

## MARKET TRENDS

# SAN DIEGO OFFICE

### MARKET DRIVERS

Vacancy rates continue to rise throughout the San Diego Office market, increasing 70 basis points (bps) year-over-year (YOY) to 12.1%. Last quarter, total availability rates peaked at 19.5%. Total availability fell slightly quarter-over-quarter (QOQ) to 19.1% but remains significantly higher than the regions 5-year average of 17%. Additionally, leasing volume for 1Q24 totaled 1.3M SF, down 42% YOY.

New developments have been a primary factor in the increase in both vacancy and availability rates. Over 400k SF of new office developments were delivered in 2023, with a large injection of new construction scheduled for delivery in 2024.

Following a year of historically low levels of sales volume in 2023, 1Q24 posted 387K SF in sales volume. This fell roughly 39% YOY and trails the region's 5-year quarterly average of 1.3M SF.

### ECONOMIC REVIEW

The unemployment rate in San Diego County was 4.7% in February, above the 3.7% estimate from a year ago and steady month-over-month. The county added 6,000 jobs between January and February in total nonfarm employment. This compares with an unadjusted unemployment rate of 5.6% throughout the state and 4.2% for the nation in the same time period.

Professional and business services led all industries with an addition of 3,100 jobs, bouncing back from the previous month's decline of 3,600 jobs. Year-over-year, Private education and health services led all sectors adding 15,000 jobs.

### NEAR-TERM OUTLOOK

Investment sales activity is anticipated to become more active in the second half of 2024, as the Federal Reserve has signaled plans for possible rate cuts before year end.

A large amount of new office supply is expected to be delivered this year, most of which is still available for lease. In turn, vacancies are expected to grow. Majority of the new product coming online this year is concentrated in the Downtown submarket, which is already experiencing elevated vacancy rates of 27.6%.

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## Market Summary

	1Q24	4Q23	1Q23	YOY Change
Vacancy Rate	12.1%	11.8%	11.4%	<b>70 bps</b>
Availability Rate	19.1%	19.5%	17.3%	<b>180 bps</b>
Asking Lease Rate	\$3.00	\$3.01	\$3.04	<b>-1.32%</b>

	1Q24	2023 Total	1Q23	YOY Change
Lease Transactions	1,269,152	7,284,694	2,197,444	<b>-42.24%</b>
Sale Transactions	387,233	2,251,565	633,356	<b>-38.86%</b>
Net Absorption	-298,682	-183,200	-218,088	<b>N/A</b>

↓ **1.3M SF**  
LEASING ACTIVITY

↓ **-298KSF**  
NET ABSORPTION

↑ **12.1%**  
VACANCY RATE

↓ **\$3.00**  
ASKING RENT (AVG)

