

MARKET TRENDS

SAN DIEGO OFFICE

MARKET DRIVERS

The San Diego office market vacancy rate increased by 40 basis points (bps) year-over-year (YOY) and remained flat quarter-over-quarter (QOQ) at 13.4%. Total availability rose 20 bps over the quarter but was unchanged from the same time last year, reaching 16.3%.

Leasing activity totaled 937.6K SF in 2Q26, a 25.9% decrease from the 1.3M SF recorded in 2Q25. Direct net absorption was negative 171.9K SF, bringing cumulative direct absorption for 2026 to negative 133.0K SF, as occupiers continued to give back space despite steady transaction activity.

Office sales reached 717.6K SF in 2Q26, totaling \$160.6M in dollar volume. While quarterly traded square footage fell 56.7% YOY, year-to-date activity reached 3.2M SF, up 34.2% from the same point last year, with average pricing improving to \$233.08 PSF.

ECONOMIC REVIEW

In May 2026, San Diego County's unemployment rate was recorded at 3.9%, down from 4.1% in April and below California's 5.3% rate. The improvement gives the local market a more stable labor backdrop, though statewide labor conditions remain mixed.

Between January and May 2026, total nonfarm employment in the San Diego metro area increased from 1,563.5K to 1,584.9K jobs. Professional and Business Services added 2.6K jobs during that period, while Information employment remained soft at 17.0K jobs, down 6.1% YOY.

NEAR-TERM OUTLOOK

San Diego's office market remained mixed but generally stable during 2Q26, as vacancy held steady despite negative quarterly absorption. Leasing activity continued at a healthy pace, led by several mid-sized transactions across a range of submarkets, reflecting sustained demand from tenants seeking quality space rather than broad market expansion. Sales activity also remained bifurcated, with owner-user demand supporting well-located assets while downtown properties continue to undergo repricing and repositioning. Looking ahead, elevated availability should continue to provide tenants with negotiating leverage, though limited new construction and improving demand for high-quality properties are expected to support overall market stability through the remainder of 2026.

Market Summary

	2Q26	1Q26	2Q25	YOY Change
Vacancy Rate	13.4%	13.4%	13.0%	40 bps
Availability Rate	16.3%	16.1%	16.3%	0 bps
Asking Lease Rate/SF/Mo	\$3.15	\$3.15	\$3.10	1.6%
	2Q26	2026 YTD	2025 YTD	YOY Change
Lease Transactions (SF)	937,621	2,071,951	2,435,761	-14.9%
Sale Transactions (SF)	717,575	3,166,278	2,358,945	34.2%
Net Absorption (SF)	-171,946	-132,950	-56,118	N/A

↓ **937K SF**
LEASING ACTIVITY

↑ **-171K SF**
NET ABSORPTION

↑ **13.4%**
VACANCY RATE

↑ **\$3.15**
ASKING RENT (AVG)

