

MARKET TRENDS

SAN DIEGO OFFICE

MARKET DRIVERS

The San Diego office market vacancy rate increased by 160 basis point (bps) year-over-year (YOY) and rose 10 bps quarter-over-quarter (QOQ) to 14.1%. Total availability rose 40 bps over the quarter, and 40 bps over the year, reaching 17.1%.

Leasing activity totaled 931.1K SF in 4Q25, a 41.4% decrease from the 1.6M SF recorded in 4Q24. Direct net absorption was negative 141.6K SF, bringing the cumulative absorption for 2025 to negative 484.5K SF. With 2025 ending in negative territory, it marks the third consecutive year of negative net absorption.

Office sales reached 2.4M SF of transactions in 4Q25, which brought the cumulative total to 6.5M SF in 2025. This figure is 51.4% higher than last year and has also traded at a higher average price/SF; approximately \$210.58 this year compared to \$190.22 last year.

ECONOMIC REVIEW

In September 2025, San Diego County's unemployment rate was recorded at 4.9%, up 90 bps since May and up 50 bps YOY. Similarly, California recorded a 5.6% rate, 60 bps higher since May and 40 bps higher YOY.

Between August and November 2025, total nonfarm employment in the San Diego metro area was essentially flat, edging down from 1,559.1K to 1,558.9K jobs. Over the same period, Professional and Business Services (-2.8K) and Leisure and Hospitality (-3.8K) declined, while Government (+8.6K) and Education and Health Services (+1.3K) posted gains.

NEAR-TERM OUTLOOK

Downtown San Diego's office sector remains under pressure as Irvine Co. continues its retreat from the CBD, selling remaining properties at steep discounts amid elevated vacancy and ongoing concerns tied to the downtown environment. At the same time, investment appetite is concentrating in stronger, amenity-rich submarkets where buyers see a clearer path to stabilization. A recent example is the acquisition of the Ampersand creative office campus in Mission Valley by a joint venture between Strategic Value Partners and Lincoln Property Company, highlighting continued interest in well-located assets that can be repositioned to meet tenant demand for higher-quality, flexible work environments.

Market Summary

	4Q25	3Q25	4Q24	YOY Change
Vacancy Rate	14.1%	14.0%	12.5%	160 bps
Availability Rate	17.1%	16.7%	16.7%	40 bps
Asking Lease Rate/SF/Mo	\$3.05	\$3.11	\$3.03	0.7%
	4Q25	2025	2024	YOY Change
Lease Transactions (SF)	931,097	5,035,974	5,945,528	-15.3%
Sale Transactions (SF)	2,419,840	6,490,747	4,287,152	51.4%
Net Absorption (SF)	-141,602	-484,539	-326,609	N/A

4Q 2025

↓ **931K SF**
LEASING ACTIVITY

↓ **-139K SF**
NET ABSORPTION

↑ **14.1%**
VACANCY RATE

↑ **\$3.05**
ASKING RENT (AVG)

