

FIGURES | SAN DIEGO OFFICE | Q1 2026

Soft Market Shows Improving Demand Trends

▼ 14.3%

Vacancy Rate

▲ 16,231

SF Net Absorption

▶ 0

SF Construction Delivered

▶ 0

SF Under Construction

▲ \$3.49

FSG/MTH Direct Lease Rate

Note: Arrows indicate change from previous quarter.

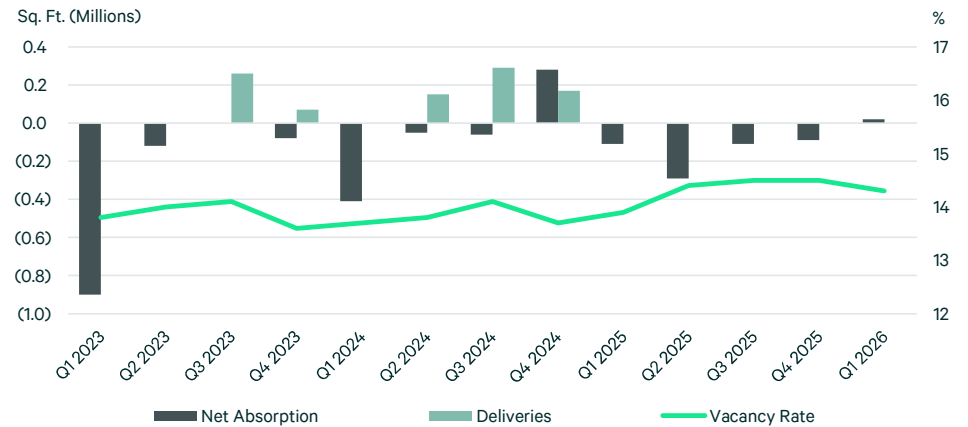
Market Overview

San Diego's office market began 2026 with its first quarter of positive demand since Q4 2024. The metro realized 16,231 sq. ft. of net absorption, a 106,000-sq.-ft. improvement from Q4 2025 and 131,000 sq. ft. better than Q1 2025, following a cumulative net loss of 609,000 sq. ft. in 2025. Downtown, potentially signaling early stabilization, posted its second consecutive quarter of positive net absorption.

Metro vacancy fell 20 basis points (bps) quarter-over-quarter (Q-o-Q) to 14.3%, supported by positive demand, a modest reduction in inventory, and a lack of supply-driven pressure. Vacancies, however, were up 40 bps year-over-year (Y-o-Y). Availabilities moved higher for a third-consecutive quarter to 19.5%, a 10-bp increase from year-end and a 40-bp increase Y-o-Y, but remained below the decade high.

Pricing, despite the uneven demand in recent years, has been resilient, and rents again expanded to start 2026. In Q1, the average asking rent increased 1.7% Q-o-Q and 4.8% Y-o-Y, to \$3.49 per sq. ft.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

Vacancy

The total vacancy rate decreased to 14.3%, solely due to Downtown. The only submarket to see vacancies fall, Downtown’s total vacancy rate compressed 160 bps Q-o-Q, to 25.7%.

In Class A buildings, total vacancy was unchanged at 16.3%, while total Class B vacancy declined 40 bps to 14.2% and Class C edged down 20 bps to 9.0%. Y-o-Y, vacancy was up 30 bps in Class A, 40 bps in Class B, and 110 bps in Class C, with Class C remaining the tightest segment of the market; the roughly 2.1 percentage-point spread between Class A and B vacancy persists.

Central San Diego and Downtown illustrate the range of vacancy outcomes across the metro. Downtown accounted for the highest overall vacancies, with Class B at 29.5% and Class A at 26.9%, while East County, which contains little high-end product, recorded the highest Class A vacancy at 27.4%, compared with 6.5% in Class B and 4.9% in Class C. Central San Diego posted more moderate levels, with Class A and B overall vacancy at 12.9% and 14.7%.

The sublease availability rate was 2.6%, down 20 bps Q-o-Q and 110 bps below the Q2 2023 cyclical peak of 3.7%.

