

MARKET TRENDS

SAN DIEGO OFFICE

MARKET DRIVERS

Vacancy rates throughout the San Diego Office market continued to rise, increasing by 90 basis points (bps) year-over-year (YOY). Throughout the market vacancy rates decelerated quarter-over-quarter (QOQ), only increasing by 10 bps to 13%. Total availability rates ticked up slightly to 19.3%.

Year-to-date (YTD) leasing activity totals 3.5M SF, nearly a 31% decrease from the 5.1M SF reported through the same time period last year. Direct net absorption remained negative for the third consecutive quarter at negative 45.4k SF. Additional movement within the sublease market pushed total net absorption to positive 48.4k SF in 3Q24. YTD direct net absorption remains firmly negative, totaling negative 737k SF.

Over 1.1M SF of office properties traded hands this quarter, accounting for 48.7% of 2024's total sales volume. YTD sales volume totals 2.4M SF, an 82.7% increase from the first three quarters of 2023. Quarterly sales volume surpassed 1M SF for the first time since 3Q22's 1.8M SF and has caught up to the 5-year quarterly average of 1.1M SF.

ECONOMIC REVIEW

The unemployment rate throughout San Diego County was 5.0% in August 2024, 60 bps higher than the year-ago estimate of 4.4%. California reported an unadjusted unemployment rate of 5.9% in the same period.

The County experienced a gain of 1,600 jobs in total non-farm employment between July and August. Year-over-year total nonfarm employment increased by 10,800 jobs led by the private education and health service sector.

In Mid-September, the Federal Reserve cut interest rates as inflation has shown signs of moderation. Forecasts point to further potential rate cuts before year's end.

continued on page 3

Market Summary

	3Q24	2Q24	3Q23	YOY Change
Vacancy Rate	13.0%	12.9%	12.1%	90 bps
Availability Rate	19.3%	19.2%	19.0%	30 bps
Asking Lease Rate	\$3.00	\$3.00	\$3.01	-0.3%
	3Q24	2024 YTD	2023 YTD	YOY Change
Lease Transactions	1,146,574	3,499,709	5,064,454	-30.9%
Sale Transactions	1,155,090	2,370,257	1,297,689	82.7%
Net Absorption	-45,442	-736,670	-623,975	N/A

3Q 2024

↓ **1.15M SF**
LEASING ACTIVITY

↓ **-45K SF**
NET ABSORPTION

↑ **13.0%**
VACANCY RATE

↔ **\$3.00**
ASKING RENT (AVG)

