

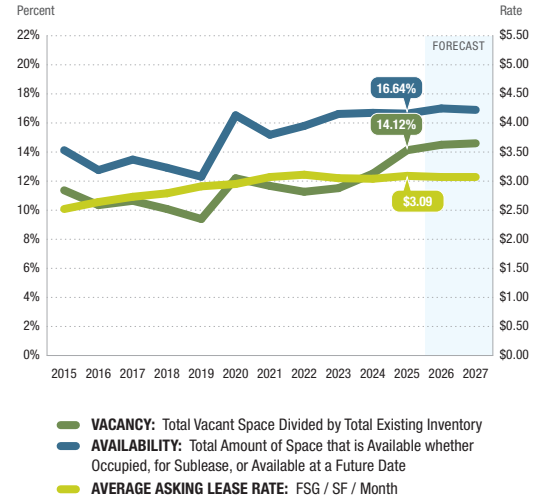
OVERVIEW. Leasing volume remains well below pre-Covid levels. This correlates directly to vacancy levels recording a third consecutive year of increase. Overall, market activity remains slow, but the level of new construction recently delivered has been elevated, in contrast to the reality of a soft market.

VACANCY & AVAILABILITY. Direct/sublease space (unoccupied) finished Q4 at 14.1%, a significant increase of 1.6 percentage points from the level of a year ago. Available office space being marketed (regardless of occupancy status) was 16.6% of the county's inventory at the end of Q4. The availability rate has remained relatively stable since the end of 2023. This spike in the vacancy while availability remains stable can be contributed to office buildings under construction coming to completion. Available space is counted as available but not vacant during construction, and after delivery the available space is counted as vacant. Among the county's major submarkets (minimum of 5 MSF of inventory), Kearny Mesa had the lowest availability, at 10.3%. Meanwhile, the availability rate in Downtown is 32.4%. Sublease availability across the county finished Q4 at 2.3 MSF. Sublease availability appears to be receding from the recent peak of 2.8 MSF in Q2 2024 but remains well above the 1.4 MSF level it was at to start 2020.

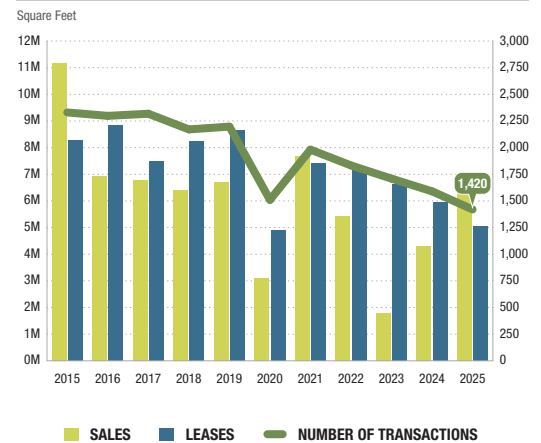
LEASE RATES. The average asking full-service-gross (FSG) lease rate per square foot per month in San Diego County was \$3.09 at the end of Q4, a 1.6% decrease from Q4 2024's rate of \$3.04. The average asking rate for San Diego office is being bolstered by the substantial amount of new office deliveries in recent years. A large amount of new office space coming to the market pushes the average rental rate higher. However, effective rental rates are down considerably from the levels of two years ago. Landlords are regularly offering significant concessions to woo prospective tenants, such as first-year promotional teaser rates and free rent. Landlords with less-desirable office buildings, or in lower-demand submarkets, are realizing they need to be more aggressive in the way they position their vacancies.