↓ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

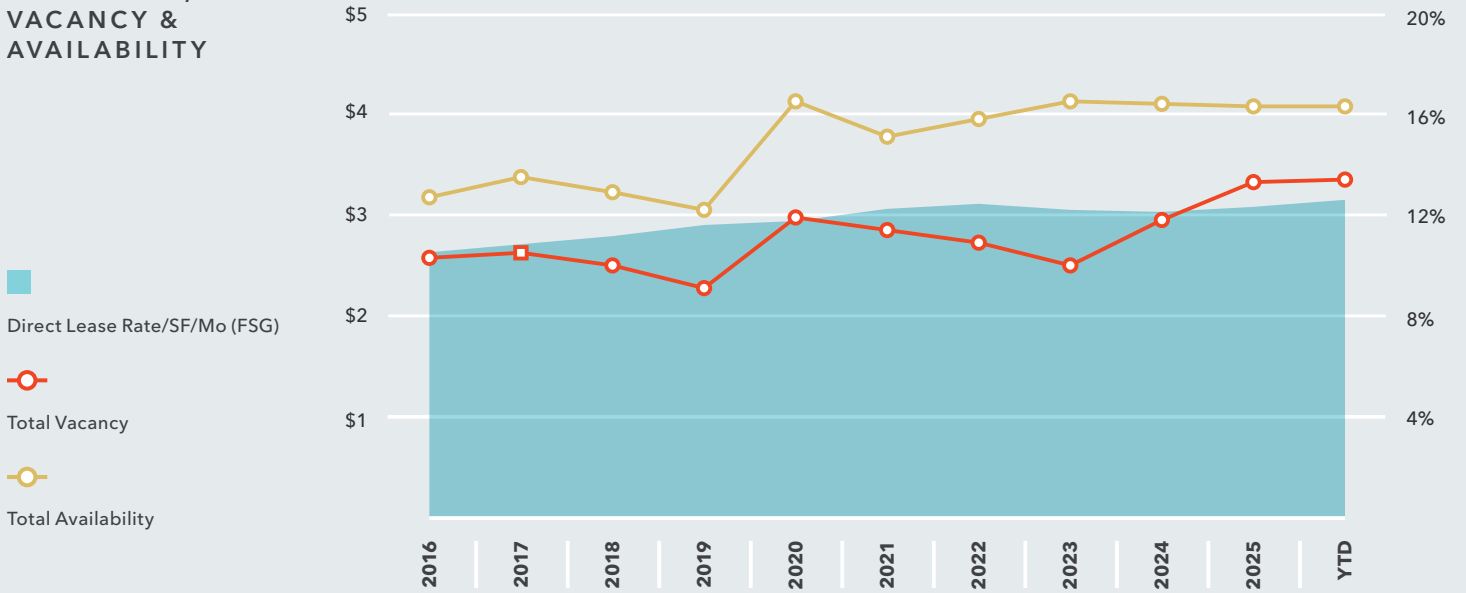
Market Highlights

LEASING VOLUME decreased YOY to 932.6K SF

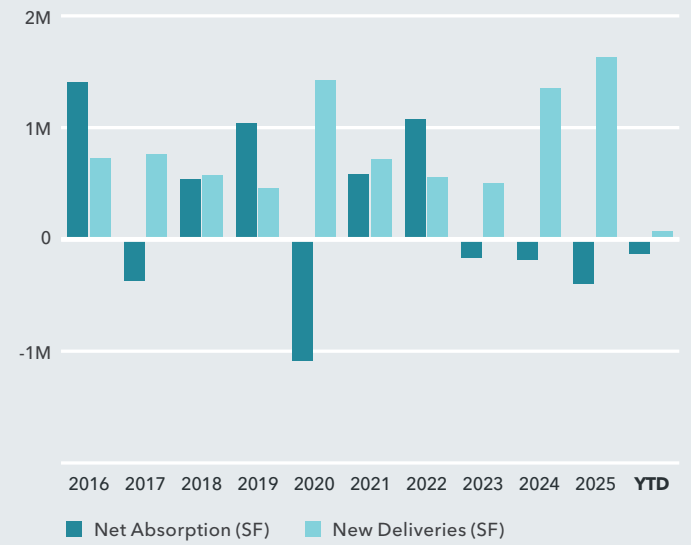
RENTAL RATES increased to \$3.15 PSF FSG