↓ **0 SF**  
NEW DELIVERIES

Year-Over-Year Trend

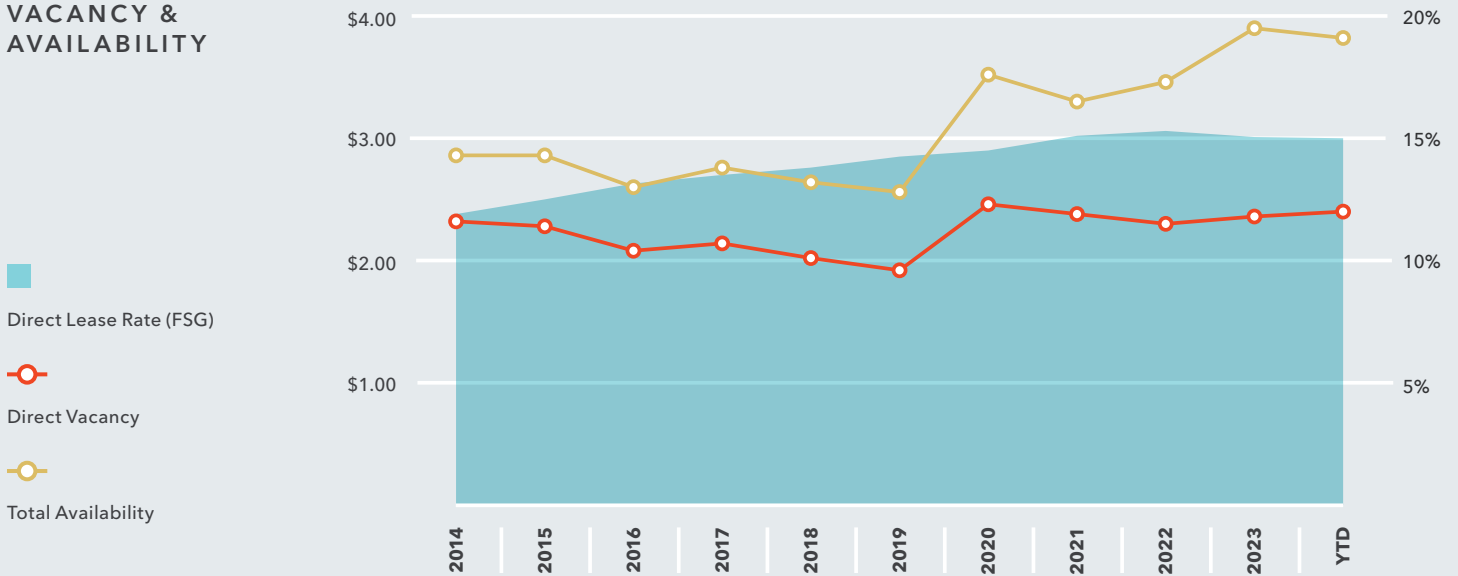
## Market Highlights

**LEASING VOLUME** fell QOQ and YOY to 1.3M SF

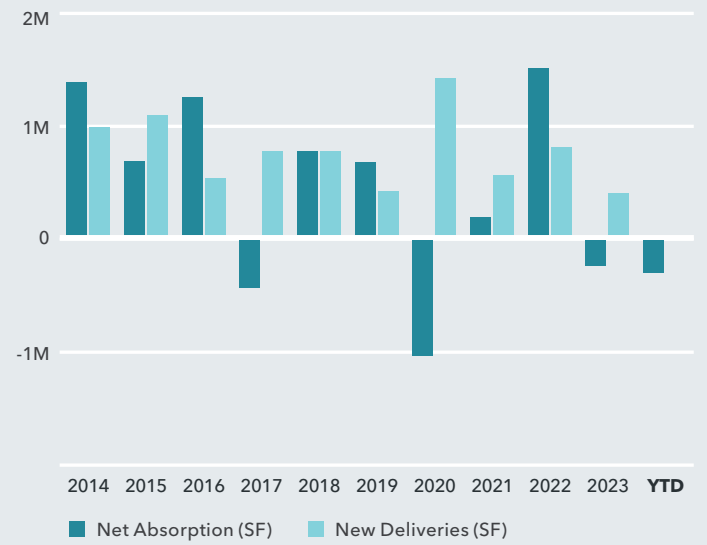
**RENTAL RATES** remained steady QOQ at \$3.00/SF FSG

