

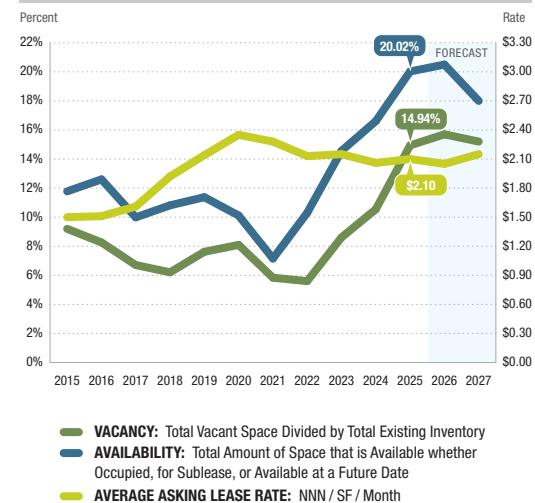
OVERVIEW. The Flex/R&D market has now recorded negative net absorption in five of the past seven years. Availability reached 20% at the end of 2025, with sublease space accounting for nearly a quarter of lease availability in the market. Leasing volume remained subdued in 2025, and distressed dispositions drove sales activity.

VACANCY & AVAILABILITY. Direct/sublease space (unoccupied) finished Q4 2025 at 14.94%, a substantial increase of 42% from Q4 2024's vacancy rate of 10.55%. The rapid increase in vacant space seen in the last three years has pushed vacancy near the peak level of 15.7% seen during the Great Recession. Available space being marketed was 20.02% at the end of Q4 2025. Vacancy measures the amount of space which is unoccupied regardless of whether it is being marketed for sale or lease. Availability measures the amount of space which is on the market, regardless of whether it is occupied. Much of the increase in available space is coming from sublease space coming onto the market. Sublease availability remains elevated, coming in at 4.4% at the end of 2025, after bottoming out at 0.9% in Q2 2022.

LEASE RATES. The average asking lease rate per square foot per month in San Diego County was \$2.10 at the end of Q4 2025. The Flex/R&D market is relatively small in comparison to the office or industrial markets, and additionally the difference between the rental rates for biotech properties and other Flex/R&D properties is vast. This causes the overall average market statistics to fluctuate periodically. Fluctuations in the composition of availabilities in the market have led to an increase in asking rates in 2025, but since the start of 2024, the overall average asking rate for the market has decreased by 8.3%, while effective rental rates have fallen even further. The substantial increase in availability and competition from sublease offerings have placed downward pressure on rental rates, and landlords are offering significant concessions in the way of free rent in order to promote leasing activity.

TRANSACTION ACTIVITY. 313,439 SF of Flex/R&D space was leased across 74 transactions in Q4. This reflects a continued trend of moderate leasing activity compared with previous years. Since the beginning of 2022, the leasing market has averaged 681,358 SF and 95 transactions per quarter, highlighting a noticeable slowdown, especially among the larger tenants. These figures are significantly below the quarterly average recorded during the previous four years. Between 2018 and 2021, the market saw an average of 1,053,826 SF leased and 153 transactions per quarter. The declining market fundamentals have created opportunities for well capitalized buyers to dislodge properties in the core biotech submarkets which rarely change hands in recent history. Alexandria went on a fire sale, shedding properties across the U.S. in 2025 in order to shore up their books. San Diego was no exception, with the top three Flex/R&D sales of Q4 coming from Alexandria dispositions. Distressed sales and subdued transaction figures underscore the challenges facing the Flex/R&D sector.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



