

MARKET TRENDS

SAN DIEGO OFFICE

MARKET DRIVERS

The San Diego Office market vacancy rates rose, increasing by 110 basis points (bps) year-over-year (YOY). Conversely, total vacancy rates declined quarter-over-quarter (QOQ), by 10 bps to 12.8%. Total availability followed the same trend, rising YOY, but falling 30-bps QOQ to 17.7%.

Leasing activity totaled 5.2M SF in 2024, a 22.4% decrease from the 6.7M SF recorded in 2023. Direct net absorption was negative 146.7K SF, however activity in the sublease market pushed total net absorption to positive 98.0k SF in 4Q24. For the second year in a row, cumulative direct net absorption was negative, reaching 298.2K SF. There was 3.7M SF of sales transactions in 2024. 1.3M SF were recorded in 4Q24. This is a good rebound from last year's 2.2M SF but is still short of the 5-year average of 4.5M SF.

ECONOMIC REVIEW

San Diego County unemployment rate stood at 4.6% in November 2024, up 30 basis points from 4.3% in November 2023. During the same period, California reported an unadjusted unemployment rate of 5.4%, reflecting a year-over-year increase of 120 basis points.

The San Diego-Carlsbad-San Marcos Metropolitan Statistical Area (MSA) experienced a gain of 19,800 jobs in total non-farm employment between August and November. The largest increases in this time came from the Education and Health Services sector, which added 5,100 jobs, and Government, which added 11,500 jobs. For the third time in 2024, the Federal Reserve cut interest rates as inflation has shown signs of moderation, with two more cuts expected in 2025.

NEAR-TERM OUTLOOK

It is unclear which direction the office market takes next. On one hand, office leases usually are long term, so some pre-pandemic leases are still coming to term where tenants are looking for reduced space. Conversely, companies have begun enforcing return to office policies. Likewise, future rate cuts point to greater activity in 2025, while uncertainty surrounding new administration policies may lead to a cautious and slow market start. Office vacancy and availability rates ticked down this quarter but remain significantly elevated, and there is not a clear indication what the new year will bring with all these moving pieces.

Market Summary

	4Q24	3Q24	4Q23	YOY Change
Vacancy Rate	12.8%	12.9%	11.7%	110 bps
Availability Rate	17.7%	18.0%	17.5%	20 bps
Asking Lease Rate	\$2.99	\$3.00	\$3.01	-0.7%
	4Q24	2024	2023	YOY Change
Lease Transactions	1,068,037	5,234,131	6,743,394	-22.4%
Sale Transactions	1,266,855	3,721,290	2,217,340	67.8%
Net Absorption	-146,683	-298,217	-264,134	N/A

↓ **1.1M SF**
LEASING ACTIVITY

↓ **-146K SF**
NET ABSORPTION

↑ **12.8%**
VACANCY RATE

↓ **\$2.99**
ASKING RENT (AVG)

