

MARKET TRENDS

SAN DIEGO OFFICE

MARKET DRIVERS

The San Diego office market vacancy rate declined 20 basis points (bps) quarter-over-quarter (QOQ) and 20 bps year-over-year (YOY) to 15.0% in 3Q26. Total availability remained flat over the quarter at 18.0% and declined 10 bps from the same time last year.

Leasing activity totaled 1.2M SF in 3Q26, a 31.2% decrease from the 1.8M SF recorded in 3Q25. Direct net absorption turned positive at 64.2K SF, improving year-to-date direct absorption to negative 136.6K SF compared with negative 553.1K SF through the same period last year.

Office sales reached 1.0M SF in 3Q26, totaling \$238.9M in dollar volume. While quarterly traded square footage fell 35.4% YOY, year-to-date sales volume reached 4.2M SF, up 1.4% from the same point last year. Average pricing was \$230.38/SF during the quarter.

ECONOMIC REVIEW

In August 2026, San Diego County's unemployment rate was recorded at 4.9%, up from 4.7% in July and below California's seasonally adjusted 5.1% rate. The local rate has moved higher from its spring lows, indicating some softening in labor conditions entering the final months of the year.

The San Diego-Chula Vista-Carlsbad MSA totaled approximately 1,567.0K nonfarm jobs in August 2026, up 0.7% YOY. Professional and Business Services employment measured 263.9K jobs and was flat YOY, while Information employment remained soft at 17.0K jobs, down 6.6% from one year earlier.

NEAR-TERM OUTLOOK

San Diego's office market showed signs of stabilization in 3Q26, as positive absorption and declining vacancy suggested improving occupancy despite softer leasing demand. Year-to-date total absorption reached 27.7K SF, compared with negative 586.4K SF a year earlier, indicating a meaningful improvement in market fundamentals. Recent activity included Scripps Clinic's 146.0K SF renewal in Rancho Bernardo and First Citizens Bank's \$95.5M acquisition of High Bluff Ridge, highlighting demand for established locations and quality assets. Looking ahead, the 618.5K SF construction pipeline remains concentrated in Campus Point and medical developments. Limited conventional office supply could support further stabilization, although older, less competitive properties will likely face continued challenges.

Market Summary

	3Q26	2Q26	3Q25	YOY Change
Vacancy Rate	15.0%	15.2%	15.2%	-20 bps
Availability Rate	18.0%	18.0%	18.1%	-10 bps
Asking Lease Rate/SF/Mo	\$3.18	\$3.15	\$3.11	2.3%
	3Q26	2026 YTD	2025 YTD	YOY Change
Lease Transactions (SF)	1,241,182	3,854,148	4,328,425	-11.0%
Sale Transactions (SF)	1,037,096	4,218,454	4,159,109	1.4%
Net Absorption (SF)	64,158	-136,579	-553,141	N/A

3Q 2026

↓ **1.2M SF**
LEASING ACTIVITY

↑ **64K SF**
NET ABSORPTION

↓ **15.0%**
VACANCY RATE

↑ **\$3.18**
ASKING RENT (AVG)

