

FIGURES | SAN DIEGO OFFICE | Q4 2025

# Vacancies Edged Higher in 2025 but Rent Levels Stayed Firm

▶ 14.9% Vacancy Rate      ▲ (104,202) SF Net Absorption      ▶ 0 SF Construction Delivered

▶ 0 SF Under Construction      ▲ \$3.43 FSG/MTH Direct Lease Rate

Note: Arrows indicate change from previous quarter.

## MARKET OVERVIEW

- The total vacancy rate was unchanged in Q4 but expanded by 80 bps Y-o-Y.
- While net absorption was negative in each quarter of 2025, occupancy losses moderated in the year's second half.
- Class A product posted negative demand in Q4, but annual net absorption for high-end space was positive for a second consecutive year.
- Downtown concluded 2025 with the area's first quarter of positive net absorption since Q4 2024 and a 20-bp decline in vacancies.
- The average asking rent was virtually unchanged in Q4 and expanded by 3.9% Y-o-Y.
- No projects delivered in 2025 and likewise, no properties were under construction at year's end.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q4 2025

## Vacancy

San Diego's total office vacancy rate was unchanged in Q4 but expanded by 80 basis points (bps) year-over-year (Y-o-Y) to 14.9%, a decade-high.

Downtown easily accounted for the highest vacancies and, notably, was the only submarket where vacancies topped the metro average. Though Downtown's vacancy rate increased annually by 220 bps, it decreased in Q4 by 20 bps thanks to positive net absorption. Central San Diego, the county's largest submarket, ended 2025 with a vacancy rate of 13.9%, an 80-bp increase Y-o-Y and 10-bp increase quarter-over-quarter (Q-o-Q).

The lowest vacancy rates in San Diego were a product of the area's three smallest submarkets: South San Diego (3.7%), Southwest Riverside (4.7%), and East County (5.5%).

The Class A vacancy rate in Q4 was 17.3%, a 30-bp decrease annually and a 20-bp decline Q-o-Q.

The Class B market finished 2025 with vacancies sitting at 14.6%, 160-bp higher Y-o-Y and a 10-bp increase from Q3.

## Asking Rent

The average asking rent was \$3.43 per sq. ft. per month gross at the close of Q4, up 3.9% (\$0.13) Y-o-Y and virtually unchanged Q-o-Q (\$0.01). Over the past three years, the quarterly average asking rent expanded by 7.9% (\$0.25).

Class A asking rates came in at \$3.86 per sq. ft. per month gross in Q4, up 6.3% (\$0.23) over the past 12 months. Since 2022, quarterly average Class A rents were up by 4.6% (\$0.17).

The average Class B asking rent was \$3.05 per sq. ft. per month gross at the end of 2025, up 0.3% (\$0.01) Y-o-Y. Over the past three years, Class B asking rates increased by 6.6% (\$0.19).

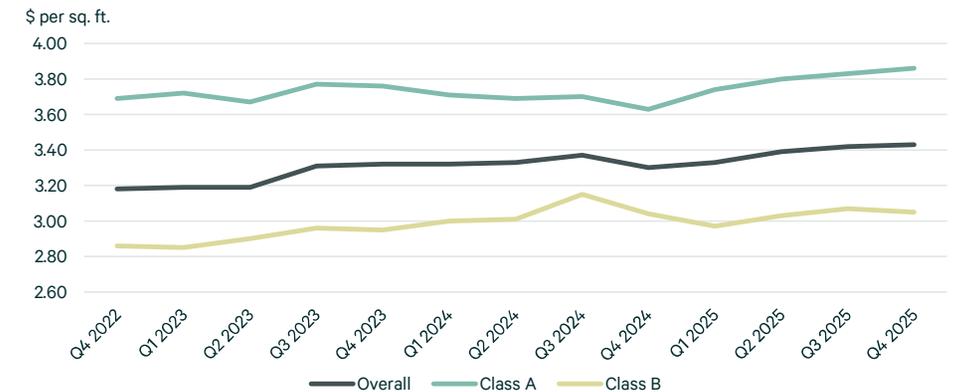
Central San Diego accounted for the metro's highest asking rent, at \$3.71 per sq. ft. per month gross. That marked a 6.0% (\$0.21) gain Y-o-Y, the largest increase among all submarkets, and a 1.4% gain Q-o-Q (\$0.05).