↑ **414K SF**
NEW DELIVERIES

Year-Over-Year Trend

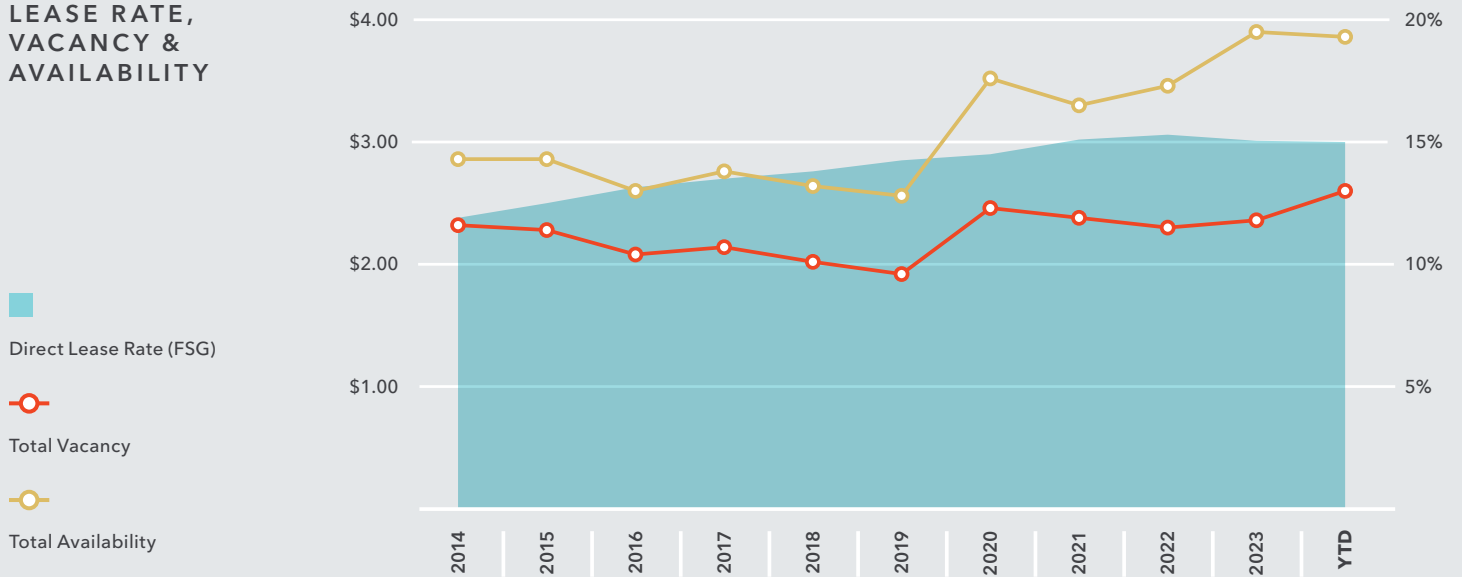
Market Highlights

LEASING VOLUME fell YOY to 1.1M SF.

RENTAL RATES remained steady QOQ at \$3.00/SF FSG.

SALES VOLUME increased, with YTD figures of 2.4M SF surpassing 2023's total.

