

SAN DIEGO
OFFICE

MARKET DRIVERS

The San Diego office market vacancy rate increased by 180 basis points (bps) year-over-year (YOY) and rose 40 bps quarter-over-quarter (QOQ) to 14.1%. Total availability held steady at 17.6% QOQ but is up 20 bps YOY.

Leasing activity totaled 1.1M SF in 2Q25, marking a 21.0% decline from the 1.4M SF recorded in 2Q24. Direct net absorption was negative 380.1K SF, bringing the cumulative absorption for 2025 to negative 282.1K SF, far lower than the 63.6K SF recorded at this point of 2024.

Conversely, there were 1.2M K SF of sales transactions in 2Q25, which alone is higher than the cumulative sale transactions for 2024 to this point. Another good sign is that on top of cumulative swales being 75.7% higher than last year, these sales have been for a higher average price/SF than last year as well; \$296.15 this year compared to \$201.38 last year.

ECONOMIC REVIEW

In May 2025, San Diego County’s unemployment rate stood at 4.0%, down 40 basis points from February 2024 but up 40 basis points year-over-year. Statewide, California recorded a 5.4% rate, 10 basis points lower than the previous quarter and 10 basis points higher than the same time last year.

The San Diego-Carlsbad-San Marcos Metropolitan Statistical Area (MSA) gained 16,000 jobs in total non-farm employment between February and May. The largest increase in this time came from the Leisure and Hospitality, and Government sectors, which gained 6,700 and 5,500 jobs respectively. Financial Activities and Information sectors both lost 100 jobs in this time frame.

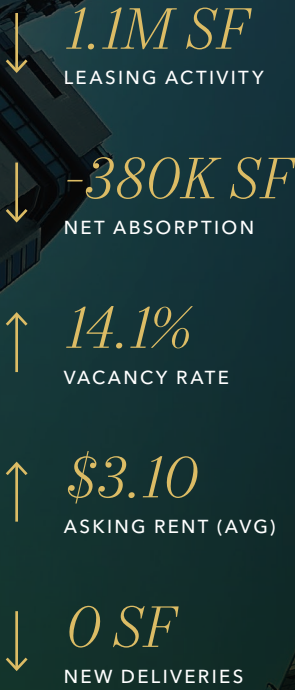
NEAR-TERM OUTLOOK

Office sales are off to their strongest start since 2022, driven by lower interest rates and discounted pricing. These transactions may help reset the market, enabling landlords to offer more competitive rates while maintaining investment value, critical as vacancy and availability continue to rise. Downtowns nationwide have struggled, and San Diego is no exception. A notable highlight this quarter was the Prebys Foundation’s purchase of 401 B Street, which they aim to transform into a hub for business, arts, and community engagement. Their collaborative approach could serve as a model for re-imagining other downtown office properties.

Market Summary

	2Q25	1Q25	2Q24	YOY Change
Vacancy Rate	14.1%	13.7%	12.3%	180 bps
Availability Rate	17.6%	17.6%	17.4%	20 bps
Asking Lease Rate	\$3.10	\$3.06	\$3.04	2.0%
	2Q25	2025 YTD	2024 YTD	YOY Change
Lease Transactions	1,102,108	2,259,415	2,970,105	-23.9%
Sale Transactions	1,236,157	2,116,347	1,204,737	75.7%
Net Absorption	-380,065	-282,073	63,631	N/A