↔ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

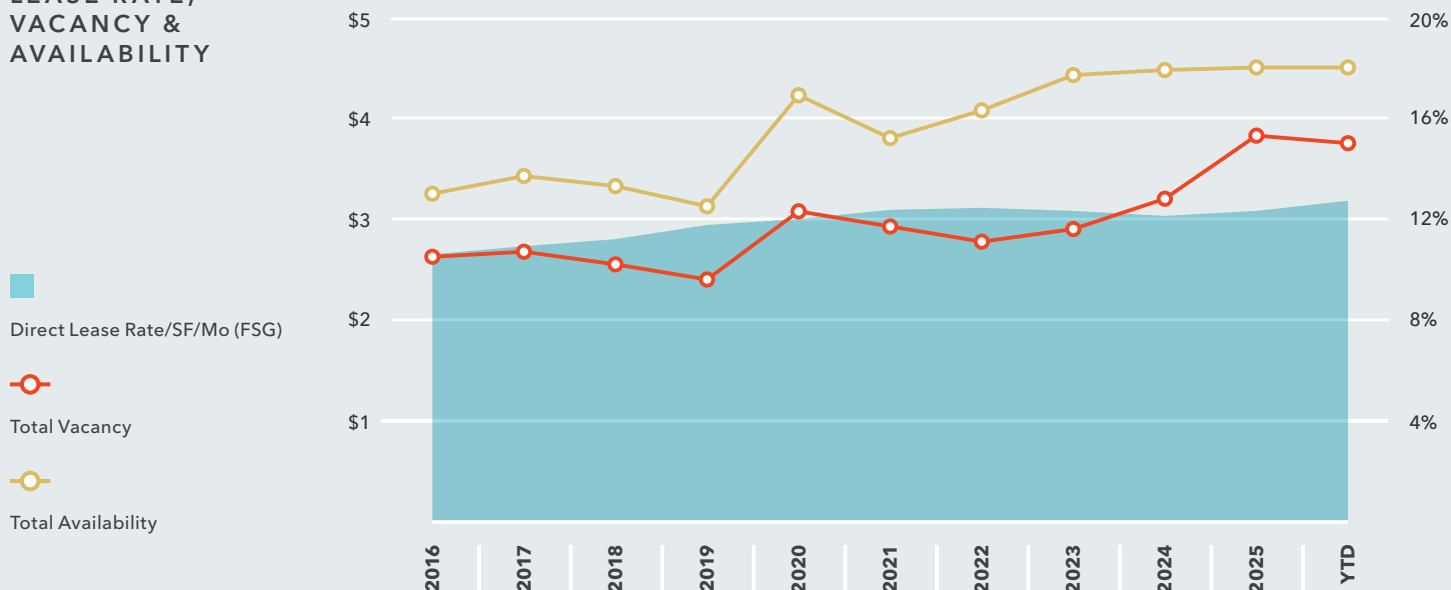
Market Highlights

LEASING VOLUME
decreased to 1.2M SF

RENTAL RATES rose to
\$3.18 PSF FSG

SALES VOLUME fell to 1.0M SF

LEASE RATE, VACANCY & AVAILABILITY

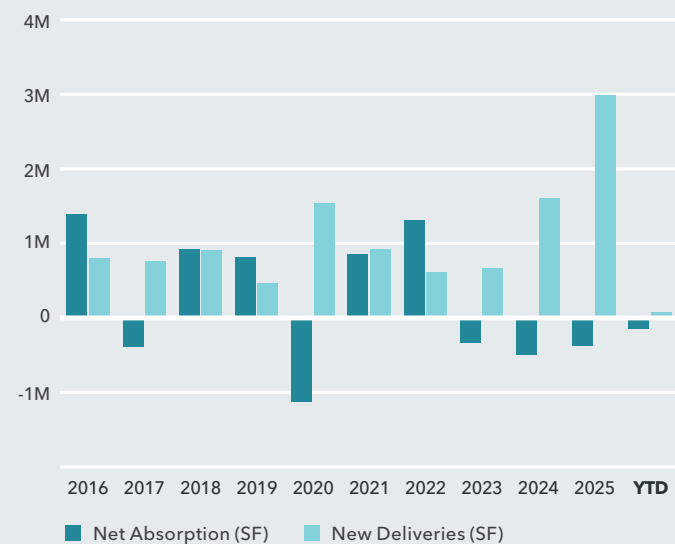


BIGGEST SALE OF THE QUARTER

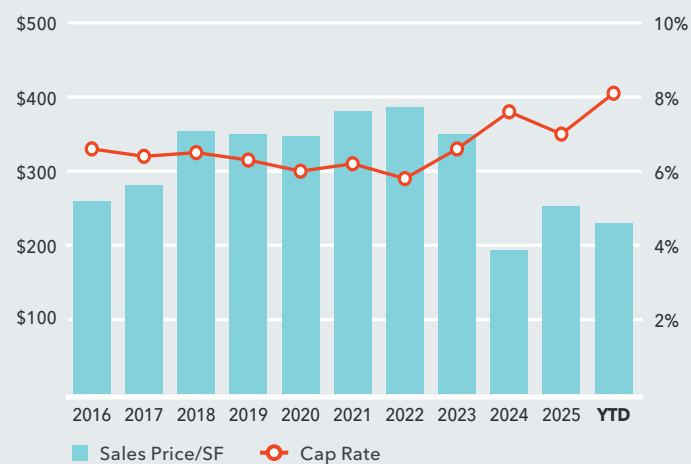
High Bluff Ridge, San Diego



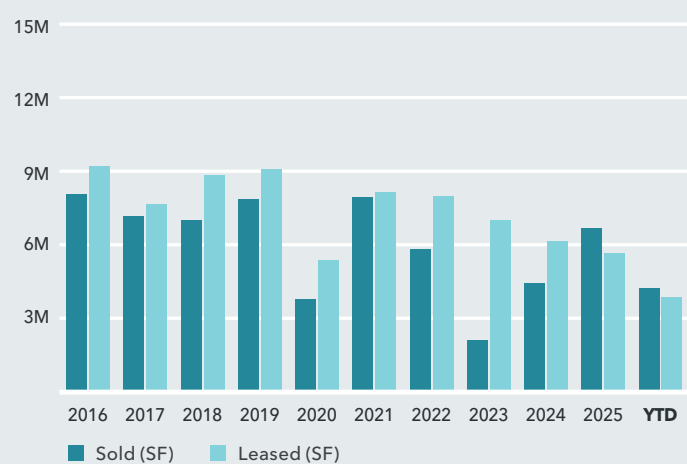
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Total Vacancy Rate	Sublet Availability Rate	Total Availability Rate	3Q26 Direct Net Absorption	YTD Total Net Absorption	3Q26 Leasing Activity	YTD Leasing Activity	Direct Rental Rate
Carlsbad	6,954,545	16.4%	2.6%	24.3%	3,287	-75,359	88,127	288,734	\$2.70
Escondido	1,798,608	11.6%	4.9%	17.9%	-10,144	-15,966	7,622	17,023	\$2.38
Oceanside	1,561,137	8.7%	0.2%	10.8%	-601	-18,272	2,350	24,565	\$3.03
San Marcos	1,428,791	6.2%	2.9%	8.3%	21,724	18,957	3,352	18,419	\$2.51
Vista	1,085,524	16.5%	3.4%	22.3%	-19,172	-35,353	28,053	46,219	\$2.31
North County	12,828,605	13.6%	2.7%	19.9%	-4,906	-125,993	129,504	394,960	\$2.64
Poway	1,284,824	5.8%	1.4%	6.1%	-12,116	-9,884	7,403	10,594	\$2.05
Rancho Bernardo	6,640,101	7.4%	0.7%	16.7%	22,674	45,918	175,560	659,674	\$3.49
Scripps Ranch	2,668,454	16.2%	2.0%	16.9%	15,643	78,547	15,907	88,173	\$2.98
I-15 Corridor	10,593,379	9.4%	1.1%	15.5%	26,201	114,581	198,870	758,441	\$3.19
Del Mar Heights/Carmel Valley	6,659,788	9.1%	2.1%	15.3%	93,374	41,928	112,045	403,070	\$4.89
Governor Park	772,818	6.4%	2.4%	24.9%	11,295	-2,204	9,468	12,412	\$3.18
La Jolla	1,296,399	14.2%	0.5%	14.7%	11,509	51,154	13,570	73,803	\$4.10
Miramar	982,865	10.3%	0.3%	17.8%	-7,709	-15,630	1,080	10,200	\$2.12
North Beach Cities	2,536,034	11.4%	0.4%	13.0%	-16,551	-40,678	41,435	111,221	\$4.60
Sorrento Mesa	10,847,737	25.8%	2.7%	28.7%	-66,263	-287,670	66,983	293,716	\$3.16
Sorrento Valley	710,835	20.1%	5.6%	21.2%	1,124	4,884	2,195	18,151	\$2.66
Torrey Pines	3,757,105	11.4%	1.9%	13.1%	-16,594	-64,895	48,696	66,058	\$3.63