SALES VOLUME decreased YOY to 717.6K SF

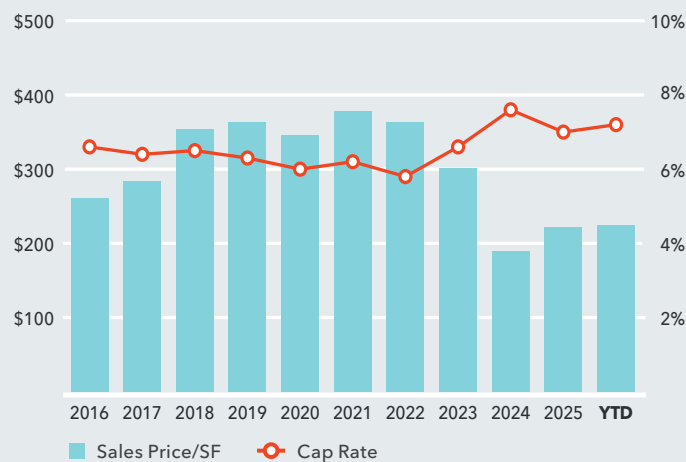
LEASE RATE, VACANCY & AVAILABILITY



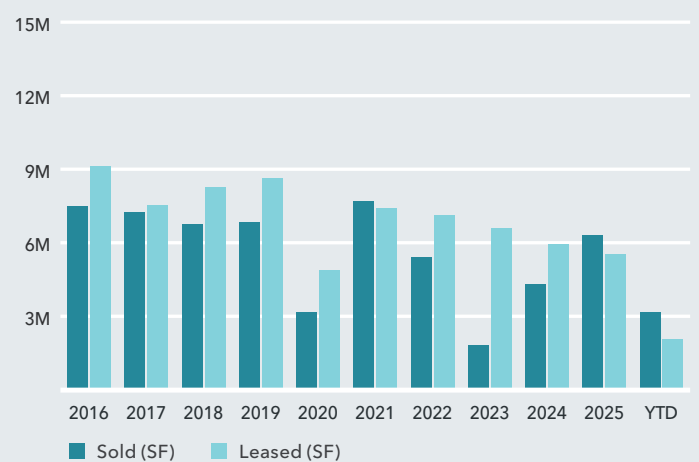
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Total Vacancy Rate	Sublet Availability Rate	Total Availability Rate	2Q26 Total Net Absorption	YTD Total Net Absorption	2Q26 Leasing Activity	YTD Leasing Activity	Direct Rental Rate
Carlsbad	6,888,466	15.8%	3.3%	24.9%	-7,483	-78,646	90,077	157,788	\$2.70
Escondido	1,774,581	11.2%	5.7%	19.8%	5,759	-5,822	2,710	9,401	\$2.37
Oceanside	1,550,821	8.6%	0.2%	10.6%	-24,083	-17,127	14,075	20,604	\$2.98
San Marcos	1,436,843	8.1%	3.0%	8.0%	-3,110	-4,640	11,525	15,067	\$2.50
Vista	1,098,033	14.9%	3.4%	18.2%	-30,027	-17,693	6,122	18,166	\$2.45
North County	12,748,744	13.4%	3.2%	20.1%	-58,944	-123,928	124,509	221,026	\$2.64
Poway	1,203,914	5.2%	1.5%	6.5%	6,605	2,232	1,591	30,707	\$1.99
Rancho Bernardo	6,616,188	7.9%	0.8%	17.1%	-30,406	-14,298	27,572	260,982	\$3.42
Scripps Ranch	2,668,454	18.3%	2.6%	22.8%	78,337	62,904	30,304	65,435	\$2.98
I-15 Corridor	10,488,556	10.2%	1.3%	17.4%	54,536	50,838	59,467	357,124	\$3.14
Del Mar Heights/Carmel Valley	6,380,704	8.8%	2.3%	14.5%	-5,726	-55,428	95,803	229,877	\$4.75
Governor Park	772,818	5.5%	0.0%	21.3%	-1,069	-13,499	2,944	2,944	\$3.21
La Jolla	1,319,537	14.9%	0.5%	15.5%	22,983	38,945	44,430	78,515	\$3.89
Miramar	982,864	9.1%	1.2%	17.4%	-11,861	-7,921	748	9,120	\$2.32
North Beach Cities	2,538,540	10.7%	1.0%	15.1%	-4,421	-24,127	31,572	50,682	\$4.45
Sorrento Mesa	7,900,443	12.1%	1.6%	16.9%	-129,449	-179,161	48,883	91,511	\$3.20
Sorrento Valley	482,903	15.5%	0.5%	15.5%	7,661	298	12,689	15,956	\$2.52
Torrey Pines	2,884,638	3.1%	1.0%	6.3%	6,479	9,156	13,487	17,362	\$3.83
UTC	8,997,400	10.2%	4.4%	19.9%	28,972	-25,995	126,382	234,476	\$3.85
North Cities	32,259,847	9.9%	2.4%	16.4%	-86,431	-257,732	376,938	730,443	\$3.83
Kearny Mesa	11,320,333	8.1%	2.7%	11.1%	67,546	71,518	64,838	112,507	\$2.73
Mission Gorge	578,819	3.8%	0.0%	4.0%	0	184	4,520	8,223	\$2.04
Mission Valley	7,579,024	13.9%	1.2%	13.9%	24,234	103,267	101,143	208,421	\$3.14
Old Town/Sports Arena/Pt. Loma	2,294,499	9.0%	0.2%	12.7%	-8,807	-32,929	8,506	13,541	\$2.74
PB/Rose Canyon/Morena	1,196,889	5.4%	0.1%	8.9%	-4,349	17,479	4,146	24,558	\$2.71
Central Suburban	22,969,564	9.9%	1.7%	11.9%	78,624	159,519	183,153	367,250	\$2.85
College Area	1,252,719	4.4%	0.1%	5.8%	-2,405	-1,133	44,315	52,897	\$2.50
East County	3,801,775	3.9%	0.0%	5.3%	-6,422	7,028	10,681	27,076	\$2.79
East County	5,054,494	4.0%	0.1%	5.5%	-8,827	5,895	54,996	79,973	\$2.72
Park East	119,894	8.8%	0.0%	9.4%	325	-2,425	0	1,051	\$0.00
Uptown East	106,604	0.0%	0.0%	0.0%	0	0	0	0	\$0.00
Uptown West/Park West	2,097,607	8.5%	0.4%	8.5%	-13,581	-5,181	18,150	25,175	\$3.08
Uptown	2,324,105	8.1%	0.4%	8.1%	-13,256	-7,606	18,150	26,226	\$3.08
Downtown	16,208,300	33.3%	0.7%	33.3%	-138,089	-958	91,669	216,679	\$2.40
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Chula Vista	3,077,718	5.4%	0.2%	5.4%	-10,595	30,811	20,419	53,149	\$2.92
Coronado	111,541	10.1%	0.0%	10.1%	3,376	3,376	7,291	7,291	\$0.00
National City	583,792	4.4%	0.0%	4.7%	5,425	19,690	1,029	9,350	\$2.62
Otay Mesa	251,537	26.3%	0.0%	37.9%	0	-14,092	0	1,205	\$2.96
San Ysidro/Imperial Beach	173,257	0.8%	0.0%	1.5%	0	-998	0	0	\$0.00
Southeast San Diego	481,600	0.2%	0.0%	0.2%	2,235	2,235	0	2,235	\$0.00
South County	4,679,445	5.8%	0.1%	6.3%	441	41,022	28,739	73,230	\$2.88
San Diego Total	106,733,055	13.4%	1.7%	16.3%	-171,946	-132,950	937,621	2,071,951	\$3.15
Class A	42,735,168	17.3%	2.9%	22.9%	-118,602	28,214	382,484	772,175	\$3.62
Class B	50,012,554	11.8%	1.2%	14.2%	-18,715	-136,088	502,088	1,181,672	\$2.98
Class C	13,966,333	7.4%	0.1%	8.0%	-35,129	-24,376	53,049	117,604	\$2.45

