

FIGURES | SAN DIEGO OFFICE | Q3 2026

Market Holds Steady but Demand Remains Limited



Note: Arrows indicate change from previous quarter.

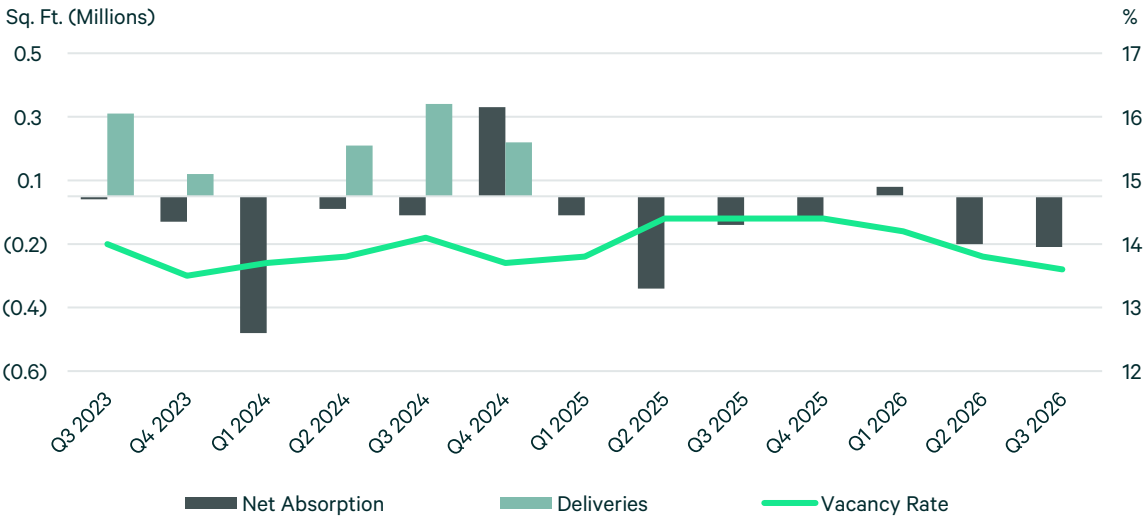
Market Overview

San Diego’s office market remained soft but was relatively stable quarter-over-quarter (Q-o-Q). The metro realized 157,000 sq. ft. of negative net absorption in Q3, following negative 151,000 sq. ft. in Q2. Just two submarkets, North County and Southwest Riverside, posted positive, albeit modest, net absorption and similarly, all property classes had negative demand. Still, year-to-date net absorption market wide improved by 156,000 sq. ft. compared with the same period one year earlier.

Vacancy edged down Q-o-Q, from 13.8% to 13.6%, supported by a modest reduction in inventory and the absence of supply-driven pressure. Annually, vacancies compressed by 80 basis points (bps). Total availabilities rose to 19.2%, up from 18.9% in Q2 and 19.1% in Q3 2025.

Local landlords have generally held firm on asking rents, as evidenced by rates being up year-over-year (Y-o-Y) in four of the metro’s six submarkets, but Q-o-Q, the average rent dipped from \$3.55 per sq. ft. to \$3.51 per sq. ft.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q3 2026

Vacancy

The total vacancy rate fell 12 bps Q-o-Q, to 13.6%, with vacancies compressing in four submarkets. A reduction in inventory further benefited occupancy, as the market’s footprint decreased by 0.4%, or 282,000 sq. ft. from Q2.

In Class A buildings, total vacancy increased by 20 bps, to 15.8%, while total Class B vacancy moved 40 bps lower, to 13.3%. Class C decreased by 30 bps, to 8.1%. Y-o-Y, vacancy was likewise lower in all categories; Class A decreased by 70 bps, Class B fell 110 bps, and Class C compressed by 80 bps.

The largest decreases among submarkets came in Central San Diego and North County, with vacancy rates in both falling by 20 bps, to 12.2% and 14.2%, respectively. The only other submarket with lower vacancies Q-o-Q was Downtown, down 10 bps to 24.5%.

Sublease vacancy was unchanged from Q2 at 0.9%, or less than half of this decade’s peak. Across all submarkets, there was 683,000 sq. ft. of vacant sublease space, concentrated primarily in Central San Diego.

Asking Rent

The average direct asking lease rate in Q3 was \$3.51 per sq. ft., down 1.1% from \$3.55 per sq. ft. in Q2, but 2.6% higher from \$3.42 in Q3 2025.

