

# 10025 Huennekens Street

San Diego, CA



**FOR SALE**  
**\$2,950,000**

A freestanding 16,169 SF R&D/manufacturing/  
warehouse building located in Sorrento Mesa

**Mickey Morera**  
858.369.3030  
mmorera@kiddermathews.com  
LIC #00950071

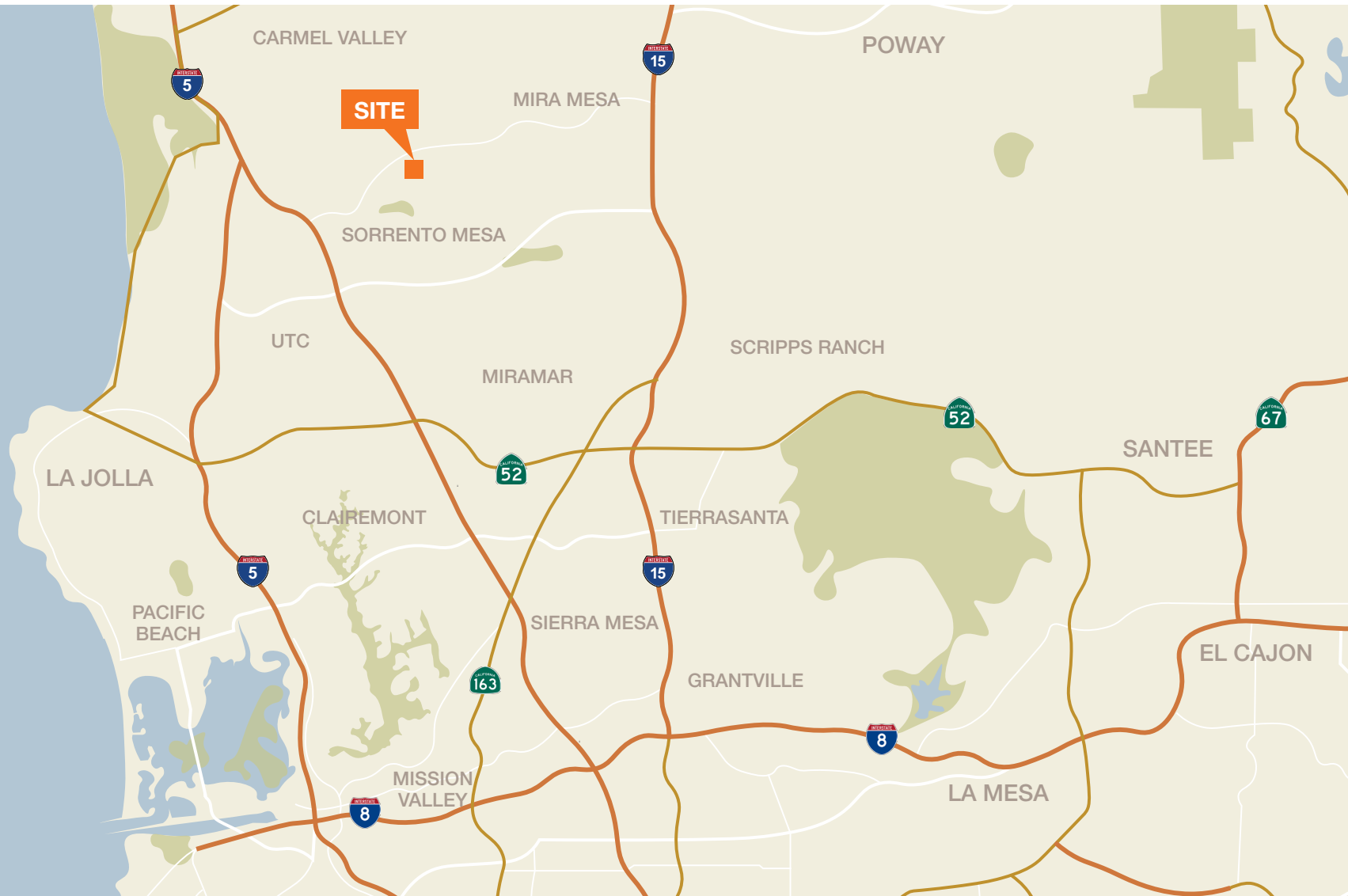
**James Duncan**  
858.369.3015  
jduncan@kiddermathews.com  
LIC #01253770

