

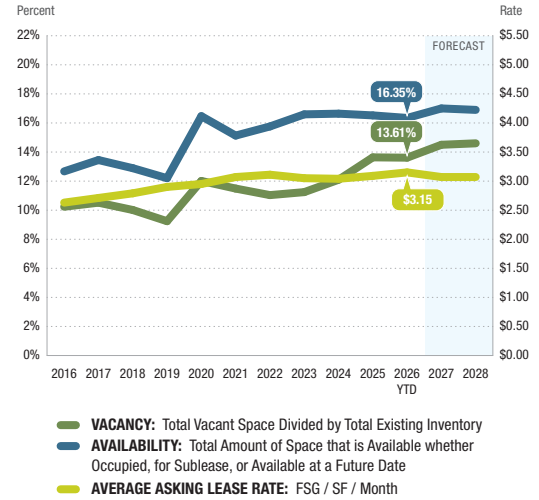
OVERVIEW. Leasing volume remains well below pre-Covid levels, and this correlates directly to the overall market vacancy rate remaining nearly 50% higher than pre-Covid levels. Multiple office owners have thrown in the towel, deciding to sell buildings at a steep discount in recent months.

VACANCY & AVAILABILITY. Direct/sublease space (unoccupied) finished Q1 2026 at 13.61%, effectively unchanged from the previous quarter, but a significant increase of 63 basis points percentage points from the level of a year ago. Available office space being marketed (regardless of occupancy status) was 16.35% of the county's inventory at the end of Q1. 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 gets counted as vacant. Among the county's major submarkets (minimum of 5 MSF of inventory), Kearny Mesa had the lowest availability, at 10.63%. Meanwhile, the availability rate in Downtown is 31.15%. Sublease availability across the county finished Q1 at 1.9 MSF. Sublease availability has decreased for two consecutive quarters and pulled back from the recent peak of 2.8 MSF in Q2 2024 but remains above the 1.4 MSF level it was at to start 2020.

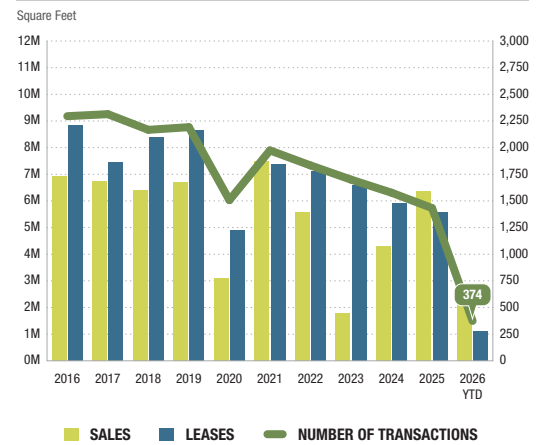
LEASE RATES. The average asking full-service-gross (FSG) lease rate per square foot per month in San Diego County was \$3.15 at the end of Q1 2026, a 2.6% increase from Q1 2025's rate of \$3.07. The average asking rate for San Diego office is being bolstered by the substantial amount of new office deliveries 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. The average effective rental rate is clearly seeing the impact of decreased leasing activity, increased availability, and competition from sublease office space. 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. But the balance of leverage varies across the county.

TRANSACTION ACTIVITY. The amount of office space leased in Q1 2026 was 1 MSF in 330 transactions. Over the past nine quarters the market has seen an average of 356 leases per quarter. This compares to an average of 422 leases in the preceding nine quarters. The leasing market remains tepid as minimal gains in the professional and business services sector along with financial activities sector have been outpaced by larger employment losses in the information employment sector. Conversely, the sales market has opened up. There were 2.3 MSF of office sales in Q1, the second consecutive quarter at this level. Prior to Q4 2025, the San Diego office market had seen quarterly sales total exceed 2 MSF only twice since 2017. The office sales market has been thawing out due in large part to companies such as The Irvine Company and Regent Properties deciding to cut their losses and exit their position in select San Diego office holdings. In Q1 2026, Regent Properties sold three properties totaling 887,160 SF, at losses of more than \$100 PSF on the Downtown offices, and losses over \$80 PSF on the Carlsbad disposition.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



