

## MARKET TRENDS

# SAN DIEGO OFFICE

### MARKET DRIVERS

The San Diego office market vacancy rate was essentially flat quarter-over-quarter (QOQ), dipping roughly 10 basis points (bps) to 13.6% in 1Q26, but remained 60 bps above the 13.0% rate recorded one year ago. Total availability climbed 60 bps over the quarter and 50 bps year-over-year (YOY), reaching 17.1%, indicating that while vacancy has stabilized, more space continues to be marketed.

Leasing activity totaled 1.0M SF in 1Q26, a 16.2% decrease from the 1.2M SF recorded in 1Q25 and a 21.8% drop from 4Q25. Even so, direct net absorption returned to positive territory at 61.3K SF after posting a negative figure last quarter, suggesting that tenant demand remains selective but is still supporting pockets of stabilization in the market.

Office sales reached 2.3M SF of transactions in 1Q26, down only 5.1% from the unusually active 2.4M SF recorded in 4Q25 but up 186.4% from 1Q25. Pricing was far more normalized than a year ago, with the average price per square foot landing at \$215.21 compared to \$462.67 in 1Q25, reinforcing that capital is still active but remains highly price-sensitive.

### ECONOMIC REVIEW

In December 2025, San Diego County's unemployment rate was 4.4%, down 50 bps from September but 20 bps above the year-ago level. California's unemployment rate was 5.5% in the same month, down 10 bps from September and unchanged year-over-year.

The San Diego metro area added 5.5K jobs over the year, bringing total nonfarm employment to 1,584.1K in December 2025. Office-using sectors were mixed: Professional and Business Services declined by 6.2K jobs and Trade, Transportation, and Utilities fell by 1.4K, while Education and Health Services added 15.1K jobs and Government expanded by 4.1K.

### NEAR-TERM OUTLOOK

San Diego's office market is expected to remain uneven in the near term, as cautious occupiers continue to prioritize higher-quality space and limit overall leasing activity. Demand should persist for well-located, upgraded assets, while older or less competitive properties face continued pressure. Investment activity will likely focus on discounted urban opportunities and value-add suburban assets, with limited new development concentrated in medical office.

## Market Summary

	1Q26	4Q25	1Q25	YOY Change
Vacancy Rate	13.6%	13.7%	13.0%	<b>60 bps</b>
Availability Rate	17.1%	16.5%	16.6%	<b>50 bps</b>
Asking Lease Rate/SF/Mo	\$3.14	\$3.08	\$3.06	<b>2.6%</b>
	1Q26	4Q25	1Q25	YOY Change
Lease Transactions (SF)	1,013,774	1,296,304	1,209,850	<b>-16.2%</b>
Sale Transactions (SF)	2,274,557	2,396,462	794,137	<b>186.4%</b>
Net Absorption (SF)	61,344	-104,738	204,409	<b>-151.2%</b>

↑ **1.0M SF**  
LEASING ACTIVITY

↓ **61K SF**  
NET ABSORPTION

↑ **13.6%**  
VACANCY RATE

↑ **\$3.14**  
ASKING RENT (AVG)