[kiddermathews.com](http://kiddermathews.com)

**km** Kidder  
Mathews

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## FEATURES

Freestanding 16,169 SF building

±50% office and 50% production/warehouse

Central San Diego location in Sorrento Mesa

±22' minimum clear height in warehouse

Situated on 0.8 acre parcel

0.45/3,000 fire sprinkler system

1 dock position

2 grade-level doors

1,200 amps, 120/208 volt, 3-phase electrical service

±2.47/1,000 parking ratio - 40 total spaces

Zoned IL-2-1

Sale Price: \$2,950,000



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INDUSTRIAL  
VACANCY

6.6%

in the Sorrento Mesa  
submarket

ASKING RENT  
INCREASE

15.3%

over the past 2 quarters  
in the Sorrento Mesa  
submarket

As occupancy in the Sorrento  
Mesa submarket increases,  
demand continues to push  
asking rates to new highs



## Market Overview

### SORRENTO MESA MARKET

Sorrento Mesa is recognized as one of San Diego's premier business environments, featuring some of the city's fastest growing enterprises and unique architectural buildings. Located just west of Mira Mesa, north of La Jolla and east of Sorrento Valley, Sorrento Mesa consists primarily of high quality office and R&D product and is considered the technology hub of San Diego, driven by the presence of tech giant Qualcomm. Sorrento Mesa is home to many of San Diego's top companies and is dominated by telecommunications, wireless, and biotechnology research industry leaders, offering vast employment opportunities in San Diego. With continued growth that is fueled by technology clusters and new talent by the region's academic institutions, Sorrento Mesa is expected to continue to prosper.

### HIGH TECH EPICENTER

San Diego has a highly diversified economy, a primary driver of which is the technology sector and its ongoing creation of new companies and jobs. Over the last 20 years, Sorrento Mesa has developed into the epicenter for San Diego tech

and life science companies. With an abundance of high quality office and R&D lab space, Sorrento Mesa attracts numerous technology companies looking for value and functionality. Additionally, a vast amount of research institutes are within close proximity, including the University of San Diego, Scripps Clinic, Scripps Institute of Technology and the Salk Institute.

### HOME TO NOTABLE COMPANIES

Occupying approximately 4 million square feet in Sorrento Mesa, Qualcomm is a worldwide leader in next-generation mobile technologies that designs and markets wireless telecommunications products and services, and has substantially contributed to the tech influence in the region. Other prominent tenants and institutional owners in Sorrento Mesa include Google, Gen-Probe, Texas Instruments, Sony, Dexcom, General Atomics as well as John Hancock, Sharp Healthcare, San Diego County Credit Union and UPS. Proximity to these multinational companies provides a reputable basis for job growth, population increase, and strong continued investment in the area.

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## SORRENTO MESA MARKET PROFILE CONTINUED

### STRONG INDUSTRIAL MARKET

Sorrento Mesa's centralized location within San Diego is adjacent to dynamic submarkets including UTC, Del Mar, Torrey Pines and Sorrento Valley, and is able to profit from the tenants that seek proximity to distinguished companies that make the community an integral part of San Diego's economy. The submarket is comprised of approximately 6 million square feet, coming in as a very close second to Carlsbad in existing flex/R&D product in the San Diego County, making up almost 13% of the entire county's volume in square feet for flex/R&D product.

### SUBSTANTIAL INCREASE IN RENTAL RATES

Sorrento Mesa is known to be one of San Diego's strongest R&D submarkets, with rents significantly higher than the county average. The area has displayed substantial rent growth on a consecutive annual basis over the last ten years. In 2011, asking R&D rental rates averaged \$1.04 per square foot per month on a NNN basis. Today, the average asking rental is \$1.58 per square foot per month, an all-time record high in the past twenty years, and only expected to increase in the months to come. With the rise in rental rates, increase in leasing activity and not much new construction, the R&D product is well positioned to perform well in the foreseeable future.