Class A asking rents decreased from \$3.94 per sq. ft. to \$3.90 per sq. ft., a 1.0% pullback Q-o-Q, but 1.8% higher Y-o-Y. Class B rates fell from \$3.18 per sq. ft. to \$3.16 per sq. ft., a 0.6% quarterly decrease, but 2.9% above Q3 2025. Class C rents grew from \$2.40 per sq. ft. to \$2.41 per sq. ft., 0.4% higher Q-o-Q, but down 1.2% relative to \$2.44 per sq. ft. in Q3 2025.

Central San Diego posted the highest average direct asking rate, at \$3.76 per sq. ft., increasing to \$4.26 per sq. ft. for Class A space. Downtown averaged \$3.40 per sq. ft. on a blended basis, while the area’s Class A rents came in at \$3.64 per sq. ft. Southwest Riverside recorded the lowest combined average at \$2.22 per sq. ft.

Just two submarkets, Southwest Riverside and East County, saw the average asking rent expand in Q3. In Southwest Riverside, asking rents moved 2.3% higher, to \$2.24, while in East County, rates increased to \$2.73, a 0.4% gain.

Figure 2: Vacancy Rates by Class



Source: CBRE Research, Q3 2026

Figure 3: Average Direct Asking Rate by Class



Source: CBRE Research, Q3 2026

Net Absorption

Office demand landed in negative territory for a second-consecutive quarter in Q3. The market recorded 157,000 sq. ft. of negative net absorption, compared to 151,000 sq. ft. of negative demand in Q2. Net absorption also fell short of the rolling four-quarter average of negative 85,000 sq. ft., with the majority of lease signings over 20,000 sq. ft. consisting of renewals.

The weakness extended to all property classes. Class A buildings, which have easily outperformed Class B and Class C assets since 2022, realized 92,000 sq. ft. of negative net absorption, while Class B totaled negative 38,000 sq. ft. and Class C was negative 27,000 sq. ft.

Similarly, demand was limited countywide. Just two submarkets, North County and Southwest Riverside, achieved positive net absorption, at 4,000 sq. ft. and 2,000 sq. ft., respectively. Central San Diego had the most significant occupancy losses, with 72,000 sq. ft. of negative net absorption, followed by Downtown with negative 60,000 sq. ft., East County with negative 21,000 sq. ft., and South San Diego with negative 12,000 sq. ft.

Construction Activity

San Diego’s most recent office delivery came in 2024, but that should soon change. In East County, 4350 El Cajon Blvd., a 19,000-sq-ft., three-story project featuring ground floor retail, is under construction. Expected to deliver in mid-2027, the second- and third-floor office space was 100% available at the start of Q4.

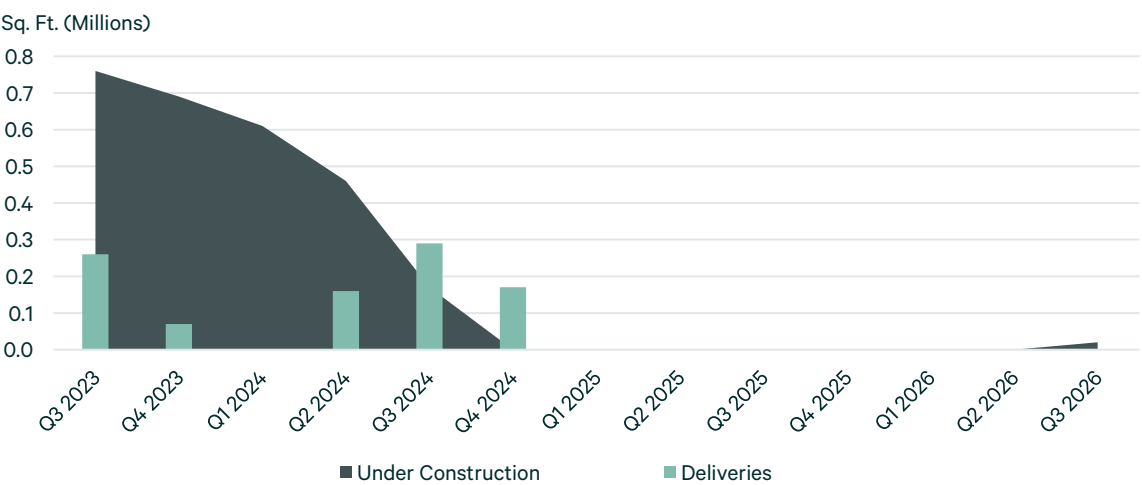
From 2023-2024, San Diego gained 1.0 million sq. ft. of new product, all within the Class A segment, while Class B and Class C were inactive. In Central San Diego, 450,000 sq. ft. completed construction during that period, closely followed by Downtown picking up 450,000 sq. ft. of new supply, and North County seeing 50,000 sq. ft. come online.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q3 2026