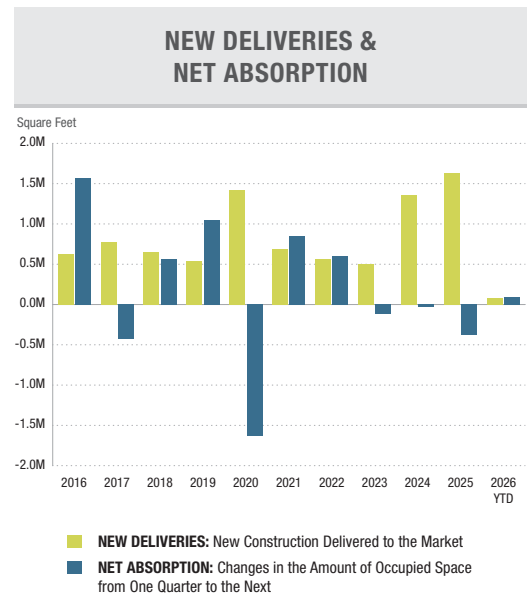
Market Statistics

| | Change Over Last Quarter | Q1 2026 | Q4 2025 | Q1 2025 | % Change Over Last Year |
|---------------------------|--------------------------|-----------|-----------|-----------|-------------------------|
| Vacancy Rate | FLAT | 13.61% | 13.63% | 12.98% | 4.84% |
| Availability Rate | DOWN | 16.35% | 16.52% | 16.59% | (1.48%) |
| Average Asking Lease Rate | UP | \$3.15 | \$3.09 | \$3.07 | 2.61% |
| Sale & Lease Transactions | DOWN | 3,382,228 | 3,692,766 | 2,009,669 | 68.30% |
| Gross Absorption | UP | 1,184,804 | 1,148,776 | 1,594,905 | (25.71%) |
| Net Absorption | POSITIVE | 87,658 | (77,453) | 288,603 | N/A |

ABSORPTION. There were 87,658 SF of positive net absorption in Q1, following the 382,996 SF of negative net absorption in 2025. The past three calendar years have each seen a decrease in the office occupier footprint. Downtown San Diego finally had some good news, with 97,339 SF of positive net absorption in Q1. The San Diego County Public Defender lease at 451 A Street was the largest move-in for Downtown in Q1.

CONSTRUCTION. There were 75,000 SF of new office deliveries in Q1, all coming from one Sharp Healthcare medical office completion in Chula Vista. This compares to 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. 2025 was 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, the development pipeline diminished significantly. At the end of Q1 there were 549,392 SF under construction. The buildings under construction were an 8-story office and research build-to-suit for Novartis in UTC, along with medical office buildings in National City and Carlsbad. While there were no traditional office buildings under construction at the end of Q1, medical office construction persists. This tracks with San Diego County and national employment figures, with the health care and social assistance sector leading year-over-year gains.

EMPLOYMENT. The unemployment rate in San Diego County was 4.7% in January 2026, above the year-ago estimate of 4.5%. This compares with an unadjusted unemployment rate of 5.5% for California and 4.7% for the nation during the same period. Over the 12-month period between January 2025 and January 2026, San Diego County employment increased by 10,900 jobs, an increase of 0.7%. With delays in reporting from the California EDD, employment figures from February and March were unavailable at the time of publishing this report. For the nation as a whole, unemployment edged higher to 4.4% from the prior month's revised 4.3% rate. The U.S. economy has seen an average of 68,000 jobs added per month in 2026, compared to 15,000 in 2025, and 186,000 in 2024.



Forecast

CMBS-backed office mortgages in the U.S. saw delinquency rates reach a new all-time high of 12.3% in Q1, surpassing even the delinquency peak of the Great Recession a dozen years ago by a full percentage point. 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 |
| 13480-13520 Evening Creek Dr. N. | Rancho Bernardo | A | 438,516 | \$124,500,000 | Axos Bank | Kilroy Realty |
| 401 W. A St. & 1230 Columbia St. | Downtown | A | 707,623 | \$103,500,000 | Ganmi | Regent Properties |
| 2355-2385 Northside Dr. | Mission Valley | A | 290,585 | \$60,500,000 | BH Properties, LLC | Morning Calm Mgmt./Elliot Mgmt. |
| 12520-12526 High Bluff Dr. | Del Mar Heights | B | 116,861 | \$43,000,000 | LBX Investments/ Bridgeway R.E. Partners | Cruzan |
| 5740-5760 Fleet St. | Carlsbad | B | 179,537 | \$30,000,000 | Kingsbarn/ Barker Pacific Group | Regent Properties |

