SD Q2 26

SECOND QUARTER 2026 MARKET REPORT

SAN DIEGO FLEX / R&D

Voit REAL ESTATE SERVICES

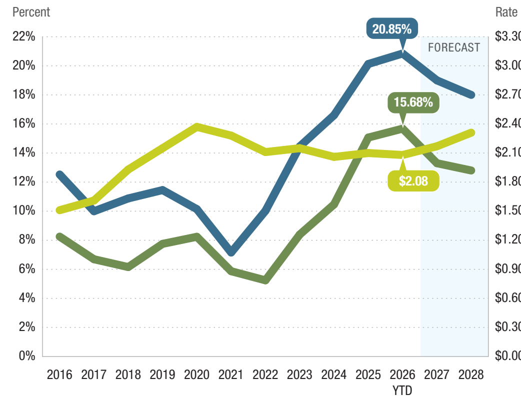
OVERVIEW. The Flex / R&D market recorded slight positive net absorption in Q2, but the availability rate in the market remains above 20%, an all-time high. Landlords have opened their pocketbooks to offer extensive tenant concessions in leasing negotiations, resulting in an uptick of leasing activity in Q2.

VACANCY & AVAILABILITY. Direct / sublease space (unoccupied) finished Q2 2026 at 15.68%, an increase of one percentage point from Q2 2025's vacancy rate of 14.66%. The total vacant space in the market has tripled from 2.9M SF in Q1 2022 to 9.2M SF at the end of Q2 2026. The rapid increase of the vacancy seen in recent years has pushed the market vacancy rate to the peak levels seen during the Great Recession. Available space being marketed was 20.85% at the end of Q2 2026. 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, totaling 2.5M SF at the end of Q2 2026, a slight decrease from the recent peak of 2.9M SF in Q1 2025.

LEASE RATES. The average asking lease rate per square foot per month in San Diego County was $2.08 at the end of Q2 2026. 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. Class A lab space in the core biotech submarkets can lease for well over $5.00 per square foot, while on the other end of the spectrum, older flex buildings in smaller tertiary submarkets will lease for closer to $1.00 per square foot. Over the past five years, the overall average asking rate for the market has decreased by 12.2%, while effective rental rates have fallen even farther. The substantial increase in availability and competition from sublease offerings has placed downward pressure on rental rates.

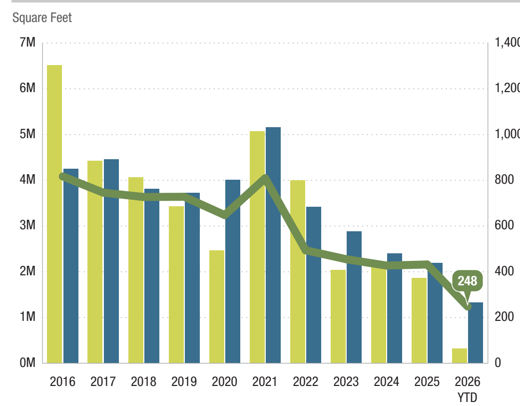
TRANSACTION ACTIVITY. 733,453 SF of Flex / R&D space was leased across 116 transactions in Q2. This reflects an uptick from the recent trend of moderate leasing activity. Since the beginning of 2023, the leasing market has averaged 629,160 SF and 97 transactions per quarter. Landlords, especially within the biotech segment of the market, have taken an extremely aggressive stance in terms of offering extensive amounts of free rent and tenant improvement allowances to compete for the shrinking pool of tenants. The declining market fundamentals have depressed sales activity. Flex/R&D property sales figures were miniscule in the first half of 2026, totaling $91 million, compared with the $935 million of sales recorded in 2025. Notably, there was not a single life science property among the top sales of Q2, and the two largest sales of the quarter were owner-user transactions. This reflects the lack of demand for biotech properties as investment properties under current market conditions.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



VACANCY: Total Vacant Space Divided by Total Existing Inventory
AVAILABILITY: Total Amount of Space that is Available whether Occupied, for Sublease, or Available at a Future Date
AVERAGE ASKING LEASE RATE: NNN / SF / Month

TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



SALES LEASES NUMBER OF TRANSACTIONS

Market Statistics

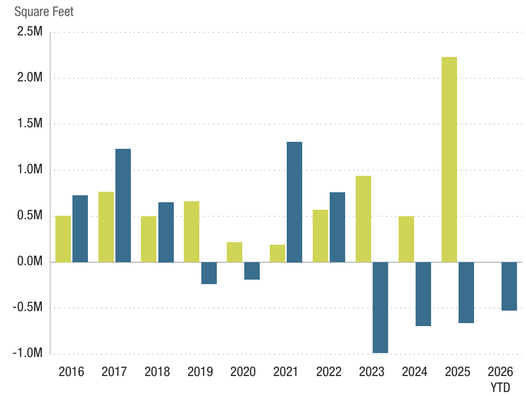
	Change Over Last Quarter		Q2 2026	Q1 2026	Q2 2025	% Change Over Last Year
Vacancy Rate	▼	DOWN	15.68%	15.73%	14.66%	6.94%
Availability Rate	▲	UP	20.85%	20.72%	19.20%	8.59%
Average Asking Lease Rate	▼	DOWN	$2.08	$2.14	$2.10	(0.95%)
Sale & Lease Transactions	▲	UP	969,252	673,038	933,308	3.85%
Gross Absorption	▲	UP	683,812	383,568	997,485	(31.45%)
Net Absorption	▲	POSITIVE	27,137	(549,697)	(407,757)	N/A

ABSORPTION. The San Diego Flex / R&D market recorded 27,137 SF of positive net absorption in Q2, bringing the net total occupier footprint change for the first six months of the year to a decrease of 0.5M SF. This follows three consecutive calendar years 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. The net absorption figures have been rapidly and consistently moving deeper into the red since the start of 2023.

CONSTRUCTION. There were no construction completions in the first half of 2026, and at the end of Q2 there were only two buildings under construction. The San Diego Flex/R&D construction pipeline has turned from a tsunami into a drip. There were 2.3M SF of new Flex/R&D buildings delivered in 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 have reached the end of the post-Covid construction boom which helped push the availability rate up by over ten percentage points since 2021.

EMPLOYMENT. The unemployment rate in San Diego County was 3.9% in May 2026, down from a revised 4.1% in April 2026 and below the year-ago estimate of 4.1%. This compares with an unadjusted unemployment rate of 4.7% for California and 4.1% for the nation during the same period. Over the 12-month period between May 2025 and May 2026, San Diego County employment increased by 13,400 jobs, an increase of 0.7%. With delays in reporting from the California EDD, employment figures from June were unavailable at the time of publishing this report. For the nation as a whole, the U.S. economy added 57,000 jobs in June, less than half the Dow Jones consensus forecast.

NEW DELIVERIES & NET ABSORPTION



NEW DELIVERIES: New Construction Delivered to the Market

NET ABSORPTION: Changes in the Amount of Occupied Space from One Quarter to the Next

Forecast

Tenant-favorable conditions are expected to persist throughout the remainder of 2026, with elevated leasing concessions and continued distress sales, particularly among laboratory properties. While sublease availability has declined in recent quarters, overall availability remains at a record high, limiting the significance of that improvement. The market continues to work through excess supply created during the post-pandemic life science expansion. Until available space declines and tenant demand strengthens, landlords will remain under pressure to compete through concessions and flexible lease terms. Well-located, high-quality assets are expected to outperform as the market gradually moves toward stabilization.

Significant Transactions

Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
9125 Rehco Rd.	Miramar	60,786	$17,780,000	Pacific Rim Mechanical	LBA Logistics
3186 Lionshead Ave.	Carlsbad	20,142	$6,350,000	Bomel Construction Co.	Gilded Companies
2451 State St.	Downtown	18,489	$6,241,500	Zephyr	Ritter Family Trust

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
10225 Willow Creek Rd.	Scripps Ranch	75,119	May-2026	REOTEMP Instrument Corp.	Luminous Capital Mgmt.
9955 Pacific Heights Blvd.	Sorrento Mesa	54,374	Jun-2026	Quantum-Si, Inc.	Sterling Bay
10770 Wateridge Cir.	Sorrento Mesa	45,057	Jun-2026	First Tracks Biotherapeutics	(Sublease)

