



San Diego Market Update

Josh Ohl

Sr. Director, Market Analytics



San Diego agenda and trends

1

Office demand continues its underwhelming run

2

Retail availability has been on the rise, but still historically tight

3

Industrial leasing picks up, but will it last

4

Apartment vacancy stabilizes although rent growth lags

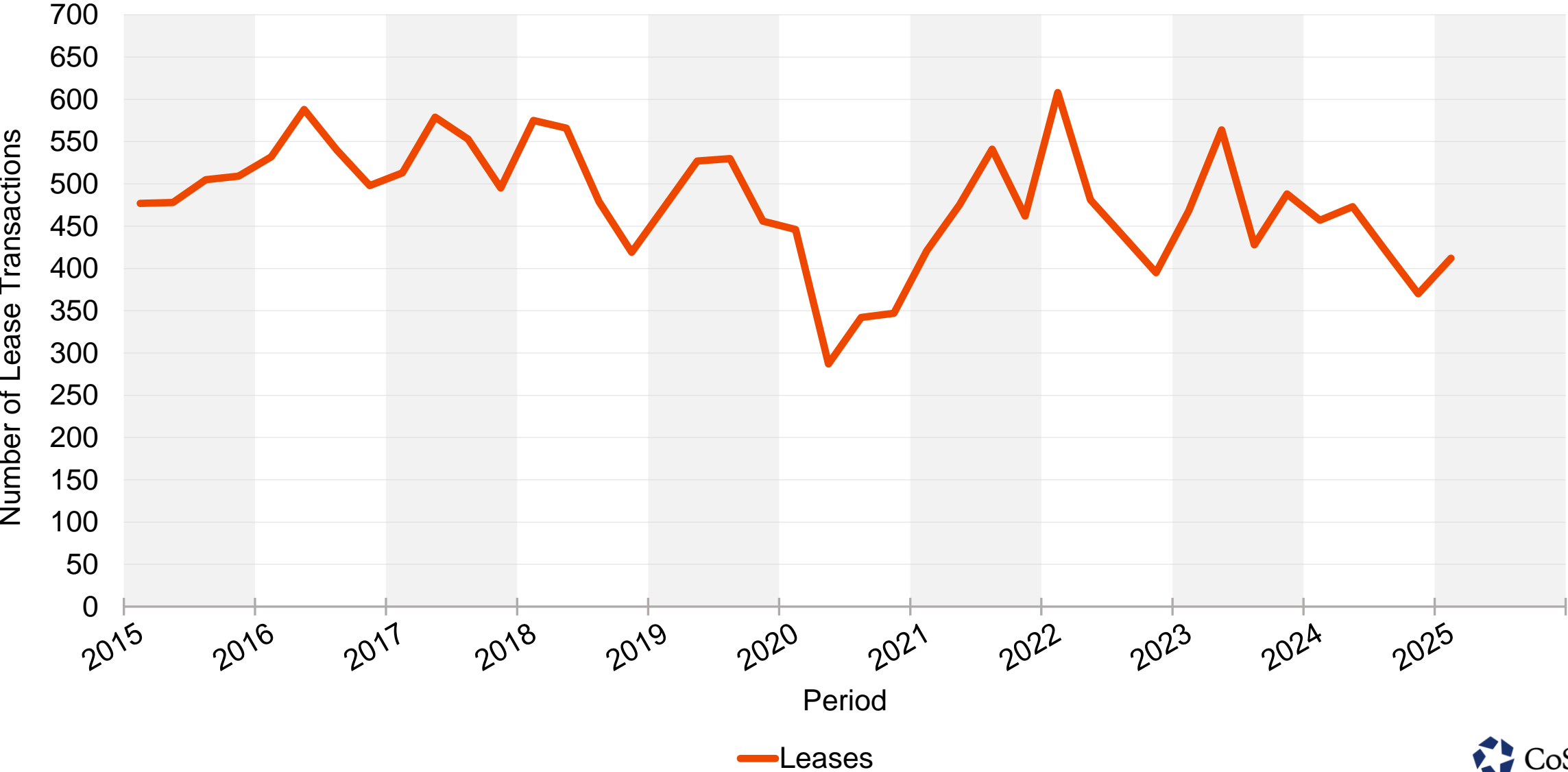




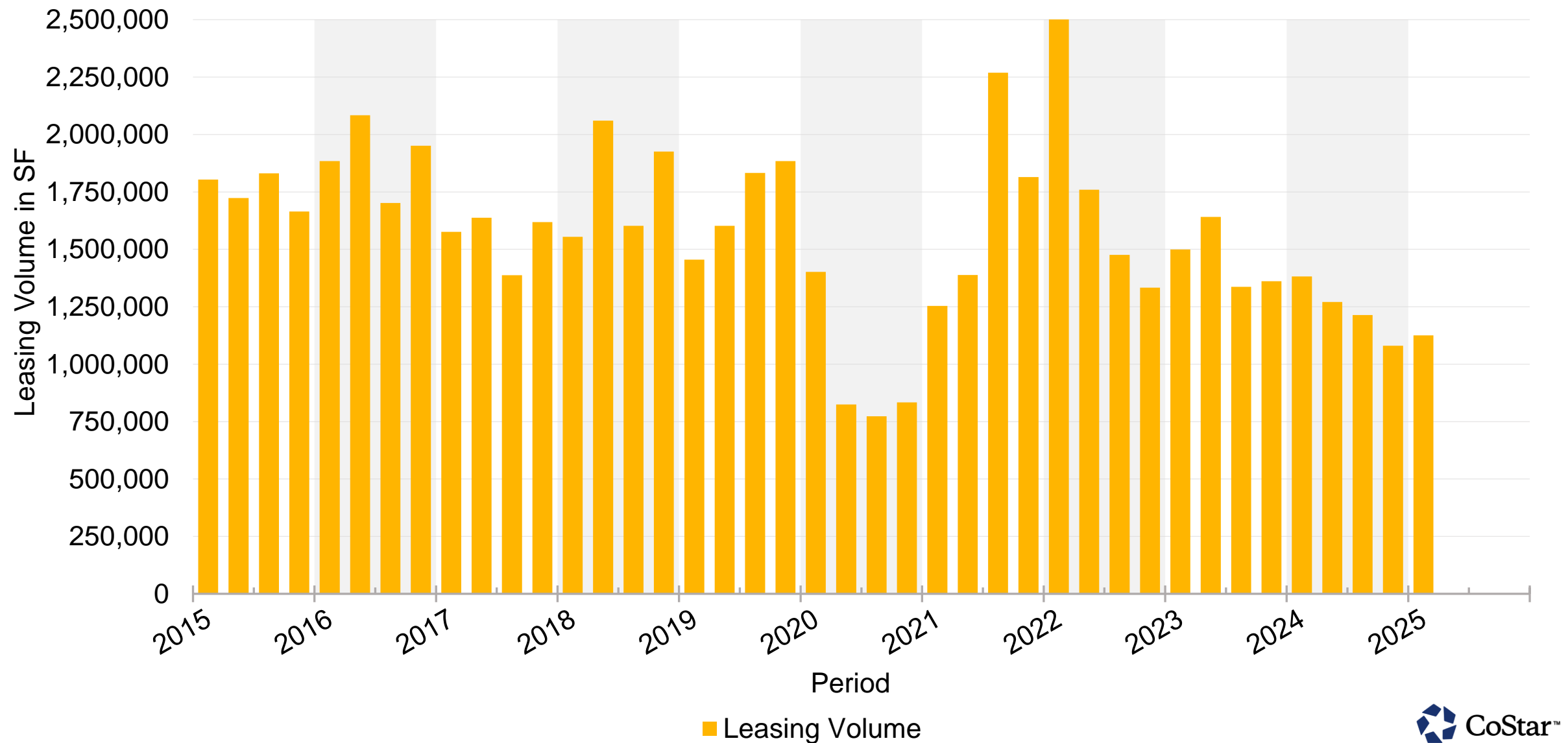
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OFFICE

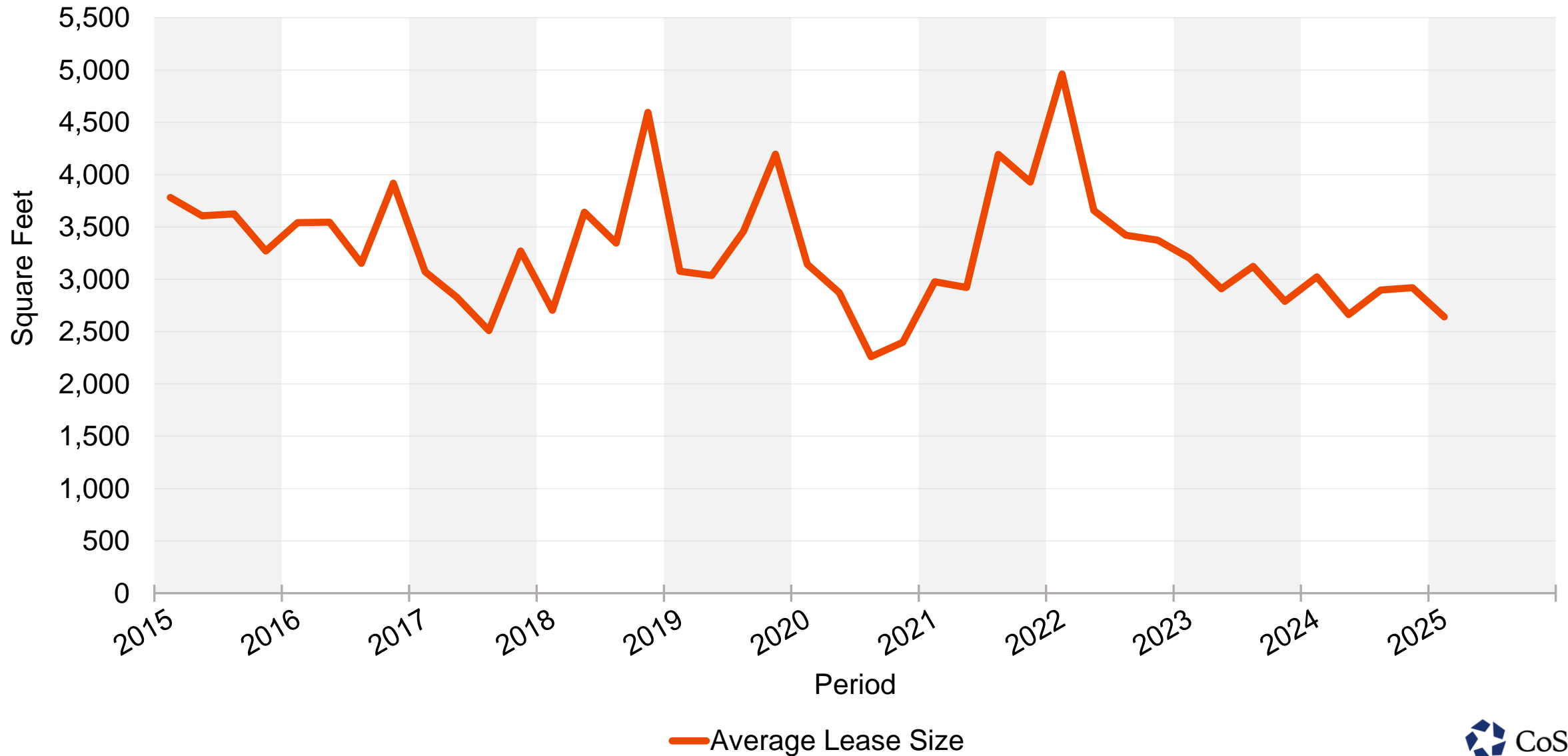
Leasing velocity trending 20% below last cycle