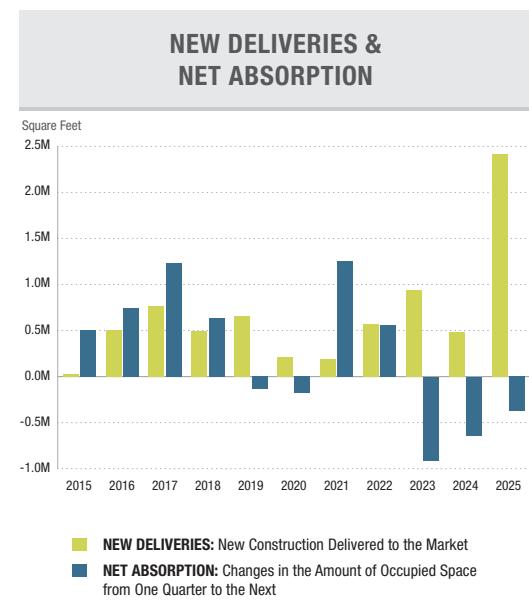
Market Statistics

	Change Over Last Quarter	Q4 2025	Q3 2025	Q4 2024	% Change Over Last Year
Vacancy Rate	FLAT	14.94%	14.94%	10.55%	41.62%
Availability Rate	UP	20.02%	19.80%	16.61%	20.56%
Average Asking Lease Rate	DOWN	\$2.10	\$2.12	\$2.06	1.94%
Sale & Lease Transactions	UP	1,096,520	644,534	1,335,769	(17.91%)
Gross Absorption	UP	1,008,706	773,488	861,363	17.11%
Net Absorption	POSITIVE	370,817	186,602	(70,548)	N/A

ABSORPTION. The San Diego Flex/R&D market recorded 370,817 SF of positive net absorption in Q4, the second consecutive quarter of positive net absorption. Notably, of the 548,257 SF of positive net absorption in the second half of 2025, 279,080 SF of this total came from net absorption in sublet space. But the balance of 2025 total net absorption finished in the red, with 374,523 SF of negative net absorption. This marks the third consecutive year of negative net absorption. The biotech segment of the Flex/R&D market has a very boom/bust nature dominated by a high percentage of large tenants, and this can move the market statistics rapidly in one direction or the other.

CONSTRUCTION. At the end of Q4 2025 there were 61,999 SF under construction, with 30% of this space preleased. All of the properties under construction at the end of 2025 came from one Carlsbad development—Techbilt's three-building, 61,999 SF speculative project on Whiptail Loop. There were 2.4 MSF of new Flex/R&D buildings delivered 2025, which represents the largest annual total in two decades, with 90% of this total in the submarkets surrounding UCSD. The lack of available building sites, specifically in the primary biotech submarkets, has led to a steady stream of property conversions and repositioning over the years. We are nearing the end of a post-Covid construction boom which has helped push the availability rate up by over ten percentage points since 2021.

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.



Forecast

The wave of new property supply in the biotech sector, which began circa 2022, has reached the height of its impact. But the imbalance between available space and tenant demand is far from over. We expect tenant leverage and elevated leasing concessions to persist in 2026, along with more distressed sales within the lab segment of the Flex/R&D market.

Significant Transactions

Sales						* Voit Real Estate Services Deal
Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller	
3535 General Atomics Ct, Et Al	Torrey Pines	226,395	\$192,000,000	Kilroy Realty	Alexandria RE Equities	
6260 Sequence Dr.	Sorrento Mesa	130,536	\$70,000,000	Werfen	Alexandria RE Equities	
9363-9393 Towne Centre Dr.	UTC	140,398	\$40,000,000	Onni Group	Alexandria RE Equities	
2131 Faraday Ave.	Carlsbad	47,075	\$19,300,000	The Wonderful Company	RAF Pacifica Group	
5935 Darwin Ct.	Carlsbad	54,351	\$14,200,000	PRH XXXVI, LP*	Pacific Development Partners	
Leases						* Voit Real Estate Services Deal
Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner	
6740 Cobra Way	Sorrento Mesa	52,959	Oct-2025	Undisclosed	(Sublease)	
6680 Cobra Way	Sorrento Mesa	35,462	Dec-2025	RedoxBlox	Montana Avenue Capital Partners	
2140 Enterprise St.	Escondido	26,000	Dec-2025	Undisclosed	(Sublease)	
9920 Pacific Heights Blvd.	Sorrento Mesa	25,063	Oct-2025	Viking Therapeutics	AEW / LeBeau Realty	
13860 Stowe Dr.	Poway	22,990	Dec-2025	Light Composites*	Olaes Properties, LLC*	