| Leases | | | | | | |
|-----------------------|-----------------|-------|-------------|------------------|-------------------|-----------------------|
| Property Address | Submarket | Class | Square Feet | Transaction Date | Tenant | Owner |
| 11455 El Camino Real | Del Mar Heights | A | 27,000 | Mar-2026 | Undisclosed | American Assets Trust |
| 12777 High Bluff Dr. | Del Mar Heights | B | 22,511 | Jan-2026 | SDRE Homebuilders | (Sublease) |
| 9889 Willow Creek Rd. | Scripps Ranch | B | 20,799 | Mar-2026 | Undisclosed | The Currie Partners |
| 15255 Innovation Dr. | Rancho Bernardo | B | 18,485 | Feb-2026 | LogosSpace | K Properties, LLC |
| 9640 Towne Centre Dr. | UTC | B | 16,607 | Jan-2026 | Undisclosed | The Irvine Company |

| | INVENTORY | | | | VACANCY & LEASE RATES | | | | | ABSORPTION | | | |
|-------------------------------------|------------------|--------------------------|-------------------|---------------------|-----------------------|----------------------|-----------------------|---------------------------|---------------------------|------------------------|---------------------|--------------------------|-----------------------|
| | Number of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant | Vacancy Rate Q1 2026 | Square Feet Available | Availability Rate Q1 2026 | Average Asking Lease Rate | Net Absorption Q1 2026 | Net Absorption 2026 | Gross Absorption Q1 2026 | Gross Absorption 2026 |
| Downtown | | | | | | | | | | | | | |
| Downtown | 133 | 16,212,270 | 0 | 550,000 | 5,517,602 | 34.03% | 5,049,668 | 31.15% | \$2.39 | 97,339 | 97,339 | 200,895 | 200,895 |
| Downtown Total | 133 | 16,212,270 | 0 | 550,000 | 5,517,602 | 34.03% | 5,049,668 | 31.15% | \$2.39 | 97,339 | 97,339 | 200,895 | 200,895 |
| Central | | | | | | | | | | | | | |
| City Heights / University | 32 | 1,240,063 | 0 | 40,000 | 53,073 | 4.28% | 75,343 | 6.08% | \$2.43 | 2,472 | 2,472 | 18,338 | 18,338 |
| Coronado | 5 | 111,541 | 0 | 0 | 16,134 | 14.46% | 16,134 | 14.46% | - | 0 | 0 | 0 | 0 |
| Kearny Mesa | 241 | 11,306,616 | 0 | 0 | 989,959 | 8.76% | 1,201,473 | 10.63% | \$2.81 | 13,757 | 13,757 | 79,854 | 79,854 |
| Mission Gorge | 19 | 578,819 | 0 | 0 | 21,724 | 3.75% | 23,061 | 3.98% | \$2.04 | 184 | 184 | 4,607 | 4,607 |
| Mission Valley | 132 | 7,572,357 | 0 | 1,299,136 | 1,079,054 | 14.25% | 1,078,726 | 14.25% | \$3.11 | 76,645 | 76,645 | 143,017 | 143,017 |
| Old Town / Point Loma | 73 | 2,290,864 | 0 | 0 | 197,224 | 8.61% | 289,501 | 12.64% | \$2.76 | (24,326) | (24,326) | 7,501 | 7,501 |
| Park East | 15 | 223,904 | 0 | 0 | 10,861 | 4.85% | 10,861 | 4.85% | \$2.47 | (2,750) | (2,750) | 726 | 726 |
| Rose Canyon / Morena | 50 | 1,196,889 | 0 | 0 | 60,669 | 5.07% | 66,649 | 5.57% | \$2.78 | 21,828 | 21,828 | 25,818 | 25,818 |
| Uptown / Hillcrest | 72 | 2,095,926 | 0 | 0 | 162,319 | 7.74% | 185,197 | 8.84% | \$3.15 | 8,200 | 8,200 | 19,037 | 19,037 |
| Central Total | 639 | 26,616,979 | 0 | 1,339,136 | 2,591,017 | 9.73% | 2,946,945 | 11.07% | \$2.97 | 96,010 | 96,010 | 298,898 | 298,898 |
| I-15 Corridor | | | | | | | | | | | | | |
| Escondido | 72 | 1,735,509 | 0 | 0 | 170,852 | 9.84% | 340,658 | 19.63% | \$2.35 | (12,943) | (12,943) | 18,011 | 18,011 |
| Poway | 30 | 1,203,914 | 0 | 0 | 90,868 | 7.55% | 84,890 | 7.05% | \$1.99 | (4,373) | (4,373) | 6,335 | 6,335 |
| Rancho Bernardo | 102 | 6,610,922 | 0 | 148,747 | 502,024 | 7.59% | 1,138,894 | 17.23% | \$3.41 | 29,360 | 29,360 | 63,697 | 63,697 |
| Scripps Ranch | 48 | 2,675,658 | 0 | 219,000 | 564,039 | 21.08% | 508,845 | 19.02% | \$2.98 | (15,433) | (15,433) | 27,146 | 27,146 |
| I-15 Corridor Total | 252 | 12,226,003 | 0 | 367,747 | 1,327,783 | 10.86% | 2,073,287 | 16.96% | \$3.04 | (3,389) | (3,389) | 115,189 | 115,189 |
