.1-1). Land subject to the Technology Business Park designation is intended for development of manufacturing operations and business offices that research, develop and produce advanced technologies, such as defense and space technologies, communication, computer and internet, audio/visual, pharmaceutical and medical products. The intent of the East Otay Mesa land use plan is to provide the quality environment that technology businesses are often accustomed to and create a pleasant working environment for employees, focusing development in parks, or campus-like settings. This campus-like setting complements the aim of the Activity Node, which strongly encourages pedestrian activity.

**Mixed-Use**

The introduction of mixed-use to East Otay Mesa is intended to catalyze growth of the area. Additional housing will provide opportunities for existing employees to relocate closer to work and reduce their commutes. Each new home creates demand for additional employment opportunities, shopping, services, dining establishments, and recreational amenities. The following mixed-use designations accommodate these uses and will contribute to the creation of a pedestrian-oriented, self-sufficient community that supports a variety of housing types, promotes jobs/housing balance, facilitates active transportation (such as walking and bicycling), and contributes to the viability of public transit service.

**Mixed-Use – Residential Emphasis.** Within the Residential Emphasis designation, the maximum residential density is calculated by multiplying 90 to 100 percent of the land area (excluding land reserved for County parks or other public uses) by the allowed density. The resulting number of units may be distributed anywhere throughout the Planning Area. Up to 10 percent of the remaining area may be dedicated to commercial/retail and/or office/technology business park uses. All types of residential products would be permitted within the Residential Mixed-Use designation from single-family to multi-family residential. Housing types would primarily include detached single-family homes, duplexes, townhomes, apartments, or condominiums. The commercial component is intended to provide small scale shopping in close proximity to residential neighborhoods. Typical uses may include small scale commercial/retail uses, local convenience markets, personal services, health clubs, and outdoor cafes or other dining establishments. Typical technology business park uses may include custom manufacturing, wholesale storage and distribution, research and development businesses, and offices. Parks and other recreational uses are also permitted within the Mixed-Use designations.

**Mixed-Use – Employment Emphasis.** Within the Employment Emphasis designation, over 50 percent of the total acreage (excluding land reserved for County parks or other public uses) shall contain commercial/retail and/or office/technology business park uses on the ground floor. This area would include associated uses including vehicular circulation and parking areas, pedestrian circulation areas, landscaped areas, plazas, etc. Upper floors may consist of additional commercial/retail/office/business park uses or residential units. Vertical mixed-use development is encouraged within this designation. This may include live/work units, non-residential mixed-use (such as ground floor retail with office above), or mixed-use residential development (such as ground floor retail or office with residential above).

The remaining (less than 50 percent) of the land area (excluding land reserved for County parks or other public uses) may be utilized to calculate the maximum residential density permitted. These residential units may be placed above ground floor commercial/retail and/or office/technology business park uses as described above or be accommodated within multi-family or single-family structures. In addition to vertical mixed-use, horizontal mixed-use (such as a commercial-only building located adjacent to a residential-only building) is permitted. Multi-family residential uses such as apartments, garden apartments, townhomes, and rowhouses with front entrances accessed from the sidewalk are preferred in this designation. The intent is to animate the sidewalk with uses that contribute to pedestrian activity.

The Mixed-Use Designations are applied in the northwestern portion of the Specific Plan Area within the Mixed-Use Village Core which is located generally east of SR-125, north of Otay Mesa Road, south of Zinser Road, and west of Vann Centre Boulevard (Figure 2.1-1). Specific Plan Amendment No. PDS2015-SPA-15-001 includes a typical development scenario based on “target” development intensities such that the maximum peak hour traffic volumes associated with build-out of the area does not generate more than 2,785 AM peak-hour trips and not more than 3,474 PM peak-hour trips. To allow flexibility and to respond to changing market trends, the mix of uses and intensity of development is permitted to vary from this typical development scenario provided that the total average daily trips (ADT) assigned to the area is not exceeded. This transfer of development process is discussed in Section 3.3.



