



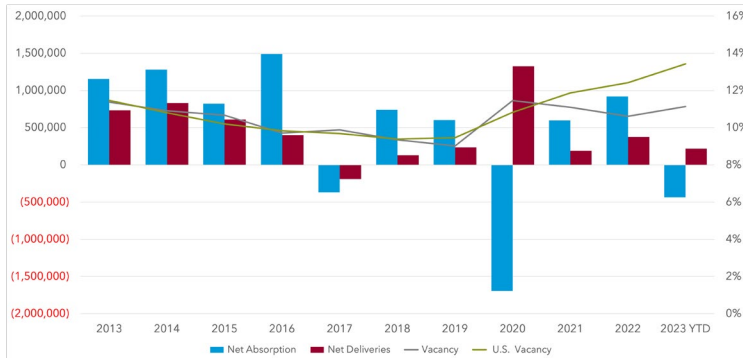
OFFICE MARKET OVERVIEW

SPENCER DOK, *Associate*

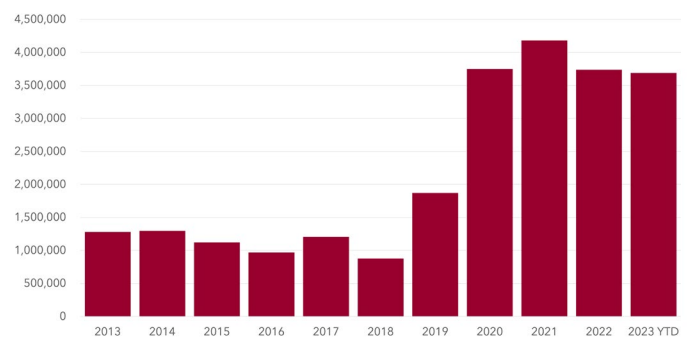
San Diego's office market faces challenges, with declining leasing sizes and volumes since pre-pandemic levels. Availability has surged to an all-time high, notably in Downtown, where upcoming supply additions are expected to exacerbate vacancy rates. The flight to quality trend and the increasing sublease market indicate diverse tenant needs. Older prime buildings experienced negative absorption, while newer constructions fared better. Rent concessions have led to decreasing effective rents, prompting landlords to resist higher tenant improvement allowances. With cautious investor sentiment due to rising interest rates, transaction activity has plummeted, leading to widespread pricing uncertainties.

MARKET INDICATORS	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
▲ 12 Mo. Net Absorption SF	(434,354)	(750,525)	479,952	920,457	1,454,733
▲ Vacancy Rate	11.1%	10.9%	10.7%	10.6%	10.6%
◀ ▶ Avg NNN Asking Rate PSF	\$38.28	\$38.28	\$38.16	\$37.92	\$37.80
▼ SF Under Construction	3,688,308	3,788,004	3,736,580	3,736,580	3,901,438
▲ Inventory SF	119,632,860	119,365,164	119,389,351	1,194,152,228	119,487,239

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
2127 W. Citracado Parkway Escondido, CA	75,000 SF	\$60,200,000 \$802.67 PSF	Harrison Street Capital JRM Real Estate	Class B
9555 Chesapeake Drive San Diego, CA	60,000 SF	\$17,752,500 \$295.88 PSF	SDUSD Sason Organization	Class B
3636 4th Avenue San Diego, CA	26,607 SF	\$6,675,500 \$250.89 PSF	Dorit Miller PSYD Artiano Shinoff	Class C

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
17089 Via Del Campo San Diego, CA	128,178 SF	Teradata	Northrop Grumman	Defense
401 B Street San Diego, CA	114,125 SF	Irvine Company	SANDAG	Government
1011 Union Street San Diego, CA	87,309 SF	Lowe/HPG	SANDAG	Government

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