LEASE RATE, VACANCY & AVAILABILITY

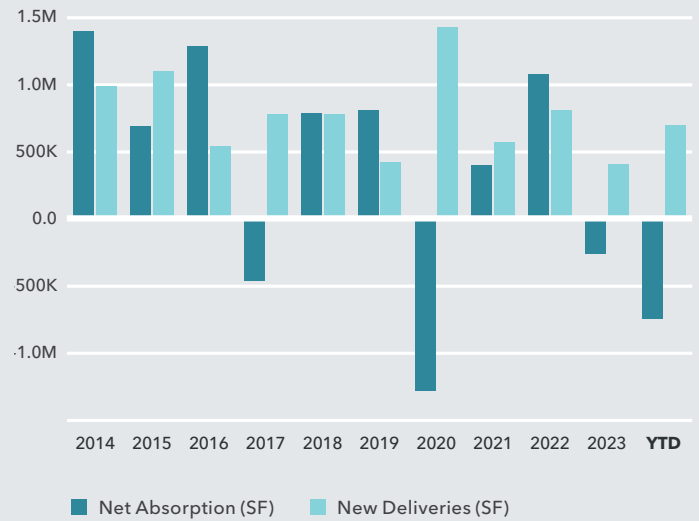


BIGGEST SALE OF THE QUARTER

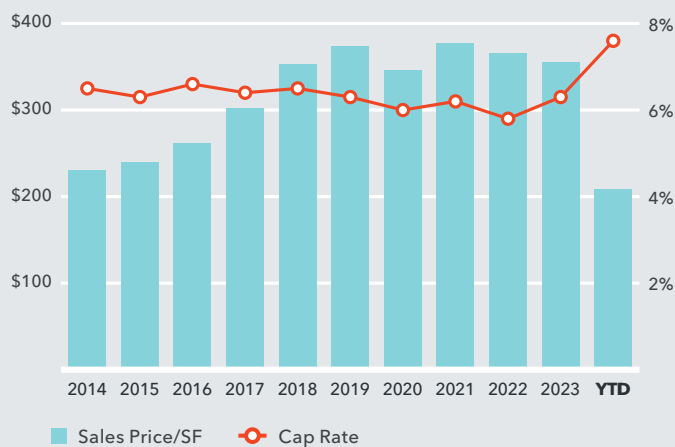
*750 B Street
San Diego, CA*



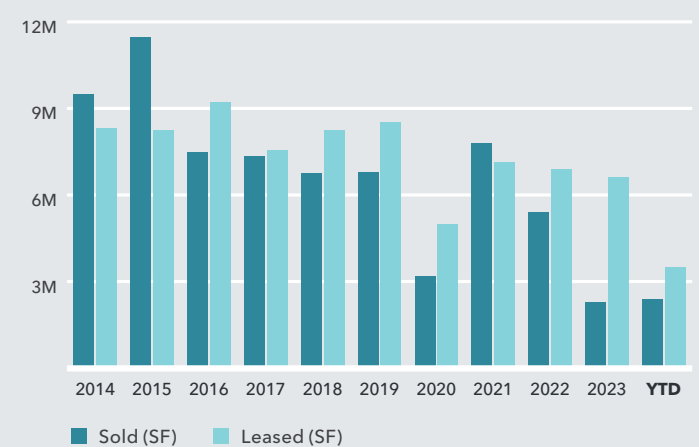
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Total Vacancy Rate	Sublet Available Rate	Total Available Rate	3Q24 Direct Net Absorption	YTD Direct Net Absorption	3Q Total Leasing Activity	YTD Leasing Activity	Average Direct Rental Rate (FS)
Carlsbad	7,068,238	15.3%	5.8%	25.4%	(60,226)	(188,072)	99,597	252,075	\$2.64
Escondido	1,740,262	12.7%	5.9%	23.8%	6,649	(7,753)	22,019	100,940	\$2.33
Oceanside	1,495,487	9.5%	0.0%	11.2%	11,815	7,306	5,091	35,555	\$2.45
San Marcos	1,482,054	4.3%	0.3%	6.2%	3,043	544	29,369	39,916	\$2.38
Vista	1,255,156	20.0%	1.9%	12.2%	(9,427)	(13,777)	10,629	23,449	\$2.35
North County	13,041,197	13.5%	4.1%	20.1%	(48,146)	(201,752)	166,705	451,935	\$2.52
Poway	1,207,411	5.5%	0.3%	5.8%	28,345	30,206	33,272	45,089	\$1.84
Rancho Bernardo	6,463,585	9.2%	1.5%	14.7%	55,992	90,377	38,093	252,090	\$3.16
Scripps Ranch	2,744,134	16.8%	2.1%	15.5%	13,809	(17,591)	20,104	65,964	\$3.00
I-15 Corridor	10,415,130	10.8%	1.5%	13.9%	98,146	102,992	91,469	363,143	\$2.96
Del Mar Heights/Carmel Valley	5,719,580	12.7%	7.1%	20.7%	47,514	(45,410)	87,893	277,316	\$4.64
Governor Park	768,582	7.5%	1.0%	11.4%	23,010	22,640	12,257	55,429	\$3.01
La Jolla	1,362,600	14.3%	1.1%	21.9%	6,781	3,931	20,464	78,940	\$3.65
Miramar	1,508,065	4.6%	0.1%	41.0%	16,783	(323)	10,164	69,202	\$2.25
North Beach Cities	2,490,038	9.5%	2.3%	12.6%	(4,136)	(33,906)	11,718	74,176	\$4.32
Sorrento Mesa	8,507,622	7.0%	2.7%	12.1%	15,816	(70,370)	19,871	73,455	\$2.98
Sorrento Valley	611,165	23.8%	1.0%	14.7%	(4,751)	(41,896)	0	627	\$2.52
Torrey Pines	3,020,942	1.5%	0.5%	2.1%	(2,190)	6,920	3,950	7,471	\$4.26
UTC	9,172,869	10.5%	6.4%	23.1%	(37,074)	(53,799)	142,144	454,076	\$3.91
North Cities	33,161,463	9.1%	4.0%	17.5%	61,753	(212,213)	308,461	1,090,692	\$3.73
Kearny Mesa	11,373,912	9.2%	2.1%	14.8%	(152,276)	(180,755)	103,304	240,207	\$2.98
Mission Gorge	586,866	1.2%	0.0%	1.2%	(1,943)	(4,666)	1,380	8,317	\$2.16
Mission Valley	7,445,204	17.3%	3.2%	19.6%	20,431	1,240	150,450	485,804	\$2.96
Old Town/Sports Arena/Pt. Loma	2,306,052	9.1%	3.8%	13.5%	(12,434)	(24,886)	45,194	89,376	\$2.73
PB/Rose Canyon/Morena	1,188,527	6.1%	0.7%	7.5%	(365)	(37,319)	19,959	55,475	\$2.31
Central Suburban	22,900,561	11.5%	2.5%	15.5%	(146,587)	(246,386)	320,287	879,179	\$2.89
College Area	1,251,082	5.2%	0.1%	5.9%	(17,066)	(15,777)	10,975	20,073	\$2.50
East County	3,834,245	4.1%	0.0%	6.1%	5,731	(30,488)	9,449	56,402	\$2.53
East County	5,085,327	4.4%	0.0%	6.0%	(11,335)	(46,265)	20,424	76,475	\$2.52
Park East	134,334	0.0%	0.0%	2.2%	0	985	0	7,698	-
Uptown East	104,010	0.0%	0.0%	0.0%	0	0	0	9,015	\$1.98
Uptown West/Park West	2,179,768	5.7%	0.1%	7.8%	7,926	19,043	12,700	48,410	\$2.61
Uptown	2,418,112	5.1%	0.1%	7.2%	7,926	20,028	12,700	65,123	\$2.44
Downtown	14,672,700	31.9%	1.6%	42.9%	(14,337)	(162,425)	205,739	441,855	\$2.61
Chula Vista	2,986,268	4.6%	0.2%	5.3%	2,783	(10,436)	14,801	98,632	\$2.54
Coronado	84,540	0.0%	0.0%	0.0%	0	0	0	0	-
National City	583,906	2.2%	0.5%	10.0%	0	(3,777)	2,467	3,730	\$2.49
Otay Mesa	182,007	26.6%	0.0%	25.9%	809	2,712	3,521	9,099	\$2.36
San Ysidro/Imperial Beach	168,703	1.4%	0.0%	1.4%	3,546	2,626	0	1,620	\$3.75
Southeast San Diego	481,066	0.5%	0.0%	0.5%	0	18,226	0	18,226	\$1.76
South County	4,486,490	4.5%	0.2%	6.0%	7,138	9,351	20,789	131,307	\$2.44
San Diego Total	106,180,980	13.0%	2.7%	19.3%	(45,442)	(736,670)	1,146,574	3,499,709	\$3.00
Class A	42,644,530	16.5%	4.2%	27.5%	102,981	(185,040)	539,248	1,568,557	\$3.33
Class B	49,618,316	11.5%	2.1%	15.3%	(91,393)	(410,252)	445,182	1,565,713	\$2.81
Class C	13,918,134	7.2%	0.4%	8.2%	(57,030)	(141,378)	162,144	365,439	\$2.28