**Light Industrial**

The Light Industrial designation is applied to lands on the western edge of the Technology Business Park area in addition to lands in the southern portion of the Specific Plan Area (Figure 2.1-1). Land designated as Light Industrial is intended to accommodate all uses permitted in the Technology Business Park plus wholesale storage and distribution, manufacturing, general industrial and several commercial uses.

**Heavy Industrial**

The Heavy Industrial designation is applied to areas north of Otay Mesa Road adjacent to Alta Road (Figure 2.1-1). These areas provide for most uses allowed in the Technology Business Park and Light Industrial land use designations plus recycling plants, salvage yards, and outdoor storage.

**Mixed Industrial**

The Mixed Industrial designation is applied to areas formerly known as Subarea 2. These areas provide are intended primarily for wholesale storage and distribution, research services, and general industrial uses. General industrial land use is defined as industrial plants primarily engaged in manufacturing, compounding, processing, assembling, packaging, treatment or fabrication of materials and products. Many other compatible commercial types of uses such as construction sales and services, automotive and equipment uses, and custom manufacturing are also permitted.

Support commercial uses are permitted within Mixed Industrial areas, and are planned to serve the daily convenience needs of the industrial work force in East Otay Mesa. They may be incorporated within industrial structures or located in a separate structure on the industrially zoned land. Support commercial development is limited to a maximum percentage of the gross acreage for industrial parcels, and it should be clustered at intersections or located within the interior of industrial developments.

Table 3.1-1 Land Use Matrix <sup>(1)</sup>	San Diego County Zoning Ordinance Nos.	Technology Business Park			District Commercial	Mixed Use	Industrial Use Types			Rural Residential	Conservation Area
		Technology Business Park	Activity Node (per Section 3.3.2)	Commercial Center (Overlay- per Section 3.3.3)			Light Industrial	Heavy Industrial	Mixed Industrial		
1. CIVIC USE TYPES											
Administrative Services	(1310)	P	P	P	M	P	P	(m)	(m)(16)		
Ambulance Services	(1315)	P			M		P	P	P (16)		
Clinic Services	(1320)	P	P	P	M	P	P	M	M (12, 16A)		
Community Recreation	(1325)	P	P	P		P	P			M	
Cultural Exhibits and Library Services	(1330)	P	P	P	M	P	P	(m)	(m) (16A)	M	
Child Care Center	(1332)		M	M	P	P					
Essential Services	(1335)	P	P	P	P	P	P	P	P (16)	P (16)	P
Fire Protection Services	(1340)	P	P	P			P	P	P (12, 16)	P (16)	
Law Enforcement Services	(1346)	P	P	P		P(18)	P	P	P (16)		
Lodge, Fraternal and Civic Assembly	(1348)	M	P	P	M		M	M	M (16A)		
Major Impact Services and Utilities	(1350)	M(9)	M(9)	M(9)	M	M	M(9)	M	M	M	
Minor Impact Services and Utilities	(1355)	P	P	P	P	P	P	P	P (16)	(m)	
Parking Services	(1360)	P	P	P	P	M	P	P	P (16)		
Postal Services	(1365)	P	P	P	M	M	P	P	P(16)		
Small Schools/Trade Schools	(1375)	M	M	M		M	(m)	(m)	(m) (16)		
2. COMMERCIAL USE TYPES											
Administrative and Professional Services	(1410)	P	P	P	P(10)	P	P	P (12)	P (12, 16)		
Agricultural and Horticultural Sales	(1415)										
a) Agricultural Sales		I		P(2)	P	(m)	I	I	I (16A)		
b) Horticultural Sales		I		P	P	(m)	I	I	I (16A)		
Agricultural Services	(1420)	I			P(13)		I	I	M		
Animal Sales and Services	(1425)										
b) Grooming				P		P	I				
c) Horse Stables							I	I	I (16A)		
d) Kennels						M	I	I	I (16A)		