↓ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

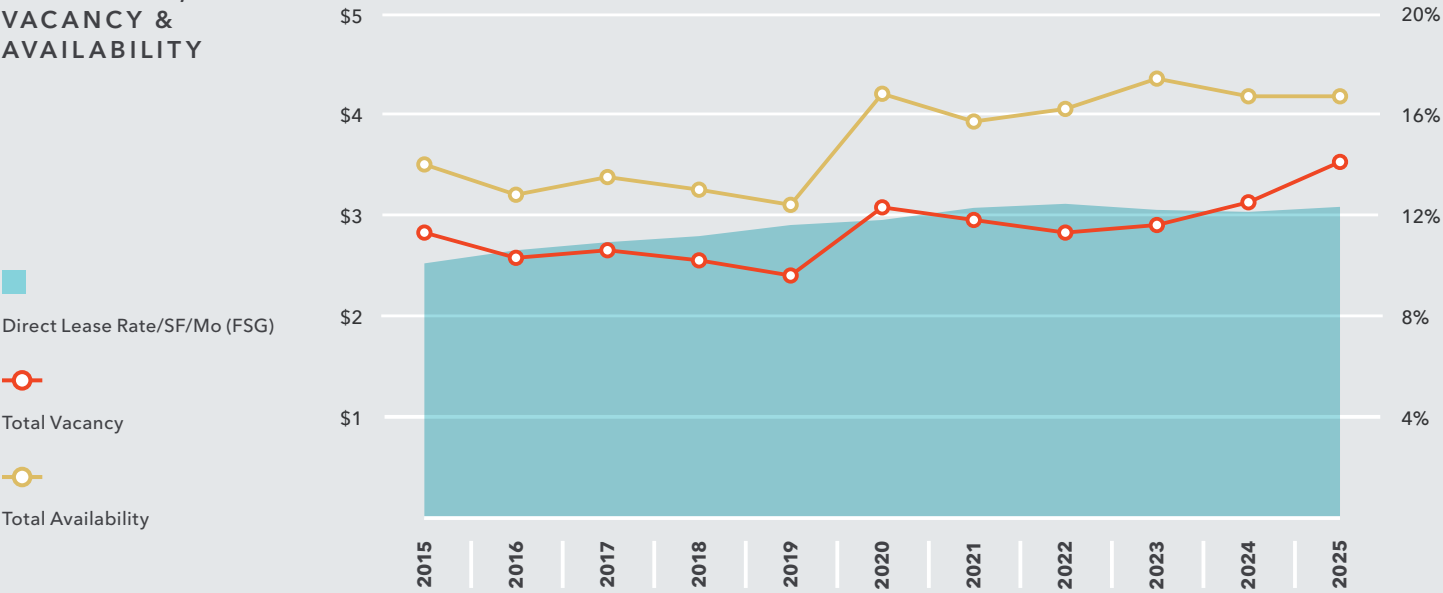
Market Highlights

LEASING VOLUME
decreased YOY to 931.1K SF

RENTAL RATES dipped to
\$3.05 PSF FSG

SALES VOLUME rose YOY
to 2.4M SF

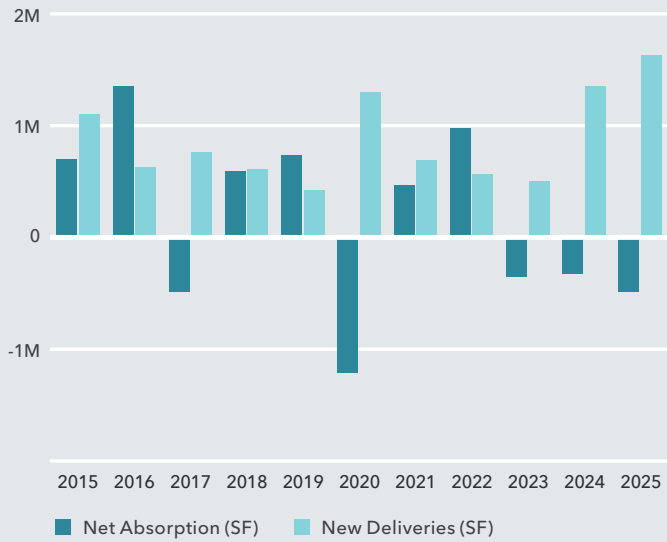
LEASE RATE, VACANCY & AVAILABILITY



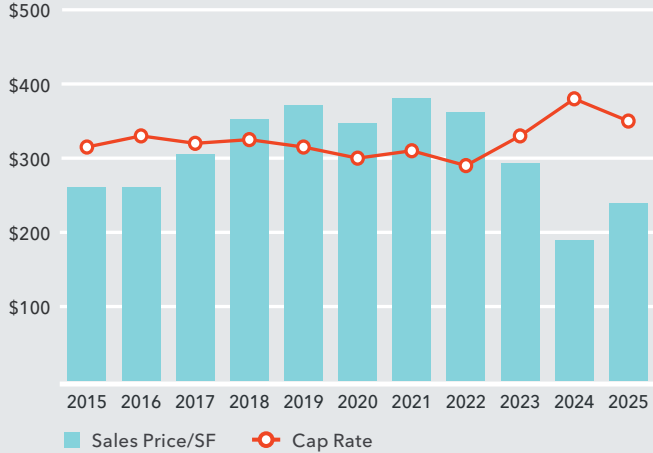
BIGGEST SALE OF THE QUARTER

600 W Broadway
San Diego, CA

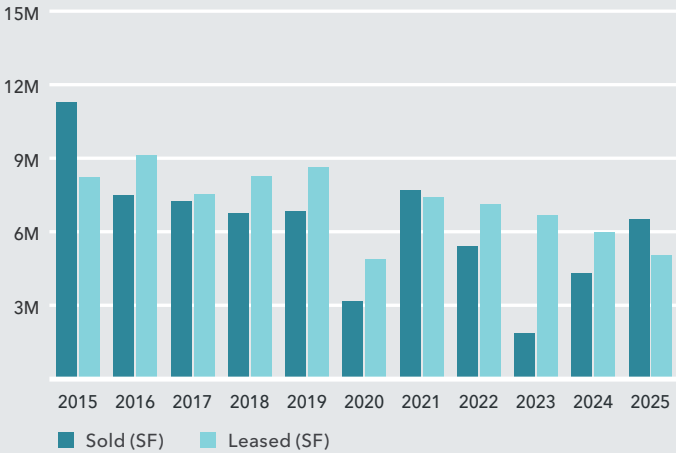
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