↓ **75K SF**  
NEW DELIVERIES

Year-Over-Year Trend

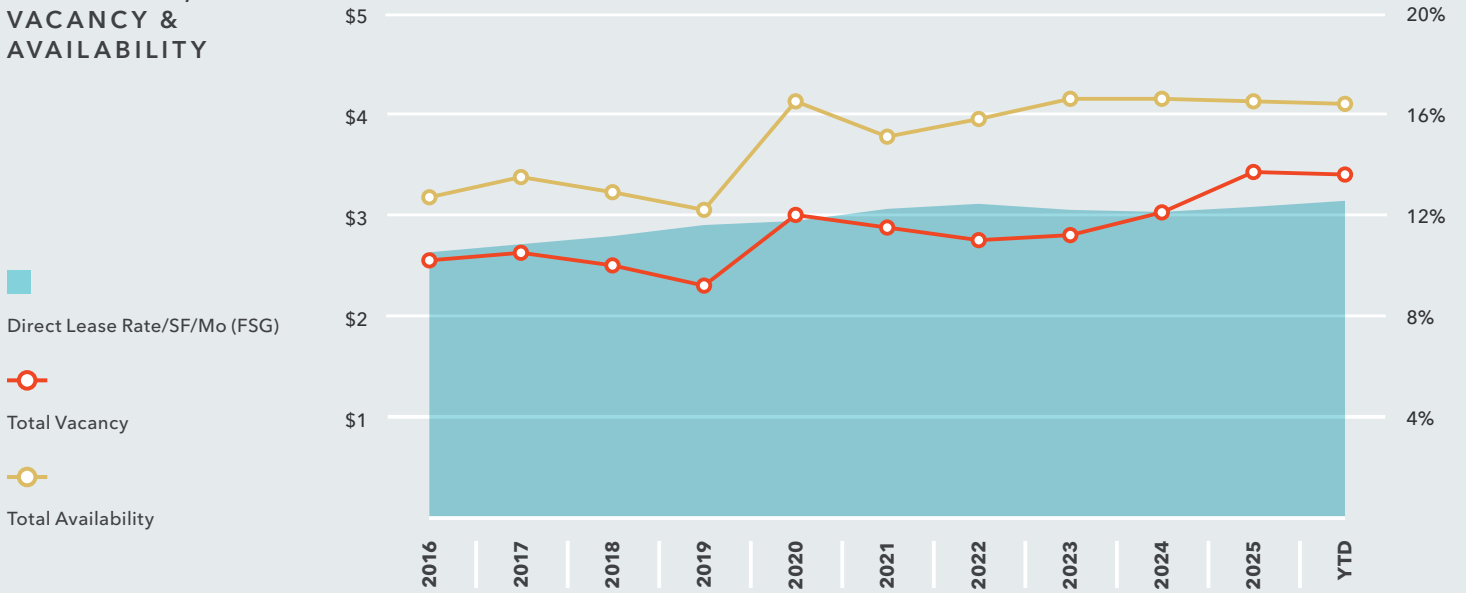
## Market Highlights

**LEASING VOLUME** decreased YOY to 931.1K SF

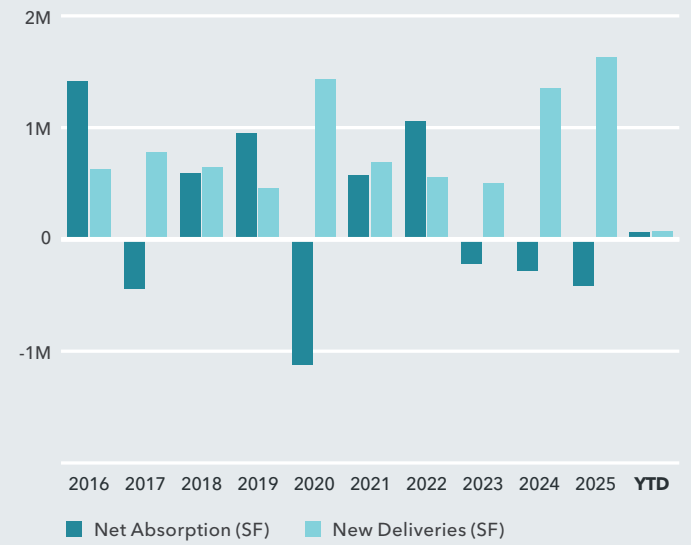
**RENTAL RATES** dipped to \$3.05 PSF FSG