		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
Central													
Central City	14	193,501	0	0	36,211	18.71%	45,904	23.72%	\$1.64	0	2,353	0	20,984
East City	2	371,128	0	0	0	0.00%	0	0.00%	-	0	0	0	0
Southeast City	24	254,738	0	0	0	0.00%	0	0.00%	\$1.82	0	0	0	2,700
Kearny Mesa	199	5,208,799	0	198,855	365,315	7.01%	433,494	8.32%	\$1.80	(30,436)	(47,247)	60,759	242,158
Mission Gorge	27	277,814	0	0	2,856	1.03%	6,626	2.39%	\$1.95	7,148	12,851	7,148	14,300
Rose Canyon/Morena	38	595,814	0	0	83,469	14.01%	95,276	15.99%	\$1.92	1,072	(33,060)	7,253	44,451
Sports Arena/Airport	32	420,487	0	0	65,989	15.69%	1,050	0.25%	\$1.86	4,220	5,950	5,270	96,730
Miramar	218	4,872,401	0	0	456,708	9.37%	830,258	17.04%	\$2.42	46,098	(83,721)	74,743	277,218
Sorrento Mesa	185	9,928,338	0	279,000	3,385,800	34.10%	3,811,408	38.39%	\$3.36	(126,136)	(537,283)	54,602	331,827
Sorrento Valley	113	2,827,300	0	0	783,903	27.73%	809,331	28.63%	\$2.70	31,927	(74,917)	69,146	212,189
Torrey Pines/UTC	95	9,038,219	0	1,200,000	1,728,137	19.12%	2,143,427	23.72%	\$2.62	388,501	239,095	487,232	1,113,838
Central County Total	947	33,988,539	0	1,677,855	6,908,388	20.33%	8,176,774	24.06%	\$2.54	322,394	(515,979)	766,153	2,356,395
East County													
El Cajon	81	938,973	0	0	12,998	1.38%	16,598	1.77%	\$1.37	(1,460)	(11,386)	3,900	14,942
La Mesa/Spring Valley	43	300,123	0	0	11,373	3.79%	8,873	2.96%	\$2.18	(7,553)	836	1,320	16,029
Santee/Lakeside	54	541,464	0	0	1,800	0.33%	16,025	2.96%	\$1.79	3,000	(588)	3,000	8,050
Rural East County	21	94,141	0	0	8,617	9.15%	8,617	9.15%	\$1.50	(8,617)	(8,617)	0	1,325
East County Total	199	1,874,701	0	0	34,788	1.86%	50,113	2.67%	\$1.65	(14,630)	(19,755)	8,220	40,346
North County													
Escondido	81	767,278	0	0	43,584	5.68%	55,834	7.28%	\$1.12	(737)	(19,123)	12,702	32,035
Oceanside	33	1,101,558	0	0	9,071	0.82%	11,179	1.01%	\$1.50	(6,591)	75,949	2,480	89,312
San Marcos	48	985,934	0	0	34,922	3.54%	55,483	5.63%	\$1.52	31,846	29,175	31,846	78,734
Vista	61	1,371,258	0	0	39,156	2.86%	97,580	7.12%	\$1.45	9,281	(12,247)	24,753	67,644
Carlsbad	252	7,411,989	61,999	0	892,571	12.04%	1,549,774	20.74%	\$1.81	25,658	31,205	100,809	414,831
North Beach Cities	17	144,924	0	0	0	0.00%	1,200	0.83%	\$3.00	0	880	0	880
Rural North County	23	177,320	0	0	15,630	8.81%	15,630	8.81%	\$1.32	2,465	(4,676)	2,465	13,029
North County Total	515	11,960,261	61,999	0	1,034,934	8.65%	1,786,680	14.86%	\$1.66	61,922	101,163	175,055	696,465
I-15 Corridor													
Poway	61	2,182,570	0	0	25,580	1.17%	75,872	3.48%	\$1.54	6,200	12,723	8,978	48,231
Rancho Bernardo	101	4,786,101	0	0	393,619	8.22%	1,182,647	24.71%	\$1.58	2,624	116,985	10,762	213,875
Scripps Ranch	32	1,017,622	0	100,000	163,079	16.03%	191,025	18.77%	\$1.92	2,451	(11,556)	2,451	19,932
I-15 Corridor Total	194	7,986,293	0	100,000	582,278	7.29%	1,449,544	18.15%	\$1.63	11,275	118,152	22,191	282,038
South County													
Chula Vista	82	1,570,727	0	0	85,467	5.44%	147,378	9.38%	\$1.53	(16,149)	(57,098)	12,841	41,208
National City	23	300,227	0	0	8,793	2.93%	8,793	2.93%	\$1.87	0	(7,011)	0	5,157
Otay Mesa	6	194,536	0	0	4,157	2.14%	0	0.00%	\$0.42	6,005	6,005	24,246	24,246
South San Diego	5	86,876	0	0	0	0.00%	0	0.00%	-	0	0	0	0
South County Total	116	2,152,366	0	0	98,417	4.57%	156,171	7.26%	\$1.55	(10,144)	(58,104)	37,087	70,611
San Diego County Total	1,971	57,962,160	61,999	1,777,855	8,658,805	14.94%	11,619,282	20.02%	\$2.10	370,817	(374,523)	1,008,706	3,445,855

Lease rates are on a triple-net basis.