| North County Coastal | | | | | | | | | | | | | |
| Carlsbad | 164 | 6,917,093 | 12,800 | 50,000 | 1,091,718 | 15.78% | 1,616,744 | 23.33% | \$2.65 | (63,051) | (63,051) | 81,227 | 81,227 |
| Del Mar Heights / Carmel Valley | 85 | 6,381,688 | 0 | 1,228,943 | 597,373 | 9.36% | 989,432 | 15.50% | \$4.70 | (17,914) | (17,914) | 95,355 | 95,355 |
| North Beach Cities | 113 | 2,795,084 | 0 | 0 | 298,255 | 10.67% | 389,523 | 13.94% | \$4.41 | (20,188) | (20,188) | 32,440 | 32,440 |
| North County Total | 362 | 16,093,865 | 12,800 | 1,278,943 | 1,987,346 | 12.35% | 2,995,699 | 18.60% | \$3.38 | (101,153) | (101,153) | 209,022 | 209,022 |
| North City | | | | | | | | | | | | | |
| Governor Park | 19 | 768,805 | 0 | 0 | 41,098 | 5.35% | 96,152 | 12.51% | \$3.20 | (9,205) | (9,205) | 7,570 | 7,570 |
| La Jolla | 44 | 1,318,051 | 0 | 0 | 228,333 | 17.32% | 252,654 | 19.17% | \$3.81 | 18,239 | 18,239 | 47,761 | 47,761 |
| Miramar | 31 | 974,512 | 0 | 0 | 81,945 | 8.41% | 155,395 | 15.95% | \$2.46 | 3,940 | 3,940 | 7,830 | 7,830 |
| Sorrento Mesa | 98 | 7,898,676 | 0 | 1,236,000 | 846,954 | 10.72% | 1,250,716 | 15.83% | \$3.16 | (82,555) | (82,555) | 27,266 | 27,266 |
| Sorrento Valley | 19 | 482,903 | 0 | 0 | 110,783 | 22.94% | 50,229 | 10.40% | \$2.53 | (7,363) | (7,363) | 3,267 | 3,267 |
| Torrey Pines | 38 | 2,976,158 | 0 | 154,547 | 102,691 | 3.45% | 213,513 | 7.17% | \$3.91 | 2,677 | 2,677 | 3,875 | 3,875 |
| UTC | 90 | 9,047,524 | 466,592 | 0 | 1,006,405 | 11.12% | 1,626,309 | 17.09% | \$3.85 | (6,414) | (6,414) | 55,020 | 55,020 |
| North City Total | 339 | 23,466,629 | 466,592 | 1,390,547 | 2,418,209 | 10.30% | 3,644,968 | 15.23% | \$3.56 | (80,681) | (80,681) | 152,589 | 152,589 |
| Southern & Eastern Areas | | | | | | | | | | | | | |
| Chula Vista | 96 | 3,077,758 | 0 | 1,790,000 | 155,953 | 5.07% | 171,204 | 5.56% | \$2.91 | 41,406 | 41,406 | 92,022 | 92,022 |
| National City | 16 | 571,042 | 70,000 | 0 | 31,391 | 5.50% | 38,607 | 6.02% | \$2.59 | 21,065 | 21,065 | 37,836 | 37,836 |
| South San Diego | 16 | 424,794 | 0 | 0 | 67,562 | 15.90% | 67,562 | 15.90% | \$2.52 | (15,090) | (15,090) | 1,205 | 1,205 |
| Southeast San Diego | 13 | 481,600 | 0 | 73,592 | 10,366 | 2.15% | 8,131 | 1.69% | - | 0 | 0 | 0 | 0 |
| East County | 153 | 3,846,614 | 0 | 50,000 | 141,841 | 3.69% | 182,608 | 4.75% | \$2.96 | 16,195 | 16,195 | 43,012 | 43,012 |
| Southern & Eastern Areas Total | 294 | 8,401,808 | 70,000 | 1,913,592 | 407,113 | 4.85% | 468,112 | 5.53% | \$2.90 | 63,576 | 63,576 | 174,075 | 174,075 |
| Highway 78 Corridor | | | | | | | | | | | | | |
| Oceanside | 63 | 1,550,821 | 0 | 0 | 108,447 | 6.99% | 127,169 | 8.20% | \$3.14 | 5,906 | 5,906 | 10,677 | 10,677 |
| San Marcos | 37 | 1,436,843 | 0 | 1,413,316 | 92,025 | 6.40% | 98,803 | 6.88% | \$2.46 | (1,530) | (1,530) | 4,122 | 4,122 |
| Vista | 49 | 1,122,637 | 0 | 0 | 133,320 | 11.88% | 196,305 | 17.49% | \$2.44 | 11,580 | 11,580 | 19,337 | 19,337 |
| Highway 78 Corridor Total | 149 | 4,110,301 | 0 | 1,413,316 | 333,792 | 8.12% | 422,277 | 10.27% | \$2.56 | 15,956 | 15,956 | 34,136 | 34,136 |
| Class A | 316 | 43,149,485 | 466,592 | 5,765,718 | 7,542,485 | 17.48% | 9,608,289 | 22.03% | \$3.60 | 104,203 | 104,203 | 483,097 | 483,097 |
| Class B | 1,239 | 50,142,456 | 82,800 | 2,487,563 | 6,073,027 | 12.11% | 6,978,348 | 13.89% | \$2.99 | (28,630) | (28,630) | 590,067 | 590,067 |
| Class C | 613 | 13,835,914 | 0 | 0 | 967,350 | 6.99% | 1,014,319 | 7.33% | \$2.51 | 12,085 | 12,085 | 111,640 | 111,640 |
| San Diego County Total | 2,168 | 107,127,855 | 549,392 | 8,253,281 | 14,582,862 | 13.61% | 17,600,956 | 16.35% | \$3.15 | 87,658 | 87,658 | 1,184,804 | 1,184,804 |