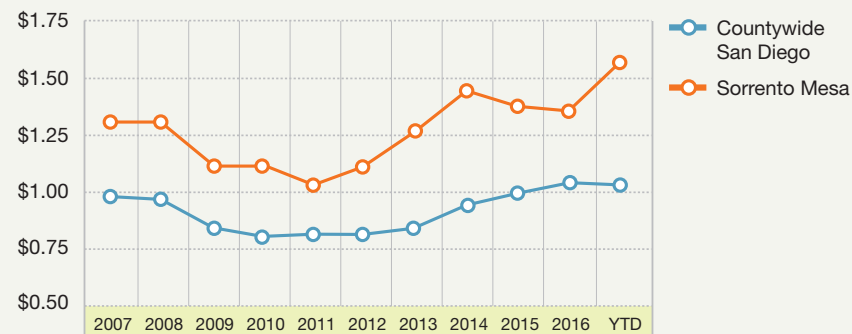
### LIMITED NEW SUPPLY

Sorrento Mesa has only seen one new project come online in 2015 and prior to that the last speculative development was in 2006, with currently only one planned project in the works. With the scarcity of available land in the area, there is a significant depleted development pipeline. However, many buildings are getting a fresh face with many undergoing renovations to keep up with the demand from tenants seeking quality product and amenities. The lack of development in a low vacancy market drives the upward pressure on rental rates and helps to promote strong competition to the existing assets.

### DECLINING VACANCY

Robust leasing activity and little new development has significantly reduced vacancy, and sitting at a record low direct vacancy rate of 6.6% YTD, the lowest the submarket has seen since 2008. With Sorrento Mesa being a highly desirable market for the technology, life sciences and biotech clusters, vacancies are forecasted to decrease in the coming future.

### AVERAGE MONTHLY ASKING RENTS (NNN)



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MARKET STATISTICS					
Region	Total Inventory (SF)	Direct Vacancy (%)	YTD Direct Net Absorption (SF)	Under Construction (SF)	Average NNN Rental Rate
SORRENTO MESA	9,668,270	6.6%	(756)	0	\$1.46
CENTRAL COUNTY	56,775,003	4.7%	407,052	892,626	\$1.11
<b>SAN DIEGO OVERALL</b>	<b>182,437,609</b>	<b>4.9%</b>	<b>458,703</b>	<b>1,433,825</b>	<b>\$1.04</b>
R&D	47,096,394	7.0%	788,371	642,785	\$1.47
MANUFACTURING	53,542,540	5.8%	(123,495)	82,640	\$0.91
WAREHOUSE	59,928,671	3.0%	(131,375)	142,950	\$0.86
OTHER INDUSTRIAL	21,870,004	3.9%	(74,798)	565,450	\$0.81
<b>TOTAL</b>	<b>182,437,609</b>	<b>4.9%</b>	<b>458,703</b>	<b>1,433,825</b>	<b>\$1.04</b>

## SAN DIEGO TOP EMPLOYERS



## SAN DIEGO MARKET OVERVIEW

**High Demand.** At the close of the second quarter 2017, the San Diego industrial market displayed strong positive net absorption, recording at 518,641 square feet, bringing the 2017 YTD net absorption total to approximately 458,703 square feet. The best performing submarkets in the second quarter were Rancho Bernardo with 242,833 square feet followed by Otay Mesa with 128,144 square feet.

**Record-Low Vacancy.** The vacancy rate for San Diego County's industrial market is one of the lowest numbers posted in the past ten years, and has remained in this record low for the past two years. Countywide total vacancy currently sits at 4.9%, only 0.1% higher the 4.8% vacancy recorded at the same time last year.

**Positive Outlook.** The San Diego Flex R&D market remains tight at the close of the first half of 2017, but as the life science and technology sectors continue to drive the region's economy, the market will continue to grow at a steady pace. Because this booming industry targets space in San Diego specifically, there will be ongoing construction and new deliveries in response to the demand, and will help contribute to the slow uptick in availability and new product in the near future.

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## San Diego's Demand Drivers



### DEFENSE

Home to the largest concentration of military assets in the world and the largest federal military workforce in the country

One fifth of San Diego's economy relies on the defense industry, with defense spending generating roughly 20%, approximately \$45 billion, of the region's Gross Regional Product (GRP)

Generates more than 300,000 jobs, or about one out of every five jobs in San Diego



### LIFE SCIENCE

Nicknamed as "biotech beach", San Diego is one of the top three largest life science clusters in the U.S. and is home to over 1,100 companies and 80 research institutes, accounting for more than \$31.8 billion in total economic impact

Ranked 1st in nation for the number of genomics patents from 2014-2016 as well as 1st in the number of genomics-ready graduates



### TECHNOLOGY

Ranked 7th in the nation in software development and 4th in the nation for startup activity, with more than 100,000 jobs and a total economic impact of \$12.2 billion.