TRANSACTION ACTIVITY. Five million square feet of office space were leased in 2025, marking the fourth consecutive year of declining leasing volume. The leasing market is seeing the effect of more office tenants downsizing than expanding. The office market has averaged 6.4 MSF of annual leasing from 2021 to 2025, compared with an annual average of 8.3 MSF in the 5-year period ending in 2019. There were 2.4 MSF of office sales in Q4, and there has been an average of 1.5 MSF off office buildings sold over the past five quarters. In the preceding seven quarters, the local office market averaged 541,000 SF of quarterly sales. The sales market is seeing the effects of The Irvine Company exiting the Downtown submarket, offloading their Downtown office towers at steep discounts. The latest sale was Irvine Co.'s disposition of the 625,000 SF office at 600 W. Broadway. The office was sold for \$120M in October 2025, less than half of the \$300M price Irvine Co. paid for the building in 2006. On the leasing side of Q4, a government agency lease headlined the list of largest transactions for the third consecutive quarter.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

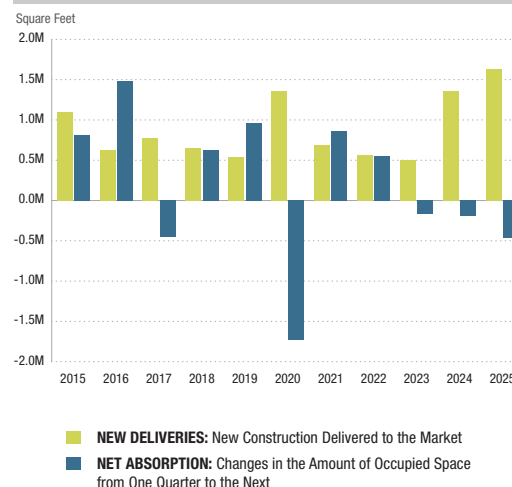
	Change Over Last Quarter	Q4 2025	Q3 2025	Q4 2024	% Change Over Last Year
Vacancy Rate	▲ UP	14.12%	14.02%	12.51%	12.86%
Availability Rate	■ FLAT	16.64%	16.65%	16.70%	(0.31%)
Average Asking Lease Rate	▼ DOWN	\$3.09	\$3.12	\$3.04	1.64%
Sale & Lease Transactions	▲ UP	3,358,811	3,308,747	3,416,936	(1.70%)
Gross Absorption	■ FLAT	1,145,388	1,128,280	1,536,072	(25.43%)
Net Absorption	▼ NEGATIVE	(115,749)	(261,655)	(137,808)	N/A

ABSORPTION. There were 115,749 SF of negative net absorption in Q4, bringing the annual total to 462,625 SF of negative net absorption in 2025. This marks the third consecutive year of the office-occupier footprint shrinking. The Financial Services, Professional and Business Services, and Information employment sectors have all seen net job losses in San Diego County over the past 12 months.

CONSTRUCTION. There were 1.6 MSF of new office deliveries in 2025, with the vast majority of that total coming from the RaDD project in Downtown San Diego. The vaunted bayfront project announced their first office / lab tenant in Q2, with the J. Craig Venter institute taking just under 50,000 SF. The project developer, IQHQ, is still looking to land the elusive “white whale” anchor tenant for the project more than five years after first breaking ground. The other recent major office development in Downtown San Diego, the redevelopment of Horton Plaza, remains in limbo following foreclosure by the lender in September. The project offers over 0.5 MSF of office space and had yet to announce any office or lab leasing prior to foreclosure. 2025 is now the second consecutive year with over 1 MSF of new office deliveries. There were only two years with more than 1 MSF of new office construction in the preceding 14 years. At the end of 2025, however, the development pipeline transitioned from a torrent to a trickle. There were only 77,775 SF of office space under construction at the end of Q4. With the current state of the office market, it would be a shock to see significant new office development in the next half decade. The projects currently under construction consist entirely of medical office buildings. This tracks with San Diego County employment figures, with the health care and social assistance sector leading year-over-year gains.

EMPLOYMENT. The unemployment rate in San Diego County was 4.6% in November 2025, above the year-ago estimate of 4.3%. This compares with an unadjusted unemployment rate of 5.4% for California and 4.3% for the nation during the same period. Over the 12-month period between November 2024 and November 2025, San Diego County employment increased by 11,800 jobs, an increase of 0.7%. With the normal delay in reporting from the California EDD, employment figures from December were unavailable at the time of publishing this report. For the nation as a whole, unemployment ticked down to 4.4% from the prior month’s revised 4.5% rate. 584,000 jobs were added across the U.S. in 2025, down from more than 2 million in 2024.