2Q 2025



Year-Over-Year Trend

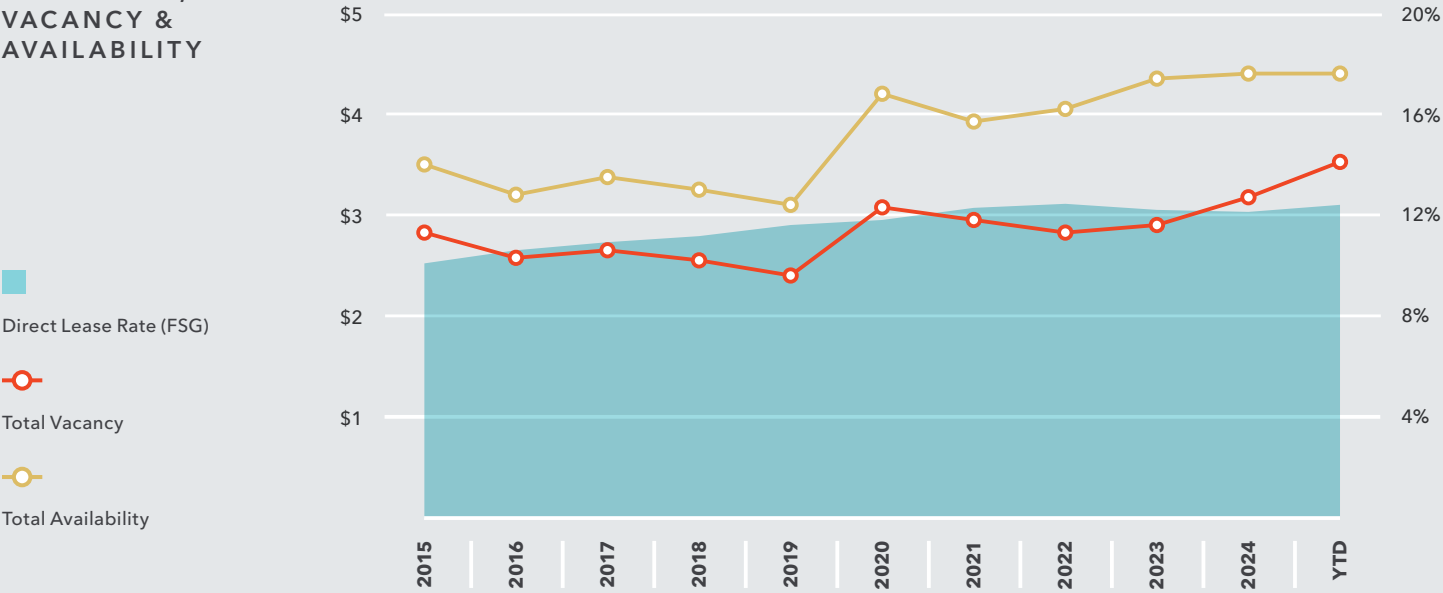
Market
Highlights

LEASING VOLUME
fell YOY to 1.1M SF.

RENTAL RATES
increased slightly QOQ
to \$3.10 PSF FSG.

SALES VOLUME was more than
50% higher YOY.

LEASE RATE, VACANCY & AVAILABILITY



BIGGEST SALE OF THE QUARTER

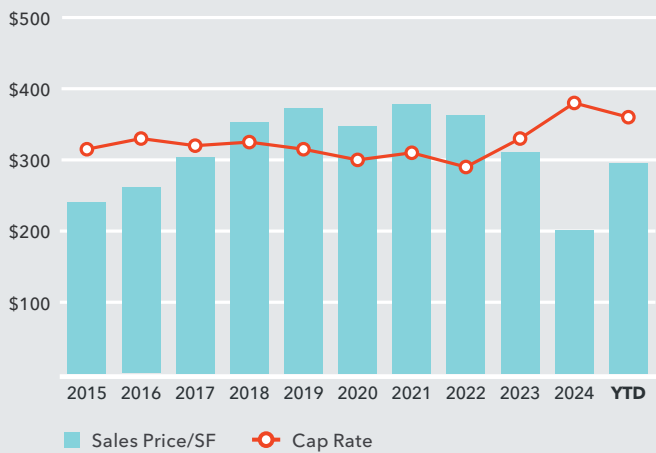
12220/12230 El Camino Real
San Diego, CA



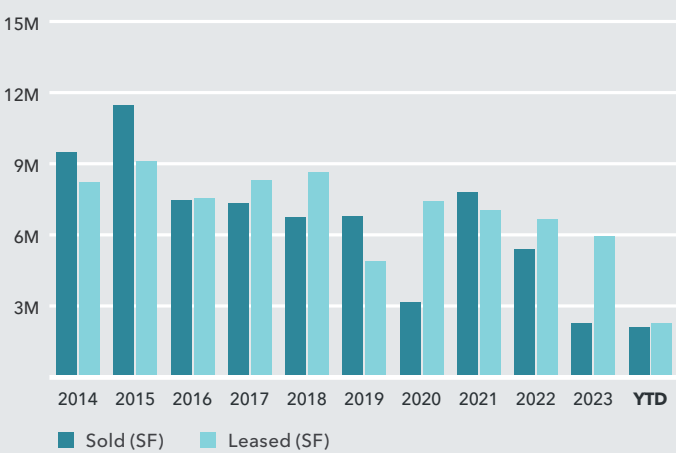
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