Table 3.1-1 Land Use Matrix <sup>(1)</sup>	San Diego County Zoning Ordinance Nos.	Technology Business Park			District Commercial	Mixed Use	Industrial Use Types			Rural Residential	Conservation Area
		Technology Business Park	Activity Node (per Section 3.3.2)	Commercial Center (Overlay - per Section 3.3.3)			Light Industrial	Heavy Industrial	Mixed Industrial		
e) Veterinary – Large Animals								P (12)	P (12,16)		
f) Veterinary – Small Animals			P	P		M*		P (12)	P (12,16)		
Automotive and Equipment	(1430)										
a) Cleaning				P(2)	P(13)		P(2)	P(2)	P(2, 16)		
b) Fleet Storage		I(2)					P(2)	P(2)	P(2, 16)		
c) Parking		I(2)			P		P(2)	P(2)	P(2, 16)		
d) Repairs (Heavy Equipment)					P (13)		I(2)	P(2)	P(2, 16)		
e) Repairs (Light Equipment)				P(2)	P (2)		I(2)	P(2)	P (2,16)		
f) Sales Rentals (Heavy Equipment)		I(2)			P(2)		I(2)	P(2)	P(2, 16)		
g) Sales Rentals (Farm Equipment)		I(2)			P(2)		I(2)	P(2)	P(2, 16)		
h) Sales Rentals (Light Equipment)		I(2)		P(2)	P(2)		I(2)	P(2)	P(2, 16)		
i) Storage (Non-Operating Vehicles)		I(3)			M			M	M		
j) Storage (Recreational Vehicles and Boats)		I			M			P(2)	P(2)		
Building Maintenance Services	(1435)	P(2)	P (2)	P(2)	P	P(2)	P(2)	P (12)	P (12, 16)		
Business Equipment Sales and Service	(1440)	P	P	P	P	P	P	P (12)	P(12, 16)		
Business Support Services	(1445)	P	P	P	P	P	P	P (12)	P(12, 16)		
Communications Services	(1450)	P	P	P	P	P	P	P (12)	P(12, 16)		
Construction Sales and Services	(1455)	P(2)	-	P(2)	P (13)		P(2)	P	P (16)		
Convenience Sales and Personal Services	(1460)	P	P	P	P (14)	P	P	P (12)	P (12, 16)		
Eating and Drinking Establishments	(1465)	P(5)	P(4)	P	P(4)	P(4)	P(5)	M (5)	M (5,16A)		
Sidewalk Cafes and Outdoor Café Seating						P					
Financial, Insurance and Real	(1475)	P	P	P	P (4)	P	P	P (12)	P (4,12,16)		

Table 3.1-1 Land Use Matrix <sup>(1)</sup>	San Diego County Zoning Ordinance Nos.	Technology Business Park			District Commercial	Mixed Use	Industrial Use Types			Rural Residential	Conservation Area
		Technology Business Park	Activity Node (per Section 3.3.2)	Commercial Center (Overlay - per Section 3.3.3)			Light Industrial	Heavy Industrial	Mixed Industrial		
Estate											
Food and Beverage Sales	(1480)	P(5)	P	P	P (12)	P(4)	P(5)	P(5)	P (5,16)		
Funeral and Internment Services	(1485)										
a) Cremating					M			M	M		
c) Undertaking								P	P (16)		
Gasoline Sales	(1490)	P(6)		P(6)	P (6)	M*	P(6)	P(6, 12)	M (6, 12)		
Laundry Services	(1495)		P	P	P	P			P(12,16)		
Medical Services	(1500)	P	P	P		P					
Participant Sports and Recreation	(1505)										
a) Indoor		P (12)	P	P	P	P	P	P (12)	P (12,16)		
b) Outdoor		M		M	M	M	M	M	M (12,16A)	M	
Personal Services	(1510)	P	P	P		P	P				
Recycling Collection Center	(1512)										
a) Small (7)			P	P	P	P	P	P	P(16)		
b) Large (7)					P	M		P	P(16)		
Recycling Processing Facility	(1513)										
a) Light (8)								M	M (16)		
b) Heavy (8)								M	M		
c) Wood and Green Materials, Light (8)								M	M		
d) Wood and Green Materials, Heavy (8)								M	M		
Repair Services	(1515)	P	P	P	P	P	P	P (12)	P (12,16)		
Research Services	(1520)	P	P	-		P	P	P	P (16)		
Retail Sales	(1525)										
a) General		P(5)	P	P	P	P			M (12, 16)		
b) Specialty		P	P	P	P	P	P	M(5)			
Scrap Operations	(1530)							P	M		
Spectator Sports and Entertainment	(1535)										