NEW DELIVERIES & NET ABSORPTION



Forecast

CMBS-backed office mortgages saw delinquency rates reach a new all-time high of 11.8% to start Q4, surpassing even the delinquency peak of the Great Recession a dozen years ago. This has and will continue to place downward pressure on office sale pricing. Offices that sell at a discount will give new owners a lower basis and the ability to move rental rates lower. Expect continued pressure on rental rates, with elevated vacancy levels not expected to significantly improve over the coming months. The market remains heavily influenced by the tenant flight to quality, and landlords with well located, highly amenitized properties will continue to outperform.

Significant Transactions

Sales

Property Address	Submarket	Class	Square Feet	Sale Price	Buyer	Seller
600 W. Broadway	Downtown	A	625,000	\$120,000,000	Saca Capital	The Irvine Company
16535 Via Esprillo	Rancho Bernardo	A	461,510	\$67,367,000	LBA Realty	Sony
5600 Avenida Encinas	Carlsbad	A	180,999	\$64,100,000	ABP Capital, LLC	Alexandria RE Equities
488 E Valley Pkwy.	Escondido	B	72,000	\$36,400,000	Neighborhood Healthcare	Remedy Medical Properties
1265 Laurel Tree Ln.	Carlsbad	B	85,000	\$30,700,000	Sharp Healthcare	Pacific Development Partners

Leases

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
451 A St. - Renewal	Downtown	A	100,906	Dec-2025	County of San Diego Office of the Public Defender	Heitman
4655 Executive Dr. - Renewal	UTC	A	68,391	Oct-2025	Jones Day	The Irvine Company
10670 Wexford St. - Renewal	Scripps Ranch	B	65,000	Dec-2025	Sharp Rees-Stealy	Lankford & Associates
401 B St.	Downtown	A	21,428	Dec-2025	Undisclosed	Prebys Foundation
401 Mile of Cars Way	National City	B	17,604	Dec-2025	National University	Bosa Development