2Q 2025 | SAN DIEGO OFFICE

SUBMARKET STATISTICS

Submarket	Total Inventory	Total Vacancy Rate	Sublet Availability Rate	Total Availability Rate	2Q25 Total Net Absorption	YTD Total Net Absorption	2Q25 Leasing Activity	YTD Leasing Activity	Direct Rental Rate
Carlsbad	6,895,691	16.2%	3.3%	23.3%	-75,422	-90,583	141,958	245,004	\$2.63
Escondido	1,733,799	12.9%	5.2%	20.2%	-6,053	-22,368	10,383	36,272	\$2.27
Oceanside	1,495,200	7.6%	0.1%	9.3%	9,263	28,464	5,371	35,995	\$2.67
San Marcos	1,487,995	4.6%	1.7%	5.5%	10,189	15,876	3,590	21,696	\$2.27
Vista	1,173,337	11.5%	2.1%	14.9%	9,848	-11,165	9,161	25,519	\$2.46
North County	12,786,022	0.9%	0.9%	18.4%	-52,175	-79,776	170,463	364,486	\$2.53
Poway	1200197	8.9%	1.7%	10.3%	-15,970	-31,310	1,060	6,076	\$1.92
Rancho Bernardo	6519701	7.5%	1.4%	14.2%	24,975	52,800	32,979	98,837	\$3.37
Scripps Ranch	2771318	23.8%	3.5%	22.8%	-67,358	-64,953	27,790	58,014	\$3.02
I-15 Corridor	10,491,216	0.6%	0.6%	16.0%	-58,353	-43,463	61,829	162,927	\$3.11
Del Mar Heights/Carmel Valley	6,541,613	11.6%	5.7%	18.0%	-11,938	233,228	109,424	191,076	\$4.71
Governor Park	768,805	7.9%	0.5%	13.6%	-4,308	-12,598	8,539	15,123	\$3.21
La Jolla	1,291,338	15.4%	1.3%	22.6%	-9,366	-10,344	6,525	35,103	\$3.72
Miramar	1,473,929	6.6%	0.4%	45.2%	-6,111	-19,751	2,726	4,949	\$2.37
North Beach Cities	2,509,110	8.4%	1.3%	11.3%	-5,507	6,082	42,910	71,903	\$4.39
Sorrento Mesa	8,327,785	8.7%	2.4%	12.4%	-35,915	-134,159	16,190	50,648	\$3.19
Sorrento Valley	495,074	27.0%	0.0%	15.8%	-4,874	487	4,086	4,086	\$2.41
Torrey Pines	3,089,213	2.2%	0.5%	3.7%	-3,493	-20,474	50,956	51,948	\$4.31
UTC	9,108,884	11.6%	5.5%	21.2%	-59,572	-125,940	82,137	234,891	\$3.91
North Cities	33,605,751	9.9%	1.6%	16.9%	-141,084	-83,469	323,493	659,727	\$3.85
Kearny Mesa	11,405,402	9.8%	2.3%	11.2%	-348	-46,980	44,438	196,535	\$3.01
Mission Gorge	578,819	3.5%	0.0%	3.5%	4,002	-3,937	4,002	10,072	\$1.99
Mission Valley	7,476,580	16.4%	1.5%	17.1%	14,685	-32,204	133,715	269,320	\$3.06
Old Town/Sports Arena/Pt. Loma	2,282,073	8.7%	2.9%	12.7%	4,902	2,522	19,000	29,746	\$2.76
PB/Rose Canyon/Morena	1,199,174	7.7%	0.5%	9.3%	7,316	-3,305	16,059	30,381	\$2.53
Central Suburban	22,942,048	11.6%	0.5%	13.0%	30,557	-83,904	217,214	536,054	\$2.95
College Area	1,347,920	3.3%	0.1%	5.2%	14,455	16,355	7,212	11,269	\$2.61
East County	3,802,975	4.0%	0.0%	6.9%	-22,240	-33,998	33,266	50,662	\$2.98
East County	5,150,895	3.8%	0.1%	6.5%	-7,785	-17,643	40,478	61,931	\$2.88
Park East	119,894	2.4%	0.0%	2.8%	0	-2,926	962	962	\$2.47
Uptown East	104,010	0.0%	0.0%	0.0%	0	0	0	0	\$1.89
Uptown West/Park West	2,137,351	7.6%	0.1%	9.7%	-32,053	-44,886	3,028	9,728	\$2.60
Uptown	2,361,255	7.0%	0.0%	9.0%	-32,053	-47,812	3,990	10,690	\$2.42
Downtown	16,044,601	36.0%	0.8%	38.9%	-113,325	91,689	239,315	397,515	\$2.61
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Chula Vista	2,961,732	4.6%	0.5%	4.8%	9,184	-20,716	36,107	54,790	\$2.72
Coronado	84,540	0.0%	0.0%	0.0%	0	600	0	600	0
National City	583,906	9.3%	1.4%	9.9%	-15,934	638	6,197	7,673	\$2.69
Otay Mesa	252,412	18.6%	0.0%	2.5%	2,103	2,983	3,022	3,022	\$2.50
San Ysidro/Imperial Beach	168,703	0.7%	0.0%	0.7%	0	0	0	0	\$3.77
Southeast San Diego	481,600	0.7%	0.0%	0.7%	-1,200	-1,200	0	0	0
South County	4,532,893	5.4%	0.2%	4.6%	-5,847	-17,695	45,326	66,085	0
San Diego Total	107,914,681	14.1%	2.1%	18.1%	-380,065	-282,073	1,102,108	2,259,415	\$3.07
Class A	44,250,201	18.0%	3.4%	24.4%	-110,149	432,500	567,922	1,059,996	\$3.39
Class B	49,870,593	12.6%	1.6%	15.4%	-255,528	-648,510	471,246	1,002,260	\$2.89
Class C	13,793,887	7.3%	0.1%	8.7%	-14,388	-66,063	62,940	197,159	\$2.39