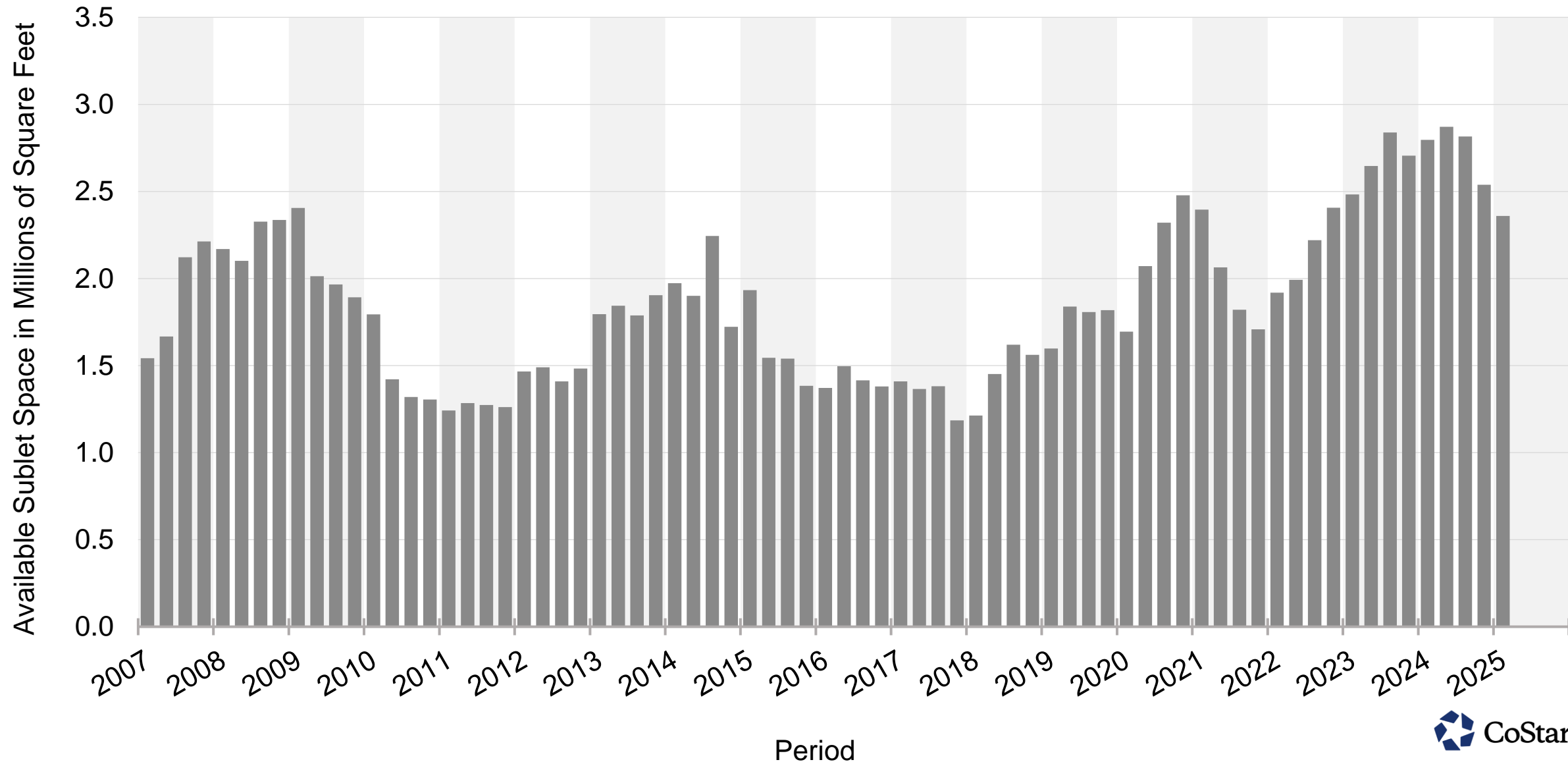
Office leasing largely flat quarter over quarter



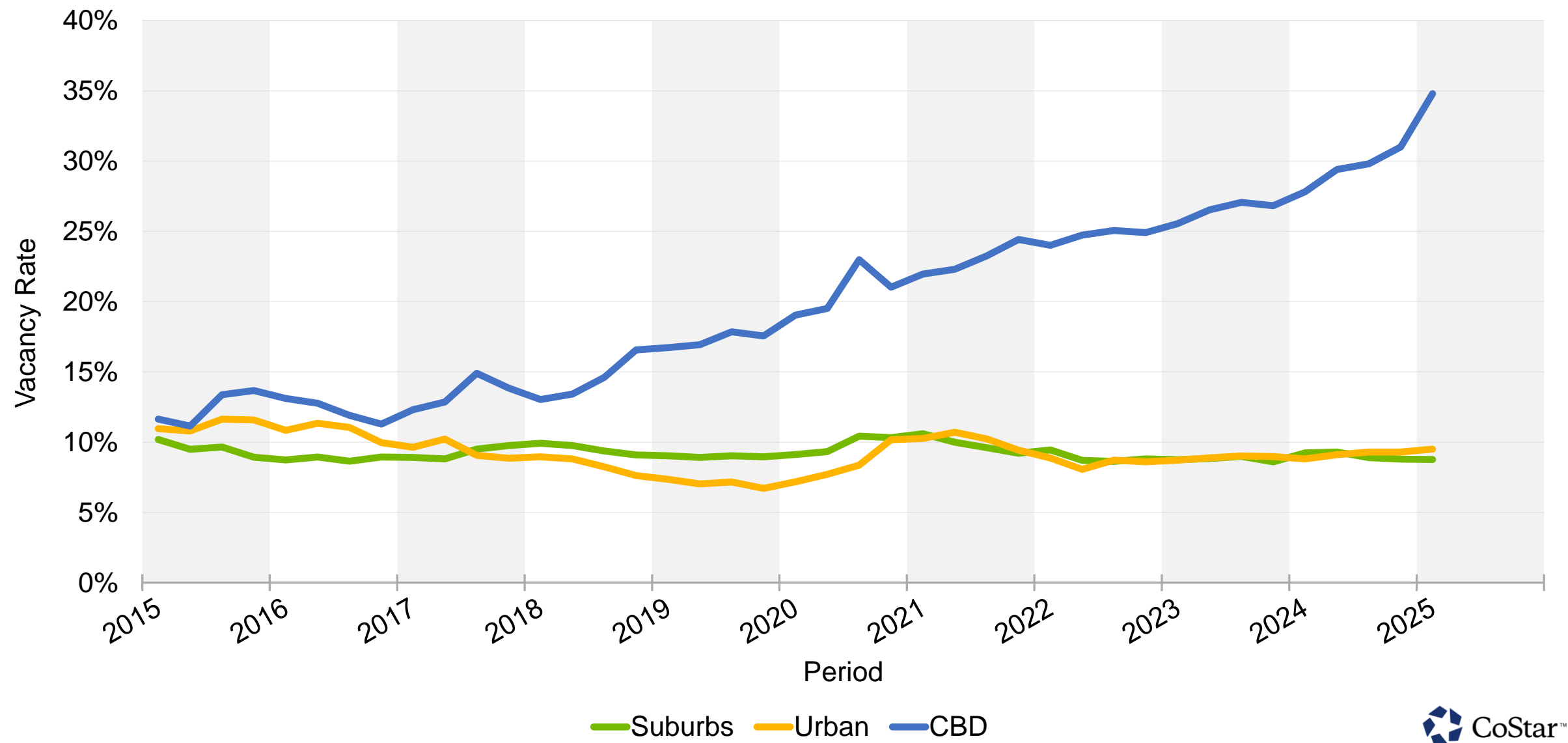
...and smaller leases have driven activity



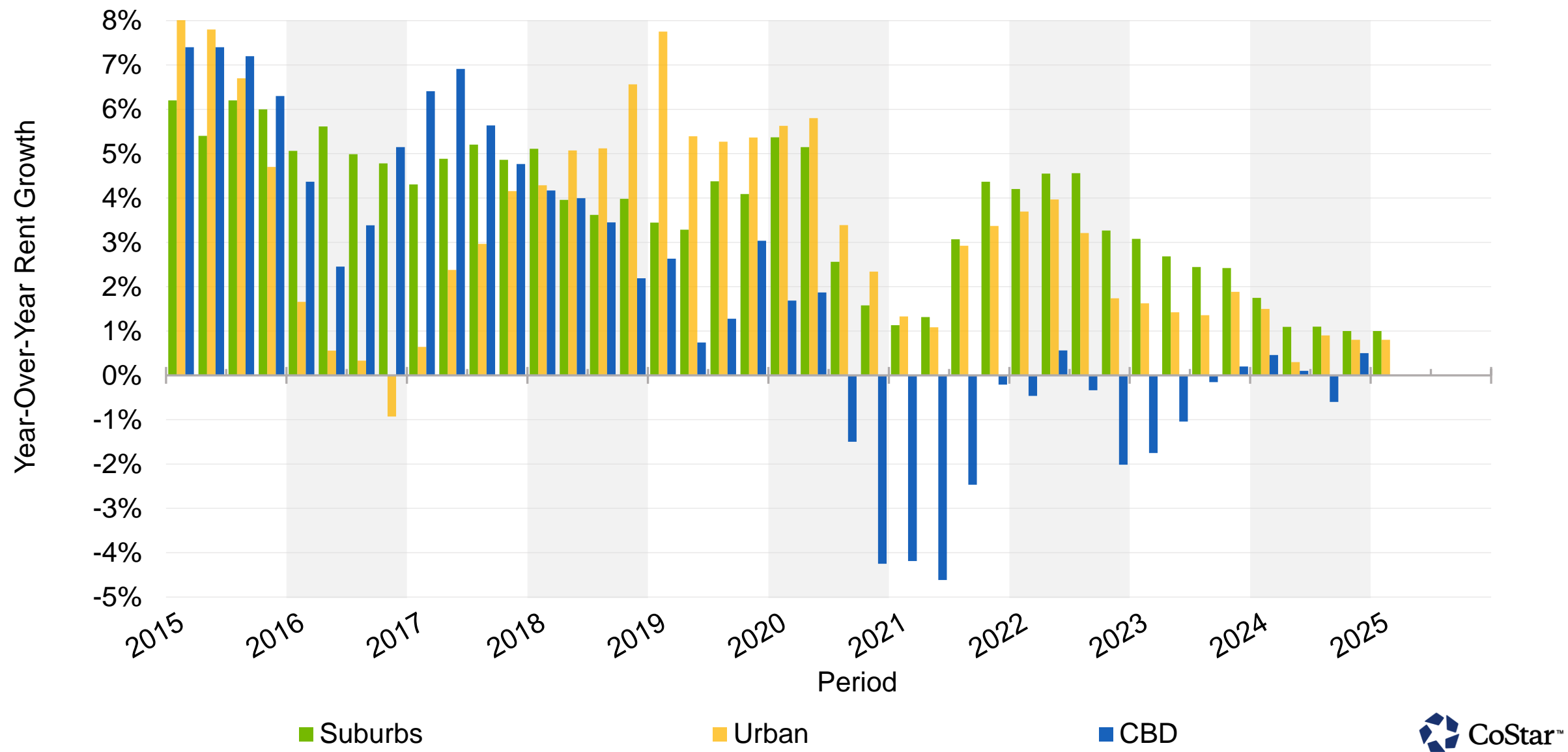
Has sublet space peaked? Definitely maybe...