4Q 2025 | SAN DIEGO OFFICE

SUBMARKET STATISTICS

Submarket	Total Inventory	Total Vacancy Rate	Sublet Availability Rate	Total Availability Rate	4Q25 Total Net Absorption	2025 Total Net Absorption	4Q25 Leasing Activity	2025 Leasing Activity	Direct Rental Rate
Carlsbad	6,915,310	15.5%	3.9%	22.9%	40,136	-31,850	55,819	418,044	\$2.62
Escondido	1,742,033	9.1%	5.0%	15.9%	58,421	40,434	15,155	78,574	\$2.37
Oceanside	1,550,821	7.4%	0.0%	8.6%	4,332	27,138	3,810	48,272	\$3.13
San Marcos	1,474,524	6.1%	1.6%	6.7%	-6,133	-8,122	3,769	31,010	\$2.46
Vista	1,122,637	12.9%	2.8%	19.1%	-5,794	-23,965	24,446	61,298	\$2.46
North County	12,805,325	12.3%	3.2%	18.0%	90,962	3,635	102,999	637,198	\$2.62
Poway	1,203,916	7.2%	1.5%	8.6%	11,270	-12,767	6,324	22,657	\$1.97
Rancho Bernardo	6,488,255	8.2%	1.3%	18.2%	-25,259	15,843	27,588	172,518	\$3.50
Scripps Ranch	2,684,862	20.4%	3.6%	18.1%	6,972	-71,651	119,117	248,503	\$2.98
I-15 Corridor	10,377,033	11.2%	1.9%	17.0%	-7,017	-68,575	153,029	443,678	\$3.19
Del Mar Heights/Carmel Valley	6,540,562	11.6%	4.6%	17.7%	-74,056	152,691	34,439	323,482	\$4.68
Governor Park	768,805	7.5%	0.8%	13.8%	4,047	-10,573	13,285	35,452	\$3.20
La Jolla	1,299,051	19.0%	1.8%	22.5%	-8,764	-53,380	29,469	76,988	\$3.68
Miramar	974,527	8.8%	1.6%	15.4%	2,115	-9,564	27,485	38,058	\$2.43
North Beach Cities	2,522,402	10.1%	1.2%	12.8%	-12,872	-37,983	12,811	102,807	\$4.43
Sorrento Mesa	7,908,932	9.7%	2.0%	15.0%	-55,844	-208,215	30,242	115,410	\$3.22
Sorrento Valley	495,074	23.7%	0.5%	9.3%	9,075	16,915	2,150	9,503	\$2.47
Torrey Pines	2,976,158	3.5%	1.7%	6.2%	7,412	-38,714	7,545	29,362	\$3.91
UTC	9,072,297	11.7%	5.8%	22.2%	-14,078	-144,912	114,107	881,113	\$3.66
North Cities	32,557,808	10.6%	3.4%	16.8%	-142,965	-333,735	271,533	1,612,175	\$3.78
Kearny Mesa	11,237,474	8.9%	2.4%	10.7%	89,257	-3,482	36,757	394,693	\$2.85
Mission Gorge	578,819	3.8%	0.0%	3.7%	1,016	-5,654	3,229	17,994	\$2.00
Mission Valley	7,507,065	15.4%	1.4%	14.9%	31,791	25,955	90,497	670,880	\$3.05
Old Town/Sports Arena/Pt. Loma	2,290,604	7.5%	0.3%	12.1%	2,346	29,123	3,096	48,682	\$2.75
PB/Rose Canyon/Morena	1,196,889	6.9%	0.1%	7.5%	7,112	5,552	1,816	54,260	\$2.64
Central Suburban	22,810,851	10.7%	1.7%	11.9%	131,522	51,494	135,395	1,186,509	\$2.87
College Area	1,240,063	4.7%	0.2%	6.5%	-6,416	3,862	12,813	29,102	\$2.44
East County	3,856,841	4.3%	0.0%	5.9%	-818	-46,662	33,413	126,660	\$2.85
East County	5,096,904	4.4%	0.1%	6.0%	-7,234	-42,800	46,226	155,762	\$2.66
Park East	119,894	6.8%	0.0%	7.4%	-3,819	-8,111	293	4,307	\$2.47
Uptown East	104,010	0.0%	0.0%	0.0%	0	0	0	0	-
Uptown West/Park West	2,095,926	8.1%	0.3%	9.3%	-22,707	-54,604	11,777	53,146	\$2.80
Uptown	2,319,830	7.7%	0.2%	8.8%	-26,526	-62,715	12,070	57,453	\$2.66
Downtown	16,240,063	35.8%	0.9%	32.6%	-174,497	-69,048	168,635	727,123	\$2.48
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Chula Vista	3,006,478	4.1%	0.5%	4.6%	3,152	39,081	17,489	86,038	\$2.83
Coronado	111,541	14.5%	1.3%	14.5%	0	-755	0	7,565	-
National City	603,157	8.7%	1.1%	6.8%	0	1,440	23,721	117,817	\$2.64
Otay Mesa	251,537	20.7%	0.0%	4.5%	-6,746	-2,129	0	4,656	\$2.39
San Ysidro/Imperial Beach	173,257	0.2%	0.0%	0.2%	-352	768	0	0	\$3.90
Southeast San Diego	481,600	2.2%	1.4%	2.2%	0	-1,200	0	0	-
South County	4,627,570	5.5%	0.7%	4.8%	-3,946	37,205	41,210	216,076	\$2.46
San Diego Total	106,835,384	14.1%	2.15%	17.1%	-139,701	-484,539	931,097	5,035,974	\$3.05
Class A	43,522,513	18.1%	3.4%	22.9%	-206,767	302,300	435,094	2,562,888	\$3.46
Class B	49,408,155	12.6%	1.6%	14.6%	42,647	-645,919	429,038	2,001,689	\$2.93
Class C	13,904,716	7.1%	0.1%	7.5%	24,419	-140,920	66,965	471,397	\$2.44