**SALES VOLUME** continues to decline, reporting 387K SF on the quarter

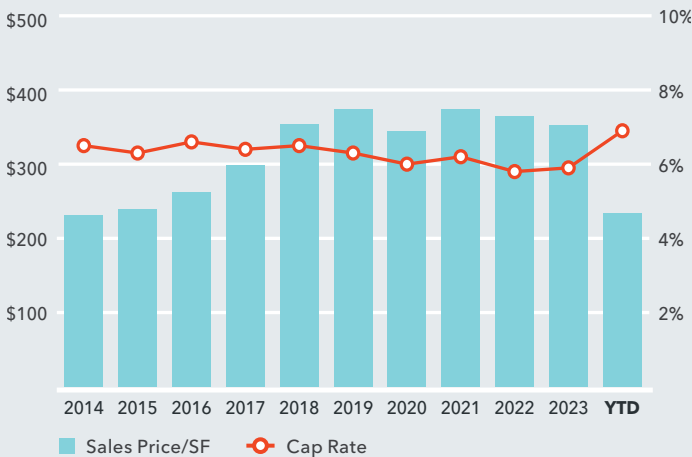
## LEASE RATE, VACANCY & AVAILABILITY



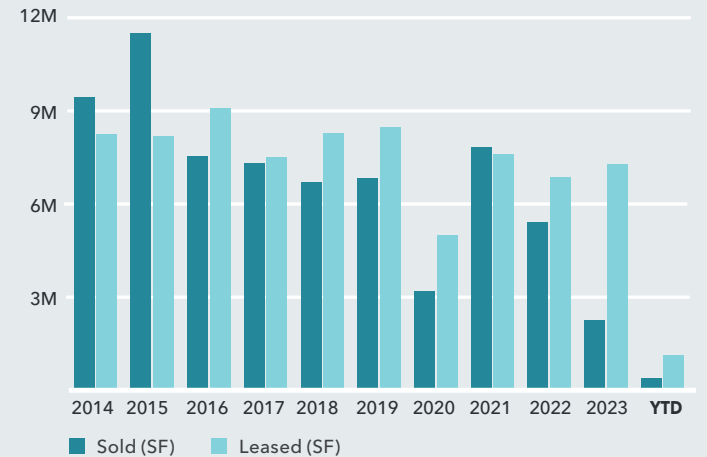
## NET ABSORPTION & NEW DELIVERIES



## AVERAGE SALES PRICE/SF & CAP RATE



## SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Total Vacancy Rate	Sublet Available Rate	Total Available Rate	1Q24 Direct Net Absorption	YTD Direct Net Absorption	1Q Total Leasing Activity	YTD Leasing Activity	Average Direct Rental Rate (F5)
Carlsbad	7,062,290	13.6%	3.9%	22.8%	(69,003)	(69,003)	68,829	68,829	\$2.78
Escondido	1,740,262	14.3%	6.2%	25.5%	(33,275)	(33,275)	26,033	26,033	\$2.33
Oceanside	1,491,916	11.3%	0.1%	12.1%	(16,133)	(16,133)	13,961	13,961	\$2.54
San Marcos	1,482,054	4.6%	0.5%	5.4%	(4,210)	(4,210)	5,442	5,442	\$2.37
Vista	1,255,156	18.5%	2.6%	11.6%	5,791	5,791	4,812	4,812	\$2.30
<b>North County</b>	<b>13,031,678</b>	<b>12.9%</b>	<b>3.2%</b>	<b>18.9%</b>	<b>(116,830)</b>	<b>(116,830)</b>	<b>119,077</b>	<b>119,077</b>	<b>\$2.60</b>
Poway	1,390,271	6.2%	0.1%	6.7%	10,548	10,548	11,337	11,337	\$1.97
Rancho Bernardo	6,454,144	13.7%	1.5%	15.8%	(71,526)	(71,526)	39,537	39,537	\$3.19
Scripps Ranch	2,732,782	16.2%	1.5%	12.6%	(12,953)	(12,953)	14,383	14,383	\$2.91
<b>I-15 Corridor</b>	<b>10,577,197</b>	<b>13.4%</b>	<b>1.3%</b>	<b>13.8%</b>	<b>(73,931)</b>	<b>(73,931)</b>	<b>65,257</b>	<b>65,257</b>	<b>\$2.96</b>
Del Mar Heights/Carmel Valley	5,708,049	13.3%	6.8%	18.2%	(90,123)	(90,123)	279,883	279,883	\$4.66
Governor Park	768,583	10.7%	0.0%	11.3%	(3,922)	(3,922)	23,825	23,825	\$2.85
La Jolla	1,350,248	13.8%	0.8%	17.5%	9,898	9,898	47,612	47,612	\$3.53
Miramar	1,474,065	6.6%	0.6%	43.0%	(27,100)	(27,100)	28,444	28,444	\$2.37
North Beach Cities	2,490,303	8.7%	1.9%	11.4%	(14,807)	(14,807)	28,380	28,380	\$3.97
Sorrento Mesa	8,695,075	6.8%	3.4%	11.5%	(55,847)	(55,847)	15,424	15,424	\$3.02
Sorrento Valley	610,215	21.6%	1.0%	12.3%	(28,392)	(28,392)	0	0	\$2.70
Torrey Pines	3,252,658	1.2%	0.8%	4.9%	2,266	2,266	1,144	1,144	\$4.30
UTC	9,258,418	11.0%	6.6%	21.6%	(26,076)	(26,076)	190,755	190,755	\$3.89
<b>North Cities</b>	<b>33,607,614</b>	<b>9.3%</b>	<b>4.1%</b>	<b>16.4%</b>	<b>(234,103)</b>	<b>(234,103)</b>	<b>615,467</b>	<b>615,467</b>	<b>\$3.71</b>