Office vacancies are lowest in the suburbs, urban submarkets



Rent growth lean across San Diego





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RETAIL

Growing list of recent retail bankruptcies

 **AMERICAN FREIGHT**
FURNITURE - MATTRESS

the
99
store

rue21®

BIG
LOTS!®

Conn's
HomePlus®



LL Flooring®



TGI **FRIDAYS**



blink
fitness



rubio's
COASTAL GRILL

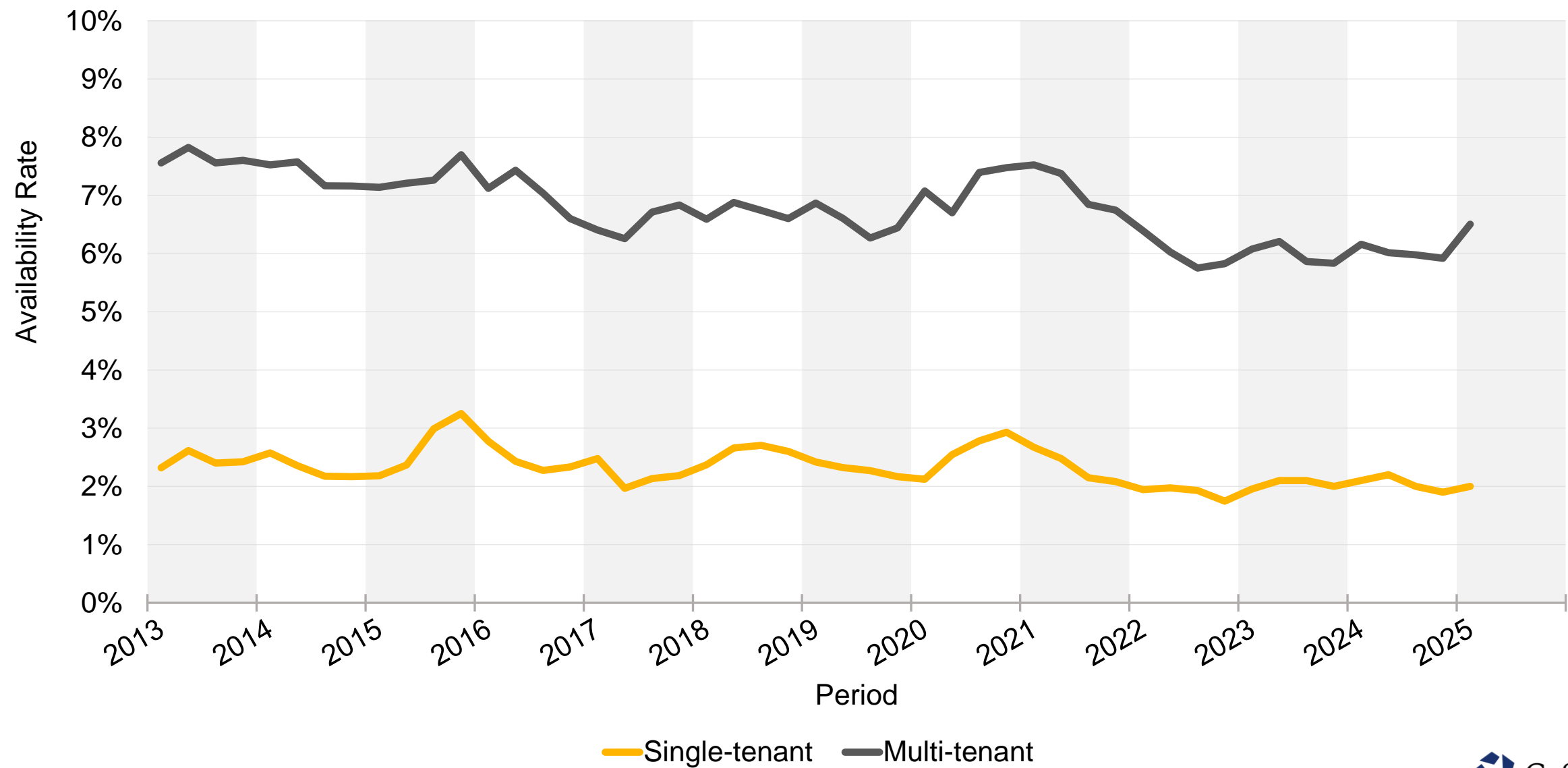
JOANN

FOXTROT

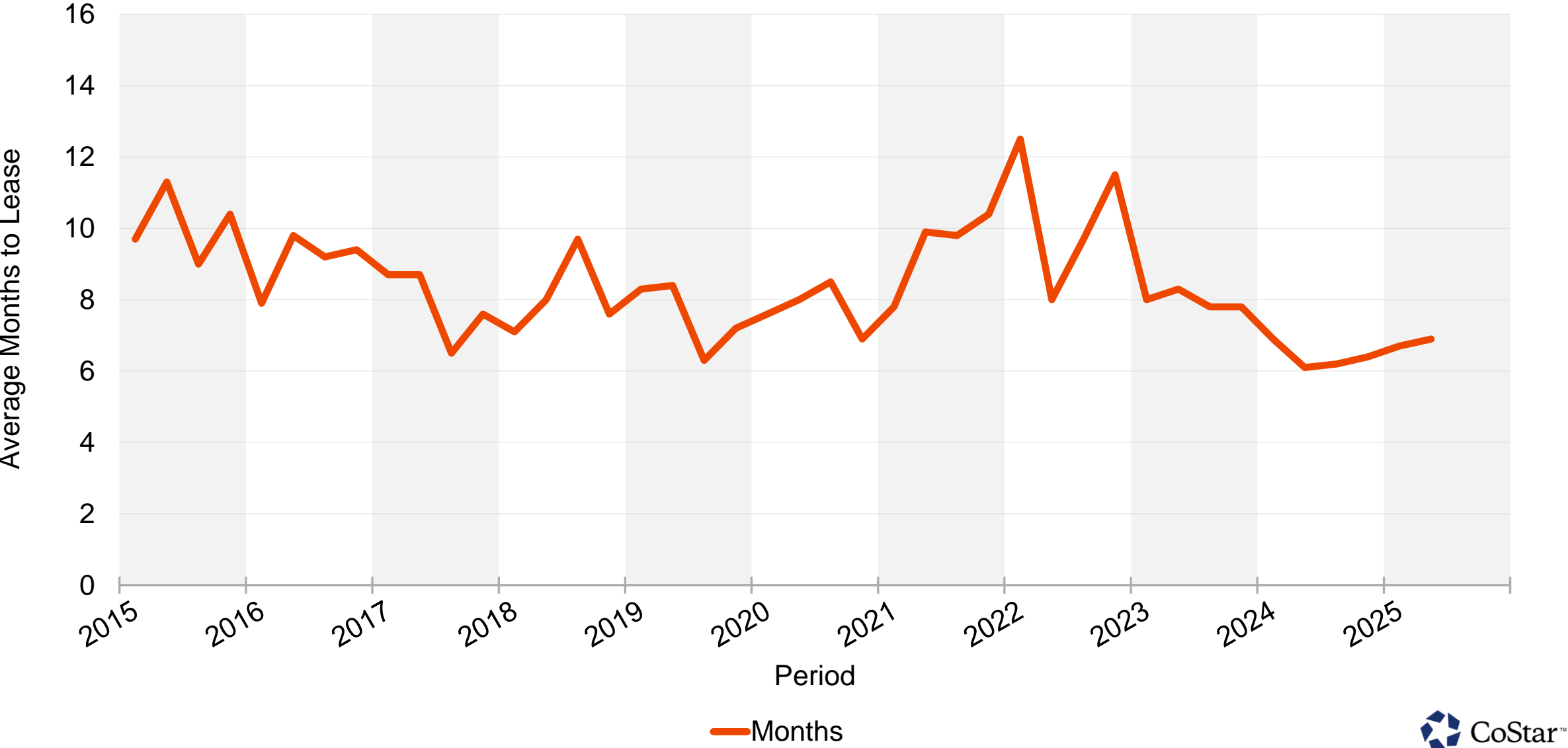
EXPRESS

BOB'S
STORES

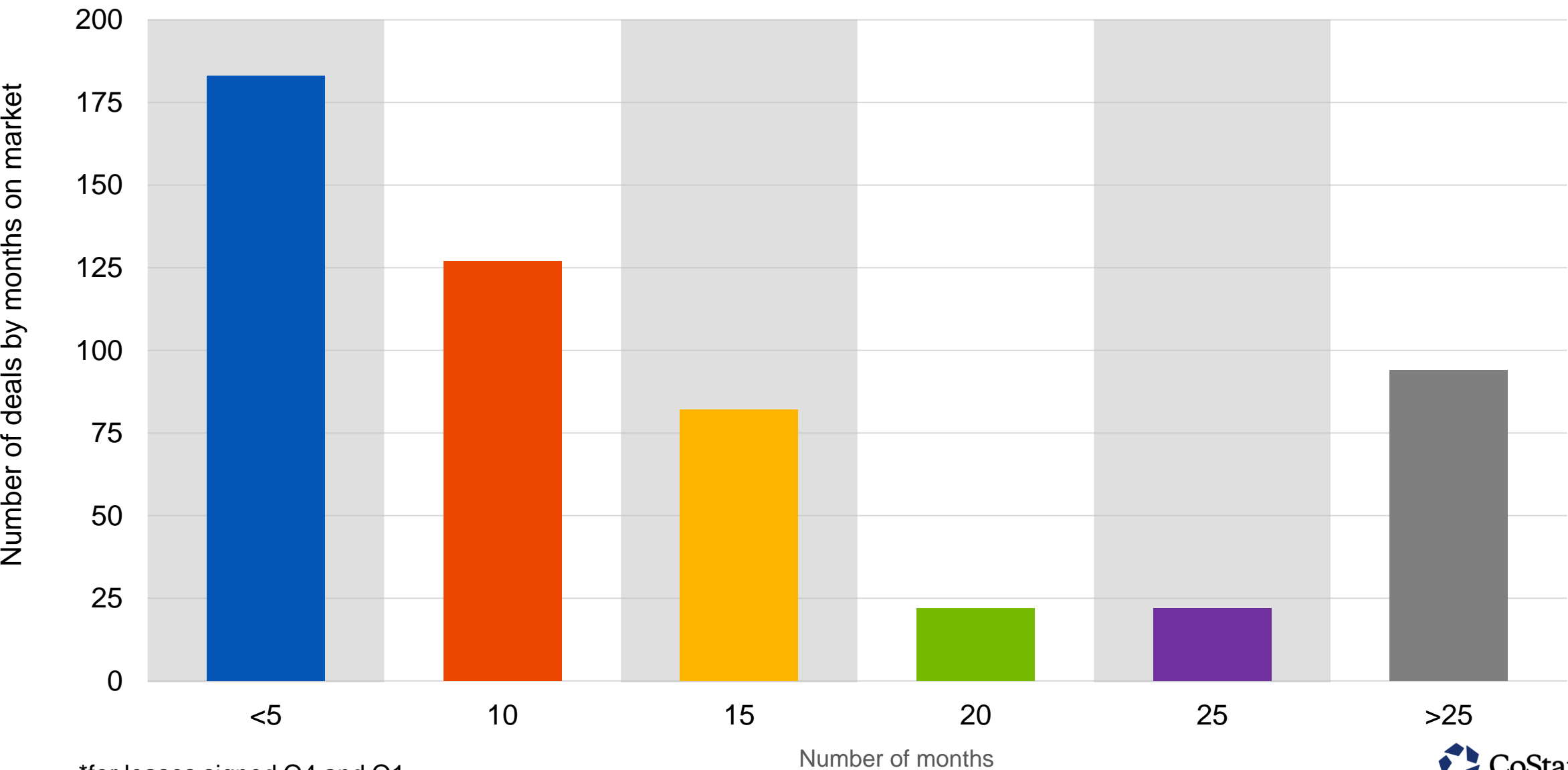
Multi-tenant availability on the rise; single-tenant still historically low



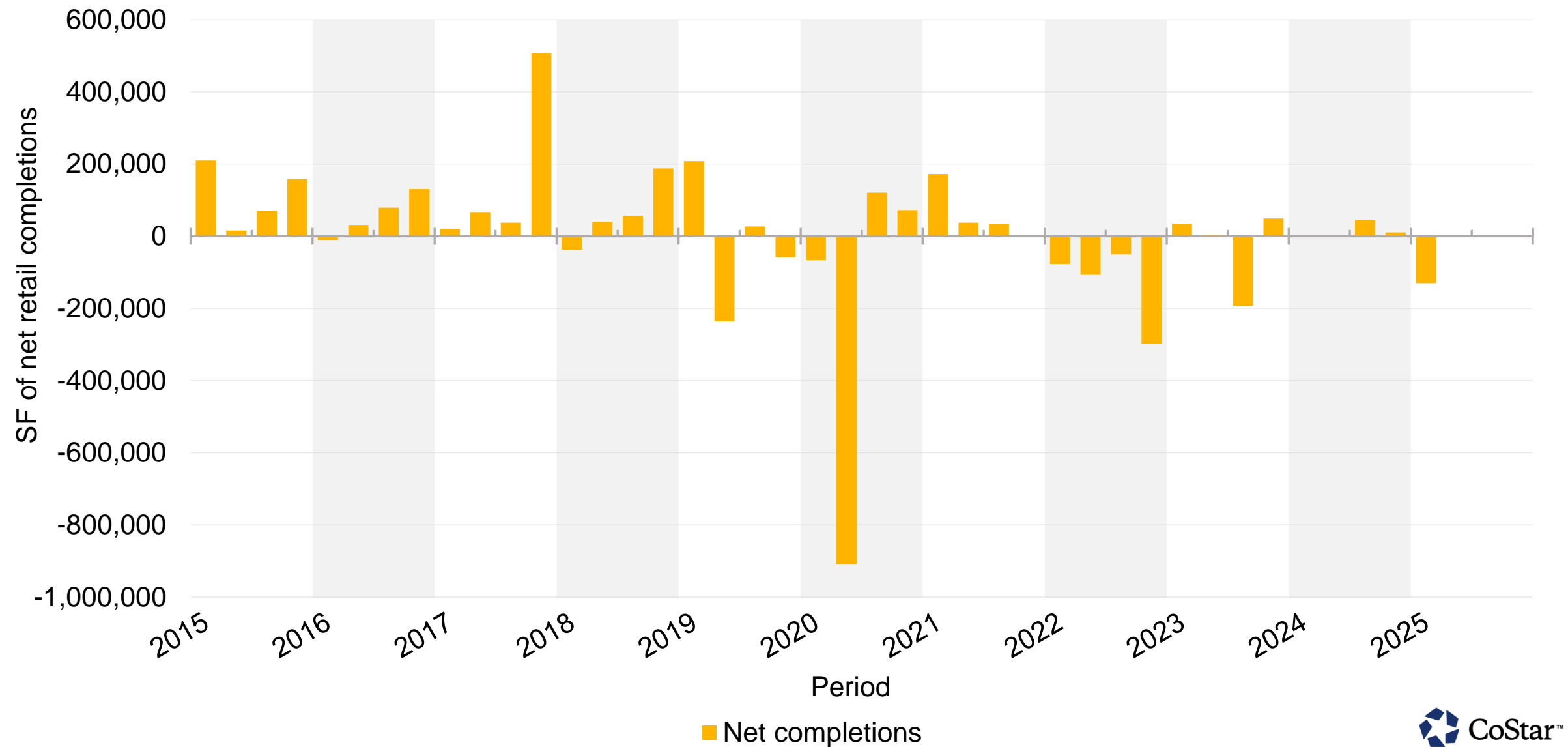
Retail space is taking longer to lease...but spaces are becoming stale