Figure 5: Construction Activity



Source: CBRE Research, Q3 2026

Leasing Activity

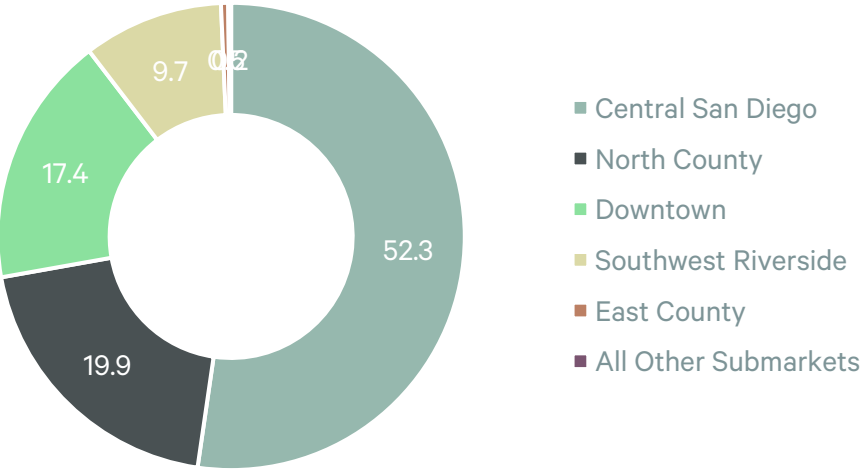
Leasing activity totaled 1.2 million sq. ft., or 11.7% below Q2’s 1.36 million sq. ft. Y-o-Y, leasing activity fell 13.1%, from 1.38 million sq. ft.

Class A led the way with 760,000 sq. ft. of leasing activity, the category’s lowest sum since Q2 2025. Class B leasing totaled 370,000 sq. ft., or 17.7% below its four-quarter average.

Central San Diego dominated market activity, posting 632,000 sq. ft., or 52.3%, of all leasing market wide. Class A accounted for 66.3%, or 419,000 sq. ft., of the area’s Q3 leasing activity.

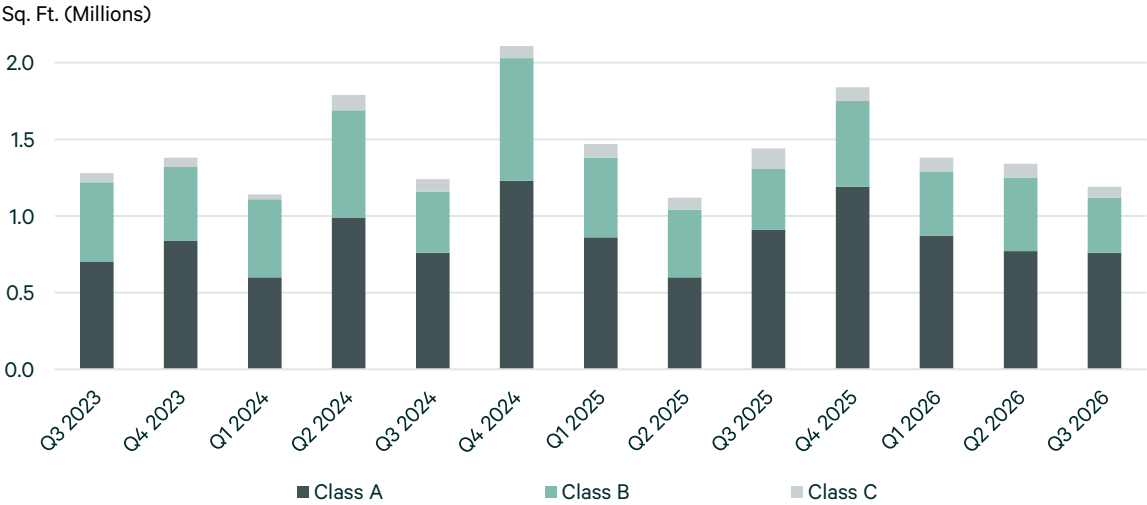
North County followed with 243,000 sq. ft., and it was trailed by Downtown with 210,000 sq. ft. of leasing. North County’s total increased for a third consecutive quarter while rising to its highest mark since Q2 2024. Downtown similarly gained momentum, with leasing activity climbing to its highest total of 2026.