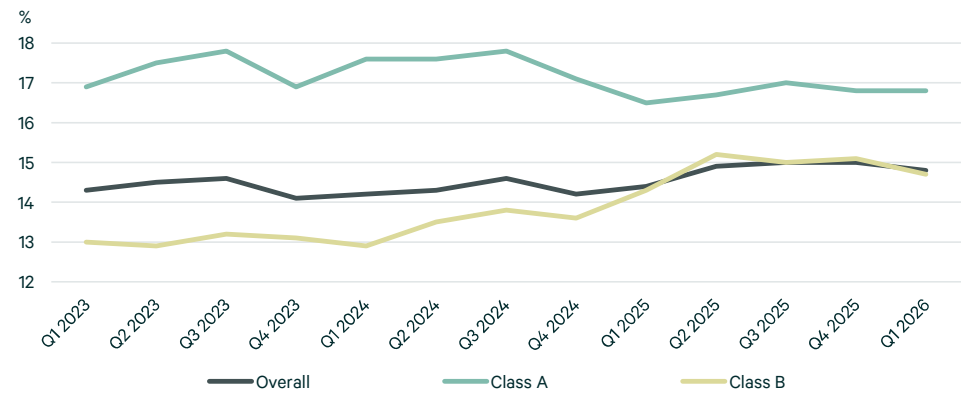
Asking Rent

The average direct asking lease rate in Q1 was \$3.49 per sq. ft., up 1.7% from \$3.43 per sq. ft. in Q4 2025, and 4.8% higher from \$3.33 per sq. ft. in Q1 2025.

Class A asking rents increased from \$3.86 per sq. ft. to \$3.87 per sq. ft., a 0.3% Q-o-Q rise and 3.5% higher Y-o-Y. Class B rates expanded from \$3.06 per sq. ft. to \$3.15 per sq. ft., a 2.9% quarterly increase and 6.1% above Q1 2025. Class C rents fell from \$2.42 per sq. ft. to \$2.40 per sq. ft., 0.8% lower Q-o-Q and down 5.1% relative to \$2.53 per sq. ft. in Q1 2025.

Central San Diego posted the highest average direct asking rate, at \$3.78 per sq. ft., increasing to \$4.29 per sq. ft. for Class A space. Downtown averaged \$3.29 per sq. ft. on a blended basis, or 0.6% below the Q3 2024 cyclical peak, and the area’s Class A rents decreased to \$3.54 per sq. ft., 1.7% below the high. Southwest Riverside recorded the lowest combined average at \$2.21 per sq. ft.

Figure 2: Vacancy Rates by Class



Source: CBRE Research, Q1 2026

Figure 3: Average Direct Asking Rate by Class



Source: CBRE Research, Q1 2026

Net Absorption

Net absorption turned modestly positive in Q1, following four consecutive quarters of negative demand. The market posted 16,231 sq. ft. of occupancy gains, surpassing the negative 90,099 sq. ft. recorded in Q4 2025 by about 106,000 sq. ft., and the rolling four-quarter average of negative 119,446 sq. ft. by roughly 103,000 sq. ft.

The turnaround was driven entirely by Prime Class A assets, which realized 18,900 sq. ft. of net absorption, and the Class C market, which saw quarterly demand total 33,564 sq. ft. Overall Class A net absorption was virtually flat, compared to negative 24,370 sq. ft. in Q4 2025. Class B demand was negative for the 14th time in the past 15 quarters, totaling 17,233 sq. ft. of negative absorption.