SIGNIFICANT SALE TRANSACTIONS 2Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
12220/12230 EL Camino Real	Del Mar Hts/Carmel Valley	116,440	\$48,500,000	\$416.52	Menlo Equities	PGIM, Inc.
401 B St	Downtown	521,502	\$40,000,000	\$76.70	Prebys Foundation	The Irvine Company
1902/1903 Wright Place	Carlsbad	100,791	\$23,000,000	\$228.20	Strauss Investments	Harbor Associates
9797 Aero Dr	Kearny Mesa	92,463	\$20,807,000	\$225.03	PriceSmart	AVID Center
1450 Frazee Rd	Mission Valley	140,578	\$20,250,000	\$144.05	HP Investors	Hill Properties

SIGNIFICANT LEASE TRANSACTIONS 2Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
401 Mile of Cars Way*	National City	84,987	April 2025	Bosa Development	County of San Diego
5770 Armada Dr	Carlsbad	81,711	April 2025	Diversified Healthcare Trust	Orthofix Medical Inc.
11988 El Camino Real	Del Mar Hts/Carmel Valley	44,718	May 2025	Prudential	Wilson Sonsini
950 Waterfront Pl	Downtown	42,726	May 2025	IQHQ	J. Craig Venter Institute
350 Camino De La Reina	Mission Valley	35,344	June 2025	CMFT RE Ampersand CA, LLC	Systems Planning & Analysis

*Renewal

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
The Campus at Horton	100 & 200 & 600 Horton Plz	Downtown	767,871	Stockdale Capital Partners	3Q25
Thnk @ Millenia - Phase II	1785 Millenia Ave	Chula Vista	90,000	Chesnut Properties	4Q26
565 Broadway	565 Broadway	Chula Vista	77,775	Cal West	3Q25
Sharp Rees-Stealy Otay Ranch Medical Center	1400 E Palomar St	Chula Vista	60,000	Sharp HealthCare	3Q25

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



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COMMERCIAL
BROKERAGE

\$9B

AVERAGE ANNUAL
TRANSACTION VOLUME

26.2M

ANNUAL
SALES SF

36.7M

ANNUAL
LEASING SFASSET
SERVICES

58M SF

MANAGEMENT
PORTFOLIO SIZE

850

ASSETS UNDER
MANAGEMENT

250+

CLIENTS
SERVEDVALUATION
ADVISORY

2,400

AVERAGE
ASSIGNMENTS

39

TOTAL
APPRAISERS

24

WITH MAI
DESIGNATIONS

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