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



Source: CBRE Research, Q3 2026

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q3 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Whova	40,291	Renewal	10182 Telesis Ct	Sorrento Mesa
AT&T Services	36,648	Renewal	5855 Copley Dr	Kearny Mesa
San Joaquin Valley College	34,573	Renewal	27270 Madison Ave	Southwest Riverside
U.S. Bank	31,501	Renewal	4747 Executive Dr	UTC
Morgan Stanley Smith Barney Financing	29,528	Renewal	101 W Broadway	Downtown
Exagen Inc.	28,094	New Lease	2175 Salk Ave	Carlsbad
Greenberg Traurig, LLP	27,220	New Lease	3661 Valley Centre Dr	Del Mar Heights
Snell & Wilmer, LLP	26,544	New Lease	3611 Valley Centre Dr	Del Mar Heights

Source: CBRE Research, Q3 2026

Market Statistics

Figure 9: Suburban Market Statistics by Class

Property Class	Net Rentable Area (SF)	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)
A	25.39M	12.7	22.0	18.2	3.9	4.05	(26,000)	(111,000)	-	-
B	27.38M	12.2	16.5	14.2	2.3	3.21	(51,000)	(69,000)	-	19,000
C	9.91M	7.5	8.6	8.5	0.1	2.52	(21,000)	(43,000)	-	-
Total	62.68M	11.7	17.5	14.9	2.6	3.55	(97,000)	(223,000)	-	19,000

Source: CBRE Research, Q3 2026

Figure 10: Urban Market Statistics by Class

Property Class	Net Rentable Area (SF)	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)
A	7.88M	25.7	30.9	29.6	1.3	3.64	(66,000)	(17,000)	-	-
B	1.90M	29.1	31.3	30.1	1.2	2.80	12,000	(26,000)	-	-
C	1.45M	12.0	13.4	13.4	-	1.87	(6,000)	(8,000)	-	-
Total	11.23M	24.5	28.7	27.6	1.1	3.40	(60,000)	(51,000)	-	-

Source: CBRE Research, Q3 2026

Market Statistics

Figure 11: Market Statistics by Class

Property Class	Net Rentable Area (SF)	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)
A	33.27M	15.8	24.1	20.9	3.3	3.90	(92,000)	(128,000)	-	-
B	29.29M	13.3	17.4	15.2	2.2	3.16	(38,000)	(95,000)	-	19,000
C	11.36M	8.1	9.2	9.2	0.1	2.41	(27,000)	(51,000)	-	-
Total	73.91M	13.6	19.2	16.8	2.4	3.51	(157,000)	(274,000)	-	19,000

Source: CBRE Research, Q3 2026

Figure 12: Market Statistics by Submarket

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate	Class A Asking Rent (\$/SF FSG/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Central San Diego	44.52M	12.2	19.2	16.2	2.9	3.76	4.26	(72,000)	(55,000)	-	-
Downtown	11.23M	24.5	28.7	27.6	1.1	3.40	3.64	(60,000)	(51,000)	-	-
East County	2.76M	5.8	7.6	7.4	0.3	2.73	3.96	(21,000)	(34,000)	-	19,000
North County	10.05M	14.2	18.3	15.4	2.9	2.97	3.01	4,000	(50,000)	-	-
South San Diego	2.32M	6.4	7.3	7.0	0.3	2.80	2.99	(12,000)	(78,000)	-	-
Southwest Riverside	3.04M	4.6	6.6	6.6	0.0	2.24	2.72	2,000	(6,000)	-	-
Total	73.91M	13.6	19.2	16.8	2.4	3.51	3.90	(157,000)	(274,000)	-	19,000

Source: CBRE Research, Q3 2026

Economic Overview

The U.S. economy remains on track to grow by over 2% during 2026, supported by impressive AI-driven business investment. Also, a generally stable labor market continues to underpin consumer activity, providing a cushion against other risks. Still, notable challenges persist, from elevated energy costs and interest rates to lingering geopolitical and technological uncertainties, and the year’s final quarter could prove pivotal.