FIGURE 2: Vacancy Rates by Class



Source: CBRE Research, Q4 2025

FIGURE 3: Avg. Direct Asking Rate (FSG/MTH) by Class



Source: CBRE Research, Q4 2025

## Net Absorption

The office market realized its third-consecutive year of negative demand in 2025. Annual net absorption was negative 633,942 sq. ft., compared to negative 224,948 sq. ft. in 2024, and negative 1.4 million sq. ft. in 2023. The only two submarkets to post positive net absorption in 2025 were Southwest Riverside (14,874 sq. ft.) and South San Diego (10,790 sq. ft.).

Quarterly demand was negative in each period of 2025, culminating in negative 104,202 sq. ft. in Q4. The year's final quarter was stunted by a lack of outsized transactions, as only a small handful of new leases exceeded 15,000 sq. ft. Still, Q4 marked an improvement over 2025's first three quarters, including Q3, when net absorption was negative 128,702 sq. ft. Three submarkets achieved positive demand in the year's final three months, including Downtown (24,051 sq. ft.), Southwest Riverside (21,129 sq. ft.), and South San Diego (613 sq. ft.).

The Class A market ended the year with negative 41,744 sq. ft. of net absorption in Q4, but still posted 155,576 sq. ft. for 2025, making it the only property class to realize positive demand for a second consecutive year. In a further sign of recent strength Downtown, the area's Class A product accounted for 27,168 sq. ft. of positive net absorption in Q4.

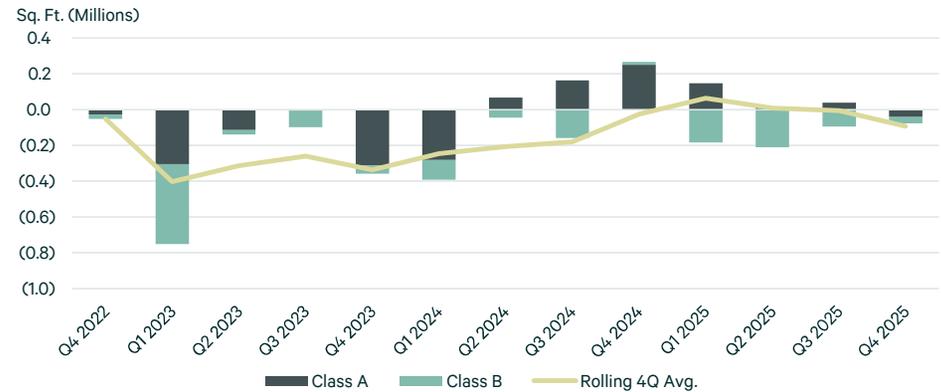
Like the wider metro, Class B demand was negative in each quarter of 2025, resulting in 524,859 sq. ft. of negative net absorption annually. By comparison, Class B net absorption was negative 300,420 sq. ft. in 2024, and negative 608,811 sq. ft. in 2023.

## Construction Activity

At the start of 2026, no office projects were under construction in San Diego, and with vacancies elevated, occupiers hesitating to make long-term plans, and uncertainty around construction costs, it does not appear that will change in the near-term. In contrast, an average of 686,357 sq. ft. was under construction from 2022 to 2024, including a peak of 1.04 million sq. ft. in Q2 2023.

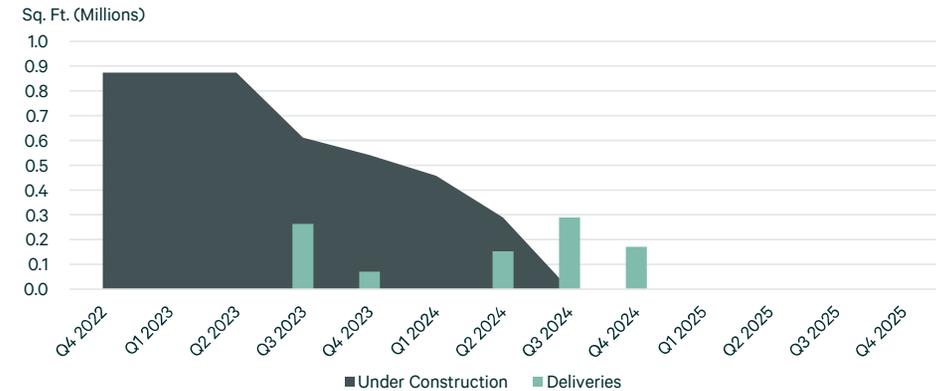
The county's most recent office delivery was in Q3 2024, when the mixed-use WEST came online. Located Downtown, the 288,753-sq.-ft. asset was 61.1% vacant at year's end.