Home to a number of evolving and innovative sectors, including telecommunications, cybersecurity, connected devices, data analytics

Housing established companies like Qualcomm and ViaSat as well as organizations to accelerate and support startups such as EvoNexus and Connect.



### TOURISM

Nearly 35 million visitors in 2016 with spending of \$10.4 billion, the tourism industry generates more than \$743 million annually in state and local taxes

3rd largest industry in San Diego, among top five destinations in the U.S. for business and conventions, top five leisure destinations

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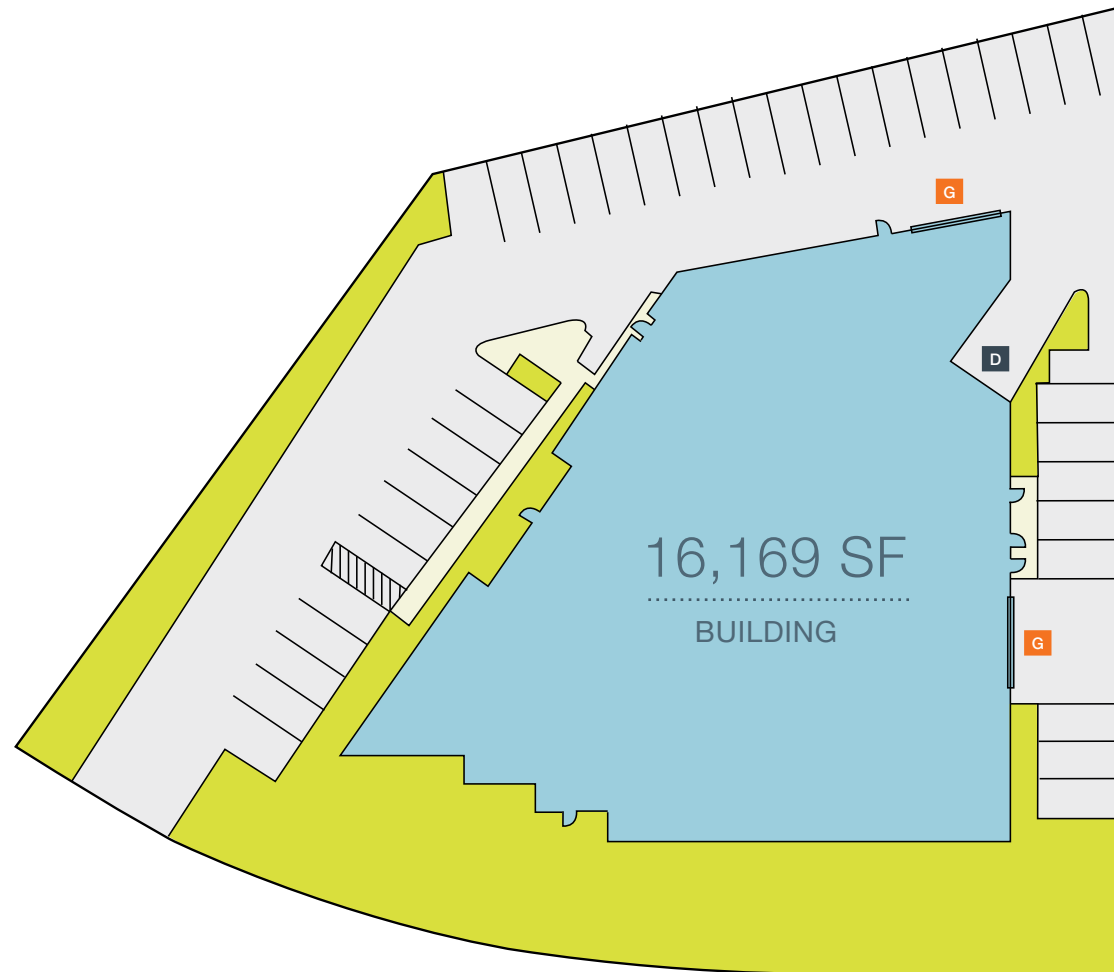
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## Site Plan



