



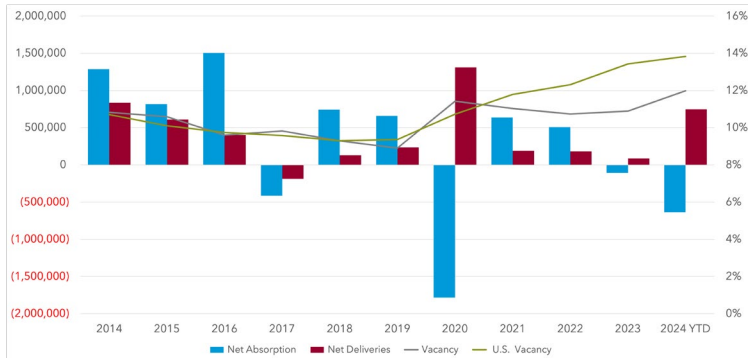
OFFICE MARKET OVERVIEW

SPENCER DOK, *Vice President*

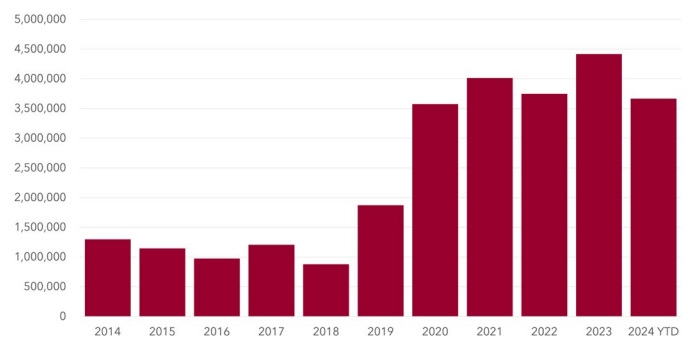
Since 2020, San Diego's office market has fared better than national counterparts, benefiting from resilient core industries like innovation and military sectors. Despite positive net absorption in 24Q2, vacancy has risen by about 250 basis points since the pandemic's onset, heading towards a potential peak of nearly 14%. Downtown projects like Campus at Horton and RaDD, totaling 2.4 million SF, are set to escalate vacancy, potentially exceeding 35%. High concessions and stagnant rent growth of 0.8% YoY reflect tenant leverage, exacerbated by 20-year high in sublet space. With substantial new supply and leases from pre-pandemic periods yet to expire, San Diego faces challenges avoiding peak vacancy and sustaining rent levels across its key office markets.

MARKET INDICATORS	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
▲ 12 Mo. Net Absorption SF	(22,298)	(487,502)	(108,883)	(681,781)	(1,085,591)
▲ Vacancy Rate	11.8%	11.3%	10.9%	11.1%	10.9%
▲ Avg NNN Asking Rate PSF	\$3.18	\$3.17	\$3.17	\$3.16	\$3.15
▼ SF Under Construction	3,665,019	4,475,704	4,415,704	4,258,595	3,808,172
▲ Inventory SF	119,414,280	118,649,690	118,666,555	118,513,073	118,337,088

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
9275-9325 Sky Park Court San Diego, CA	205,000 SF	\$12,141,743 \$92.40 PSF	Orum Capital TPG	Class A
15721-15725 Pomerado Road Poway, CA	70,000 SF	\$22,250,000 \$317.86 PSF	IRA Capital LLC Healthpeak Properties	Class B
6719 Alvarado Road San Diego, CA	53,781 SF	\$16,350,000 \$304.01 PSF	Sharp Healthcare TDA Investment Group	Class B

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
16465 Via Esprillo San Diego, CA	83,000 SF	Drawbridge Realty	DRS Daylight Solutions	Manufacturing
7650 Mission Valley Road San Diego, CA	74,000 SF	HG Fenton	City of San Diego	Government
9889 Willow Creek Road San Diego, CA	50,236 SF	Currie Partners	Werfen	Manufacturing

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