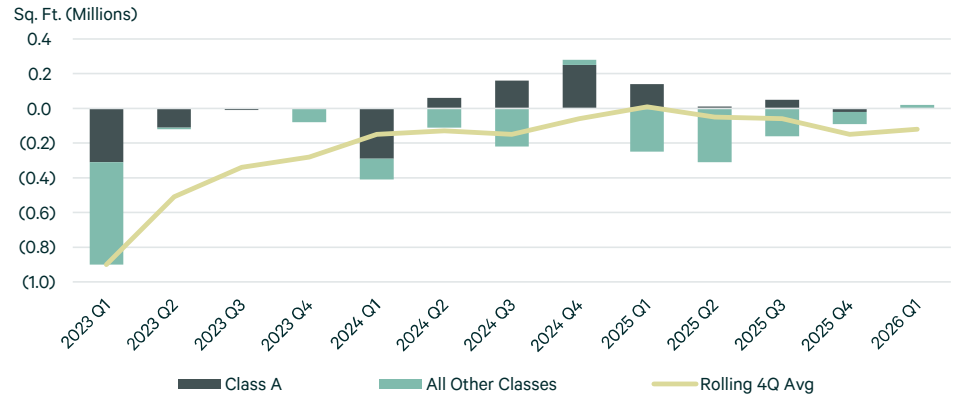
Central San Diego, with 67,092 sq. ft. across property classes, and Downtown, with 32,870 sq. ft., were the only submarkets to record positive demand. Four submarkets realized negative net absorption at the total-market level, led by South San Diego with negative 47,804 sq. ft., Southwest Riverside with negative 14,685 sq. ft., North County with negative 13,507 sq. ft., and East County with negative 7,735 sq. ft.

Construction Activity

No office projects were under construction in Q1 2026, and similarly, no office buildings delivered. The development pipeline has been empty for six consecutive quarters, marking a multi-year wind-down from 873,814 sq. ft. of Class A space underway in Q1 2023 to 289,206 sq. ft. in Q2 2024.

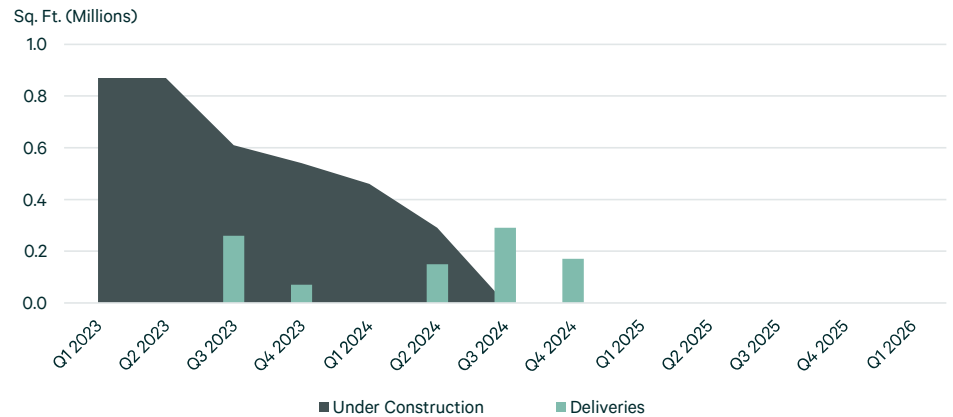
San Diego gained 945,309 sq. ft. of new product from 2023-2024, all within the Class A segment, while Class B and Class C were inactive. In Central San Diego, 454,049 sq. ft. completed construction during that period, closely followed by Downtown picking up 440,875 sq. ft. of new supply, and North County seeing 50,385 sq. ft. deliver.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q1 2026

Figure 5: Construction Activity



Source: CBRE Research, Q1 2026

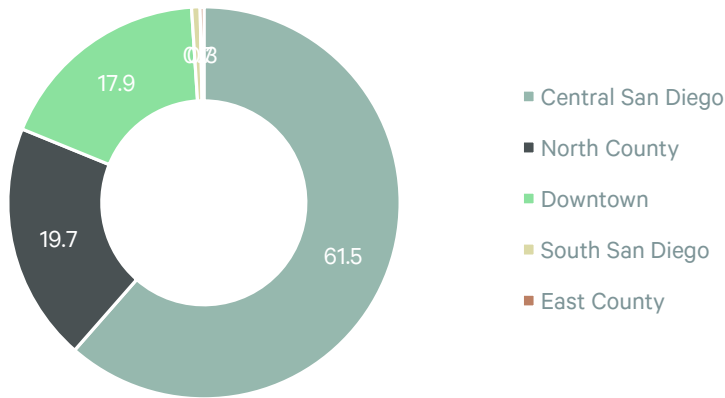
Leasing Activity

Leasing activity totaled 1.23 million sq. ft., or 15.7% below the 2025 quarterly average of 1.44 million sq. ft., and 14.2% below the three-year norm of 1.43 million sq. ft. The pullback was largely attributable to the Class A market, with leasing activity down 20.6% from 2025 and 16.8% below the three-year average. All other classes, in contrast, declined 5.4% from the one-year quarterly average and 10.7% from the three-year standard.