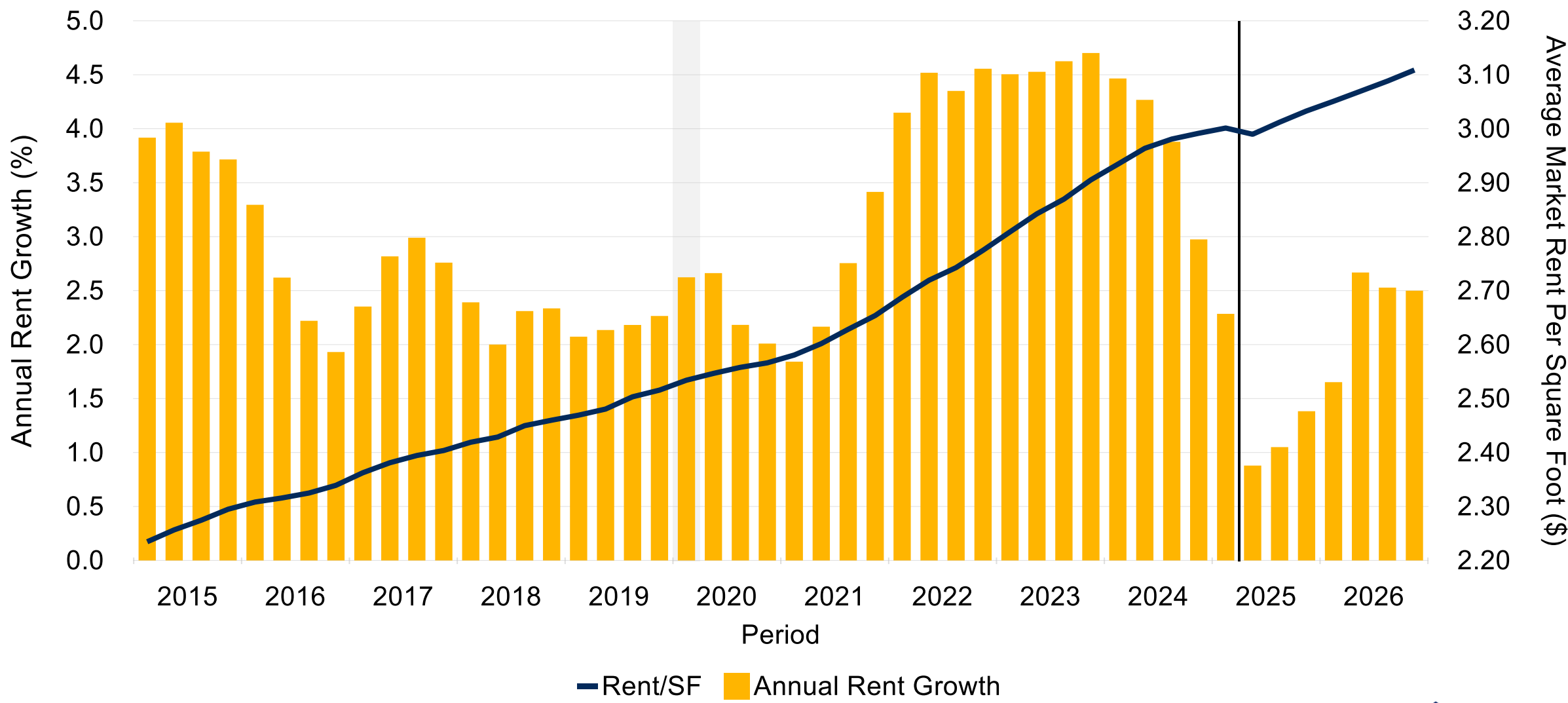
Newly available spaces lease fastest



Retail inventory shrinks further to start off the year



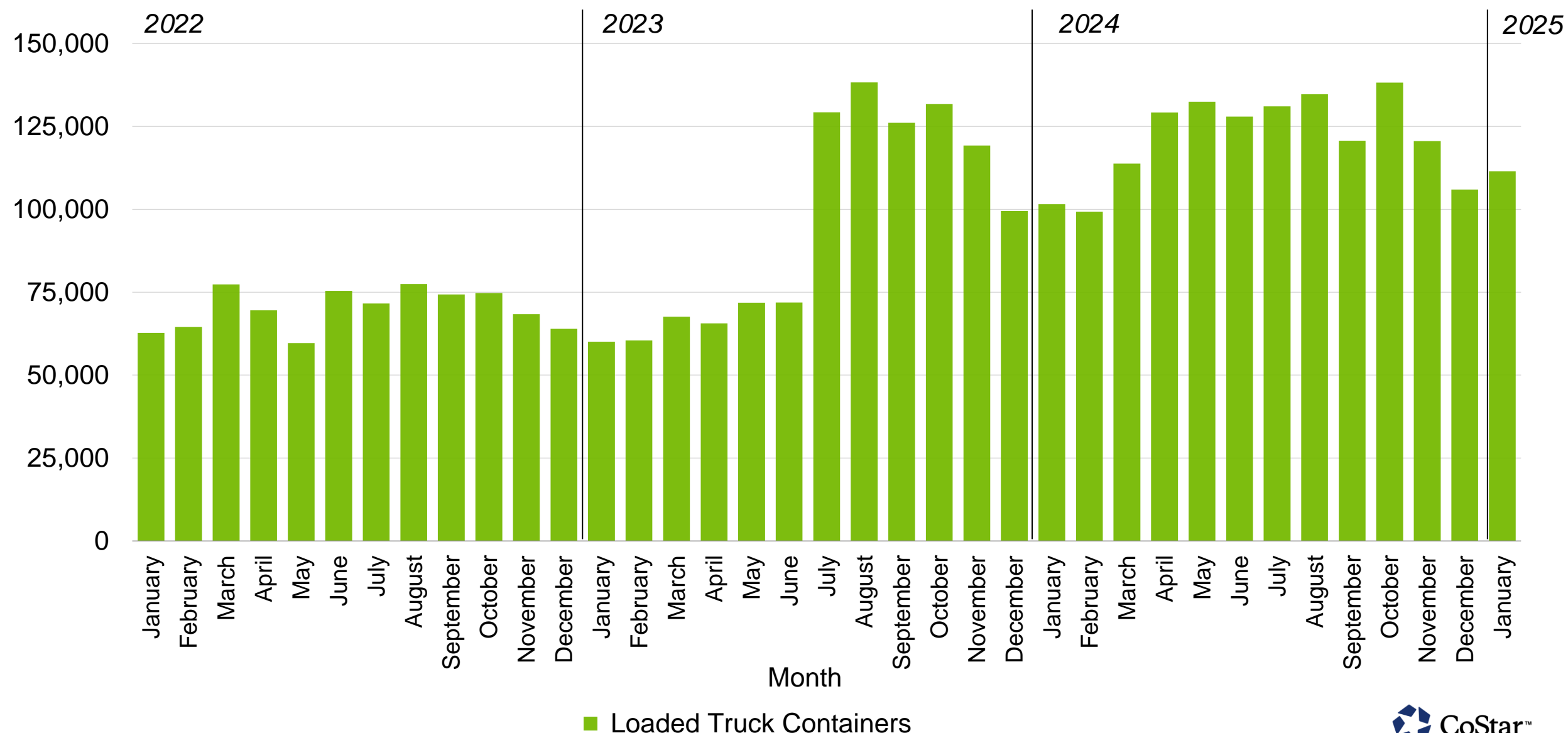
Retail rents still growing in line with historical average