↓ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

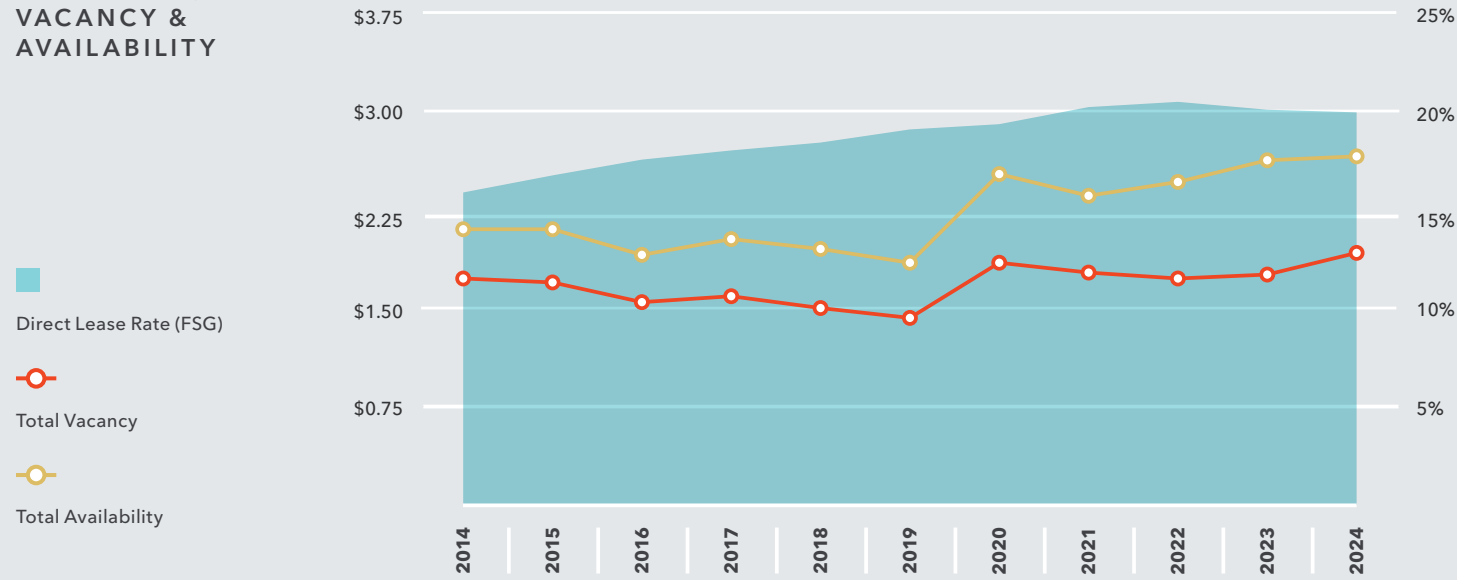
Market Highlights

LEASING VOLUME
fell YOY to 1.1M SF.

RENTAL RATES
decreased slightly QOQ to \$2.99/SF FSG.

SALES VOLUME
figures reached 3.7M SF this year, 67.8% more than 2023's total.

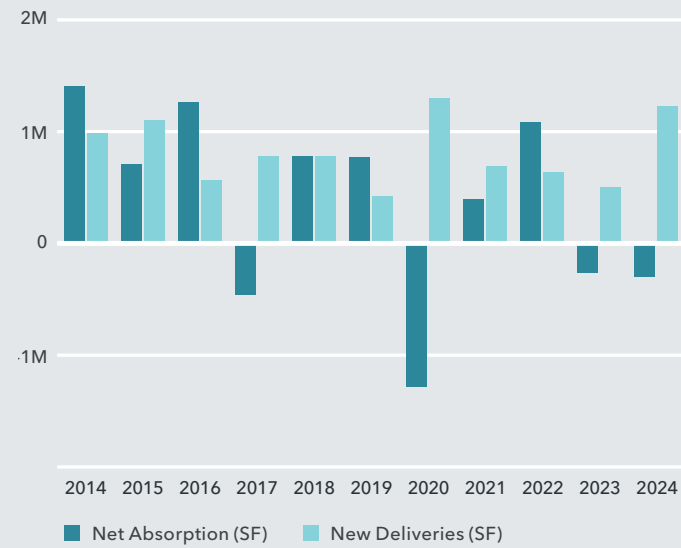
LEASE RATE, VACANCY & AVAILABILITY



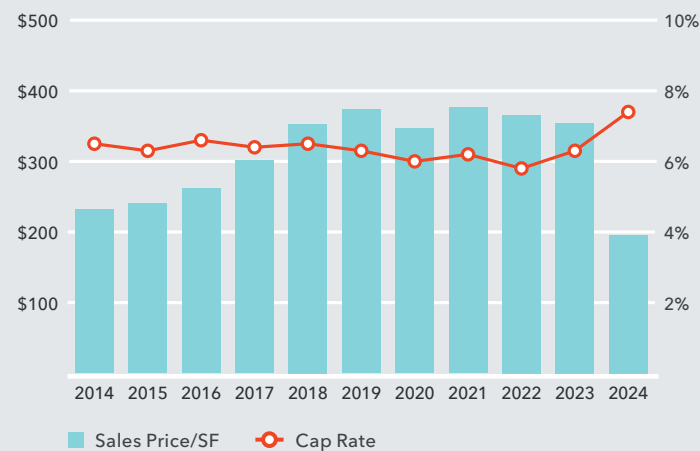
BIGGEST SALE OF THE QUARTER
Highlands Corporate Ctr Del Mar



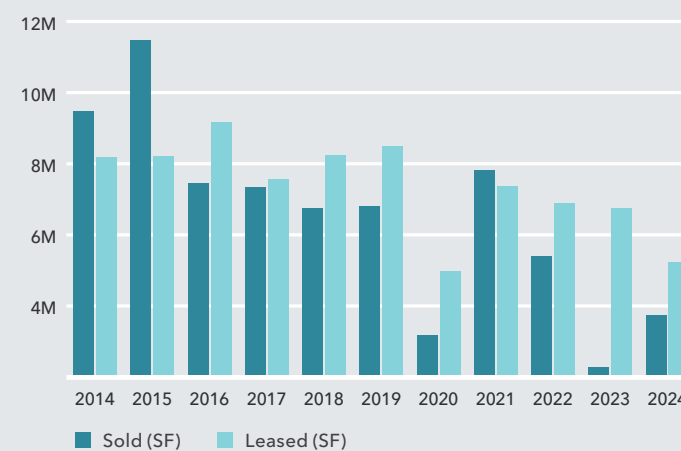
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