Central San Diego and Downtown posted the strongest leasing activity, at 783,130 sq. ft. and 216,846 sq. ft., respectively. Class A product accounted for 53.5% of Central San Diego's leasing activity, but in Downtown, the high-end market represented 84.6% of all leasing. Notably, Downtown's quarterly activity exceeded the area's three-year average by 4.2%.

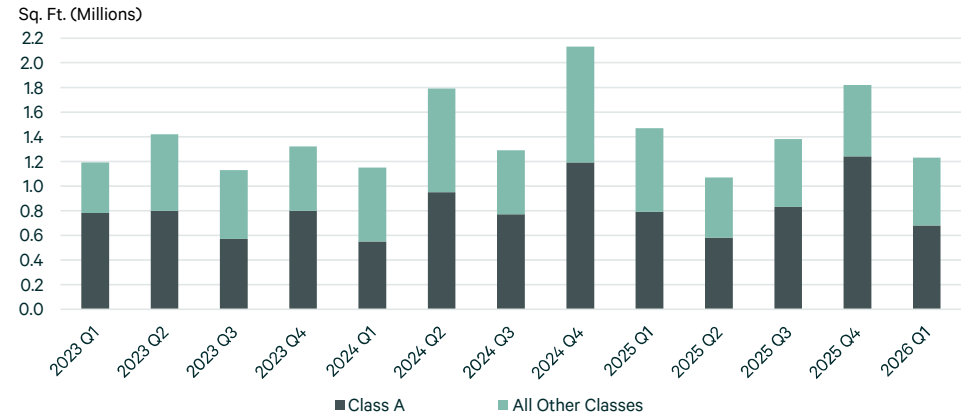
North County closely followed Downtown with 174,029 sq. ft. of leasing activity, a mark that was 2.4% below the submarket's 2025 average and 12.3% below the three-year norm. Class A made up 38.9% of leasing

Figure 7: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q1 2026

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Monarch Quantum	54,000	New Lease	10150 Meanley Dr	Central San Diego
Pacific Coast Academy	28,000	New Lease	13475 Danielson St	Central San Diego
Pettit Kohn Ingrassia Lutz & Dolin	27,000	New Lease	11455 El Camino Real	Central San Diego
Neurelis	23,000	Renewal	3430 Carmel Mountain Rd	Central San Diego
SDRE Homebuyers	23,000	New Lease	12777 High Bluff Dr	Central San Diego
Horton, Oberrecht & Kirkpatrick	21,000	Renewal	101 W Broadway	Downtown
Logos Space	18,000	New Lease	15255 Innovation Dr	Central San Diego
Pulse Electronics	16,000	Renewal	15255 Innovation Dr	Central San Diego

Source: CBRE Research, Q1 2026

Market Statistics

Figure 9: Suburban Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	25.3	12.9	22.1	17.8	4.3	4.06	(34,000)	(34,000)	-	-
Prime	1.6	9.2	10.2	9.5	0.7	6.30	17,000	17,000	-	-
Other Class A	23.7	13.2	22.9	18.4	4.6	3.97	(50,000)	(50,000)	-	-
Class B	28.2	13.1	16.7	14.3	2.4	3.24	(19,000)	(19,000)	-	-
Class C	9.9	8.3	8.9	8.7	0.2	2.48	36,000	36,000	-	-
Total	63.4	12.3	17.7	14.8	2.8	3.57	(17,000)	(17,000)	-	-

Source: CBRE Research, Q1 2026

Figure 10: Urban Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	7.9	26.9	31.2	30.0	1.2	3.54	33,000	33,000	-	-
Prime	1.3	33.6	36.0	36.0	-	5.09	3,000	3,000	-	-
Other Class A	6.6	25.6	30.3	28.8	1.4	3.16	31,000	31,000	-	-
Class B	1.9	29.5	33.6	32.6	1.0	2.54	2,000	2,000	-	-
Class C	1.5	13.8	14.8	14.8	-	1.98	(2,000)	(2,000)	-	-
Total	11.3	25.7	29.5	28.5	1.0	3.29	33,000	33,000	-	-