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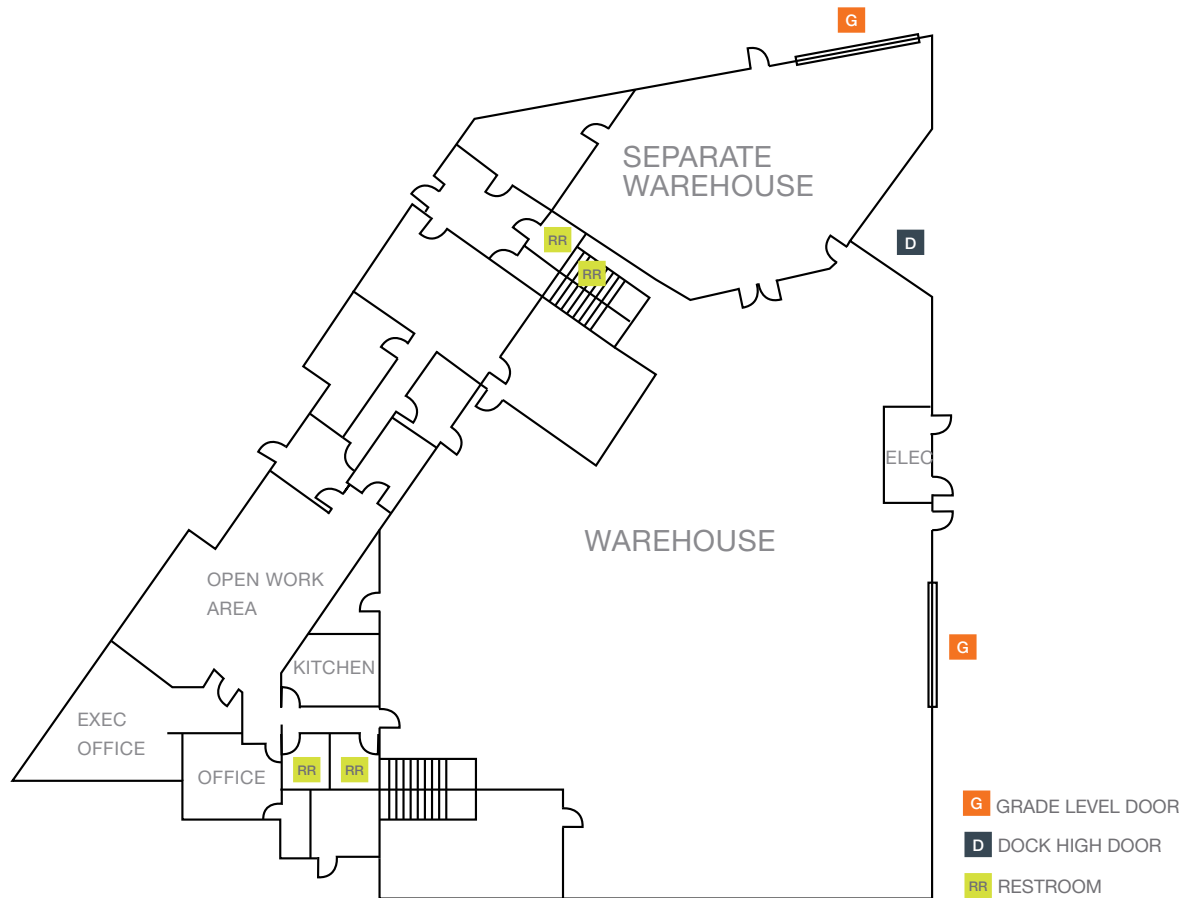


