

San Diego

Impact

The high-tech industry continues to expand, establishing a stronghold in software development and consumer electronics manufacturing. This growth has been a boon for the local office market and has translated into a sizable amount of occupancy. Qualcomm, a smartphone chip developer and one of San Diego's largest high-tech employers, has experienced steady growth on the heels of increased demand for new technologies. Their presence helps to serve as a catalyst for start-up and complementary business activity in the region, boosting the high-tech sector overall.

Overview

Sorrento Mesa is San Diego's premier high-tech submarket, and is home to Qualcomm and a variety of software and web-based companies. As one of the region's only Fortune 500 firms, Qualcomm's expansion has spurred the growth of peripheral firms that benefit from the healthy venture capital environment and proximity to intellectual capital. The University of California, San Diego is a driving force in the submarket, supplying top talent to the high-tech firms nearby. Venture capital funding flows to start-ups and small firms that partner with or compete against Qualcomm, further bolstering industry growth.

The number of high-tech tenants touring the market has been relatively steady for the past year. Firms seeking large contiguous blocks of space are discovering they have few options, especially in their preferred submarkets. Landlords continue to offer concessions to attract tenants, but as demand picks up, particularly for Class A space, these offers will diminish. Large firms are inking deals ahead of schedule to take advantage of more affordable rates before stronger demand drives up asking rents.

Outlook

Thanks to a well-educated and growing workforce paired with an established high-tech cluster that continues to spin off new and exciting start-up companies, demand for space to house these firms will remain solid for the foreseeable future, especially in Sorrento Mesa.

Players: top high-tech firms
By real estate footprint



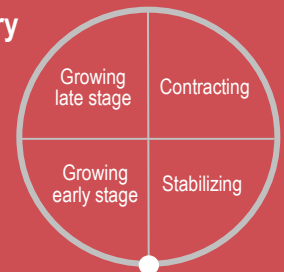
Qualcomm
Northrop Grumman
SAIC
L-3 Communications
Sony

Position



High-tech industry

Economic cycle clock



Office property

Market cycle clock

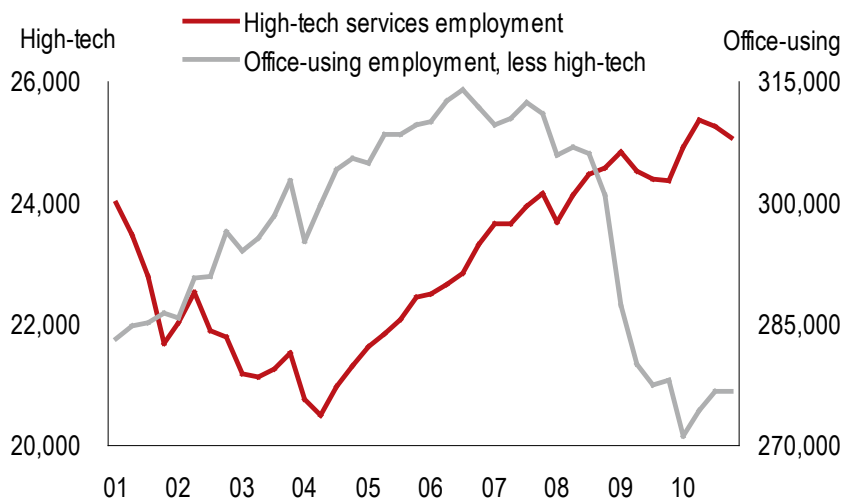


Scorecard



		rank
Economic		
High-tech jobs / annual growth	50,798 / 1.8%	9/7
Percent of total jobs	5.0%	12
Number of firms	2,586	9
Venture capital funding (past 4 quarters)	\$756.6 M	8
Share of U.S. total	3.0%	
College education	34.0%	14
Diversity (non-white / foreign born)	28.9% / 22.7%	11/7
Office		
Cost (average asking rent)	\$25.80	12
Annual growth	-3.2%	18
Supply (vacancy rate)	17.6%	11
Demand (net absorption sf / (past 4 quarters))	380,265 sf / 0.5%	14 / 16
High-tech concentration (high-tech services vs. office jobs)	8.3%	13

San Diego high-technology employment



San Diego



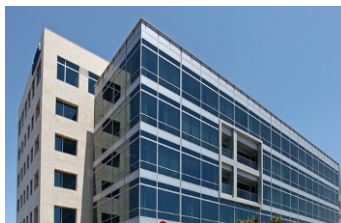
Recent lease activity



Sony
8929 Terman Court
132,000 sf



Information Systems Labs
10070 Barnes Canyon Road
30,000 sf

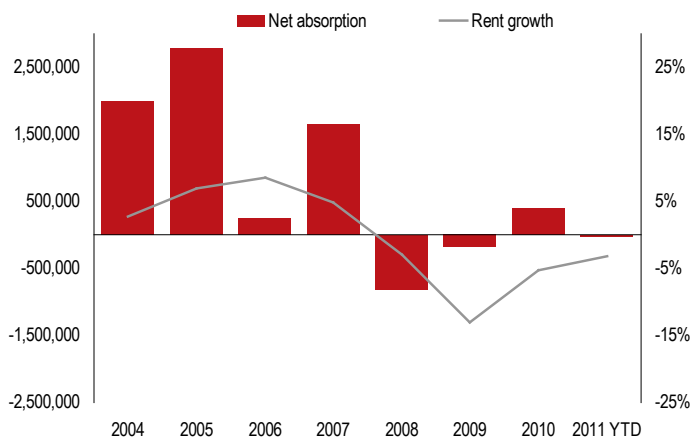


Altec Lansing
9330 Scranton Road
14,000 sf



Salient Federal Solutions
10431 Wateridge Circle
12,000 sf

Net absorption vs. rent growth



Top headlines

San Diego

Tech companies struggle to find qualified local applicants – thousands of jobs available

San Diego venture capital steady despite flaccid national economy

Number of tech start-ups double in Q1 2011

UCSD, CalTech bring photonics to silicon

Top San Diego high-technology firms

1. AIRSIS
2. Altec Lansing
3. Anakam
4. Cohu, Inc.
5. Computer Sciences Corp
6. DefenseWeb Technologies
7. ESET
8. Information Systems Labs
9. Interknowledge
10. L-3 Communications
11. Mitchell International
12. Novatel Wireless
13. Qualcomm
14. Quality Systems Integrated
15. RF Industries
16. SAIC
17. Salient Federal Solutions
18. Sentek Consulting
19. SmartDraw.com
20. Sony
21. Technology Integration Group
22. ViaSat
23. Websense
24. Yahoo!
25. Yontoo Technologies