4Q 2024 | SAN DIEGO OFFICE

SUBMARKET STATISTICS

Submarket	Total Inventory	Total Vacancy Rate	Sublet Availability Rate	Total Availability Rate	4Q24 Total Net Absorption	YTD Total Net Absorption	4Q24 Leasing Activity	YTD Leasing Activity	Direct Rental Rate
Carlsbad	6,828,912	15.3%	3.5%	23.6%	(47,249)	(183,215)	53,625	325,556	\$2.64
Escondido	1,743,122	11.8%	5.4%	23.8%	7,828	75	13,436	114,440	\$2.28
Oceanside	1,495,487	9.5%	0.0%	11.5%	523	7,829	11,819	46,114	\$2.54
San Marcos	1,486,212	4.2%	0.2%	6.1%	(3,210)	(2,666)	14,436	58,269	\$2.40
Vista	1,264,366	18.6%	2.0%	14.1%	17,787	4,010	14,208	38,157	\$2.33
North County	12,818,099	0.9%	0.9%	19.2%	(24,321)	(173,967)	107,524	582,536	\$2.52
Poway	1207411	5.2%	0.3%	6.7%	7,658	37,864	2,064	28,059	\$1.86
Rancho Bernardo	6469981	8.8%	1.6%	14.2%	26,875	117,252	50,821	305,624	\$3.18
Scripps Ranch	2744134	20.4%	2.0%	17.1%	(99,949)	(117,540)	21,843	104,581	\$2.99
I-15 Corridor	10,421,526	0.6%	0.6%	14.1%	(65,416)	37,576	74,728	438,264	\$2.98
Del Mar Heights/Carmel Valley	6,219,627	11.1%	5.8%	18.5%	27,210	502,969	97,301	720,605	\$4.72
Governor Park	768,582	6.1%	1.1%	11.1%	11,624	34,264	20,669	76,598	\$3.01
La Jolla	1,374,873	14.2%	1.1%	21.0%	1,509	5,853	26,113	119,047	\$3.68
Miramar	1,474,065	5.0%	0.1%	41.9%	5,046	(3,834)	16,696	105,354	\$2.17
North Beach Cities	2,502,685	9.2%	1.7%	12.9%	6,940	(26,020)	15,023	99,539	\$4.33
Sorrento Mesa	8,505,648	7.4%	2.6%	12.0%	(31,234)	(99,605)	27,041	114,723	\$3.15
Sorrento Valley	611,165	23.8%	0.0%	12.6%	(129)	(42,025)	11,261	11,888	\$2.49
Torrey Pines	3,020,942	1.5%	0.5%	2.5%	(1,190)	5,730	0	42,340	\$3.88
UTC	9,172,962	10.4%	6.2%	23.8%	(15,645)	(69,444)	77,574	569,023	\$3.76
North Cities	33,650,549	9.0%	1.5%	17.3%	4,131	307,888	291,678	1,859,117	\$3.72
Kearny Mesa	11,409,509	9.1%	2.2%	13.7%	5,081	(174,312)	75,392	316,775	\$2.95
Mission Gorge	586,866	2.8%	0.0%	4.8%	(9,286)	(13,952)	2,951	11,268	\$1.96
Mission Valley	7,484,575	16.2%	3.2%	19.2%	(53,105)	(10,926)	118,743	668,224	\$2.96
Old Town/Sports Arena/Pt. Loma	2,296,808	9.1%	3.8%	13.6%	(2,225)	(26,317)	8,998	101,640	\$2.61
PB/Rose Canyon/Morena	1,199,174	7.3%	0.3%	8.7%	(16,227)	(53,546)	7,757	62,812	\$2.38
Central Suburban	22,976,932	11.2%	0.3%	15.0%	(75,762)	(279,053)	213,841	1,160,719	\$2.86
College Area	1,245,123	4.9%	0.1%	6.0%	3,924	(11,853)	320	20,393	\$2.50
East County	3,844,407	3.6%	0.0%	5.4%	20,551	(11,362)	20,647	81,697	\$2.50
East County	5,089,530	3.9%	0.0%	5.6%	24,475	(23,215)	20,967	102,090	\$2.50
Park East	134,334	0.0%	0.0%	0.0%	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	2,139,877	5.5%	0.1%	7.5%	6,588	(4,180)	16,963	65,373	\$2.56
Uptown	2,378,221	4.9%	0.0%	6.7%	6,588	(3,195)	16,963	82,086	\$2.39
Downtown	14,581,817	31.6%	1.1%	41.8%	6,085	(150,170)	221,384	760,682	\$2.58
Downtown	14,581,817	31.6%	1.1%	41.8%	6,085	(150,170)	221,384	760,682	\$2.58
Chula Vista	2,940,082	4.2%	0.8%	4.8%	14,548	3,143	99,946	186,383	\$2.48
Coronado	84,540	0.7%	0.0%	0.7%	(600)	(600)	0	0	-
National City	583,906	9.8%	1.7%	8.4%	(36,164)	(39,941)	17,371	29,674	\$2.56
Otay Mesa	232,007	21.5%	0.0%	21.2%	(1,497)	1,215	3,635	12,734	\$2.32
San Ysidro/Imperial Beach	168,703	0.7%	0.0%	0.7%	1,250	3,876	0	1,620	\$3.75
Southeast San Diego	481,600	0.5%	0.0%	0.5%	0	18,226	0	18,226	\$1.76
South County	4,490,838	5.2%	0.4%	5.4%	(22,463)	(14,081)	120,952	248,637	\$2.41
San Diego Total	106,407,512	12.8%	2.4%	17.7%	(146,683)	(298,217)	1,068,037	5,234,131	\$2.99
Class A	42,982,692	16.1%	3.7%	24.1%	35,663	353,730	530,429	2,624,665	\$3.34
Class B	49,674,312	11.5%	1.6%	14.3%	(192,544)	(454,321)	437,155	2,125,358	\$2.79
Class C	13,750,508	7.2%	0.3%	8.0%	10,198	(197,626)	100,453	484,108	\$2.22