FIGURE 4: Net Absorption Trend



Source: CBRE Research, Q4 2025

FIGURE 5: Construction Activity



Source: CBRE Research, Q4 2025

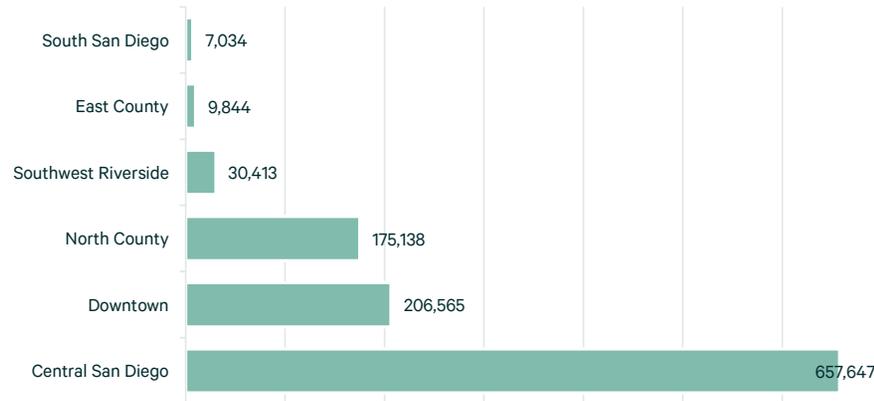
## Leasing Activity

Q4 leasing activity failed to match most recent periods and the three-year average. Counting Class A and Class B product, a total of nearly 1.1 million sq. ft. of leasing activity was registered, marking a Q-o-Q decrease of 10.8%, or 131,265 sq. ft. San Diego's three-year quarterly average, in contrast, is 1.3 million sq. ft. Annually, leasing activity fell by almost 1.4 million sq. ft., or 22.6%.

Class A leasing activity summed 681,957 sq. ft., a decrease from Q3 of 151,876 sq. ft., or 18.2%, while annually it was down by 16%. Over the past three years, Class A quarterly leasing activity averaged 771,328 sq. ft.

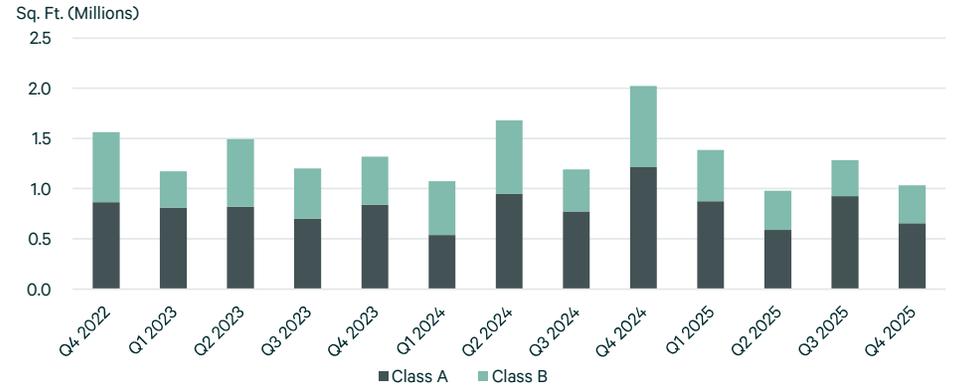
Class B leasing activity totaled 398,960 sq. ft., which surpassed Q3 by 5.4%, or 20,611 sq. ft. However, on a Y-o-Y basis, Class B leasing activity fell by 31.4%, or 202,820 sq. ft. The Class B three-year quarterly average is 522,623 sq. ft.

FIGURE 6: Leasing by Submarket – 1 sq. ft. and up



Source: CBRE Research, Q4 2025

FIGURE 6: Leasing Activity Trend – 1 sq. ft. and up



Source: CBRE Research, Q4 2025

FIGURE 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
San Diego County Public Defender	100,906	Renewal	451 A St	Downtown
Jones Day	68,391	Renewal	4655 Executive Dr	UTC
Viking Therapeutics	25,063	Renewal	9920 Pacific Heights Blvd	Sorrento Mesa
Reproductive Sciences Management Co.	19,803	Renewal	3661 Valley Centre Dr	Del Mar Heights
San Diego Convention and Tourist Bureau	18,525	New Lease	401 B St	Downtown
PubRec	17,470	New Lease	350 10th Ave	Downtown
Hughes Network Systems	16,405	Renewal	9605 Scranton Road	Sorrento Mesa
Wells Fargo Advisors	16,302	Renewal	888 Prospect St	La Jolla
LM Capital Group	14,173	Renewal	750 B St	Downtown
Regus	12,363	Renewal	440 Stevens Ave	North Beach Cities

