

MARKET TRENDS

SAN DIEGO OFFICE

MARKET DRIVERS

The San Diego office market vacancy rate increased by 180 basis points (bps) year-over-year (YOY) and rose 20 bps quarter-over-quarter (QOQ) to 14.2%. Total availability rose 70-bps over the quarter, and 60 bps over the year, reaching 17.2%.

Leasing activity totaled 1.5M SF in 3Q25, marking a 7.6% increase from the 1.4M SF recorded in 3Q24. Direct net absorption was negative 175.1K SF, bringing the cumulative absorption for 2025 to negative 364.2K SF. If the market doesn't have a strong performance next quarter, it will be the third consecutive year of negative net absorption.

Office sales reached 995.6K SF of transactions in 3Q25, which brought the cumulative total to 3.1M SF in 2025. This figure is 25.6% higher than last year and additionally have gone for a higher average price/SF compared to last year as well; \$274.24 this year compared to \$189.39 last year.

ECONOMIC REVIEW

In August 2025, San Diego County's unemployment rate was recorded at 5.0%, up 100 bps since May and up 10 bps YOY. Similarly, California recorded a 5.5% rate, 20 bps higher QOQ and 10 bps higher YOY.

The San Diego-Carlsbad-San Marcos Metropolitan Statistical Area (MSA) lost 14.4K jobs in total non-farm employment between February and May. The largest decrease came from the Government sector, which lost 16.2K jobs. The Professional and Business Services sector also lost 4.2K jobs in this time frame. Conversely, Education and Health Services, as well as Leisure and Hospitality saw modest gains.

NEAR-TERM OUTLOOK

Downtown San Diego's office sector remains under strain as Irvine Co. continues its sell-off, recently transferring the 21-story tower at 501 W. Broadway to Santa Monica-based XYZ Rent for \$69M. The buyer plans upgrades to modernize the building and boost occupancy in a downtown area where vacancies hover near record highs of 35.6%. Meanwhile, investment activity is shifting toward stronger submarkets. Lincoln Property Co. demonstrated confidence with its \$92M purchase of the AMP&RSAND campus in Mission Valley, where vacancies are notably lower at 15.9%, highlighting tenant demand for high-quality, amenitized workspaces in accessible locations.

Market Summary

	3Q25	2Q25	3Q24	YOY Change
Vacancy Rate	14.2%	14.0%	12.4%	180 bps
Availability Rate	18.2%	17.5%	17.6%	60 bps
Asking Lease Rate	\$3.08	\$3.10	\$3.05	0.9%
	3Q25	2025 YTD	2024 YTD	YOY Change
Lease Transactions (SF)	1,516,838	3,939,346	4,381,892	-10.1%
Sale Transactions (SF)	995,581	3,092,270	2,461,376	25.6%
Net Absorption (SF)	-175,076	-364,216	147,609	-346.7%

3Q 2025

↑ **1.5M SF**
LEASING ACTIVITY

↓ **-175K SF**
NET ABSORPTION

↑ **14.2%**
VACANCY RATE

↑ **\$3.08**
ASKING RENT (AVG)