**SALES VOLUME** rose YOY to 2.4M SF

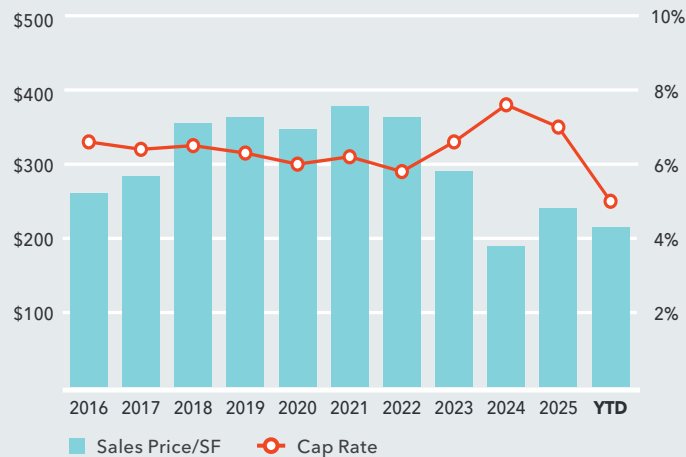
## LEASE RATE, VACANCY & AVAILABILITY



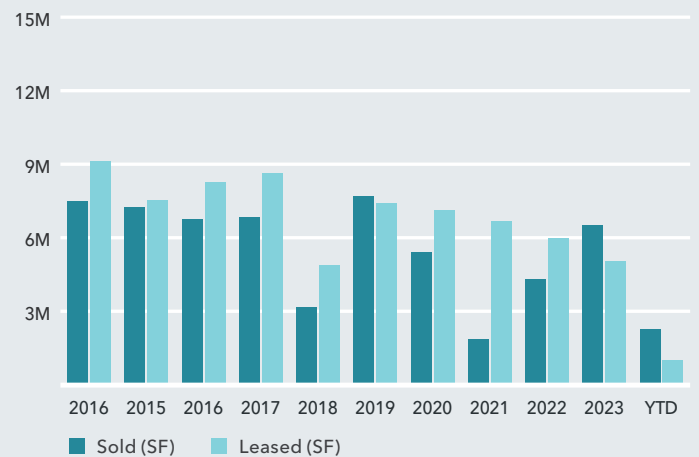
## NET ABSORPTION & NEW DELIVERIES



## AVERAGE SALES PRICE/SF & CAP RATE



## SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Total Vacancy Rate	Sublet Availability Rate	Total Availability Rate	1Q26 Total Net Absorption	2025 Total Net Absorption	1Q26 Leasing Activity	2025 Leasing Activity	Direct Rental Rate
Carlsbad	6,917,093	15.8%	3.7%	24.4%	-72,320	-31,850	63,569	418,044	\$2.65
Escondido	1,735,509	9.0%	5.1%	21.4%	2,965	40,434	6,691	78,574	\$2.20
Oceanside	1,550,821	7.0%	0.1%	8.2%	6,956	27,138	5,549	48,272	\$3.14
San Marcos	1,436,843	6.4%	1.5%	6.8%	-1,530	-8,122	2,790	31,010	\$2.45
Vista	1,091,869	12.2%	3.0%	18.8%	12,334	-23,965	12,044	61,298	\$2.44
<b>North County</b>	<b>12,732,135</b>	<b>12.4%</b>	<b>3.1%</b>	<b>19.6%</b>	<b>-51,595</b>	<b>3,635</b>	<b>90,643</b>	<b>637,198</b>	<b>\$2.61</b>
Poway	1203914	7.5%	1.5%	7.1%	-4,373	-12,767	23,504	22,657	\$1.99
Rancho Bernardo	6610922	7.6%	0.7%	17.2%	16,108	15,843	201,631	172,518	\$3.41
Scripps Ranch	2675658	21.1%	2.5%	19.0%	-15,433	-71,651	89,523	248,503	\$2.98
<b>I-15 Corridor</b>	<b>10,490,494</b>	<b>11.0%</b>	<b>1.2%</b>	<b>16.5%</b>	<b>-3,698</b>	<b>-68,575</b>	<b>314,658</b>	<b>443,678</b>	<b>\$3.14</b>
Del Mar Heights/Carmel Valley	6,381,688	9.4%	2.4%	15.6%	-49,810	152,691	73,000	323,482	\$4.70
Governor Park	768,805	5.3%	0.4%	12.5%	-12,430	-10,573	0	35,452	\$3.20
La Jolla	1,318,051	17.3%	1.4%	19.2%	15,962	-53,380	33,485	76,988	\$3.81
Miramar	974,512	8.4%	1.6%	15.9%	3,940	-9,564	4,178	38,058	\$2.46
North Beach Cities	2,526,712	10.6%	1.1%	14.2%	-14,750	-37,983	19,504	102,807	\$4.39
Sorrento Mesa	7,898,676	10.7%	2.3%	17.7%	-49,712	-208,215	38,630	115,410	\$3.16
Sorrento Valley	494,736	24.8%	0.5%	10.2%	-7,363	16,915	3,267	9,503	\$2.53
Torrey Pines	2,976,158	3.5%	1.7%	7.2%	2,677	-38,714	3,875	29,362	\$3.91
UTC	9,047,524	11.1%	4.6%	20.5%	-8,083	-144,912	89,348	881,113	\$3.85
<b>North Cities</b>	<b>32,386,862</b>	<b>10.2%</b>	<b>2.7%</b>	<b>16.9%</b>	<b>-119,569</b>	<b>-333,735</b>	<b>265,287</b>	<b>1,612,175</b>	<b>\$3.82</b>
Kearny Mesa	11,306,616	9.0%	2.3%	10.6%	-21,708	-3,482	52,435	394,693	\$2.81
