

I-15 Corridor sees wave of new Class A development

By SANDRA GROVE
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At a time when office vacancy rates are rising in nearly every San Diego County submarket, the I-15 Corridor is drawing major national and regional tenants to the Class A marketplace.

A just released mid-year report by Cushman & Wakefield shows the I-15 Corridor led all areas of the county with 188,589 square feet of direct positive absorption.

"Even though office leasing activity has slowed county-wide, most companies recognize that there is a limited supply of land for develop-

ment and if scalability is an issue, they must consider locating in the I-15 Corridor," said Tom van Betten, director with Cushman & Wakefield. "Developers have been quick to recognize the potential of the I-15 Corridor market and have responded with premier, Class A corporate campuses that provide the right combination of central location, freeway access with state-of-the-art design and amenities."

According to Greg Eger of Granum Partners of Los Gatos, Calif., the I-15 Corridor is strategically positioned — a key selling point for companies whose employees are struggling with rising fuel and transportation costs.

"We saw tremendous opportunity in this niche market, which soon will rank on a level with Del Mar Heights," said Eger, whose firm has just finished construction on the first of three Class A buildings in the 330,000-square-foot Bernardo Terrace Corporate Center. "The reality is that, for any company who anticipates future growth with space needs above 25,000 square feet, there is a very limited supply. Once the economy turns, there will be pent-up demand for quality space in good locations — but the hiatus in new construction means this demand will fall well short of supply."

Cisterra Development has plans to redevelop and expand The Point in Rancho Bernardo into a 500,000-square-foot Class A corporate campus.

"In recent years, Del Mar Heights has been the preferred location for top tier tenants and demand has helped push rental rates there to upward of \$4-per-square-foot," said Jason Wood, senior vice president with Cisterra Development. "The new premier developments in the I-15 Corridor are positioned very well with the product in Del Mar Heights, but offer even more space and expansion options as well as asking rates approximately \$1-per-square-

foot-per-month less."

According to Cushman & Wakefield, average direct Class A asking rents in the I-15 Corridor stand at \$3.03 per square foot per month — on par with the same time last year.

"Companies recognize the value offered in the I-15 Corridor and that rental rates will rise once demand picks up again," said van Betten.

Sony (NYSE: SNE), Yahoo! (Nasdaq: YHOO) and the Paradigm Group are three high-profile companies growing their San Diego presence with locations in The Point in Rancho Bernardo. Chase Manhattan renewed its 127,000-square-foot commitment in Bernardo Heights Corporate Center. Other recent I-15 Corridor newcomers include Bridgepoint Education, Lockheed Martin (NYSE: LMT), National Pen, Carl Zeiss and Marvell Semiconductor, which together signed more than 507,400 square feet in leases valued in excess of \$162 million in projects in Scripps Ranch alone.

Kilroy is nearing comple-

tion on the third and final building in its 434,000-square-foot Kilroy Sabre Springs campus on Evening Creek Drive. The 154,000-square-foot third building is exclusively leased to Bridgepoint Education. Other tenants within the campus include Bank of America (NYSE: BAC), Raymond Jay Lucia Companies Inc., Liberty Mutual and 1st Pacific Bank.

In addition to leasing activity, the I-15 Corridor also leads the region in new construction, with more than 1.13 million square feet under way. These projects include Jay Paul Co.'s The Summit at Rancho Bernardo, where the first building in a 75-acre redevelopment and expansion project is under construction.

Bernardo Terrace Corporate Center just welcomed its first 110,000-square-foot building and will build the subsequent two buildings in phases or on a build-to-suit basis. The project, which sits on 27 acres overlooking the Rancho Bernardo landscape, Lake Hodges and I-15, has focused on style and amenities.

"We are finding that companies expect a cutting-edge environment that not only offers a premier location but that is environmentally responsible as well," said Granum Partners' Eger.

The Kilroy Sabre Springs third and final building is awaiting final LEED Silver Certification. With its upcoming expansion, The Point will also focus on sustainability.

Scripps Ranch has also seen a recent wave of development and investment by Cruzan | Monroe, LBA Realty and Opus West, which has culminated in 330,000 square feet of new or repositioned corporate headquarters/R&D space in three projects: Cruzan | Monroe's 10150 Meanley Drive, LBA's Willow Creek Corporate Center and Opus West's Horizon Tech Center.

"We see nothing but upside potential for the I-15 Corridor as a premier Class A market that rivals the more traditional San Diego Class A markets," Eger said. "In five years, the I-15 Corridor will be twice the size of Del Mar Heights with a roster of tenants (that) cities throughout the state will envy."

Grove is president of the Grove Agency.

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