SIGNIFICANT SALE TRANSACTIONS 4Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
600 W Broadway	Downtown	625,000	\$120,000,000	\$192.00	Saca Capital	The Irvine Company
16535 Via Esprillo	Rancho Bernardo	461,510	\$67,367,000	\$145.97	LBA Realty	Sony
5600 Avenida Encinas	Carlsbad	180,999	\$64,100,000	\$354.15	ABP Capital, LLC	Alexandria Real Estate Equities, Inc.
488 E Valley Pky	Escondido	72,000	\$36,400,000	\$505.56	Neighborhood Healthcare	Remedy Medical Properties
1265 Laurel Tree Ln	Carlsbad	85,000	\$30,700,000	\$361.18	Sharp HealthCare	Pacific Development Partners, LLC

SIGNIFICANT LEASE TRANSACTIONS 4Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
4655 Executive Dr	UTC	68,391	October 2025	The Irvine Company	Jones Day
350 10th Ave	Downtown	17,470	October 2025	Divco West Services, LLC	PeopleConnect
888 Prospect St	La Jolla	16,302	November 2025	MedImpact Healthcare Systems, Inc.	Wells Fargo Bank
11988 El Camino Real	Del Mar Hts/Carmel Valley	13,998	November 2025	Prudential	Lohman & Associates, Inc
13520 Evening Creek Dr N	Rancho Bernardo	10,718	October 2025	Kilroy Realty Corporation	Griffith Company

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
565 Broadway	565 Broadway	Chula Vista	77,775	Cal West	3Q 2025

Data Source: CoStar, BLS, EDD, WSJ, CommercialSearch, SVP/Lincoln



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.

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Eric Paulsen | LIC N° 01001040

**COMMERCIAL
BROKERAGE****\$9B**AVERAGE ANNUAL
TRANSACTION VOLUME**26.2M**ANNUAL
SALES SF**36.7M**ANNUAL
LEASING SF**ASSET
SERVICES****53M SF**MANAGEMENT
PORTFOLIO SIZE**800**ASSETS UNDER
MANAGEMENT**250+**CLIENTS
SERVED**VALUATION
ADVISORY****2,400**AVERAGE
ASSIGNMENTS**41**TOTAL
APPRAISERS**23**WITH MAI
DESIGNATIONS