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q4 2025	Square Feet Available	Availability Rate Q4 2025	Average Asking Lease Rate	Net Absorption Q4 2025	Net Absorption 2025	Gross Absorption Q4 2025	Gross Absorption 2025
Downtown													
Downtown	133	16,240,063	0	550,000	5,814,049	35.80%	5,266,666	32.43%	\$2.48	(165,100)	(62,897)	98,041	955,048
Downtown Total	133	16,240,063	0	550,000	5,814,049	35.80%	5,266,666	32.43%	\$2.48	(165,100)	(62,897)	98,041	955,048
Central													
City Heights / University	32	1,240,063	0	0	55,545	4.48%	80,905	6.52%	\$2.44	(5,293)	4,985	5,658	33,152
Coronado	5	111,541	0	0	16,134	14.46%	16,134	14.46%	-	0	(2,255)	0	7,565
Kearny Mesa	240	11,237,474	0	0	1,003,716	8.93%	1,206,328	10.73%	\$2.85	97,312	(21,949)	144,452	421,888
Mission Gorge	19	578,819	0	0	21,908	3.78%	21,493	3.71%	\$2.00	1,016	(5,654)	4,132	15,394
Mission Valley	131	7,507,065	0	1,299,136	1,155,699	15.39%	1,115,562	14.86%	\$3.05	23,972	12,229	150,382	518,864
Old Town / Point Loma	73	2,290,604	0	0	172,898	7.55%	276,065	12.05%	\$2.75	846	36,487	7,740	63,645
Park East	15	223,904	0	0	8,111	3.62%	8,837	3.95%	\$2.47	(3,819)	(8,111)	2,894	3,345
Rose Canyon / Morena	50	1,196,889	0	0	82,497	6.89%	89,627	7.49%	\$2.64	7,562	4,802	14,417	58,398
Uptown / Hillcrest	72	2,095,926	0	0	170,519	8.14%	195,564	9.33%	\$2.80	(22,707)	(54,604)	8,703	39,655
Central Total	637	26,482,285	0	1,299,136	2,687,027	10.15%	3,010,515	11.37%	\$2.93	98,889	(34,070)	338,378	1,161,906
I-15 Corridor													
Escondido	72	1,742,033	0	36,614	157,909	9.06%	273,875	15.72%	\$2.37	58,421	44,275	67,224	133,206
Poway	30	1,203,916	0	0	86,495	7.18%	103,605	8.61%	\$1.97	11,270	(24,293)	16,696	49,752
Rancho Bernardo	101	6,488,255	0	148,747	531,384	8.19%	1,179,207	18.17%	\$3.50	(25,259)	33,768	42,586	283,678
Scripps Ranch	48	2,684,862	0	356,000	548,606	20.43%	485,277	18.07%	\$2.98	9,831	(46,929)	43,120	158,567
I-15 Corridor Total	251	12,119,066	0	541,361	1,324,394	10.93%	2,041,964	16.85%	\$3.09	54,263	6,821	169,626	625,203
North County Coastal													
Carlsbad	164	6,915,310	0	87,800	1,073,181	15.52%	1,559,303	22.55%	\$2.62	15,993	(17,773)	110,887	406,288
Del Mar Heights / Carmel Valley	87	6,540,562	0	1,561,625	756,755	11.57%	1,155,845	17.67%	\$4.68	(50,191)	196,505	65,685	366,670
North Beach Cities	113	2,790,774	0	0	278,067	9.96%	351,707	12.60%	\$4.45	(1,904)	(1,517)	32,692	159,781
North County Total	364	16,246,646	0	1,649,425	2,108,003	12.98%	3,066,855	18.88%	\$3.31	(36,102)	177,215	209,264	932,739
North City													
Governor Park	19	768,805	0	0	57,493	7.48%	105,954	13.78%	\$3.20	5,033	(10,837)	11,844	30,600
La Jolla	43	1,299,051	0	0	246,572	18.98%	292,794	22.54%	\$3.68	(13,461)	(55,544)	36,684	92,870
Miramar	31	974,527	0	0	85,885	8.81%	149,940	15.39%	\$2.43	3,412	(12,332)	7,606	46,065
Sorrento Mesa	98	7,908,932	0	1,460,000	764,399	9.67%	1,113,792	14.08%	\$3.22	(60,501)	(251,449)	55,903	191,322
Sorrento Valley	19	495,074	0	0	115,253	23.28%	46,201	9.33%	\$2.47	11,225	19,065	15,292	31,856
Torrey Pines	38	2,976,158	0	154,547	105,368	3.54%	183,089	6.15%	\$3.91	7,412	(59,237)	8,084	18,166
UTC	90	9,072,297	0	466,592	1,064,266	11.73%	1,694,912	18.68%	\$3.66	(7,817)	(148,215)	78,777	552,192
North City Total	338	23,494,844	0	2,081,139	2,439,236	10.38%	3,586,682	15.27%	\$3.45	(54,697)	(518,549)	214,190	963,071
Southern & Eastern Areas													
Chula Vista	95	3,006,478	77,775	1,790,000	122,359	4.07%	142,334	4.61%	\$2.83	3,152	45,593	21,469	93,117
National City	16	603,157	0	0	52,456	8.70%	40,811	6.77%	\$2.64	0	4,640	0	26,699
South San Diego	16	424,794	0	0	52,472	12.35%	11,723	2.76%	\$2.54	(7,098)	(1,361)	0	9,821
Southeast San Diego	13	481,600	0	73,592	10,366	2.15%	10,366	2.15%	-	(6,931)	(8,131)	0	0
East County	154	3,856,841	0	50,000	166,811	4.33%	225,273	5.84%	\$2.85	2,713	(49,407)	48,222	148,260
Southern & Eastern Areas Total	294	8,372,870	77,775	1,913,592	404,464	4.83%	430,507	5.09%	\$2.82	(8,164)	(8,666)	69,691	277,897
Highway 78 Corridor													
Oceanside	63	1,550,821	0	0	114,353	7.37%	133,075	8.58%	\$3.13	4,332	27,138	10,438	64,089
San Marcos	38	1,474,524	0	1,413,316	90,495	6.14%	99,373	6.74%	\$2.46	(4,389)	(28,226)	8,936	54,907
Vista	49	1,122,637	0	0	144,900	12.91%	202,773	18.06%	\$2.46	(4,781)	(21,391)	26,824	69,846
Highway 78 Corridor Total	150	4,147,982	0	1,413,316	349,748	8.43%	435,221	10.49%	\$2.56	(4,838)	(22,479)	46,198	188,842
Class A	315	43,522,513	77,775	6,850,606	7,886,736	18.12%	9,677,879	22.20%	\$3.46	(179,676)	414,734	422,330	2,383,694
Class B	1,236	49,676,527	0	2,597,363	6,251,975	12.59%	7,115,564	14.32%	\$2.94	37,516	(740,345)	587,366	2,245,787
Class C	616	13,904,716	0	0	988,210	7.11%	1,044,967	7.52%	\$2.44	26,411	(137,014)	135,692	475,225
San Diego County Total	2,167	107,103,756	77,775	9,447,969	15,126,921	14.12%	17,838,410	16.64%	\$3.09	(115,749)	(462,625)	1,145,388	5,104,706