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



On the Road to Stabilization

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San Diego County's office market continues to navigate a period of transition, shaped by evolving workplace strategies, uneven demand across submarkets, and broader economic uncertainty. While the sector has yet to fully stabilize, recent trends suggest that the market is gradually finding its footing.

The first half of 2025 was notably slow, as many occupiers remained on the sidelines. Across the region, deal activity was limited, with tenants prioritizing efficiency over expansion and often delaying real estate decisions altogether. This hesitancy aligned with broader national patterns, where structural shifts in how office space is utilized have tempered demand and extended decision timelines. As the year progressed, however, momentum began to build. The second half of 2025 saw a measurable increase in touring activity and lease negotiations, a trend that has carried into the early months of 2026. Much of this activity has centered on high-quality buildings in well-located submarkets, reinforcing the ongoing "flight to quality" dynamic that continues to define the market.

Landlords, in turn, have adapted their strategies to meet this more discerning demand environment. One of the most effective tools has been the delivery of spec suites—fully built out, move-in ready office spaces. In a market where tenants are seeking flexibility and speed to occupancy, these suites significantly increase the likelihood of leasing success. The sweet spot for this approach is with smaller suites. Smaller tenants are often less sophisticated and leave themselves less lead time for decision-making when their lease is expiring. Larger tenants tend to be more particular about the layout of their office space and are more inclined to lease suites that can be tailored to their needs.

Performance continues to vary widely by location and asset quality. Downtown San Diego, in particular, remains challenged by elevated availability, while several suburban submarkets have demonstrated greater resilience. This divergence underscores the importance of location, parking, amenities, and overall building functionality in attracting today's tenants.

Amid these dynamics, the medical office segment stands out as a relatively bright spot. Unlike traditional office space, medical office is driven by needs-based demand that is less sensitive to remote work trends. Healthcare providers require physical locations to deliver services, and that fundamental necessity has supported more stable occupancy and leasing activity. Additionally, medical office tenants tend to invest heavily in specialized buildouts, creating longer lease terms and higher tenant retention. This has contributed to the segment's resilience even as conventional office properties continue to adjust to a shifting demand landscape.

In sum, San Diego's office market is still in a period of recalibration, but the trajectory has begun to shift. While challenges remain, renewed leasing activity in late 2025 and early 2026, combined with adaptive leasing strategies, point toward a market that is gradually stabilizing rather than declining.

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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.

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