Table 3.1-1 Land Use Matrix <sup>(1)</sup>	San Diego County Zoning Ordinance Nos.	Technology Business Park			District Commercial	Mixed Use	Industrial Use Types			Rural Residential	Conservation Area
		Technology Business Park	Activity Node (per Section 3.3.2)	Commercial Center (Overlay - per Section 3.3.3)			Light Industrial	Heavy Industrial	Mixed Industrial		
a) Limited		I		P	M	M	(m)	M (12)	M (12)		
b) General				M	M		M	M	M		
Swap Meets	(1540)	I					I	I	I		
Transient Habitation	(1545)										
a) Campground											M
b) Lodging		M	M	P	P (11)	P(11)					
c) Resort											M
<b>3. INDUSTRIAL USE TYPES (9)</b>											
Wholesale Storage and Distribution	(1550)										
a) Mini Warehouse					P (17)		P	P	P (16)		
b) Light		P(2)		P(2)	P (17)	M	P	P	P (16)		
c) Heavy					P (17)		P	P	P (16)		
Custom Manufacturing	(1610)	P	P	P	P (17)	M	P	P	P (16)		
General Industrial	(1620)	P			P (17)		P	P	P (16)		
<b>4. AGRICULTURAL USE TYPES</b>											
Horticultural	(1710)										
a) Cultivation		I					I	I	I (16)		
b) Storage		I					I	I	I (16)		
Tree Crops	(1715)	I					I	I	I (16)		
Row and Field Crops	(1720)	I					I	I	I (16)		
Packing and Processing	(1735)										
a) Limited							P	P	P (16)		
b) Winery						M	P	P	P (16)		
c) General							P	P	P (16)		
d) Support						M	P	P	P (16)		
<b>5. EXTRACTIVE USE TYPES</b>											
Site Preparation	(1820)	M			M		M	M	M (12)		

Table 3.1-1 Land Use Matrix <sup>(1)</sup>	San Diego County Zoning Ordinance Nos.	Technology Business Park			District Commercial	Mixed Use	Industrial Use Types			Rural Residential	Conservation Area
		Technology Business Park	Activity Node (per Section 3.3.2)	Commercial Center (Overlay - per Section 3.3.3)			Light Industrial	Heavy Industrial	Mixed Industrial		
Extractive Use	(6550-6557)								M (15)	M (15)	
<b>6. RESIDENTIAL USE TYPES</b>	<b>(1260)</b>										
Family Residential: Density = 1 du/20 acre										P (16A)	
Single-Family Residential						<u>P(19)</u>					
Duplex/Two-Family Residential						<u>P(19)</u>					
Multi-Family Residential						<u>P(19)</u>					

## Symbol Key:

P = Permitted Use by Right

I = Interim Use (Major Use Permit Required; Initial 5 Years; additional 5-year increments by Major Use Permit Modifications)

(m) = Minor Use Permit

M = Major Use Permit

M\* = If the proposed use is adjacent to other commercial services, then a Minor Use Permit may be processed; otherwise, a Major Use Permit is required.

Blank = Not Permitted

## COMPANY EXPERIENCE

### Appendix

Meyers Research is a nation-wide research firm guiding real estate investors throughout the country. Our highly educated and experienced consulting staff believes in providing the highest quality service possible to our clients, which means completing the exact analysis they need. Based in Costa Mesa, CA and Washington, DC, we are home to over 140 experts in 10 industries across the country.