UTC	10,043,746	13.9%	5.7%	23.1%	17,205	-54,389	225,954	462,312	\$3.95
North Cities	37,607,327	16.0%	3.2%	21.5%	27,390	-367,500	521,426	1,450,943	\$3.82
Kearny Mesa	11,331,248	8.1%	2.5%	11.4%	-2,516	43,370	90,663	230,046	\$2.84
Mission Gorge	578,819	2.8%	0.0%	3.2%	5,398	5,582	1,531	10,619	\$2.04
Mission Valley	7,431,273	11.5%	1.2%	14.1%	34,430	137,697	84,140	329,277	\$3.16
Old Town/Sports Arena/Pt. Loma	2,296,438	9.3%	0.9%	13.3%	3,370	-29,559	18,696	36,093	\$2.76
PB/Rose Canyon/Morena	1,214,362	6.3%	0.8%	10.4%	-5,552	12,681	4,335	33,281	\$2.74
Central Suburban	22,852,140	9.1%	1.8%	12.2%	35,130	169,771	199,365	639,316	\$2.91
College Area	1,240,063	4.7%	0.0%	8.5%	-4,909	-5,892	5,840	58,737	\$2.08
East County	3,753,333	4.4%	0.1%	6.2%	-18,418	-53,545	9,242	35,923	\$2.77
East County	4,993,396	4.5%	0.0%	6.8%	-23,327	-59,437	15,082	94,660	\$2.60
Park East	102,644	1.2%	1.3%	10.1%	9,288	6,863	1,969	3,020	-
Uptown East	106,604	0.0%	0.0%	0.0%	0	0	0	0	-
Uptown West/Park West	2,103,925	9.2%	0.4%	9.2%	-14,901	-20,082	6,378	31,553	\$3.23
Uptown	2,313,173	8.4%	0.5%	8.8%	-5,613	-13,219	8,347	34,573	\$3.23
Downtown	16,168,739	33.1%	0.9%	30.7%	-7,673	87,240	154,133	389,086	\$2.32
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Chula Vista	3,078,015	4.9%	0.2%	4.4%	15,629	46,440	11,925	69,558	\$2.76
Coronado	111,541	6.5%	0.0%	6.5%	3,957	7,333	779	8,070	-
National City	583,572	4.7%	0.0%	4.9%	-1,214	18,476	0	9,350	\$2.54
Otay Mesa	267,882	25.2%	0.0%	35.7%	-1,416	-15,508	1,751	2,956	\$2.92
San Ysidro/Imperial Beach	173,257	0.8%	0.0%	1.5%	0	-998	0	0	-
Southeast San Diego	481,600	0.2%	0.0%	0.2%	0	2,235	0	2,235	-
South County	4,695,867	5.4%	0.1%	5.9%	16,956	57,978	14,455	92,169	\$2.74
San Diego Total	112,052,626	15.0%	2.0%	18.0%	64,158	-136,579	1,241,182	3,854,148	\$3.18
Class A	46,281,785	20.6%	2.9%	25.2%	85,732	207,058	784,818	2,050,584	\$3.64
Class B	51,677,849	12.2%	1.6%	15.4%	-28,198	-278,459	353,005	1,567,126	\$2.99
Class C	14,092,992	7.5%	0.1%	7.7%	6,624	-65,178	103,359	236,438	\$2.40