Pressure On All Sides

by Connor Usselman

SENIOR ASSOCIATE, SAN DIEGO

858.458.3317 · cusselman@voitco.com · Lic. #02127620

As we enter 2026, San Diego County's industrial real estate sector remains in a transition phase, shaped by shifting demand fundamentals and broader macroeconomic influences. After years of historically tight conditions, the market has softened compared with the pandemic-era boom. Vacancy rates across the county have risen to levels not seen in more than a decade.

Landlords have responded by prioritizing tenant retention. Many are operating with the mindset that it is better to make a deal than to hold out for optimal terms and risk extended vacancy in a down market. With fewer active tenants, spaces are sitting vacant for longer periods. In prior years, when vacancy was low, landlords held the upper hand in negotiations and could afford a "take it or leave it" stance. Today, the dynamic has shifted, and landlords are often more willing to accept deals without pressing for higher rates or reduced concessions.

In addition to weakened demand, increased competition from sublease availability has further pressured the market. Among the limited number of tenants considering expansion or relocation, many—particularly those with larger space requirements—are meeting their needs through sublease opportunities which often come at significant discounts to direct availabilities. This rise in sublease space is driven in part by the lingering effects of inflation. Even with the recent cooling in rental rate growth, tenants with upcoming lease renewals are still experiencing sticker shock. While rental rates may be lower than their peak, they remain meaningfully higher than levels seen five years ago, and tenants continue to feel the financial impact of the pandemic-era rent surge.

In the central county areas where I work, small multi-tenant projects have remained relatively stable, while fundamentals in other product types have weakened. Central County distribution facilities have seen very limited activity, with only a handful of new deals completed over the past six months. On the R&D side, tenants are increasingly sharing space as a cost-saving measure. The life sciences community is highly interconnected, and in some cases, companies are allowing affiliated or friendly firms to utilize excess space, easing the financial burden for both parties.

The biotech sector has also seen a reversal of a trend that previously tightened the industrial market. In areas such as Sorrento and Miramar, years of industrial and office properties being acquired for lab conversion helped constrain industrial supply. In 2025, select properties that had been repositioned for R&D use began marketing their space back to light industrial and flex users. Pressures on the industrial market are emerging from multiple directions.

Despite this softening, San Diego's industrial sector remains supported by a strong foundation of industries such as defense, specialized manufacturing, and life sciences. This and the region's strategic advantages continue to support long-term demand drivers.

Please Contact Us for Further Information

Joshua Brant

Regional Director of Research
jbrant@voitco.com

Anaheim, CA

714.978.7880

Encinitas, CA

760.472.5620

Inland Empire, CA

909.545.8000

Irvine, CA

949.851.5100

Los Angeles, CA

424.329.7500

San Diego, CA

858.453.0505

This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net 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.

Product Type

MFG./DIST.: Flex/Research and Development (R&D) buildings can be one story, one story with a mezzanine, and two story built-out structures with a high ratio of window wall to floor area with lower ceilings. They generally have over 50% built-out office space or laboratory use, with the remaining space being utilized as light manufacturing or warehousing. In addition, the parking ratio must be at least 3 spaces or greater per 1,000 square feet.

Submarkets

CENTRAL COUNTY

Central City, East City, Southeast City, Kearny Mesa, Mission Gorge, Rose Canyon / Morena, Sports Arena / Airport, Miramar, Sorrento Mesa, Sorrento Valley, Torrey Pines / UTC

EAST COUNTY

El Cajon, La Mesa / Spring Valley, Santee / Lakeside, Rural East County

NORTH COUNTY

Escondido, Oceanside, San Marcos, Vista, Carlsbad, North Beach Cities, Rural North County

I-15 CORRIDOR

Poway, Rancho Bernardo, Scripps Ranch

SOUTH BAY

Chula Vista, National City, Otay Mesa, South San Diego