↓ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

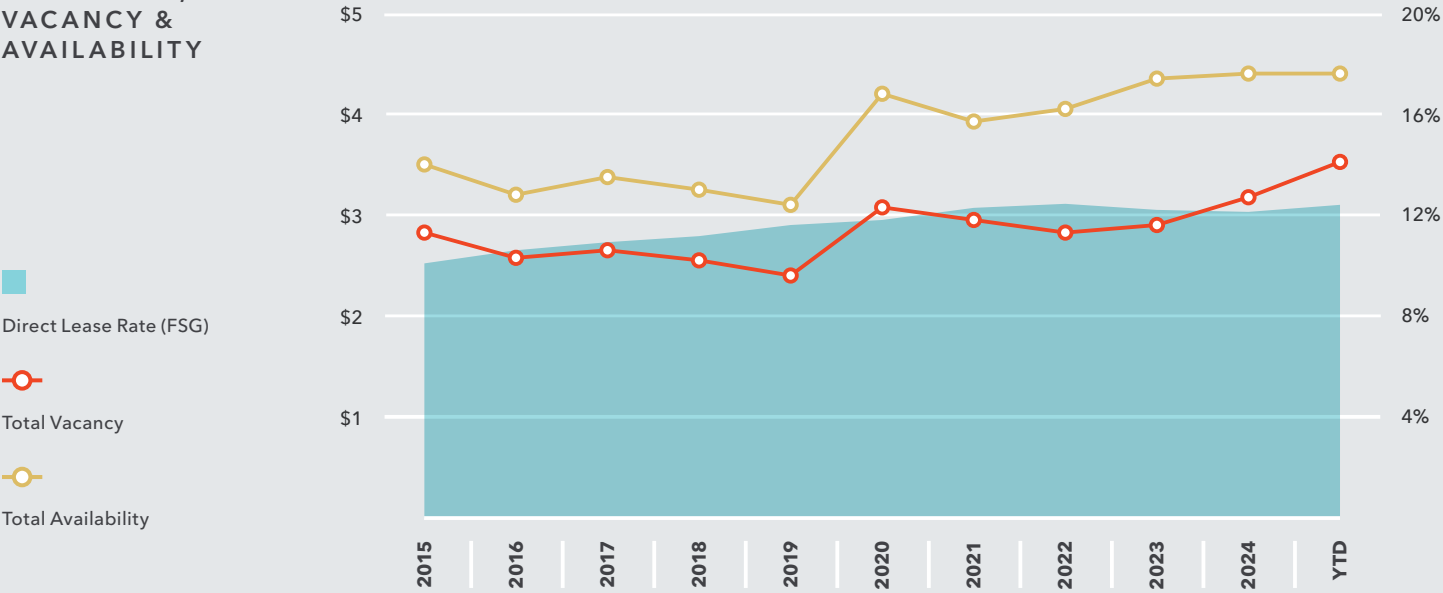
Market Highlights

LEASING VOLUME
fell YOY to 1.5M SF

RENTAL RATES
increased slightly QOQ
to \$3.08 PSF FSG

SALES VOLUME ticked down
slightly to 995.6K SF

LEASE RATE, VACANCY & AVAILABILITY

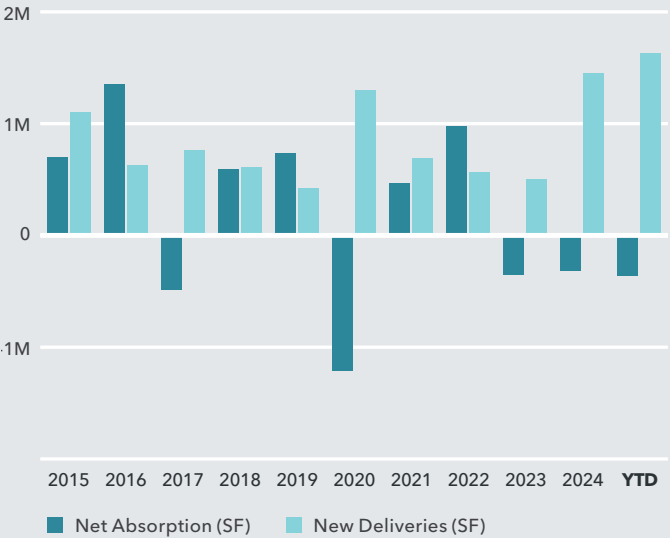


BIGGEST SALE OF THE QUARTER

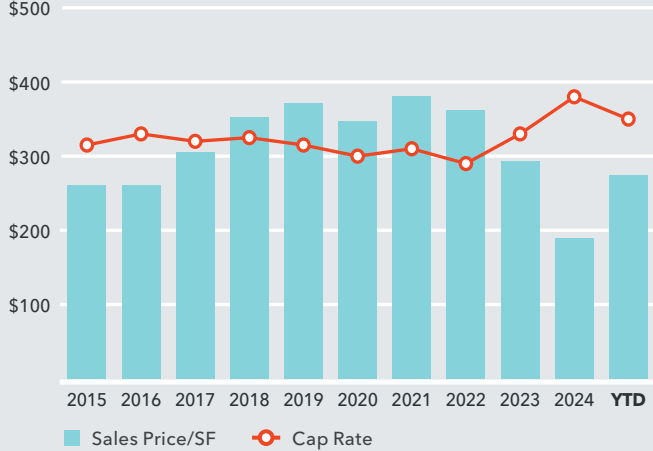
350 Camino De La Reina
San Diego, CA



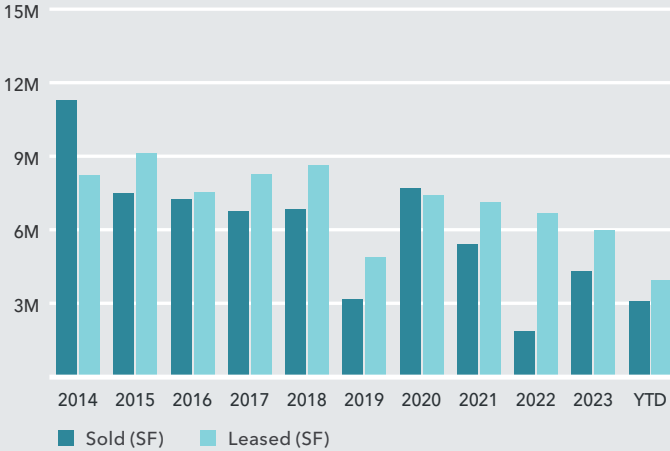
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