Mission Gorge	578,819	3.8%	0.0%	4.0%	184	-5,654	3,703	17,994	\$2.04
Mission Valley	7,572,357	14.3%	1.3%	14.3%	73,641	25,955	98,489	670,880	\$3.11
Old Town/Sports Arena/Pt. Loma	2,290,864	8.6%	0.2%	12.6%	-24,122	29,123	3,689	48,682	\$2.76
PB/Rose Canyon/Morena	1,196,889	5.3%	0.1%	5.8%	19,506	5,552	19,662	54,260	\$2.76
<b>Central Suburban</b>	<b>22,945,545</b>	<b>10.4%</b>	<b>1.6%</b>	<b>11.6%</b>	<b>47,501</b>	<b>51,494</b>	<b>177,978</b>	<b>1,186,509</b>	<b>\$2.88</b>
College Area	1,240,063	4.3%	0.1%	6.1%	1,272	3,862	8,582	29,102	\$2.43
East County	3,846,614	3.7%	0.0%	4.8%	13,450	-46,662	16,395	126,660	\$2.96
<b>East County</b>	<b>5,086,677</b>	<b>3.8%</b>	<b>0.1%</b>	<b>5.1%</b>	<b>14,722</b>	<b>-42,800</b>	<b>24,977</b>	<b>155,762</b>	<b>\$2.97</b>
Park East	119,894	9.1%	0.0%	9.1%	-2,750	-8,111	726	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	7.7%	0.3%	8.8%	8,400	-54,604	7,135	53,146	\$3.15
<b>Uptown</b>	<b>2,319,830</b>	<b>7.5%</b>	<b>0.3%</b>	<b>8.5%</b>	<b>5,650</b>	<b>-62,715</b>	<b>7,861</b>	<b>57,453</b>	<b>\$2.97</b>
Downtown	16,212,270	34.0%	0.9%	31.3%	127,752	-69,048	113,174	727,123	\$2.39
<b>Downtown</b>	<b>16,212,270</b>	<b>34.0%</b>	<b>0.9%</b>	<b>31.3%</b>	<b>127,752</b>	<b>-69,048</b>	<b>113,174</b>	<b>727,123</b>	<b>\$2.39</b>
Chula Vista	3,077,758	5.1%	0.7%	5.6%	41,406	39,081	8,441	86,038	\$2.91
Coronado	111,541	14.5%	1.3%	14.5%	0	-755	0	7,565	-
National City	571,042	5.5%	0.0%	6.0%	14,265	1,440	7,315	117,817	\$2.59
Otay Mesa	251,537	26.3%	0.0%	37.5%	-14,092	-2,129	1,205	4,656	\$2.42
San Ysidro/Imperial Beach	173,257	0.8%	0.0%	0.8%	-998	768	0	0	\$3.90
Southeast San Diego	481,600	2.2%	1.4%	1.7%	0	-1,200	2,235	0	-
<b>South County</b>	<b>4,666,735</b>	<b>6.0%</b>	<b>0.7%</b>	<b>7.1%</b>	<b>40,581</b>	<b>37,205</b>	<b>19,196</b>	<b>216,076</b>	<b>\$2.51</b>
<b>San Diego Total</b>	<b>106,840,548</b>	<b>13.6%</b>	<b>1.84%</b>	<b>17.1%</b>	<b>61,344</b>	<b>-484,539</b>	<b>1,013,774</b>	<b>5,035,974</b>	<b>\$3.14</b>
Class A	43,101,050	17.5%	2.9%	23.0%	152,879	302,300	268,612	2,562,888	\$3.60
Class B	49,884,584	12.2%	1.4%	14.4%	-99,525	-645,919	682,695	2,001,689	\$2.97
Class C	13,835,914	7.0%	0.1%	7.3%	9,190	-140,920	61,967	471,397	\$2.51

