

# San Diego

## Office market snapshot

Q4 2023

Direct and sublet availabilities continue to maintain high square footages in Q4 2023. The tech and biotech industry, the main drivers of office space occupancy in San Diego, has been experiencing significant layoffs, causing some occupiers to forego their current office footprint.

## 360k sf

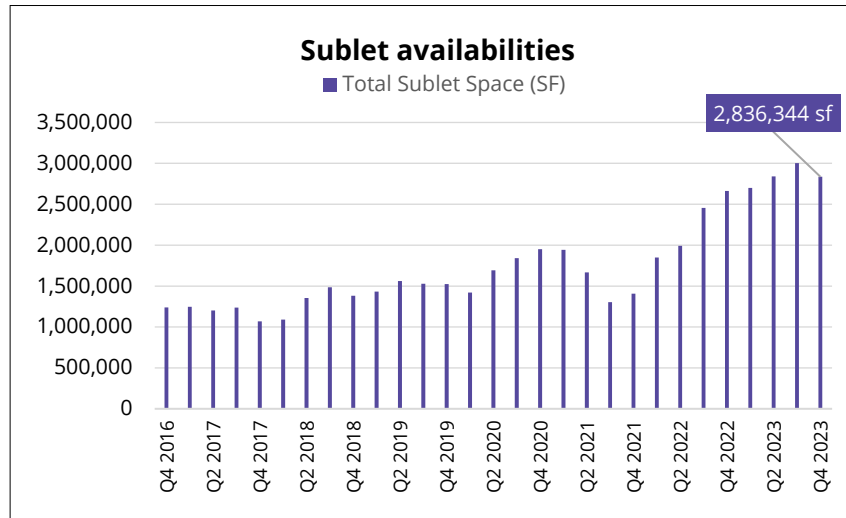
Q4 2023 net absorption reported the highest square footage since Q2 2022 with positive 360,126 square feet.

## \$36.71/sf

FS asking rents remain stable as landlords continue to offer generous concessions packages to combat decreasing rents. Q4 2023 reported an average direct asking rent of \$36.71 a square foot.

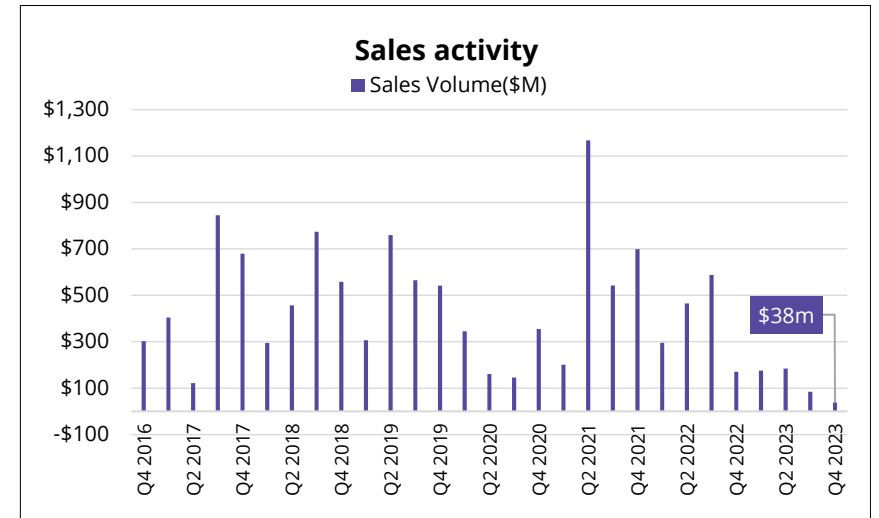
## 16.7%

Availabilities have continued to increase but at a nominal pace in the Q4 2023, displaying signs of improvement for the office sector.



Sublet availabilities are up roughly 6% compared to all of 2022. This marks four straight quarters with over 2.5 million square foot of sublet availabilities in the San Diego office market.

Note 1: Survey based on buildings 20,000SF+  
Source: Costar, AVANT by Avison Young



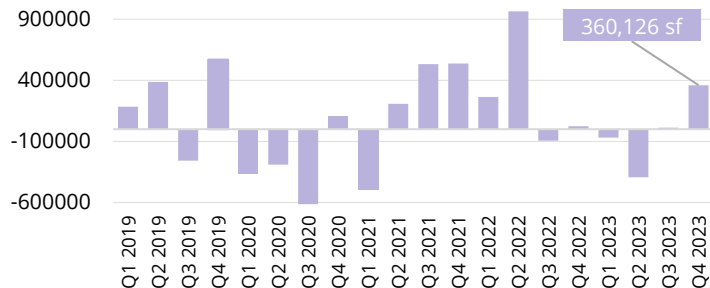
Sales volume dropped 55% compared to last quarter with 9 total sales occurring, however these deals were small with an average of \$6,370,000 per sale. Q4 2023 has marked the lowest quarter for sales volume over the span of the last 8 years, with just \$38.2M total in sales.