SD Q2 26 FLEX / R&D

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q2 2026	Square Feet Available	Availability Rate Q2 2026	Average Asking Lease Rate	Net Absorption Q2 2026	Net Absorption 2026	Gross Absorption Q2 2026	Gross Absorption 2026
Central													
Central City	14	193,501	0	0	37,320	19.29%	42,437	21.93%	$1.72	(3,256)	(1,109)	2,827	14,974
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	0
Kearny Mesa	195	4,890,445	0	198,855	264,873	5.42%	335,873	6.87%	$1.80	88,385	100,442	115,264	137,869
Mission Gorge	27	277,814	0	0	1,740	0.63%	5,510	1.98%	$2.12	0	1,116	0	1,116
Rose Canyon/Morena	39	604,197	0	0	74,262	12.29%	85,237	14.11%	$1.94	19,502	9,207	21,666	22,732
Sports Arena/Airport	32	420,487	0	0	65,634	15.61%	5,591	1.33%	$2.05	0	355	0	355
Miramar	217	4,849,499	0	0	547,840	11.30%	934,645	19.27%	$2.43	39,707	(91,132)	68,101	100,223
Sorrento Mesa	186	9,984,057	0	279,000	3,377,749	33.83%	3,733,753	37.40%	$2.80	35,638	17,271	89,407	168,526
Sorrento Valley	112	2,825,451	0	0	704,316	24.93%	742,768	26.29%	$2.51	2,007	24,520	44,675	80,724
Torrey Pines/UTC	98	9,263,356	207,000	1,200,000	1,674,152	18.07%	2,553,226	26.96%	$2.63	43,885	(73,673)	122,118	202,725
Central County Total	946	33,934,673	207,000	1,677,855	6,747,886	19.88%	8,439,040	24.72%	$2.39	225,868	(13,003)	464,058	729,244
East County													
El Cajon	81	926,509	0	0	41,587	4.49%	46,151	4.98%	$1.33	(20,729)	(28,589)	8,750	9,640
La Mesa/Spring Valley	43	324,643	0	0	17,117	5.27%	21,463	6.61%	$1.92	(2,855)	3,031	3,825	12,681
Santee/Lakeside	54	541,464	0	0	24,440	4.51%	40,279	7.44%	$1.55	(11,712)	(22,640)	3,100	3,100
Rural East County	21	94,141	0	0	0	0.00%	0	0.00%	-	8,617	8,617	8,617	8,617
East County Total	199	1,886,757	0	0	83,144	4.41%	107,893	5.72%	$1.62	(26,679)	(39,581)	24,292	34,038
North County													
Escondido	81	760,648	0	0	39,851	5.24%	36,970	4.86%	$1.29	19,011	3,733	19,011	20,360
Oceanside	34	1,104,258	0	0	29,812	2.70%	31,962	2.89%	$1.63	(8,623)	(20,741)	2,300	3,323
San Marcos	48	985,934	0	0	65,484	6.64%	102,340	10.38%	$1.48	(14,365)	(30,562)	16,409	22,570
Vista	59	1,317,822	0	0	42,469	3.22%	89,127	6.76%	$1.41	(15,741)	(9,813)	0	5,928
Carlsbad	248	7,185,124	165,000	0	1,215,455	16.92%	1,656,137	22.53%	$1.79	(74,918)	(306,436)	58,761	68,072
North Beach Cities	15	133,376	0	0	0	0.00%	0	0.00%	$3.00	0	0	0	0
Rural North County	23	164,430	0	0	8,325	5.06%	8,325	5.06%	$1.34	16,505	7,305	24,405	31,405
North County Total	508	11,651,592	165,000	0	1,401,396	12.03%	1,924,861	16.29%	$168.00	(78,131)	(356,514)	120,886	151,658
I-15 Corridor													
Poway	61	2,210,480	0	0	55,576	2.51%	88,657	4.01%	$1.51	(32,711)	(41,744)	2,981	10,114
Rancho Bernardo	99	4,563,800	0	0	479,882	10.51%	1,246,644	27.32%	$1.96	(87,956)	(90,600)	25,554	52,338
Scripps Ranch	33	1,026,446	0	0	160,989	15.68%	149,474	14.56%	$1.88	2,090	2,090	2,090	2,090
I-15 Corridor Total	193	7,800,726	0	0	696,447	8.93%	1,484,775	19.03%	$1.89	(118,577)	(130,254)	30,625	64,542
South County													
Chula Vista	86	1,649,209	0	0	67,962	4.12%	80,387	4.87%	$3.00	12,792	25,805	31,562	65,123
National City	23	300,227	0	0	4,118	1.37%	14,928	4.97%	$1.85	8,382	4,675	8,907	16,207
Otay Mesa	7	213,776	0	0	16,645	7.79%	16,645	7.79%	$1.60	3,482	(12,488)	3,482	5,368
South San Diego	5	86,876	0	0	1,200	1.38%	1,200	1.38%	-	0	(1,200)	0	1,200
South County Total	121	2,250,088	0	0	89,925	4.00%	113,160	5.03%	$2.10	24,656	16,792	43,951	87,898
San Diego County Total	**1,967**	**57,523,836**	**372,000**	**1,677,855**	**9,018,798**	**15.68%**	**12,069,729**	**20.85%**	**$2.08**	**27,137**	**(522,560)**	**683,812**	**1,067,380**