## SIGNIFICANT SALE TRANSACTIONS 1Q 2026

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Kilroy Sabre Springs	Rancho Bernardo	438,516	\$124,500,000	\$283.91	Axos Bank	Kilroy Realty Corporation
One & Two Columbia Place	Downtown	707,623	\$103,500,000	\$146.26	Ganmi	Regent Properties
Mission City	Mission Valley	290,585	\$60,500,000	\$208.20	BH Properties, LLC	Morning Calm Management
Plaza Del Mar	Del Mar Hts/Carmel Valley	116,861	\$43,000,000	\$367.96	LBX Investments	Cruzan
The Quad	Carlsbad	179,537	\$30,000,000	\$167.10	Barker Pacific Group	Regent Properties

## SIGNIFICANT LEASE TRANSACTIONS 1Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant
16710-16750 Via Del Campo Ct	Rancho Bernardo	168,072	February 2026	Drawbridge Realty	Northrop Grumman Corp.
12777 High Bluff Dr	Del Mar Hts/Carmel Valley	22,511	February 2026	Kilroy Realty Corporation	SDRE Homebuilders
4350 La Jolla Village Dr	UTC	19,059	January 2026	The Irvine Company	Colliers
401 B St	Downtown	10,786	January 2026	Prebys Foundation	Banc of California
12680 High Bluff Drive	Del Mar Hts/Carmel Valley	8,079	March 2026	Irvine Company	Greenberg Traurig, LLP

## SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
10210 Campus Point Dr	10210 Campus Point Dr	UTC	466,592	ARE-SD Region No 6, LLC	1Q28
San Diego Pace	1317 D Ave	National City	70,000	Kimball Tower Housing Associates, LP	2Q26
Grand Hope Medical Office	2879-85 Hope Ave	Carlsbad	12,800	Chosen Wise Properties, LLC	1Q27

Data Source: CoStar, BLS, EDD, CommercialSearch



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**

Regiona President, Brokerage  
Greater LA, SoCal & Arizona  
858.509.1200  
darren.tappen@kidder.com

**Designated Broker**

Eric Paulsen | LIC N° 01001040

**COMMERCIAL  
BROKERAGE****\$9B**AVERAGE ANNUAL  
TRANSACTION VOLUME**32.4M**ANNUAL  
SALES SF**32.5M**ANNUAL  
LEASING SF**ASSET  
SERVICES****55M SF**MANAGEMENT  
PORTFOLIO SIZE**800**ASSETS UNDER  
MANAGEMENT**250+**CLIENTS  
SERVED**VALUATION  
ADVISORY****2,700**AVERAGE  
ASSIGNMENTS**42**TOTAL  
APPRAISERS**23**WITH MAI  
DESIGNATIONS