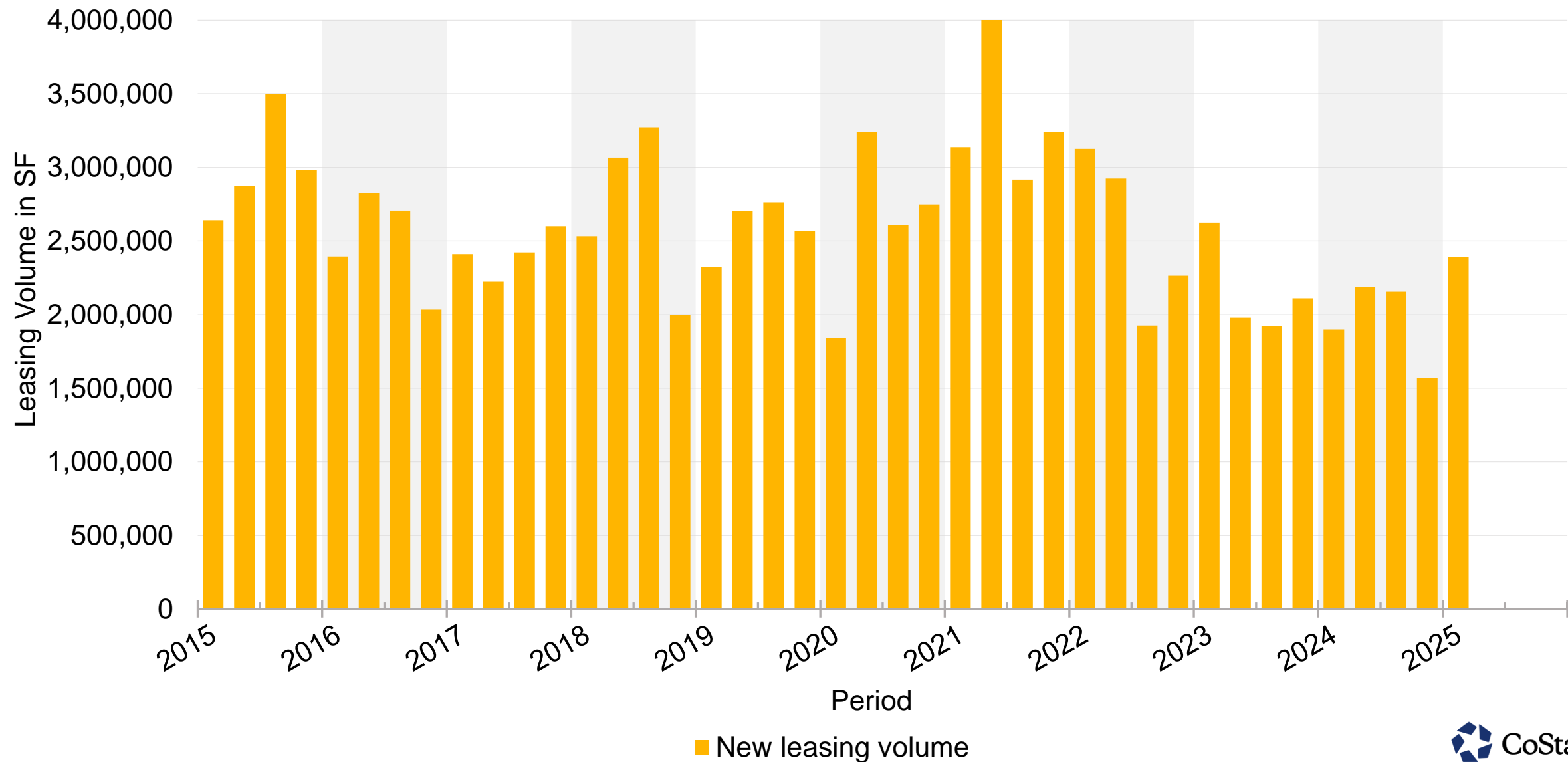
INDUSTRIAL

Loaded truck containers through Otay Mesa POE

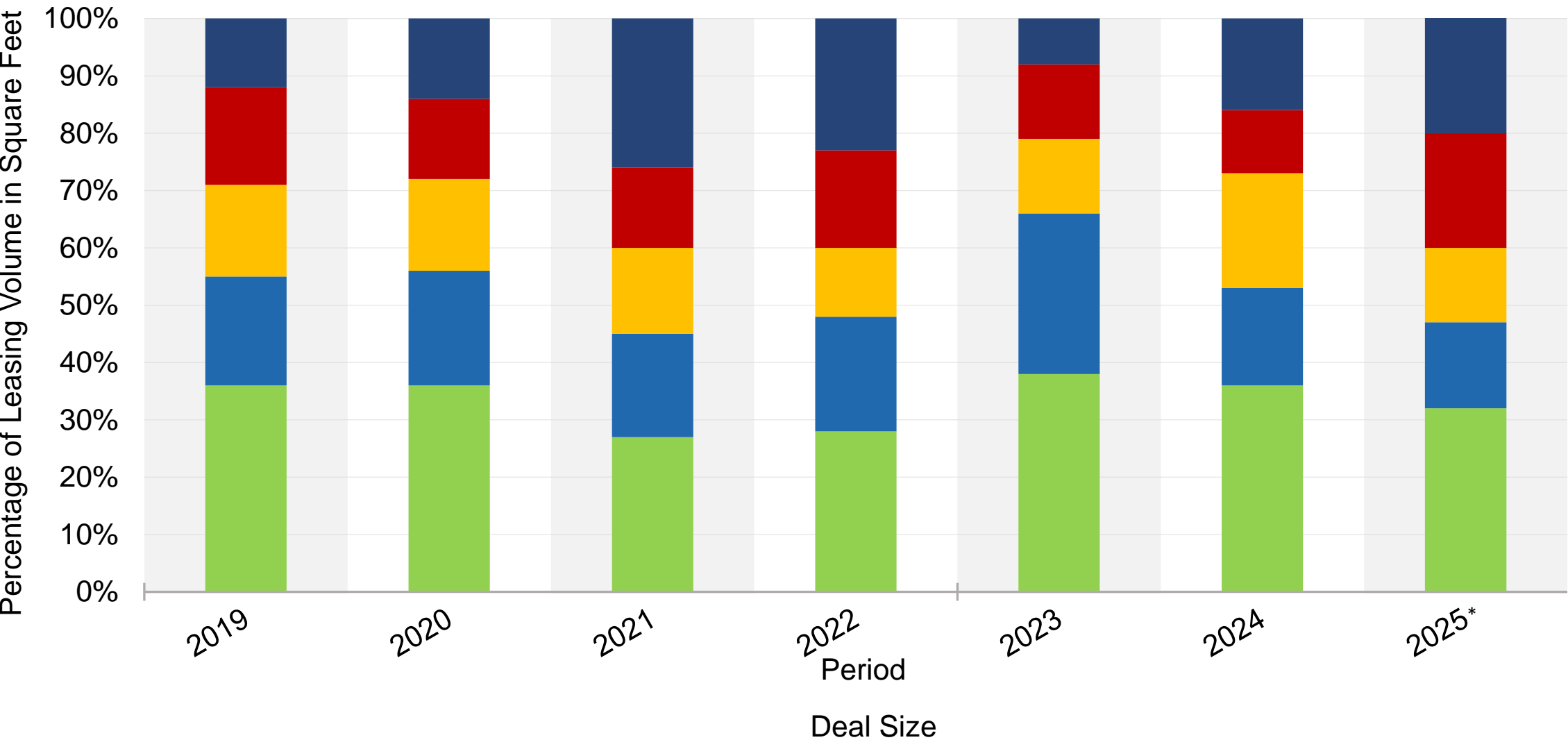


Source: US Dept of Transportation

Industrial leasing improves...but will it last?

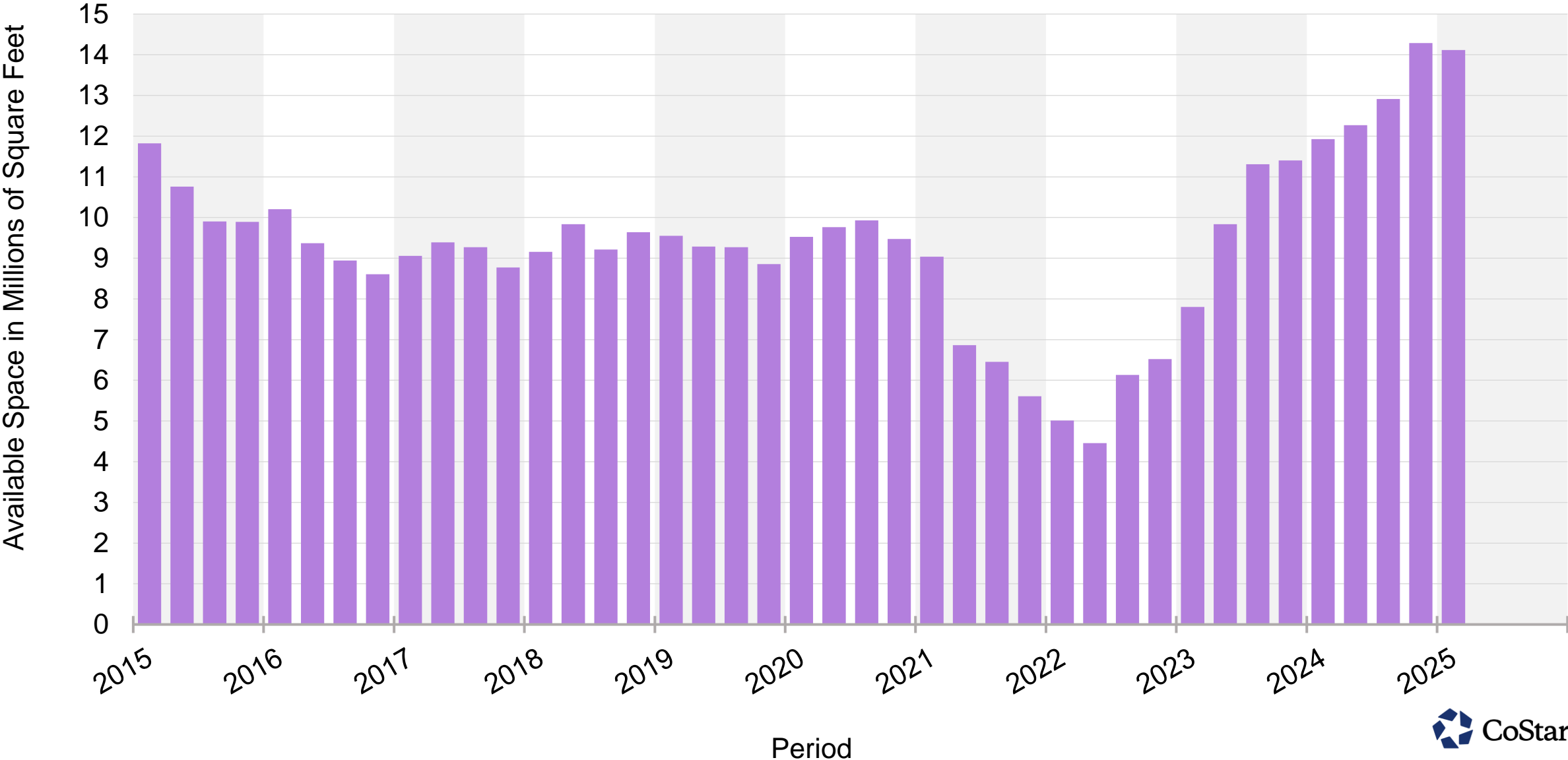


Large deals emerge

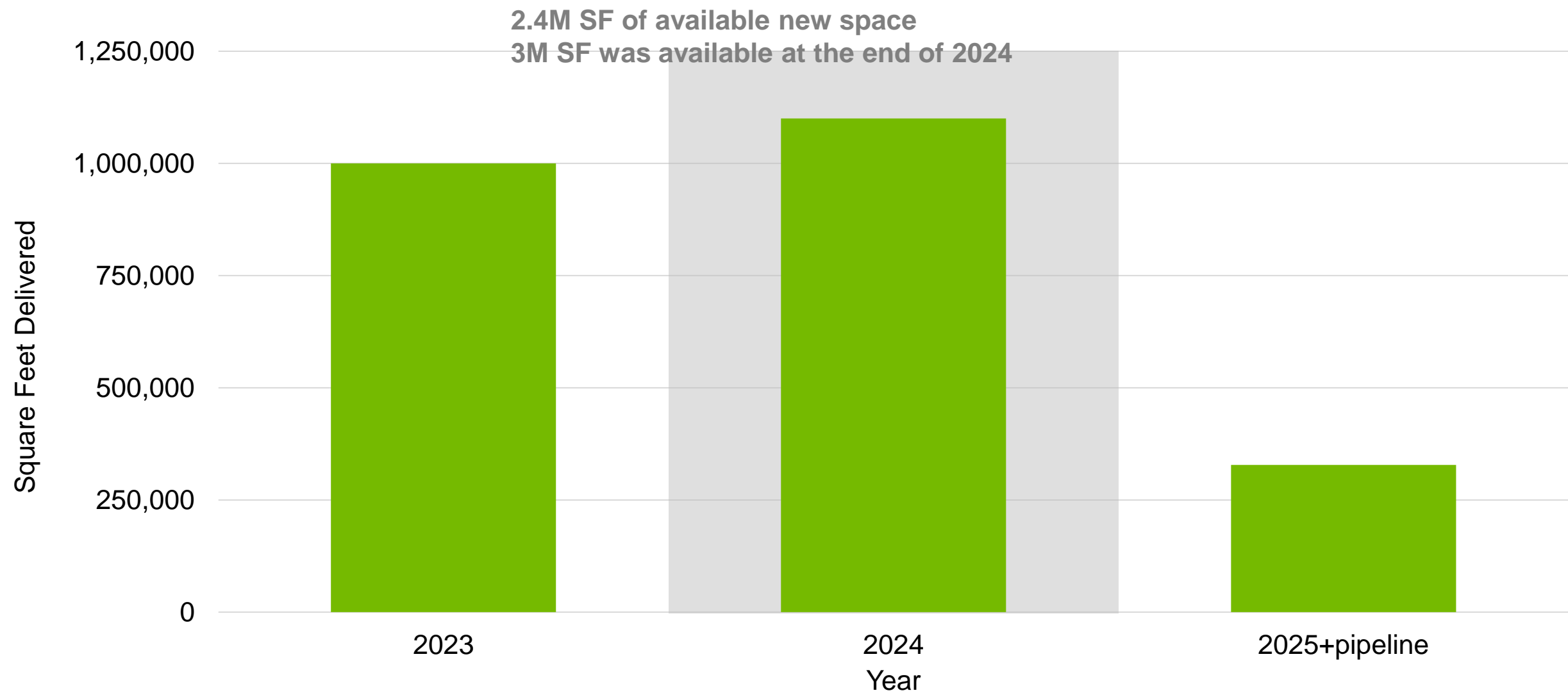


*Through Q1

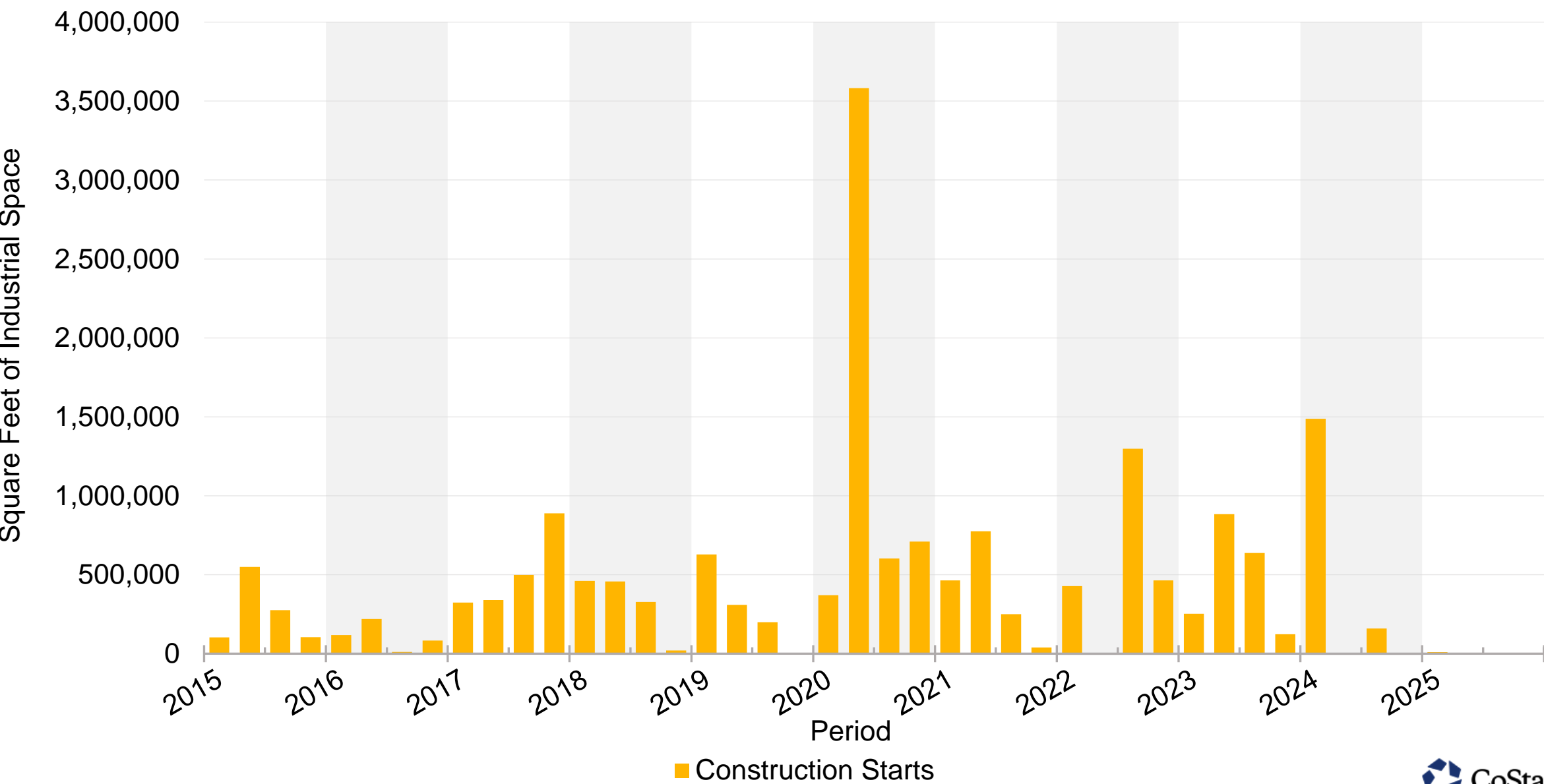
Available space in logistics and specialized buildings comes down