Source: CBRE Research, Q1 2026

Figure 11: Metro Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	33.2	16.3	24.3	20.7	3.6	3.87	-	-	-	-
Prime	2.9	20.3	21.9	21.5	0.4	5.38	19,000	19,000	-	-
Other Class A	30.3	15.9	24.5	20.7	3.9	3.71	(20,000)	(20,000)	-	-
Class B	30.2	14.2	17.8	15.5	2.4	3.15	(17,000)	(17,000)	-	-
Class C	11.3	9.0	9.6	9.5	0.2	2.40	34,000	34,000	-	-
Total	74.7	14.3	19.5	16.9	2.6	3.49	16,000	16,000	-	-

Source: CBRE Research, Q1 2026

Figure 12: Market Statistics by Submarket

Submarket	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Central San Diego	44.9	13.1	19.2	16.0	3.2	3.78	67,000	67,000	-	-
Downtown	11.3	25.7	29.5	28.5	1.0	3.29	33,000	33,000	-	-
East County	2.7	5.9	7.1	7.1	0.1	2.73	(8,000)	(8,000)	-	-
North County	10.3	14.2	18.7	15.5	3.2	2.97	(14,000)	(14,000)	-	-
South San Diego	2.4	5.7	7.4	6.4	1.0	3.17	(48,000)	(48,000)	-	-
Southwest Riverside	3.1	5.2	8.6	8.0	0.7	2.21	(15,000)	(15,000)	-	-
Total	74.7	14.3	19.5	16.9	2.6	3.49	16,000	16,000	-	-

Source: CBRE Research, Q1 2026

Economic Overview

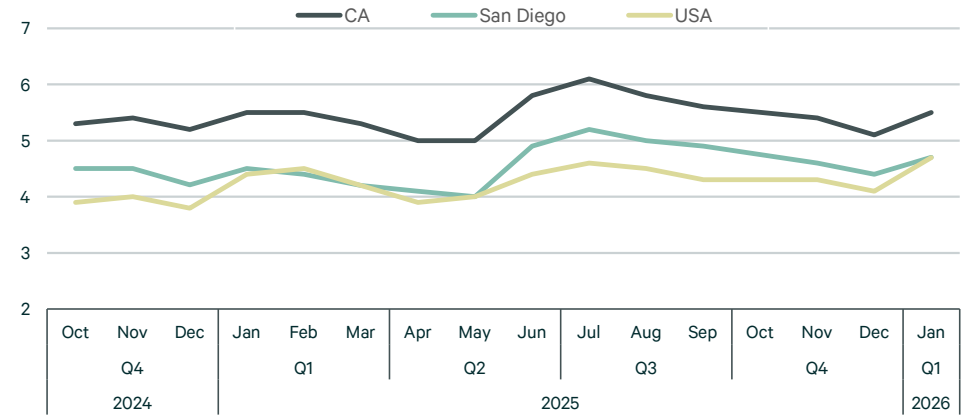
The current business cycle may be five years old, but U.S. growth appears resilient, despite clear risks on the horizon. GDP growth should average 2.1%, matching 2025 and exceeding peer economies. America's aggressive build-out of AI infrastructure is a unique edge. Hyperscaler capex is nearing 3% of GDP—just below residential investment, but concerns about the sustainability of this growth and its broader impact are rattling both credit and equity markets. Operation Epic Fury and global energy prices are also a concern. Assuming the conflict is resolved quickly and U.S. oil prices stay in the \$80/bbl range, the impact on U.S. growth should be minimal. However, the impact on headline inflation, which is forecast to average 3.2% this year, up from the mid-2% range in February, will be material. Should the conflict escalate, this would elevate inflation and long-term yields and would likely impact the commercial real estate market.

Like the rest of the nation, San Diego's office market has been grappling with the multiple headwinds that have led to rising vacancies and negative demand in most periods since 2020. That includes tensions over hybrid, flexible, or full-time employee attendance, rising expenses, conflicting economic indicators, high interest rates that are constraining business expansion, and geopolitical uncertainty.