Source: CBRE Research, Q4 2025

## Market Statistics by Index

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rent (FSG/MTH)	Q4 Net Absorption	2025 Net Absorption	Deliveries	Under Construction
<b>SUBURBAN</b>										
Class A	25,322,852	14.1	21.5	16.5	5.0	4.05	(68,912)	212,527	0	0
Class B	28,421,896	13.0	16.5	14.1	2.4	3.18	(34,633)	(481,261)	0	0
Class C	10,146,441	8.5	9.4	9.1	0.4	2.48	(24,708)	(206,841)	0	0
<b>Total</b>	<b>63,891,189</b>	<b>12.7</b>	<b>17.4</b>	<b>14.2</b>	<b>3.1</b>	<b>3.52</b>	<b>(128,253)</b>	<b>(475,575)</b>	<b>0</b>	<b>0</b>

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rent (FSG/MTH)	Q4 Net Absorption	2025 Net Absorption	Deliveries	Under Construction
<b>DOWNTOWN</b>										
Class A	7,926,519	27.6	31.0	29.7	1.4	3.53	27,168	(56,951)	0	0
Class B	2,129,554	35.7	38.7	38.2	0.6	2.41	(265)	(43,598)	0	0
Class C	1,498,878	13.1	13.9	13.7	0.1	2.24	(2,852)	(58,018)	0	0
<b>Total</b>	<b>11,554,951</b>	<b>27.2</b>	<b>30.2</b>	<b>29.2</b>	<b>1.1</b>	<b>3.19</b>	<b>24,051</b>	<b>(158,567)</b>	<b>0</b>	<b>0</b>

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rent (FSG/MTH)	Q4 Net Absorption	2025 Net Absorption	Deliveries	Under Construction
<b>METRO</b>										
Class A	33,249,371	17.3	23.8	19.6	4.2	3.86	(41,744)	155,576	0	0
Class B	30,551,450	14.6	18.0	15.8	2.3	3.05	(34,898)	(524,859)	0	0
Class C	11,645,319	9.1	10.0	9.7	0.3	2.44	(27,560)	(264,859)	0	0
<b>Total</b>	<b>75,446,140</b>	<b>14.9</b>	<b>19.3</b>	<b>16.5</b>	<b>2.8</b>	<b>3.43</b>	<b>(104,202)</b>	<b>(634,142)</b>	<b>0</b>	<b>0</b>

## Market Statistics by Submarket

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rent (FSG/MTH)	Q4 Net Absorption	2025 Net Absorption	Deliveries	Under Construction
Central San Diego	45,158,081	13.9	19.1	15.6	3.5	3.71	(81,591)	(337,325)	0	0
Downtown	11,554,951	27.2	30.2	29.2	1.1	3.19	24,051	(158,567)	0	0
East County	2,714,815	5.5	6.2	6.1	0.1	2.72	(9,372)	(47,566)	0	0
North County	10,442,023	14.1	18.6	15.2	3.4	2.95	(59,032)	(116,348)	0	0
South San Diego	2,457,215	3.7	5.2	4.2	1.0	3.08	613	10,790	0	0
Southwest Riverside	3,119,055	4.7	7.2	6.6	0.7	2.2	21,129	14,874	0	0
Total	75,446,140	14.9	19.3	16.5	2.8	3.43	(104,202)	(634,142)	0	0

## Economic Overview

San Diego's office market has navigated this decade's myriad challenges more successfully than many other locales. Unemployment has sat below the state average since 2020, while the county's unique economic landscape has helped buttress occupancy.

In November, the most recent month for which data was available, San Diego's preliminary unemployment rate was 4.6%, 30 bps above the U.S. mark of 4.3%, but 80 bps tighter than California's 5.4%. Unemployment decreased by 30 bps from the end of Q3 and it was unchanged Y-o-Y. That compression was a product of nonfarm payrolls growing by 1.6%, while the wider labor force expanded by a more modest 0.4%.