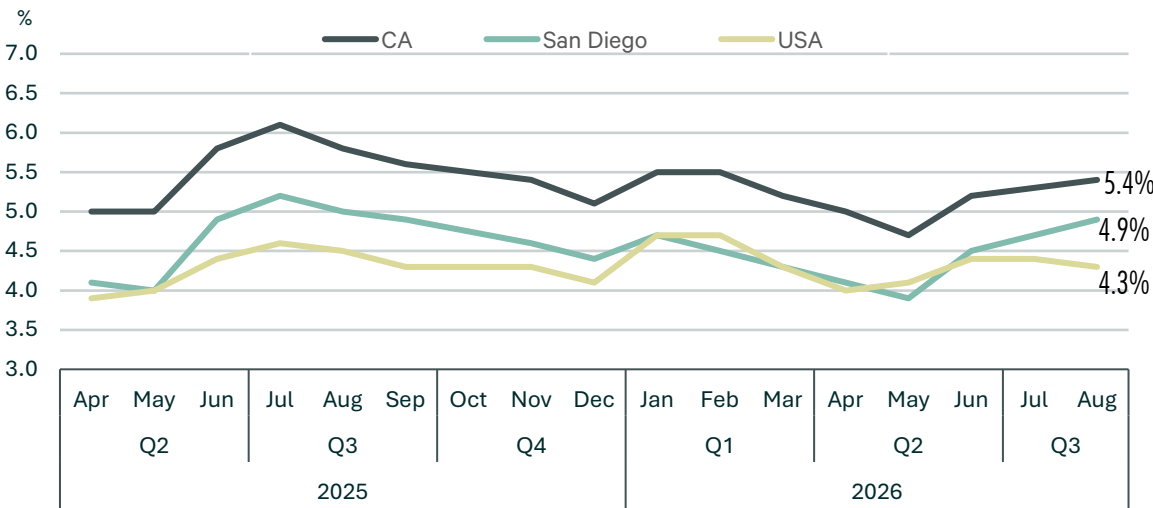
Economic growth supports healthy CRE occupier fundamentals, but capital markets must contend with 5% Treasury yields. Signals from the Federal Reserve, inflation data, and global fixed-income markets suggest rates will remain elevated for the foreseeable future. A key upside catalyst would be a de-escalation in the U.S./Iran conflict, which could ease inflation and provide the Fed with more flexibility.

Locally, the office market has been grappling with the wider economic and geopolitical uncertainty, plus office- and CRE-specific headwinds, including tensions over hybrid, flexible, or full-time employee attendance, and rapidly climbing operating expenses and tenant improvement costs. While San Diego has experienced rising vacancies and negative demand in most periods since 2020, it has nonetheless navigated this decade’s myriad challenges more successfully than many other locales.

In contrast to many metros, San Diego 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.

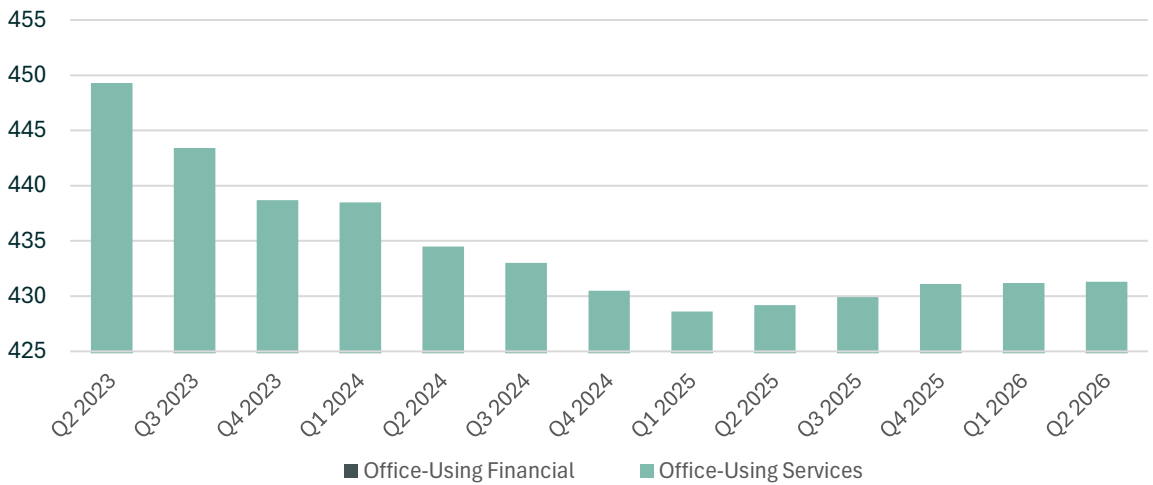
Office landlords also receive an assist from the government, as San Diego is home to one of the country’s highest percentages of public service jobs. But the lifeblood of the office market are the professional and financial services companies and legal firms that serve the wider community and likewise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

FIGURE 13: Unemployment Rate



Source: U.S. Bureau of Labor Statistics, Q3 2026

FIGURE 14: Office Employment (Thousands)



Source: CBRE Econometric Advisors, Q3 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, B and C 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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