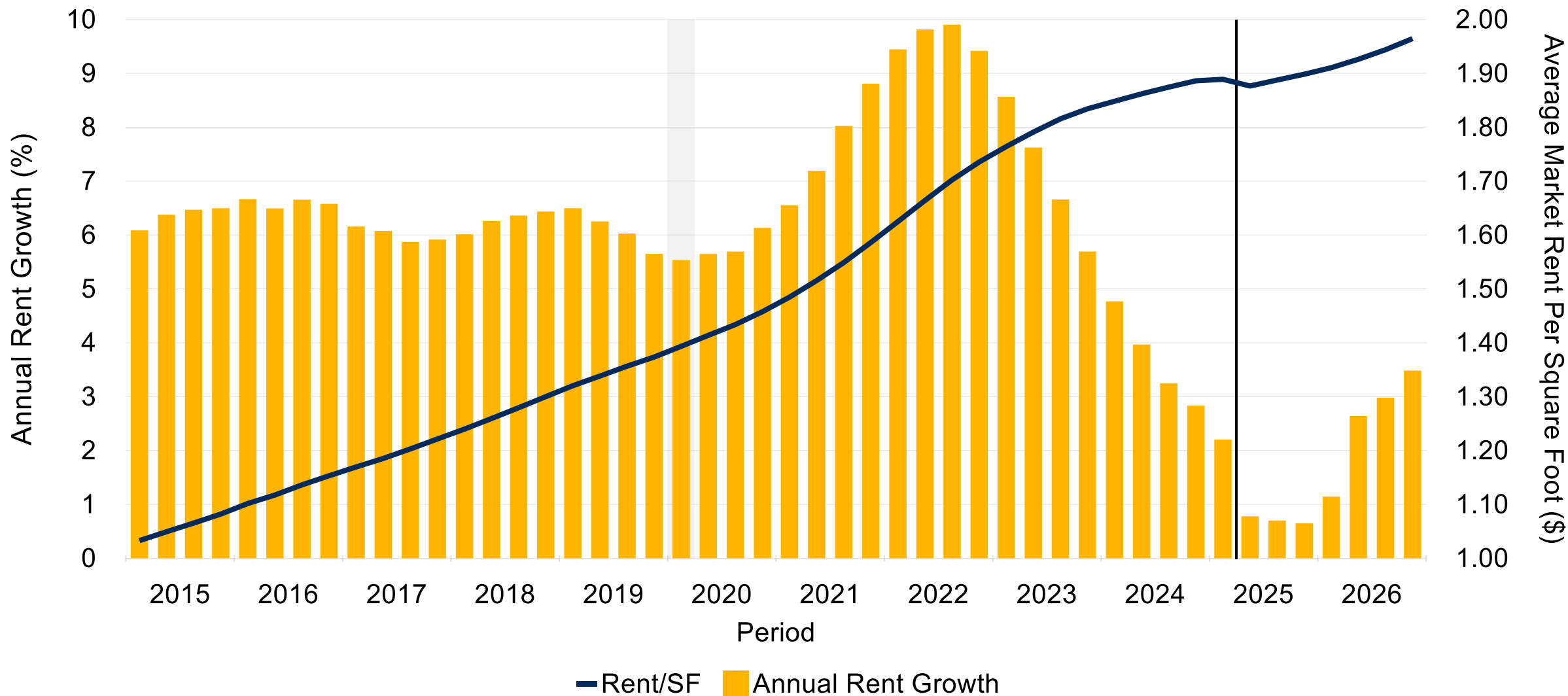
Available industrial space in new inventory is coming down