San Diego, however, has navigated this decade's myriad challenges more successfully than many other locales. In contrast to many metros, the county benefits from not being overly weighted toward one industry or corporate occupier, a dynamic that has helped buttress occupancy. 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 this decade.

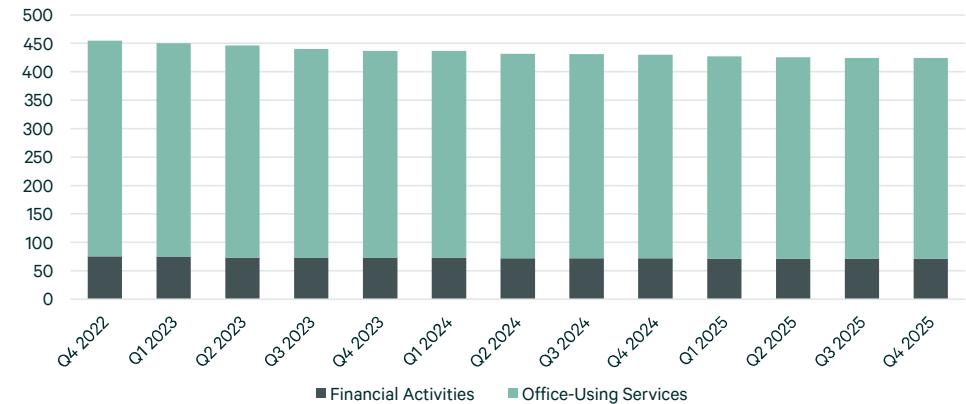
Office landlords also receive an assist from the government, as San Diego is home to one of the country's highest percentages of public service jobs. But the lifeblood of the office market are the professional and financial services companies and legal firms that serve the wider community and likewise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

FIGURE 13: Unemployment Rate (%)



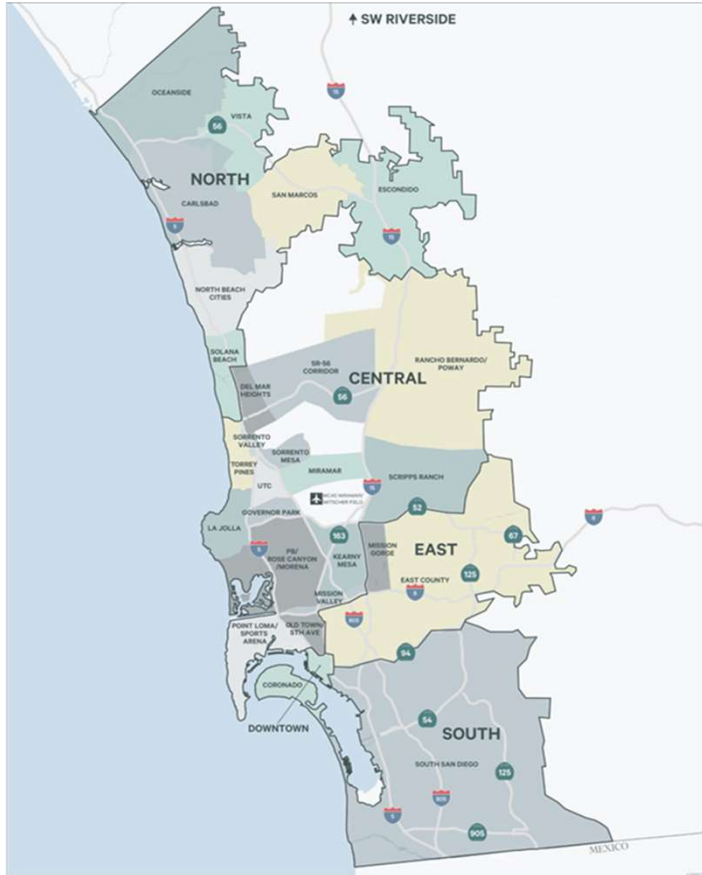
Source: U.S. Bureau of Labor Statistics, Q1 2026

FIGURE 14: Office Employment (Thousands)



Source: CBRE Econometric Advisors, Q1 2026

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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