3Q 2025 | SAN DIEGO OFFICE

SUBMARKET STATISTICS

Submarket	Total Inventory	Total Vacancy Rate	Sublet Availability Rate	Total Availability Rate	3Q25 Total Net Absorption	YTD Total Net Absorption	3Q25 Leasing Activity	YTD Leasing Activity	Direct Rental Rate
Carlsbad	6,902,165	15.7%	3.2%	22.6%	21,304	-66,738	59,678	347,988	\$2.62
Escondido	1,733,799	12.5%	5.0%	17.8%	4,381	-17,987	22,440	63,419	\$2.42
Oceanside	1,581,816	7.5%	0.0%	8.6%	-3,658	46,496	7,417	68,152	\$2.74
San Marcos	1,487,995	5.8%	1.7%	6.3%	-17,865	-1,989	9,462	31,158	\$2.36
Vista	1,122,653	13.1%	2.7%	16.4%	-7,006	-18,171	15,057	40,576	\$2.56
North County	12,828,428	12.9%	2.8%	17.8%	-2,844	-58,389	114,054	551,293	\$2.57
Poway	1,203,485	8.1%	1.5%	9.9%	7,273	-24,037	10,257	14,973	\$2.02
Rancho Bernardo	6,538,296	7.7%	1.5%	14.2%	-9,904	41,102	41,313	144,930	\$3.44
Scripps Ranch	2,770,848	23.8%	3.5%	23.1%	-17,153	-76,671	28,560	86,574	\$2.99
I-15 Corridor	10,512,629	12.0%	2.0%	16.0%	-19,784	-59,606	80,130	246,477	\$3.16
Del Mar Heights/Carmel Valley	6,540,563	11.6%	4.6%	16.7%	-14,966	221,606	83,484	296,119	\$4.66
Governor Park	768,805	8.1%	1.4%	15.8%	-2,022	-14,620	7,044	22,167	\$3.16
La Jolla	1,288,189	17.7%	1.3%	21.9%	-28,938	-39,282	14,680	47,519	\$3.79
Miramar	1,473,929	6.1%	1.1%	47.1%	7,105	-11,679	5,624	10,573	\$2.45
North Beach Cities	2,522,402	9.9%	1.4%	12.4%	-32,924	-25,111	18,093	89,996	\$4.41
Sorrento Mesa	8,329,371	8.7%	2.4%	13.3%	-18,212	-152,371	34,016	85,168	\$3.17
Sorrento Valley	495,074	25.5%	0.5%	16.1%	7,353	7,840	3,267	7,353	\$2.39
Torrey Pines	2,976,158	3.8%	1.7%	6.2%	-25,652	-46,126	0	21,817	\$4.31
UTC	9,124,604	12.5%	6.0%	22.8%	-48,994	-174,934	512,393	748,288	\$3.85
North Cities	33,519,095	10.4%	3.5%	17.8%	-157,250	-234,677	678,601	1,329,000	\$3.82
Kearny Mesa	11,404,659	9.7%	2.3%	10.6%	-55,799	-93,262	151,492	353,704	\$2.99
Mission Gorge	578,819	4.0%	0.0%	3.5%	-2,733	-6,670	4,693	14,765	\$1.94
Mission Valley	7,501,905	15.9%	1.4%	15.2%	18,520	-5,836	250,040	541,069	\$3.08
Old Town/Sports Arena/Pt. Loma	2,280,581	7.6%	0.2%	8.7%	24,255	26,777	14,751	44,497	\$2.75
PB/Rose Canyon/Morena	1,197,444	7.5%	0.1%	7.3%	419	-1,560	15,799	52,444	\$2.59
Central Suburban	22,963,408	11.2%	1.6%	11.6%	-15,338	-80,551	436,775	1,006,479	\$2.95
College Area	1,347,920	3.7%	0.1%	6.0%	-6,077	10,278	2,755	14,024	\$2.61
East County	3,866,841	4.4%	0.2%	6.6%	-9,996	-45,494	40,939	93,247	\$2.92
East County	5,214,761	4.2%	0.1%	6.5%	-16,073	-35,216	43,694	107,271	\$2.56
Park East	119,894	3.6%	0.0%	1.4%	-1,366	-4,292	3,052	4,014	\$2.47
Uptown East	104,010	0.0%	0.0%	0.0%	0	0	0	0	-
Uptown West/Park West	2,126,903	6.9%	0.1%	8.7%	13,789	-31,897	12,355	35,941	\$2.69
Uptown	2,350,807	6.5%	0.1%	7.9%	12,423	-36,189	15,407	39,955	\$2.56
Downtown	16,270,144	35.6%	1.0%	37.3%	29,637	107,245	128,585	485,575	\$2.47
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Chula Vista	3,006,478	4.4%	0.5%	4.6%	9,184	27,945	11,191	66,979	\$2.68
Coronado	111,541	14.5%	1.3%	14.5%	0	-755	6,965	7,565	-
National City	571,042	9.2%	1.2%	11.4%	-15,934	1,440	1,436	94,096	\$2.72
Otay Mesa	252,412	18.0%	0.0%	1.8%	2,103	4,617	0	4,656	\$2.39
San Ysidro/Imperial Beach	173,257	0.0%	0.0%	0.0%	0	1,120	0	0	\$3.90
Southeast San Diego	481,600	0.7%	0.0%	0.7%	-1,200	-1,200	0	0	-
South County	4,596,330	5.5%	0.5%	5.0%	-5,847	33,167	19,592	173,296	\$2.37
San Diego Total	108,255,602	14.2%	2.16%	18.2%	-175,076	-364,216	1,516,838	3,939,346	\$3.08
Class A	44,159,555	18.0%	3.5%	24.0%	50,901	493,075	496,006	1,543,976	\$3.48
Class B	50,238,019	12.6%	1.4%	15.3%	-158,308	-715,205	868,019	2,007,398	\$2.95
Class C	13,848,028	7.9%	0.1%	8.7%	-73,546	-142,086	152,813	387,972	\$2.40

