



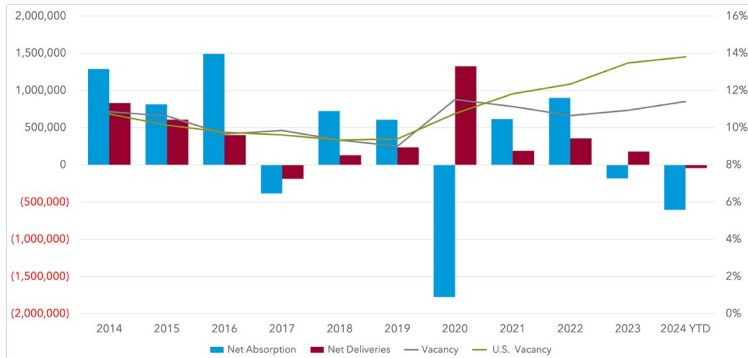
OFFICE MARKET OVERVIEW

SPENCER DOK, *Associate*

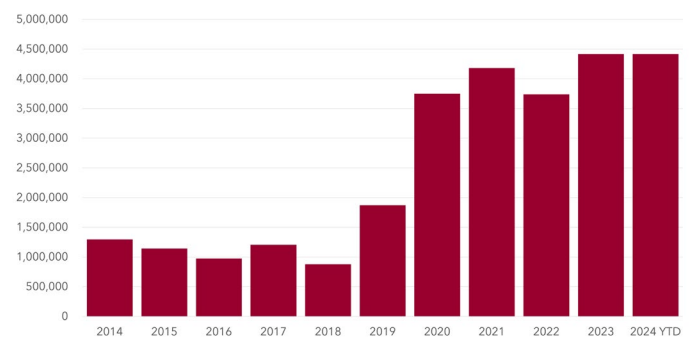
San Diego's office market has weathered occupancy losses better than other major U.S. cities due to its innovation and military sectors. Despite this, leasing activity is expected to remain below pre-pandemic levels, with rent growth stagnant. Vacancy rates, while currently only moderately higher than pre-pandemic levels, are set to rise, potentially exceeding 14% with upcoming projects. New leasing is down by about 20%, mainly driven by smaller tenants, while larger ones prioritize space efficiency. Pricing, rather than quality, may drive demand, with high-end properties like La Jolla Commons commanding top rents. Tenants now negotiate for larger concessions, leading to real rent decreases, with no recovery expected soon due to abundant available space and sublets.

MARKET INDICATORS	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
▼ 12 Mo. Net Absorption SF	(407,836)	(180,438)	(667,128)	(1,049,570)	352,378
▲ Vacancy Rate	11.3%	10.9%	11.2%	11.0%	10.7%
◀ ▶ Avg NNN Asking Rate PSF	\$3.20	\$3.20	\$3.19	\$3.19	\$3.18
◀ ▶ SF Under Construction	4,414,829	4,414,829	4,257,720	3,799,233	3,737,290
◀ ▶ Inventory SF	119,379,259	119,379,259	119,225,777	119,056,631	119,124,818

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
9040-9050 Friars Road San Diego, CA	161,068 SF	\$24,000,000 \$149.00 PSF	Intracorp Westbrook Partners	Class B
1111 6th Avenue San Diego, CA	70,602 SF	\$7,850,000 \$111.19 PSF	Salwan Komo Expansive	Class B
9577 Chesapeake Drive San Diego, CA	54,000 SF	\$17,000,000 \$314.81 PSF	Arrimus Capital Providence Capital Group	Class B

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
11202-11208 El Camino Real San Diego, CA	230,133 SF	Breakthrough Properties	Pfizer	Pharmaceutical
9785-9791 Towne Centre Drive San Diego, CA	126,607 SF	The Irvine Company	Lytx	Information
2385 Northside Drive San Diego, CA	22,266 SF	City Office REIT, Inc.	Undisclosed	Undisclosed

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