SIGNIFICANT SALE TRANSACTIONS 4Q 2024

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Highlands Corporate Center	Del Mar	211,000	\$77,000,000	\$364.93	F&F Capital Group, LLC	EQ Office
101 W Broadway	Downtown	452,436	\$43,930,000	\$97.10	Saca Development	The Irvine Company
2300 Boswell Rd	Chula Vista	130,000	\$29,500,000	\$226.92	Land Value Management	Harbor Associates
530 B St	Downtown	250,181	\$27,500,000	\$109.92	Ambient Communities, Inc.	Swift Real Estate Partners
6060 Cornerstone Ct W	Sorrento Mesa	67,099	\$12,050,000	\$179.59	Sorrento Biotech Center LLC	The UPS Store

SIGNIFICANT LEASE TRANSACTIONS 4Q 2024

Property	Submarket	SF	Transaction Date	Landlord	Tenant
1775-1785 Millenia Ave	Chula Vista	165,000	December 2024	Chesnut Properties	Chula Vista Entertainment Complex
3611 Valley Centre Dr	Del Mar	26,455	November 2024	Kilroy Realty Corporation	Snell & Wilmer
1615 Murray Canyon Rd	Mission Valley	22,505	October 2024	CommonWealth Partners	Berkeley Insurance
501 W Broadway	Downtown	20,465	November 2024	The Irvine Company	Jeff Tabor Group
401 W A St	Downtown	19,618	November 2024	Regent Properties	Frank Rimerman & Co., LLP

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
RaDD - Alley/Rise/Edge	Waterfront Pl & Pacific Coast Hwy	Downtown	1,007,392	IQHQ	1Q 2025
The Campus at Horton	100 & 200 & 600 Horton Plz	Downtown	767,871	Stockdale Capital Partners	1Q 2025
RaDD - Core	950 Waterfront Pl	Downtown	236,238	IQHQ	1Q 2025
Thnk @ Millenia - Phase I	1785 Millenia Ave	Chula Vista	168,000	Chesnut Properties	3Q 2025
4555 Executive Dr	4555 Executive Dr	UTC	131,183	Scripps Health	1Q 2025

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



Kidder Mathews is the largest independent commercial real estate firm on the West Coast, with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, 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
 President of Brokerage
 858.509.1200
 eric.paulsen@kidder.com
 LIC N° 01001040

COMMERCIAL BROKERAGE	\$10B 3-YEAR AVERAGE TRANSACTION VOLUME	31.7M ANNUAL SALES SF	42.4M ANNUAL LEASING SF
ASSET SERVICES	57M SF MANAGEMENT PORTFOLIO SIZE	850 ASSETS UNDER MANAGEMENT	260+ CLIENTS SERVED
VALUATION ADVISORY	2,600 3-YEAR AVERAGE ASSIGNMENTS	43 TOTAL APPRAISERS	27 WITH MAI DESIGNATIONS

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