Developers hit the pause button on new industrial projects



Industrial rent growth still below long-term benchmark

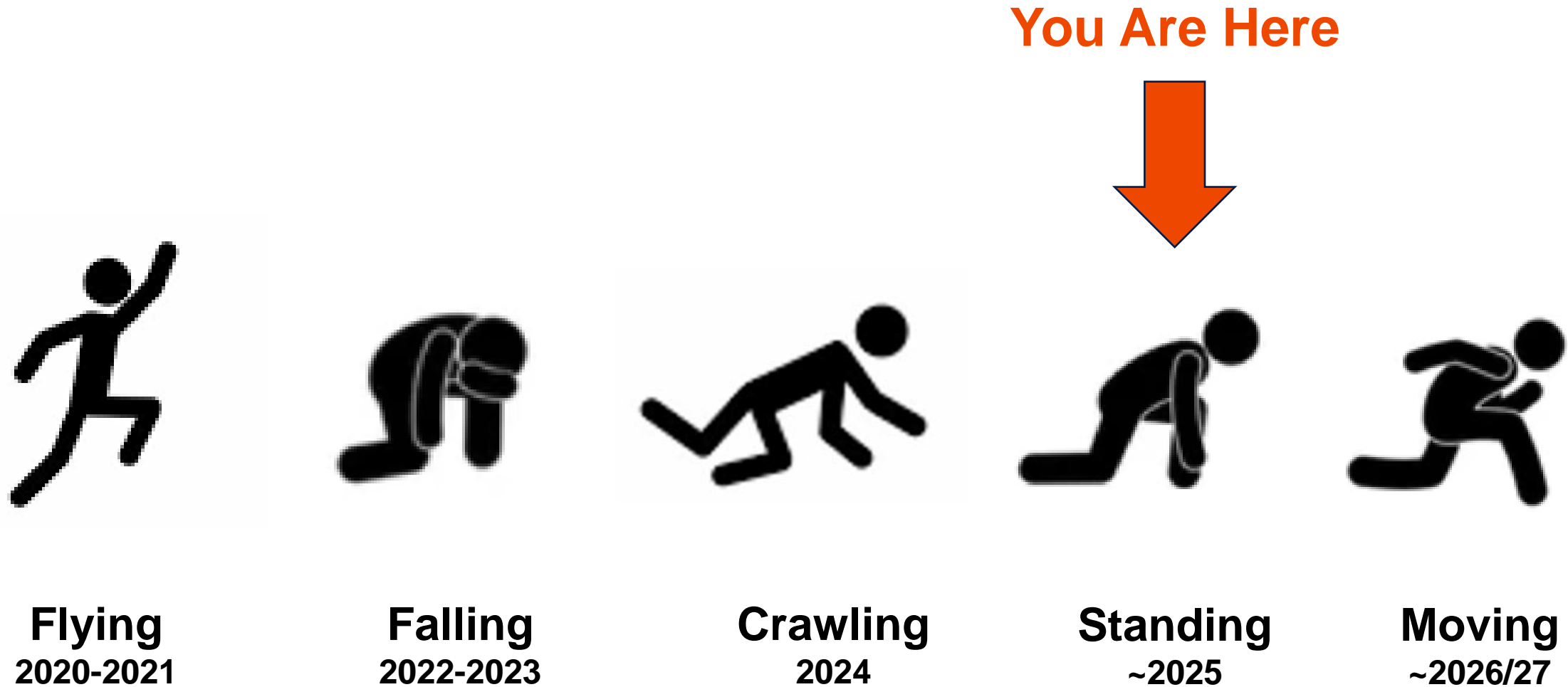




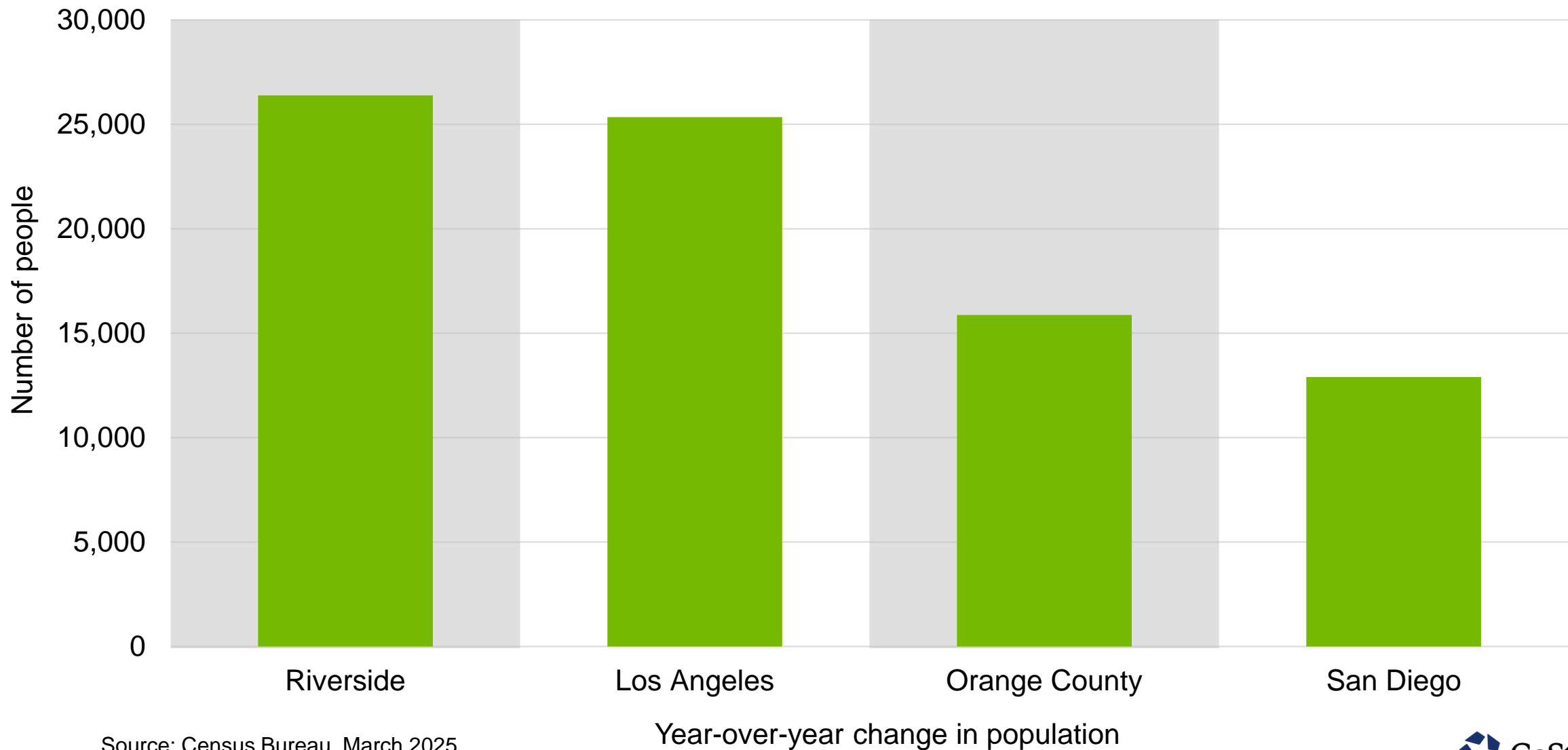
APARTMENTS



The San Diego apartment market road to recovery

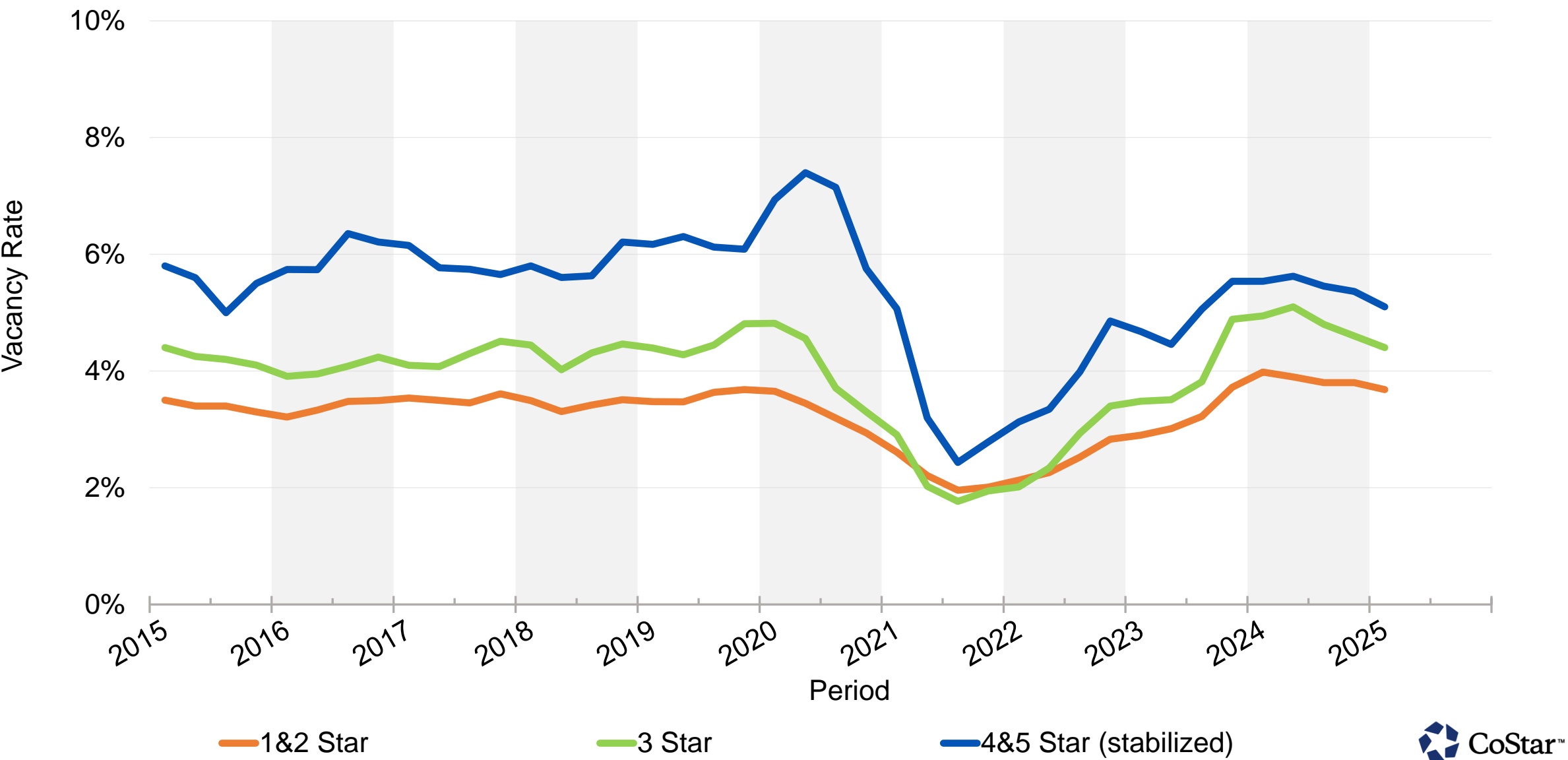


San Diego population growth lags other SoCal counties



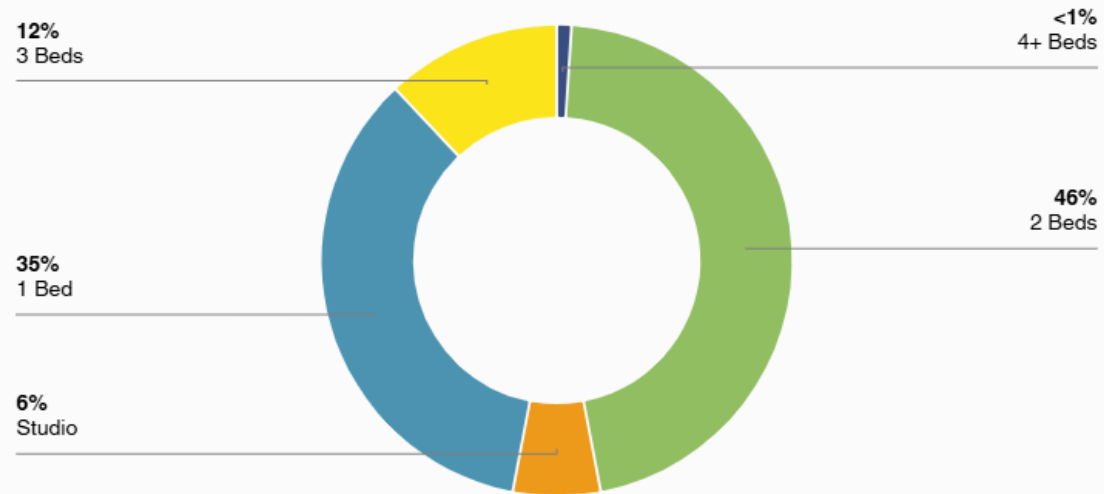
Source: Census Bureau, March 2025

Vacancy steadies across all classes

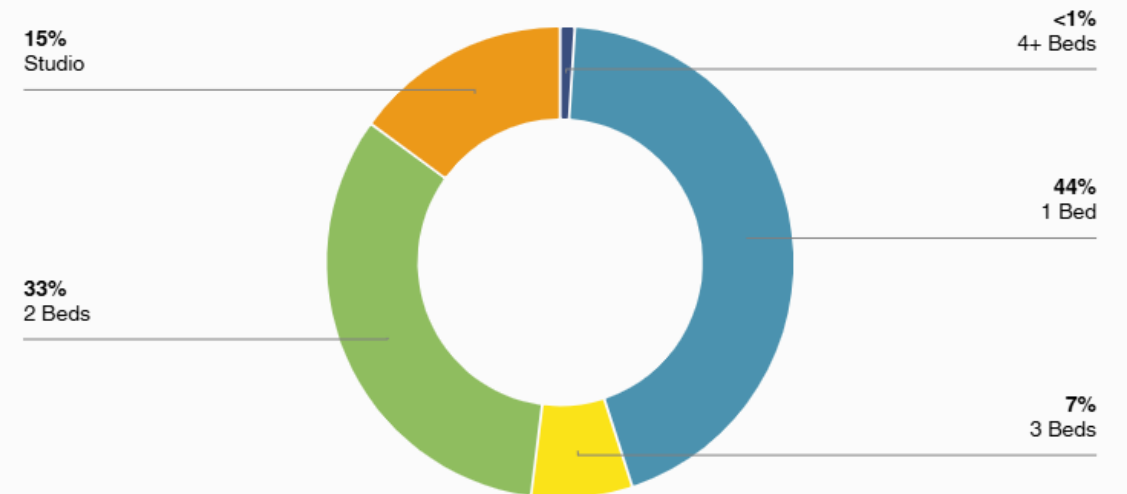


Developers pivot toward smaller units

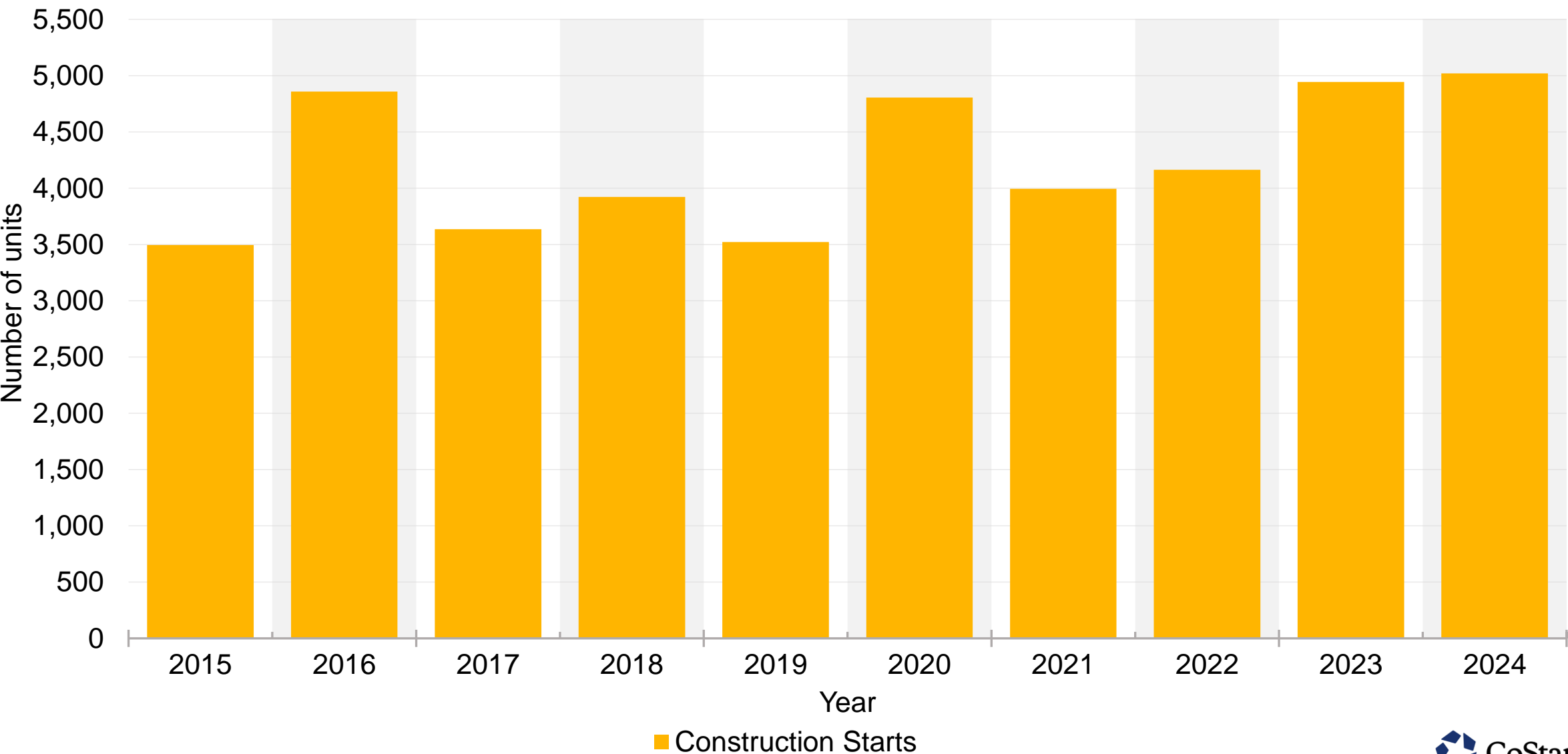
Composition of units built between 2001-2015