Kearny Mesa	11,406,470	8.0%	2.5%	15.0%	10,692	10,692	63,539	63,539	\$2.93
Mission Gorge	584,866	0.6%	0.0%	1.4%	(1,478)	(1,478)	2,867	2,867	\$2.11
Mission Valley	7,498,385	14.9%	4.3%	20.6%	216,913	216,913	135,815	135,815	\$2.95
Old Town/Sports Arena/Pt. Loma	2,306,544	10.2%	4.1%	15.4%	(31,787)	(31,787)	23,739	23,739	\$2.67
PB/Rose Canyon/Morena	1,236,898	7.1%	2.2%	11.3%	(5,283)	(5,283)	17,699	17,699	\$2.50
<b>Central Suburban</b>	<b>23,033,163</b>	<b>10.2%</b>	<b>3.1%</b>	<b>16.3%</b>	<b>189,057</b>	<b>189,057</b>	<b>243,659</b>	<b>243,659</b>	<b>\$2.87</b>
College Area	1,252,233	4.0%	0.0%	5.0%	(2,672)	(2,672)	0	0	\$2.40
East County	3,813,809	2.9%	0.5%	6.1%	27,048	27,048	41,171	41,171	\$2.28
<b>East County</b>	<b>5,066,042</b>	<b>3.1%</b>	<b>0.4%</b>	<b>5.8%</b>	<b>24,376</b>	<b>24,376</b>	<b>41,171</b>	<b>41,171</b>	<b>\$2.31</b>
Park East	117,084	0.8%	0.0%	6.6%	0	0	0	0	-
Uptown East	104,010	0.4%	0.0%	9.1%	(400)	(400)	0	0	\$1.98
Uptown West/Park West	2,167,183	5.8%	0.2%	8.8%	17,234	17,234	15,628	15,628	\$2.95
<b>Uptown</b>	<b>2,388,277</b>	<b>5.3%</b>	<b>0.2%</b>	<b>8.7%</b>	<b>16,834</b>	<b>16,834</b>	<b>15,628</b>	<b>15,628</b>	<b>\$2.76</b>
<b>Downtown</b>	<b>13,716,929</b>	<b>27.6%</b>	<b>1.2%</b>	<b>44.7%</b>	<b>(119,449)</b>	<b>(119,449)</b>	<b>130,712</b>	<b>130,712</b>	<b>\$2.70</b>
Chula Vista	2,967,536	4.3%	0.1%	9.9%	(8,130)	(8,130)	15,088	15,088	\$2.61
Coronado	84,540	0.0%	0.0%	0.0%	0	0	0	0	\$3.25
National City	583,906	0.9%	0.5%	9.2%	4,148	4,148	0	0	\$2.41
Otay Mesa	182,007	27.5%	0.0%	27.1%	1,120	1,120	4,867	4,867	-
San Ysidro/Imperial Beach	168,703	3.0%	0.0%	3.0%	0	0	0	0	\$4.72
Southeast San Diego	481,066	0.5%	0.0%	0.5%	18,226	18,226	18,226	18,226	\$2.33
<b>South County</b>	<b>4,467,758</b>	<b>4.3%</b>	<b>0.1%</b>	<b>9.0%</b>	<b>15,364</b>	<b>15,364</b>	<b>38,181</b>	<b>38,181</b>	<b>\$2.54</b>
<b>San Diego Total</b>	<b>105,888,658</b>	<b>12.1%</b>	<b>2.7%</b>	<b>19.1%</b>	<b>(298,682)</b>	<b>(298,682)</b>	<b>1,269,152</b>	<b>1,269,152</b>	<b>\$3.00</b>
Class A	40,280,384	16.1%	4.1%	27.3%	(241,530)	(241,530)	591,941	591,941	\$3.37
Class B	51,821,107	10.8%	2.3%	15.9%	(87,369)	(87,369)	576,349	576,349	\$2.79
Class C	13,787,167	5.3%	0.3%	7.2%	30,217	30,217	100,862	100,862	\$2.24