SIGNIFICANT SALE TRANSACTIONS 3Q 2026

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
High Bluff Ridge	Del Mar Hts/Carmel Valley	164,943	\$95,475,000	\$578.84	First Citizens Bank	Southwind Property Co. PGIM, Inc.
Bernardo Executive Ctr	Rancho Bernardo	173,265	\$26,500,000	\$152.94	Yasith Weerasuriya Nazi Masoum	Brookwood Financial Ptnrs., LLC
Ventana Office Park	Carlsbad	219,440	\$24,500,000	\$111.65	Orum Capital	Brookwood Financial Ptnrs., LLC
La Terraza Corporate Plz	Escondido	81,701	\$11,607,000	\$142.07	Land Value Mgmt. Tutelian & Co.	Peregrine Realty Ptnrs.
The Reserve	Carlsbad	19,896	\$10,750,000	\$540.31	Terra Vista Mgmt.	Fabric Investments

SIGNIFICANT LEASE TRANSACTIONS 3Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant
15004 Innovation Dr*	Rancho Bernardo	145,998	August 2026	LaSalle Investment Management	Scripps Clinic
3666 Kearny Villa Rd*	Kearny Mesa	60,000	July 2026	PE Management Group	County of San Diego
10182 Telesis Ct	Sorrento Mesa	43,942	July 2026	Manulife Financial Corporation	Whova Inc.
3661 Valley Centre Dr	Del Mar Hts/Carmel Valley	27,220	August 2026	Kilroy Realty Corporation	Greenberg Traurig, LLP
350 10th Ave	Downtown	19,396	August 2026	Divco West Services, LLC	Gensler

*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	70,000	Kimball Tower Housing Associates, LP	4Q 2026
Cush Medical Plaza	Grossmont Center Dr	La Mesa	50,000	Rainbow Investment Company	2Q 2027
4350 El Cajon Blvd	4350 El Cajon Blvd	College Area	19,110	Fairmount & El Cajon Realty, LLC	2Q 2027
Grand Hope Medical Office	2879-85 Hope Ave	Carlsbad	12,800	William J. Cho	1Q 2027

Data Source: CoStar, BLS, EDD



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The information in this report was composed by the Kidder Mathews Research Group.

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**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