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## Floor Plans

FIRST FLOOR | ±11,970 SF



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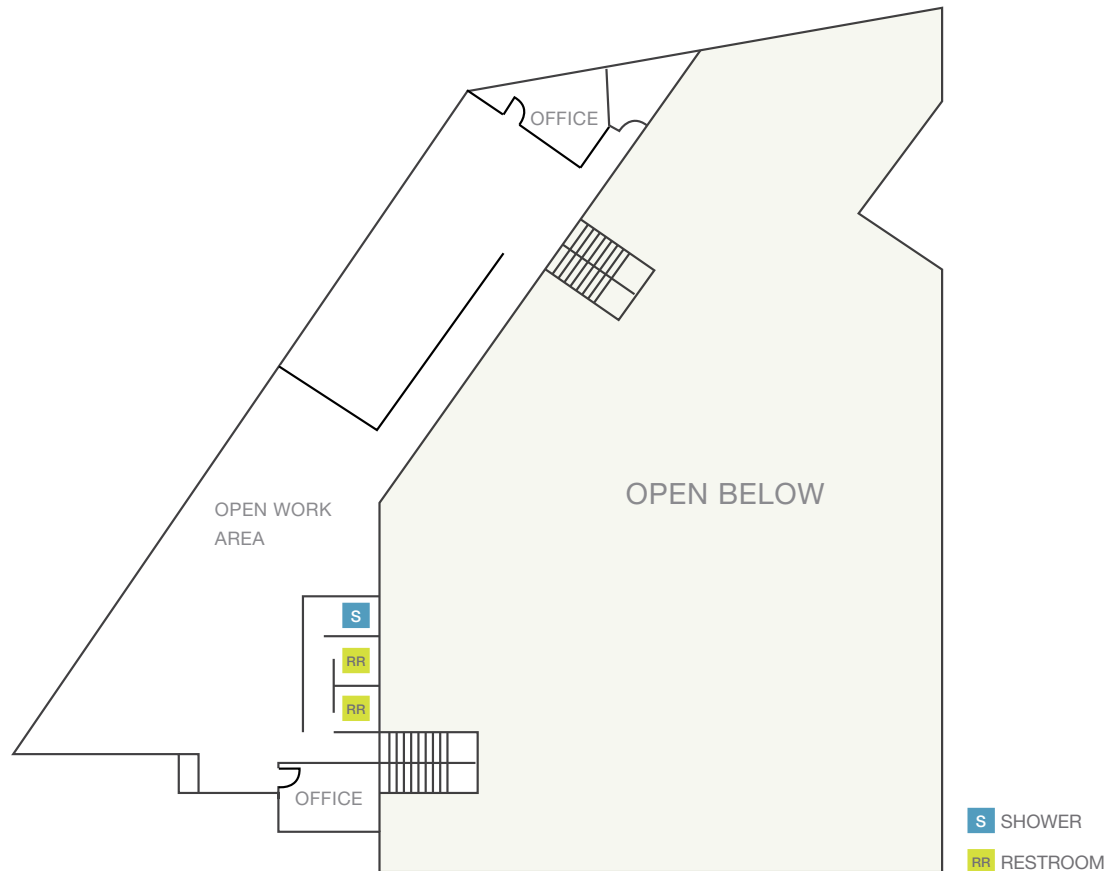


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MEZZANINE FLOOR PLAN | ±4,199 SF