NEAR-TERM OUTLOOK

Office availability rates remain significantly elevated, spanning nearly 20M SF currently marketed for lease. Growing availability rates coupled with the tightening labor market, a general reduction in office size requirements, and several new office developments that are currently scheduled for delivery without a tenant will continue to strain vacancy rates throughout the market.

The recent interest rate cut, enacted by the Federal Reserve, will likely generate new demand in the investment sales market. Sales activity may only begin to accelerate in mid-2025 due to the possibility of additional rate cuts.

SIGNIFICANT SALE TRANSACTIONS 3Q 2024

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Symphony Towers	Downtown	546,092	\$45,686,000	\$83.66	Formosa, Ltd	The Irvine Company
404 Euclid Ave	Southeast San Diego	73,000	\$21,000,000	\$287.67	Turner Impact Capital LP	Jacobs Center for Neighborhood Innovation
5080-5090 Shoreham Pl	Governor Park	51,831	\$11,000,000	\$212.23	Cast Capital	MIG Real Estate, LLC
7808 Clairemont Mesa Blvd	Kearny Mesa	11,794	\$5,700,000	\$483.30	Herald Christian Health Ctr	North Kearny Medical Center LP
6920 Miramar Rd	Mira Mesa/Miramar	34,746	\$4,151,250	\$119.47	SAVA PROPERTY LLC.	Buse C FB

SIGNIFICANT LEASE TRANSACTIONS 3Q 2024

Property	Submarket	SF	Transaction Date	Landlord	Tenant
7470 Mission Valley Rd*	Mission Valley	67,346	July 2024	HG Fenton	General Dynamics
550 W C St	Downtown	43,460	July 2024	APFC	City of San Diego
5770 Fleet St	Carlsbad	36,650	July 2024	Regent Properties	Arlo
12790 El Camino Real	Del Mar Hts/Carmel Valley	35,482	July 2024	Kilroy Realty Corporation	FICO
8939 Villa La Jolla Dr	UTC	21,907	August 2024	Protea Properties	Proprioceptive Solutions

*Renewal

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
RaDD - Alley/Rise/Edge	Waterfront Pl & Pacific Coast Hwy	Downtown	1,007,392	IQHQ	4Q24
The Campus at Horton	100 & 200 & 600 Horton Plz	Downtown	767,871	Stockdale Capital Partners	4Q24
RaDD - Core	950 Waterfront Pl	Downtown	236,238	IQHQ	4Q24
Thnk @ Millenia - Phase I	1785 Millenia Ave	Chula Vista	168,000	Chesnut Properties	4Q25
4555 Executive Dr	4555 Executive Dr	UTC	131,183	Scripps Health	4Q24

Data Source: CoStar, EDD, SDBJ, SD Union-Tribune



Kidder Mathews is the largest fully independent commercial real estate firm in the Western U.S, with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Idaho, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

The information in this report was composed by the Kidder Mathews Research Group.

GARY BARAGONA
Director of Research
415.229.8925
gary.baragona@kidder.com

ERIC PAULSEN
Regional President, Brokerage
Southern California & Arizona
858.509.1200
eric.paulsen@kidder.com
LIC N° 01001040

COMMERCIAL BROKERAGE	<i>\$10B</i> 3-YEAR AVERAGE TRANSACTION VOLUME	<i>31.7M</i> ANNUAL SALES SF	<i>42.4M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>55M SF</i> MANAGEMENT PORTFOLIO SIZE	<i>800+</i> ASSETS UNDER MANAGEMENT	<i>260+</i> CLIENTS SERVED
VALUATION ADVISORY	<i>2,600</i> 3-YEAR AVERAGE ASSIGNMENTS	<i>43</i> TOTAL APPRAISERS	<i>27</i> WITH MAI DESIGNATIONS

This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. Consult your attorney, accountant, or other professional advisor.