SIGNIFICANT SALE TRANSACTIONS 3Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
350 Camino De La Reina	Mission Valley	342,578	\$92,000,000	\$268.55	Lincoln Property Company	CIM Group, LP
501 W Broadway	Downtown	413,592	\$69,000,000	\$166.83	XYZ.rent	The Irvine Company
5015 Shoreham Pl	Governor Park	25,600	\$13,500,000	\$527.34	San Diego Lighthouse Bible Church	The Shoreham Group, LLC
605 3rd St	North Beach Cities	14,398	\$11,000,000	\$763.99	GJS Properties, LLC	Dudek
1650 Hotel Cir N	Mission Valley	29,500	\$8,200,000	\$277.97	Polak Properties, LLC	DPSS Properties

SIGNIFICANT LEASE TRANSACTIONS 3Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
7947 Mission Center Ct*	Mission Valley	53,006	July 2025	Omninet Capital	County of San Diego
350 Camino De La Reina	Mission Valley	52,196	September 2025	Lincoln Property Company	Alliant Insurance
9275 Sky Park Ct	Kearny Mesa	44,275	August 2025	Orum Capital	City of San Diego
9275 Sky Park Ct	Kearny Mesa	34,535	August 2025	Orum Capital	General Services Administration
5901 Priestly Dr	Carlsbad	17,885	August 2025	Hill Companies, LLC	Fagen Friedman Fulfrost

*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	3Q 2025
565 Broadway	565 Broadway	Chula Vista	77,775	Cal West	3Q 2025

Data Source: EDD, CoStar, 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, 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
Vice President of Research
415.229.8925
gary.baragona@kidder.com

DARREN TAPPEN
Regional President, Brokerage
Greater LA, SoCal & Arizona
858.509.1200
darren.tappen@kidder.com

Designated Broker
Eric Paulsen | LIC N° 01001040

COMMERCIAL BROKERAGE	<i>\$9B</i> AVERAGE ANNUAL TRANSACTION VOLUME	<i>26.2M</i> ANNUAL SALES SF	<i>36.7M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>53M SF</i> MANAGEMENT PORTFOLIO SIZE	<i>800</i> ASSETS UNDER MANAGEMENT	<i>250+</i> CLIENTS SERVED
VALUATION ADVISORY	<i>2,400</i> AVERAGE ASSIGNMENTS	<i>39</i> TOTAL APPRAISERS	<i>24</i> WITH MAI DESIGNATIONS