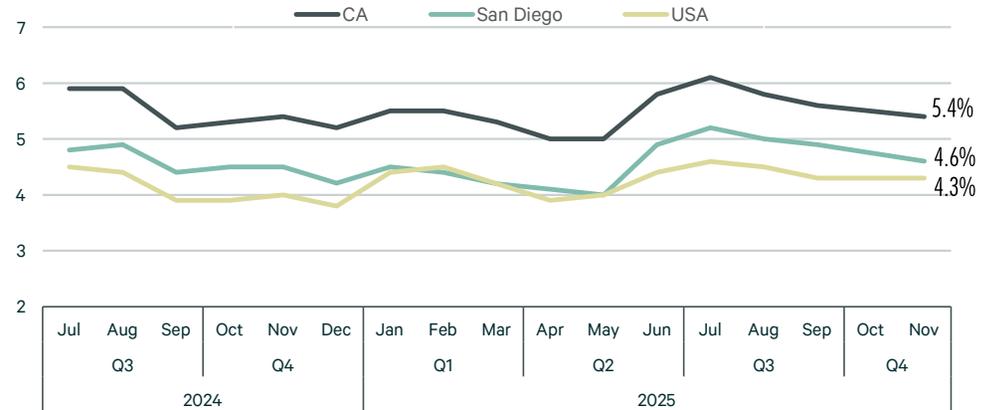
Like the rest of the nation, the local office market has been grappling with the multiple headwinds that have led to rising vacancies and negative demand in most quarters this decade. That includes the battle over hybrid, flexible, or full-time employee attendance, rising expenses, conflicting economic indicators, high interest rates impacting business expansion, and in 2025, uncertainty surrounding the new presidential administration's economic policies.

For 2026, data suggests that annual average GDP growth in the U.S. will be steady, at 2%, but a touch softer than in 2025. A key catalyst is a softer labor market, as companies are 'slow to hire, slow to fire'—a trend that is likely to last a few quarters. San Diego mirrored that pattern in 2025, with the number of office-using jobs decreasing by 0.5% through Q3.

In contrast to many metros, San Diego benefits from not being overly weighted toward one industry or corporate occupier. Numerous prominent defense firms have county outposts, thanks to the military's heavy presence, while the area's prestigious institutions of higher learning have helped form the nation's third-largest life sciences market. Advanced education and access to talent have similarly played a role in developing and expanding the technology industry, and MAANG companies have clearly taken notice, with most of that cohort opening locations or expanding existing operations here in recent years.

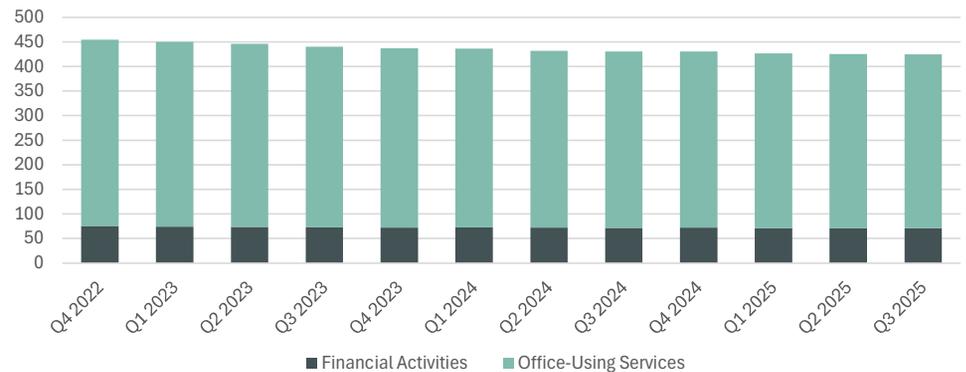
Office landlords also receive an assist from the government, as San Diego is home to one of the country's highest percentages of public service jobs. But the lifeblood of the office market are the professional and financial services companies and legal firms that serve the wider community and likewise help reinforce occupancy.

FIGURE 9: Unemployment Rate (%)



Source: U.S. Bureau of Labor Statistics, Q4 2025

FIGURE 10: Office Employment (Thousands)



Source: CBRE Econometric Advisors, Q4 2025

**Market Area Overview**



**Definitions**

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the "drip line" of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

**Survey Criteria**

Includes all Class A and B office projects 30,000 sq. ft. and greater in size, excluding government, medical, and owner-user buildings. Excludes buildings Under Construction or Planned. Under Construction includes buildings which have begun construction as evidenced by site excavation or foundation work.

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