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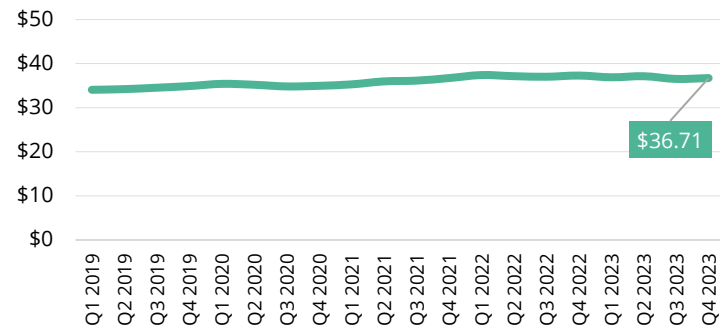
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Q4 2023

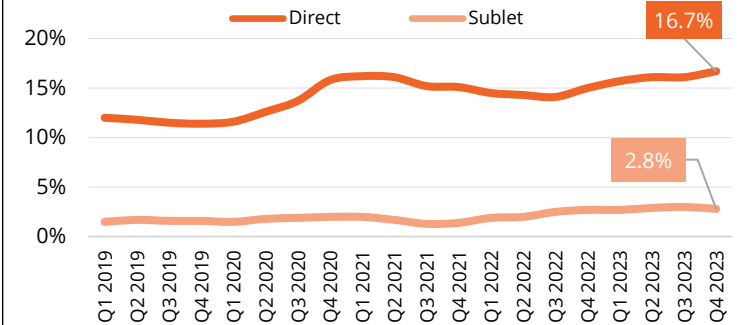
Quarterly Net absorption (SF)



Direct asking rents (psf/FS)



Availability



Recent leasing activity

| Tenant                    | Address               | Size (sf) | Transaction type | Lease type |
|---------------------------|-----------------------|-----------|------------------|------------|
| Rady Children's Physician | 3880 Murphy Canyon Rd | 19,962    | Direct Lease     | Renewal    |
| Northwestern Mutual       | 655 W Broadway        | 21,837    | Direct Lease     | New        |
| Undisclosed               | 1081 Camino Del Rio S | 23,400    | Direct Lease     | New        |
| Undisclosed               | 401 W A St            | 20,293    | Direct Lease     | New        |

Recent sales activity

| Buyer           | Address            | Sale price   | Sale price psf | Seller                |
|-----------------|--------------------|--------------|----------------|-----------------------|
| TrueCare        | 3998 Vista Way     | \$12,500,000 | \$333.44       | Robert E Wailes       |
| PenChecks Trust | 4700 Spring St     | \$8,675,000  | \$198.77       | Pacific View          |
| Steven H Franks | 5787 Chesapeake Ct | \$7,250,000  | \$311.32       | FEH Income Properties |
| Cam Tech Inc.   | 7750 Dagget St     | \$4,950,000  | \$209.32       | John N & Grace Park   |

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## Get in touch

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|                     | Existing inventory sf | Deliveries sf (YTD) | Under development sf | Direct available % | Sublet available % | Total available % | Net absorption sf (QTD) | Net absorption sf (YTD) | Annual direct asking rent psf FS |
|---------------------|-----------------------|---------------------|----------------------|--------------------|--------------------|-------------------|-------------------------|-------------------------|----------------------------------|
| Central San Diego   | 23,733,122            | -                   | -                    | 13.0%              | 3.4%               | 16.4%             | 88,368                  | 121,282                 | \$34.91                          |
| Downtown            | 13,197,123            | -                   | 2,715,518            | 38.4%              | 1.0%               | 39.4%             | (36,246)                | (326,156)               | \$33.16                          |
| I-15 Corridor       | 11,159,799            | -                   | 83,482               | 13.0%              | 2.2%               | 15.2%             | 286,921                 | 444,102                 | \$36.42                          |
| I-5 Corridor        | 13,680,556            | -                   | 963,138              | 14.8%              | 4.7%               | 19.5%             | 80,154                  | (29,385)                | \$41.16                          |
| North San Diego     | 24,994,740            | 70,000              | 558,183              | 12.1%              | 3.5%               | 15.6%             | (85,647)                | (289,251)               | \$42.67                          |
| South Bay           | 6,024,623             | -                   | 168,000              | 7.4%               | 0.4%               | 7.8%              | 9,266                   | (28,322)                | \$30.53                          |
| SR-78 Corridor      | 3,182,731             | -                   | -                    | 11.9%              | 1.3%               | 13.2%             | 17,310                  | 18,716                  | \$26.52                          |
| <b>Market total</b> | <b>95,922,694 sf</b>  | <b>70,000 sf</b>    | <b>4,488,321 sf</b>  | <b>16.7%</b>       | <b>2.8%</b>        | <b>18.9%</b>      | <b>360,126 sf</b>       | <b>(89,014) sf</b>      | <b>\$36.71</b>                   |

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|---------------------|-----------------------|---------------------|----------------------|--------------------|--------------------|-------------------|-------------------------|-------------------------|----------------------------------|
| Class A             | 40,934,266            | 70,000              | 4,404,839            | 21.6%              | 3.8%               | 24.7%             | 571,096                 | 177,265                 | \$40.38                          |
| Class B             | 46,527,622            | -                   | 83,482               | 13.6%              | 2.3%               | 15.4%             | (233,678)               | (223,859)               | \$33.88                          |
| Class C             | 8,460,806             | -                   | -                    | 7.0%               | 0.2%               | 7.2%              | 22,708                  | (42,420)                | \$28.17                          |
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