**SIGNIFICANT SALE TRANSACTIONS 1Q 2024**

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
9040-9050 Friars Rd	Mission Valley	161,068	\$24,000,000	\$149.01	Intracorp	Westbrook Partners
9577 Chesapeake Dr	Kearny Mesa	54,000	\$17,000,000	\$314.81	Arrimus Capital	Providence Capital Group, Inc.
17075 Camino San Bernardo - Bldg 2	Rancho Bernardo	26,481	\$8,000,000	\$302.10	Dominguez Channel LLC	Coseo Properties, Inc
2231 Rutherford Rd	Carlsbad	39,797	\$6,200,000	\$155.79	BG Consolidated EAT LLC	Beckmancarlsbad I LLC
8911 La Mesa Blvd	East County	13,978	\$3,900,000	\$279.01	End Dependence, LLC	8911, LLC

**SIGNIFICANT LEASE TRANSACTIONS 1Q 2024**

Property	Submarket	SF	Transaction Date	Landlord	Tenant
9785-9791 Towne Center Dr	UTC	126,607	January 2024	The Irvine Company	LytX
7787 Alvarado Rd	East County	22,833	February 2024	HFH LTD	SDRC
2385 Northside Dr	Mission Valley	22,266	January 2024	City Office REIT, Inc.	CoreLogic
5740 Fleet St	Carlsbad	22,000	February 2024	Regent Properties	Rueb Stoller Daniel
4181 Ruffin Rd	Kearny Mesa	11,950	January 2024	Rexford Industrial Realty	Abitare, Inc

**SIGNIFICANT UNDER CONSTRUCTION**

Property	Address	Submarket	SF	Owner	Delivery
RaDD - Alley/Rise/Vida/Edge	Waterfront Pl & Pacific Coast Hwy	Downtown	1,422,203	IQHQ	2Q24
The Campus at Horton	100 & 200 & 600 Horton Plz	Downtown	767,781	Stockdale Capital Partners	3Q24
West - Office	1011 Union St	Downtown	289,206	Holland Partner Group	2Q24
RaDD - Core	950 Waterfront Pl	Downtown	236,238	IQHQ	4Q24
Thnk @ Millenia - Phase I	1785 Millenia Ave	Chula Vista	168,000	Chestnut Properties	4Q25

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



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

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<b>COMMERCIAL BROKERAGE</b>	<b>\$10B</b> 3-YEAR AVERAGE TRANSACTION VOLUME	<b>31.7M</b> ANNUAL SALES SF	<b>42.4M</b> ANNUAL LEASING SF
<b>ASSET SERVICES</b>	<b>51M SF</b> MANAGEMENT PORTFOLIO SIZE	<b>750+</b> ASSETS UNDER MANAGEMENT	<b>250+</b> CLIENTS SERVED
<b>VALUATION ADVISORY</b>	<b>2,600+</b> 3-YEAR AVERAGE ASSIGNMENTS	<b>43</b> TOTAL APPRAISERS	<b>25</b> WITH MAI DESIGNATIONS

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