



Thursday, February 9, 2006

## Class A buildings on the rise

By TERESA Y. WARREN  
*Special to the Daily Transcript*

According to the CB Richard Ellis "Market View" report, there are 296,000 office workers in San Diego County and over the next two years, that number will grow 2.2 percent per year, or more than 13,000 new workers by the end of 2007.

Where will these new employees spend Monday through Friday? Those lucky enough to work in Class A office buildings will have some new, exciting options - four new Class A towers are currently under construction in San Diego County. And, each is in a different region, providing businesses in all areas the opportunity to enjoy working in Class A space.

In total, San Diego County has 292 Class A office buildings. Although downtown San Diego has the highest concentration, only one new office tower is currently under construction in that area - DiamondView Tower. Developed by **Cisterra Partners**, DiamondView Tower will also be the first high rise in the Ballpark/East Village District and only the second to be built in downtown in 14 years.

"They say that location is everything in real estate and DiamondView Tower has one of the most unique locations for a Class A building," says Jason Wood, director of development for Cisterra Partners. "We're just outside the outfield fence of Petco Park



A rendered view of Cisterra Partner's DiamondView Tower as seen from Ninth and J Streets

and have incredible views of the Padres' playing field, the Coronado Bridge and San Diego Bay." The 15-story DiamondView Tower, which will total 305,000 square feet, broke ground in spring of 2005 and will be completed in the first quarter of 2007.

In September, 2005 Equity Office Properties started construction on Bridge Pointe Corporate Centre III, the third phase of a planned development community in the University Towne Centre area. The project's

first two phases included two office buildings totaling 150,000 square feet.

Further up Interstate 5 in Del Mar Heights, JMI Realty is building Paseo del Mar, consisting of three four-story Class A office buildings. The 11-acre project will total 240,000 square feet of office space.

Across the state Route 56 corridor, close to Interstate 15, Kilroy Sabre Spring Phase 2 is being constructed. When completed, the additional phases will add nearly 141,000

square feet to the growing area. The first phase consisted of two buildings totaling 282,000 square feet.

Experts have a positive forecast for each of the projects.

"In good economic times, there is always a flight to quality and the more modern, quality product tends to lease quicker," said Bret Gossett, senior vice president of CB Richard Ellis. "Each of the four Class A properties currently in construction will lease before their competition in the market given the amenity packages that are offered."

Lease rates for Class A space varies, depending upon the area of the county, and are on the rise. According to CB Richard Ellis' Market View, the weighted average lease rate for office increased during the fourth quarter of 2005 from \$2.13 to \$2.20. This was the fifth consecutive quarterly increase and equaled a 12-month rent growth rate of approximately 13.6 percent.

Class A space had the highest average asking lease rate at \$2.62 per square feet, followed by Class B space at \$1.99 and Class C at \$1.67. The Torrey Pines submarket had the highest asking lease rate.

"Location can make a big difference when it comes to leasing office space," Wood said. "The average asking lease rates in San Diego County range from \$3.38 for Class A in Torrey Pines to \$1.46 in the Rose Canyon area for Class C. Class A tenants understand they must pay higher rates for a more desirable location and more amenities."

DiamondView Tower has already announced three tenants -- Comerica Bank, which will be taking space for a ground floor branch and two mid-floors for an operations center; Cox Communications will build its Channel 4 studios in the tower (with Petco

Park as a back drop) and San Diego Interconnect Operated by Cox Media has leased two floors; and CB Richards Ellis will relocate its downtown offices into 6,000 square feet of DiamondView Tower space.

"Cisterra Partners is creating a spectacular new Class A office property, and we look forward to occupying our new space and providing an exceptional environment for our employees in this outstanding development," said Kraig Kristofferson, senior vice president of CB Richard Ellis.

Developers such as Cisterra and others building Class A projects should be pleased by another fact reported in Market View: "After a slow start to the year (2005) with a mere 102,000 square feet net absorption activity picked up and averaged nearly 512,000 square feet over the past three quarters ... As a result, the office vacancy rate decreased during the (fourth) quarter to 8.9 percent compared to 9.6 percent at the end of last (third) quarter."

According to Gossett, "As competition in business intensifies, companies are focusing on recruiting and retaining the best talent. This demand correlates to an increase in demand for Class A property."

"The interest in DiamondView Tower is strong," said Wood, who oversees the marketing and leasing of the building along with CB Richard Ellis. "When we open the building in early 2007, we anticipate our tenant list to be much longer and impressive."

---

*Warren is a principal in TW2 Marketing*