Our company offers a unique research tool known as Zonda that offers an edge to our research with easy access real-time data at a local level across the United States. Our local Zonda database provides our team with a history of new and resale housing information, maps, comprehensive data, and many other metrics we use in our analyses to begin the reporting process with greater accuracy -- quickly, accurately and cost-effectively -- with on the ground and in person research. Zonda provides access to over 275 metrics influencing the housing industry including monthly and annual historical trends, future projections and real-time narrative reported by seasoned analysts across the country.

Our senior executive team are thought leaders that individually have more than 30 years of experience in housing and real estate research. With our advisory services, we have navigated builders through different housing cycles and have a deep understanding of local markets. Our consulting team has a broad range of housing expertise and experience spanning the country including consumer research, feasibility studies, portfolio valuation, business planning, and custom research designed to make better decisions related to any real estate investment.

### Zonda and Our Research

- Competitive Analysis throughout the Country
- Exclusive Access to our Research & Consulting Executives
- Metro Analysis & Housing Trends
- Apartment Analysis & Forecast
- Exclusive Client Events
- Presentations & Webinars
- Proprietary Surveys

### Advisory

- For-Sale, Apartment, Commercial & Mixed Use
- Resort & International Development
- Strategic Direction & Planning
- Home Builder Operations Assessment
- Demand Analysis
- Consumer Research & Focus Groups
- Custom Economic Analysis & Forecasting
- Litigation Support & Expert Witness
- Financial Modeling
- Project & Product Positioning

### Consumer and Product Strategy

- Consumer and Product Insights
- Tactical and Marketing Strategies
- Product Design Advisory
- Custom Consumer Research
- Customer Shop Research

**Metrostudy**, a Hanley Wood company, is the leading provider of primary and secondary market information to the housing and related industries nationwide. In addition to providing information, the company is recognized for its consulting expertise on development, marketing, and economic issues, and is a key source of research studies evaluating the marketability of residential and commercial real estate projects. Builders, developers, financial institutions, manufacturers, retailers, telecommunications providers, government entities, and numerous, adjacent industries rely on Metrostudy's research, expertise, and intelligence to support strategic business decisions at the local, regional, and national market level.

When you partner with Metrostudy, we guarantee that you will know your market. Our research offers the most complete, accurate, and useful information available. And we not only provide the information – we can analyze what it means and help you apply it to your business.

### **Our research.**

Metrostudy maintains the nation's most comprehensive database of housing market information, using hundreds of dedicated field researchers and investing millions of dollars annually. Our researchers drive the streets of every platted new home subdivision, inspect every home site, and record primary data on housing activity every 90 days to deliver the most accurate market data on active and future construction in the industry. Our core research is complemented by strategic third-party data that we rigorously cleanse and distill to improve accuracy and relevancy. We gather deeds, tax assessor's records, demographics, as well as robust economic data that provide insight into local market health and the national economy. When our clients make decisions, they have confidence knowing their teams are utilizing the most complete and accurate information available.

### **Our analysis.**

Metrostudy's consulting team provides strategic decision support and comprehensive due diligence services for a variety of business scenarios. Clients engage Metrostudy on a local, regional, and national basis. Our in-market and national strategists are recognized experts in identifying the market forces and ecosystem pitfalls your investments or projects will face. Using our research, marketing, and sales expertise, we will deliver a highly personalized service with clear and relevant analysis from the best data available. We immerse ourselves in your marketplace and will be attentive to your particular needs. We are here to help you understand how to minimize risk and maximize profits for your business, so you can make decisions with confidence.

Our consulting team has completed thousands of residential and commercial studies for homebuilders, developers, lenders, Wall Street opportunity funds, retailers, utilities, and government agencies across the country, including 18 of the top 20 national residential homebuilders. We produce everything from quick preliminary analyses to fully documented studies customized to your needs. For a complete list of major residential study types offered, please visit our Consulting Information at our website [www.metrostudy.com](http://www.metrostudy.com).

# Thank you!

---

This analysis was prepared by Meyers Research, LLC.