This survey consists of buildings greater than 10,000 square feet. Lease rates are on a full-service gross basis.



Not Out of the Woods Yet

by Jon Boland

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San Diego County's office market in 2025 displayed both resilience and transition amid a still-evolving post-pandemic landscape. After several years of disruption from remote and hybrid work patterns, 2025 saw the local market continue adjusting to shifting tenant priorities, differential performance across submarkets, and broader influences from both national economic conditions and changing workplace norms.

Throughout the year, office demand in the region remained tepid overall, with leasing activity lagging behind historical pre-pandemic levels and vacancy generally elevated. While some core areas and higher-quality buildings continued to attract tenants, a significant share of older or less desirable space struggled to find new occupants. Class A properties consistently showed stronger performance than Class B or C segments, reflecting a continuing "flight to quality" trend. In 2025 Class A offices had positive net absorption to the tune of 400,000 SF, while the tenant base in Class B and C buildings saw a total decrease of more than 850,000 SF. The net result was a third consecutive year of negative net absorption in the market, and the vacancy rate reaching a 15-year high.

The San Diego office sector's growth over the past decade has been driven at different points by coworking companies, high-tech firms, and life science companies. The coworking boom, while initially supportive of occupancy and absorption, was characterized by an unsustainable growth model from the outset. Government-imposed shutdowns in 2020 quickly exposed these weaknesses and pushed the sector into a sharp correction. Even absent the pandemic, coworking was always likely to represent a temporary boost to office demand. Once large blocks of vacant space were removed from the market, coworking companies effectively became competing operators, in some cases, directly competing with traditional owners to attract tenants. The economic disruption brought on by Covid-19 then led to a growth period for high-tech and life science companies. The growth in these sectors benefitted the office market greatly, but this was eventually hampered, in part, because tech companies over-hired, and San Diego biotech property developers over-built.

So, where will the next green shoots appear? The AI sector is one area where we see large infusions of capital. Geopolitical turmoil and recent commitments from the U.S. administration to increase defense spending should both spur growth in one of San Diego's most important sectors—defense contractors. In the long term, San Diego will remain a desirable market. But for the time being we are still working through an imbalance in supply and demand, and we haven't quite turned the corner yet.

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This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a full-service gross basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

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Product Type

CLASS A: Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

CLASS B: Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area, and systems are adequate. However, Class B buildings cannot compete with Class A buildings of the same price.

CLASS C: Buildings competing for tenants requiring functional space at rents below the area average.

Submarkets

DOWNTOWN: Downtown

CENTRAL: City Heights/University, Coronado, Kearny Mesa, Mission Gorge, Mission Valley, Old Town/Point Loma, Park East, Rose Canyon/Morena, Uptown/Hillcrest

I-15 CORRIDOR: Escondido, Poway, Rancho Bernardo, Scripps Ranch

NORTH COUNTY COASTAL: Carlsbad, Del Mar Heights/Carmel Valley, North Beach Cities

NORTH CITY: Governor Park, La Jolla, Miramar, Sorrento Mesa, Sorrento Valley, Torrey Pines, UTC

SOUTHERN & EASTERN AREAS: Chula Vista, East County, National City, South San Diego, Southeast San Diego

HIGHWAY 78 CORRIDOR: Oceanside, San Marcos, Vista