SIGNIFICANT SALE TRANSACTIONS 2Q 2026

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Kettner & Ash	Downtown	123,079	\$30,500,000	\$247.81	The Conrad Prebys Fdn.	Divco West Services, LLC
Northridge Summit	Scripps Ranch	129,919	\$25,000,000	\$192.43	Sorrento West Prop., Inc.	Divco West Services, LLC
RB Medical Plaza	Rancho Bernardo	75,598	\$18,250,000	\$241.41	Compass Capital Inv.	Virtus Real Estate Capital
5575 Ruffin Rd	Kearny Mesa	34,531	\$12,075,000	\$349.69	Equinvests Capital	Waterfall Asset Mgmt. Fenway Capital Advs., LLC
613 W Valley Pky	Escondido	53,001	\$10,090,000	\$190.37	KB Home	Baker Enterprises

SIGNIFICANT LEASE TRANSACTIONS 2Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant
4305 University Ave	College Area	37,986	June 2026	Price Philanthropies Foundation	Central Region Child Welfare Serv.
3860 Calle Fortunada	Kearny Mesa	29,747	April 2026	Joe Hernon	211 San Diego
3570 Carmel Mountain Rd	Del Mar Hts/Carmel Valley	26,219	April 2026	The Irvine Company	MG Properties, LLC
9775 Businesspark Ave	Scripps Ranch	25,266	April 2026	Bosch	JFK Family Trust
12531 High Bluff Dr *	Del Mar Hts/Carmel Valley	22,782	April 2026	Southwind Property Company	Wells Fargo

*Renewal

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
10210 Campus Point Dr	10210 Campus Point Dr	UTC	466,592	Alexandria Real Estate Equities	1Q 2028
San Diego Pace	1317 D Ave	National City	70000	Kimball Tower Housing Associates, LP	3Q 2026
Cush Medical Plaza	Grossmont Center Dr	La Mesa	50000	Rainbow Investment Company	2Q 2027
North Coast Medical Plaza II	6020 Hidden Valley Rd	Carlsbad	50000	JT-Bressi, LLC	1Q 2027
Grand Hope Medical Office	2879-85 Hope Ave	Carlsbad	12800	William J Cho	1Q 2027

Data Source: CoStar, BLS, EDD, San Diego Business Journal, Prebys Foundation



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COMMERCIAL BROKERAGE	<i>\$9B</i> AVERAGE ANNUAL TRANSACTION VOLUME	<i>32.4M</i> ANNUAL SALES SF	<i>32.5M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>54M SF</i> MANAGEMENT PORTFOLIO SIZE	<i>800</i> ASSETS UNDER MANAGEMENT	<i>250+</i> CLIENTS SERVED
VALUATION ADVISORY	<i>2,700</i> AVERAGE ASSIGNMENTS	<i>42</i> TOTAL APPRAISERS	<i>23</i> WITH MAI DESIGNATIONS