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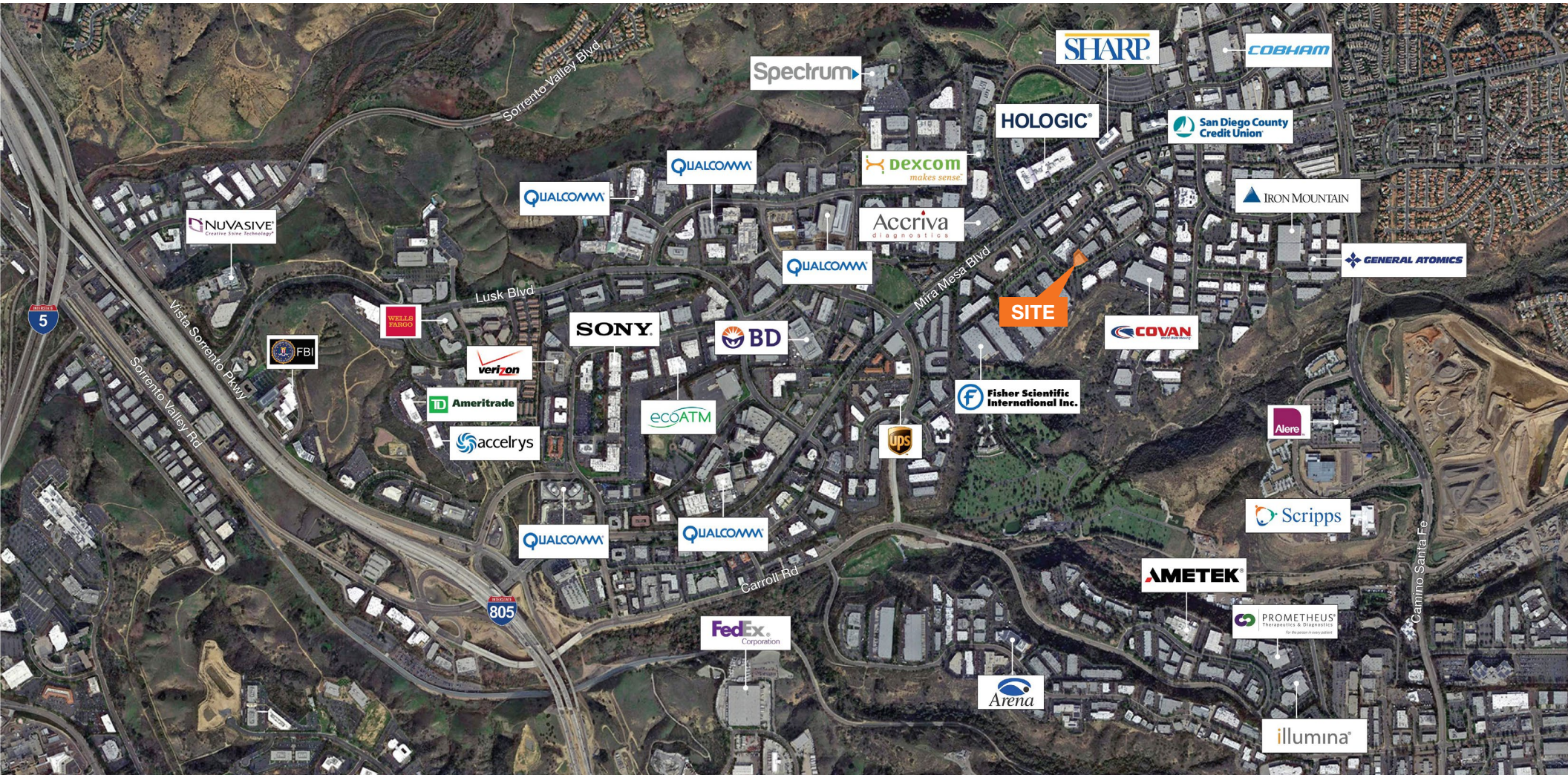
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## Sorrento Mesa Corporate Neighbors



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## Lease vs Purchase Analysis

LOAN ASSUMPTIONS		PURCHASE		LEASE	
Approximate Total Square Footage	16,169	Loan Amount	\$2,655,000	Annual Lease Expense	\$174,625
Owner Occupied Space	16,169	Annual Debt Service Expense <sup>(1)</sup>	\$195,884	Applicable Annual Tax Savings <sup>(3)</sup>	(\$61,119)
Sales Price	\$2,950,000	Annual NOI From Tenants	\$0	Eff. Annual Lease Expense	= \$113,506
Down Payment %	10%	Subtotal Annual Debt Svc. Expense	= \$195,884	Eff. Monthly Lease Expense	\$9,459
Down Payment \$	\$295,000	Avg. Annual Principal Paydown <sup>(2)</sup>	(\$61,015)	<b>Total Cost per SF For Lease</b>	<b>\$0.59 NNN</b>
Loan Amount	\$2,655,000	Net Pre-Tax Debt Service Expense	= \$134,868		
Interest Rate: Blended	4.95%	Applicable Annual Tax Savings <sup>(3)</sup>	(\$64,412)		
Amortization: Blended	22.5	Eff. Annual Debt Service Expense	= \$70,456		
Building GSI	\$0	Eff. Monthly Debt Service Expense	\$5,871		
Total Estimated Operating Expenses	\$0	<b>Total Cost per SF For Owner/User</b>	<b>\$0.36 NNN</b>		
Building NOI	\$0				

<sup>(1)</sup> Assumes 90% LTV with SBA 504 Financing at a blended interest rate of 4.95%.

<sup>(2)</sup> Average annual principle paydown based on 5 year accumulation.

<sup>(3)</sup> Assumes applicable 35% effective tax rate (combined state and federal) plus deduction for depreciation based on 39 year schedule - 65% (building value) of sale price.

Market NNN lease rate per square foot: \$0.90

Note: Consult with your tax advisor. We make no representations, recommendations or warranties as to the validity of this information or the impact of such on a sale. These are items that need to be addressed with an accountant or tax advisor. There are several assumptions made in this scenario and buyer should not rely on this information when making a purchase decision.

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