Lease rates are on a triple-net basis.

SECOND QUARTER 2026 MARKET REPORT

SAN DIEGO FLEX / R&D

Voit
REAL ESTATE SERVICES

Early Stabilization, but Recovery Will Take Time

by Brian Mulvaney, CCIM, SIOR
SENIOR VICE PRESIDENT/PARTNER, SAN DIEGO
858.458.3372 · bmulvaney@voitco.com · Lic. #00938944

San Diego's Flex/R&D market remains in transition. The second quarter offered some early evidence that the sharpest deterioration may be easing, but it is still too soon to call this a full recovery. The market continues to work through the aftereffects of the life science expansion cycle, which provided a wave of new and converted product. For owners and investors, the message is clear — the next phase of this market will reward patience, discipline, and realistic expectations.

Unlike traditional industrial space, Flex / R&D is more sensitive to the specific and ever-changing needs of technology, biotech, medical device, defense, and advanced manufacturing companies. A traditional warehouse can often be re-leased to a broad range of users. A lab or highly improved R&D building can be more complicated. The improvements may be valuable to the right tenant, but expensive, impractical, or inefficient for the wrong one. That is why the current market is not just about vacancy. It is about whether the existing improvements match today's tenant demand.

The second quarter showed a modest improvement in activity, including a return to slightly positive net absorption. That is encouraging, particularly after the first quarter's negative absorption. However, availability remains elevated, and tenant leverage remains substantial. Many companies are still cautious about headcount, capital commitments, and long-term facility obligations. Venture funding, public market conditions, and corporate cost controls continue to influence space decisions. As a result, tenants are often pursuing shorter commitments, more flexible terms, turnkey improvements, and stronger concession packages.

The market remains highly uneven by submarket. Core life science areas such as Sorrento Mesa, Torrey Pines, UTC, and Carlsbad continue to carry significant availability, but they also remain strategically important locations for the long term. These submarkets have the talent base, institutional ownership, and technical infrastructure that cannot be easily recreated elsewhere. Central County flex locations, including Kearny Mesa and Miramar, may benefit from a broader mix of users because they can serve technology, defense, light manufacturing, service, and R&D requirements.

For the balance of 2026, we expect the Flex / R&D market to favor tenants. Leasing should improve selectively, but tenants will continue to move carefully and will compare multiple options before committing. Landlords with vacant lab space need to decide whether to reposition for a broader user base, or to preserve specialized improvements and offer more aggressive economics.

The long-term outlook remains encouraging, but the recovery will be neither quick nor uniform. San Diego still has one of the strongest innovation ecosystems in the country, supported by universities, research institutions, and companies in defense technology, life sciences, and medical device production. The market is going through a reset, not a permanent impairment. In the second half of 2026, the best opportunities will belong to owners and investors who understand that flex is more than a property type. It is the strategy required to navigate a complex industrial market.

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

Please Contact Us for Further Information

Joshua Brant
Regional Director of Research
jbrant@voitco.com

Anaheim, CA	Encinitas, CA	Inland Empire, CA	Irvine, CA	Los Angeles, CA	San Diego, CA
714.978.7880	760.472.5620	909.545.8000	949.851.5100	424.329.7500	858.453.0505