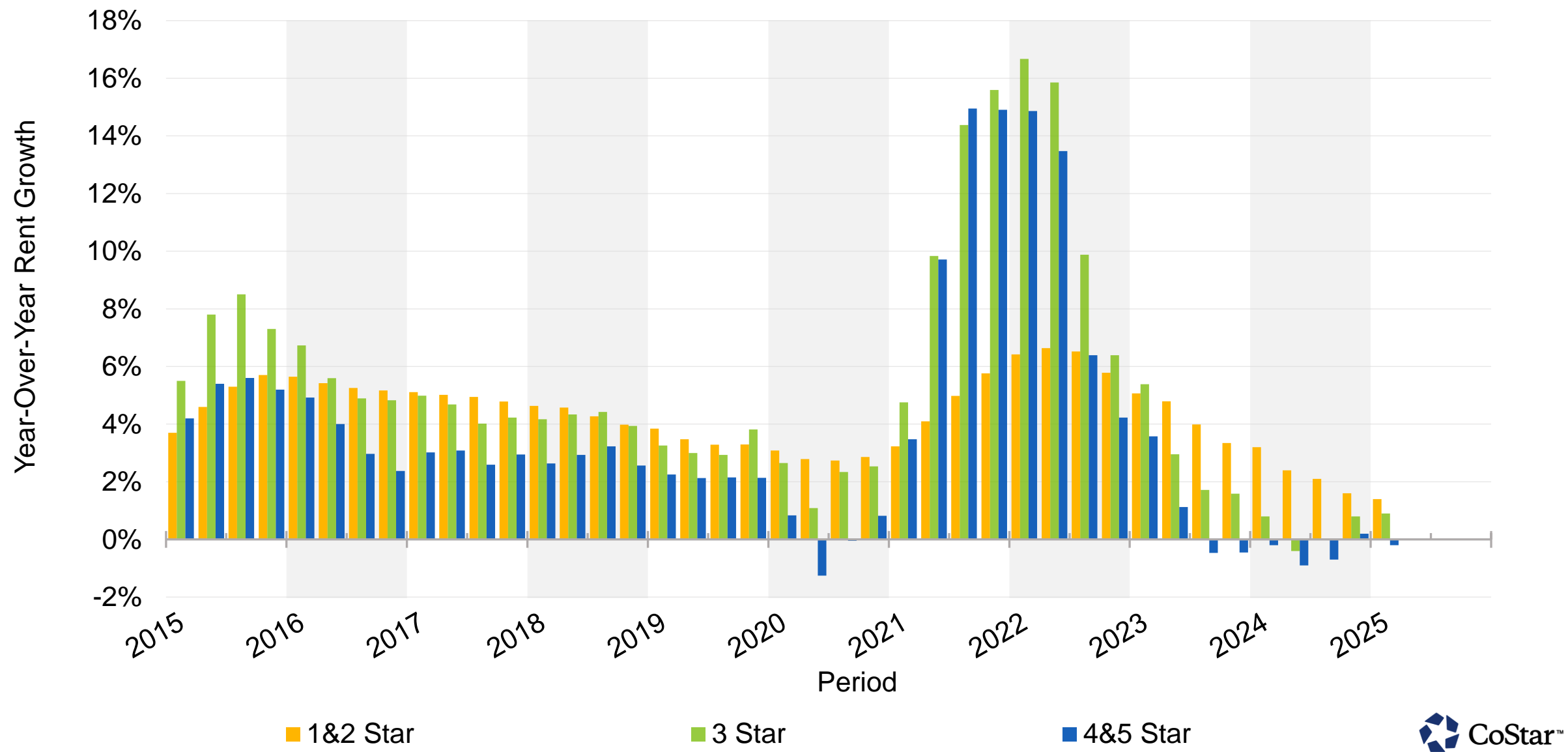
Composition of units built since 2020



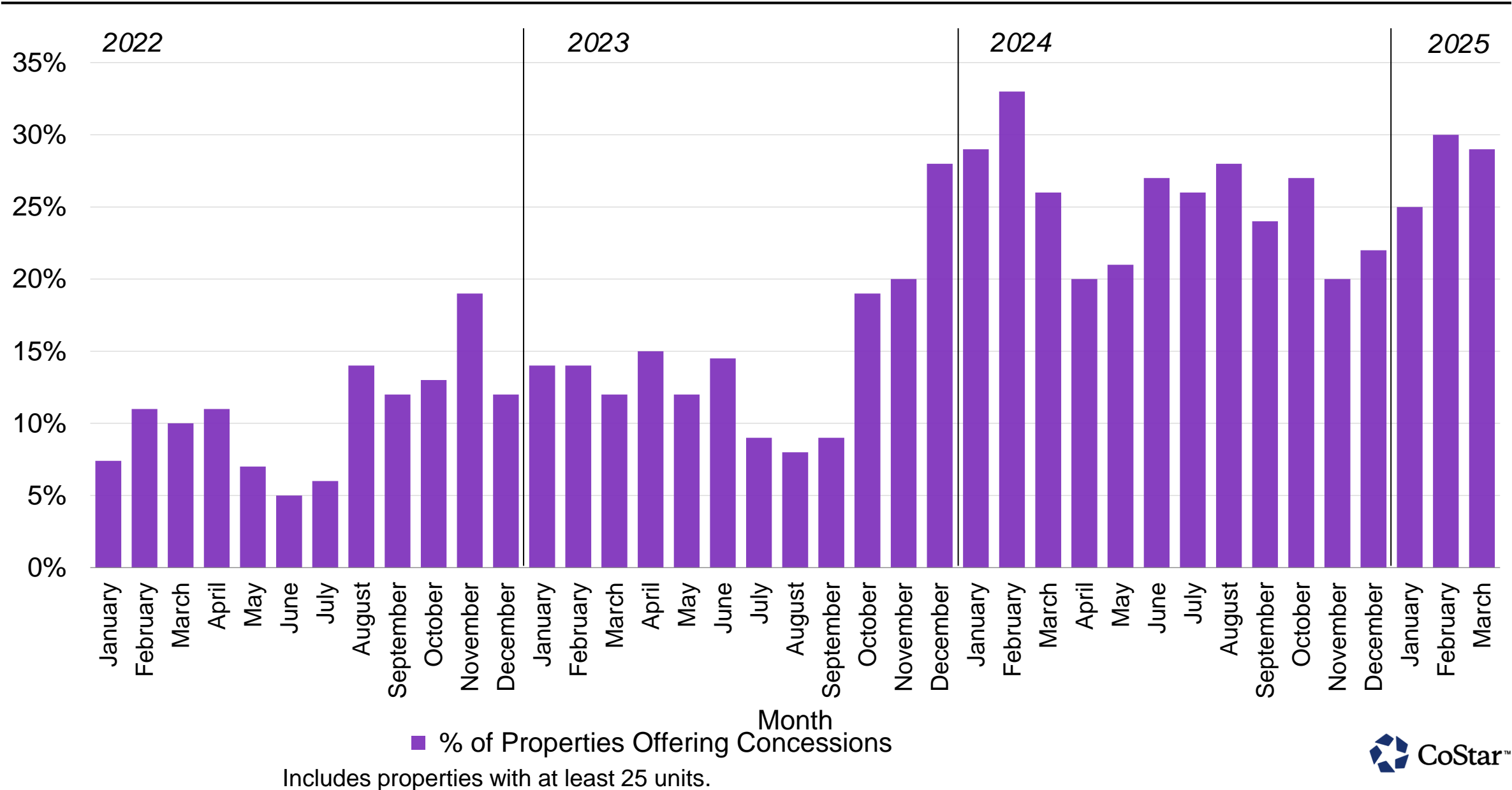
Starts reach 15-year high in 2024



Has rent growth turned the corner? Not yet



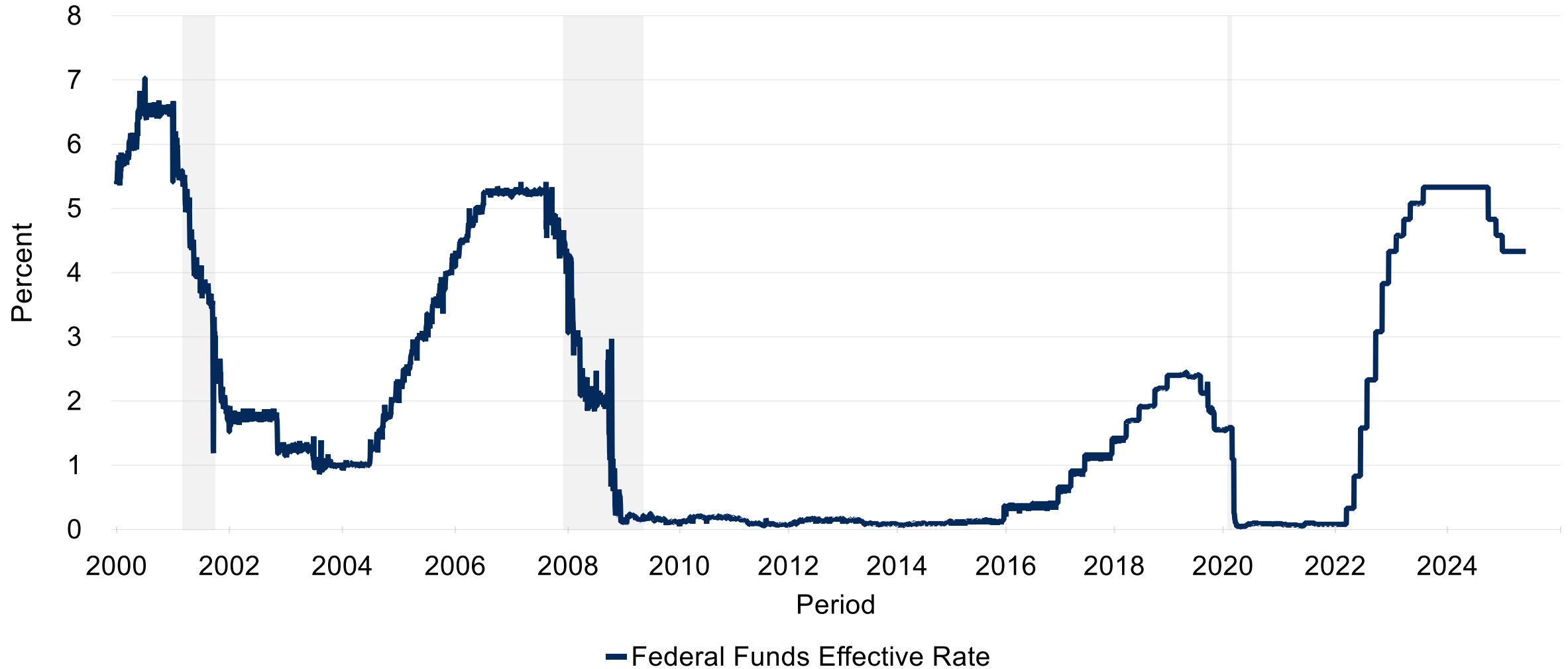
Concessions remain heated...and necessary





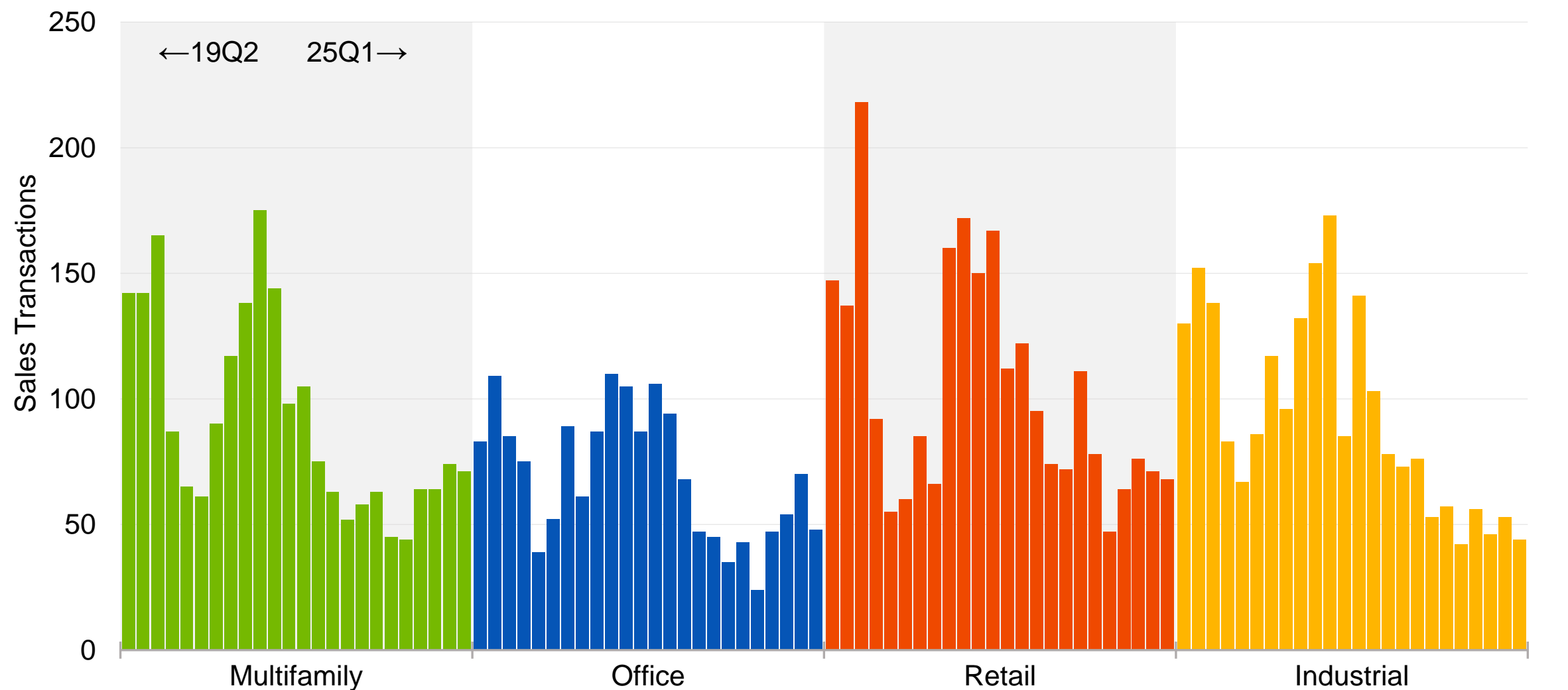
SALES

Where are rates heading?

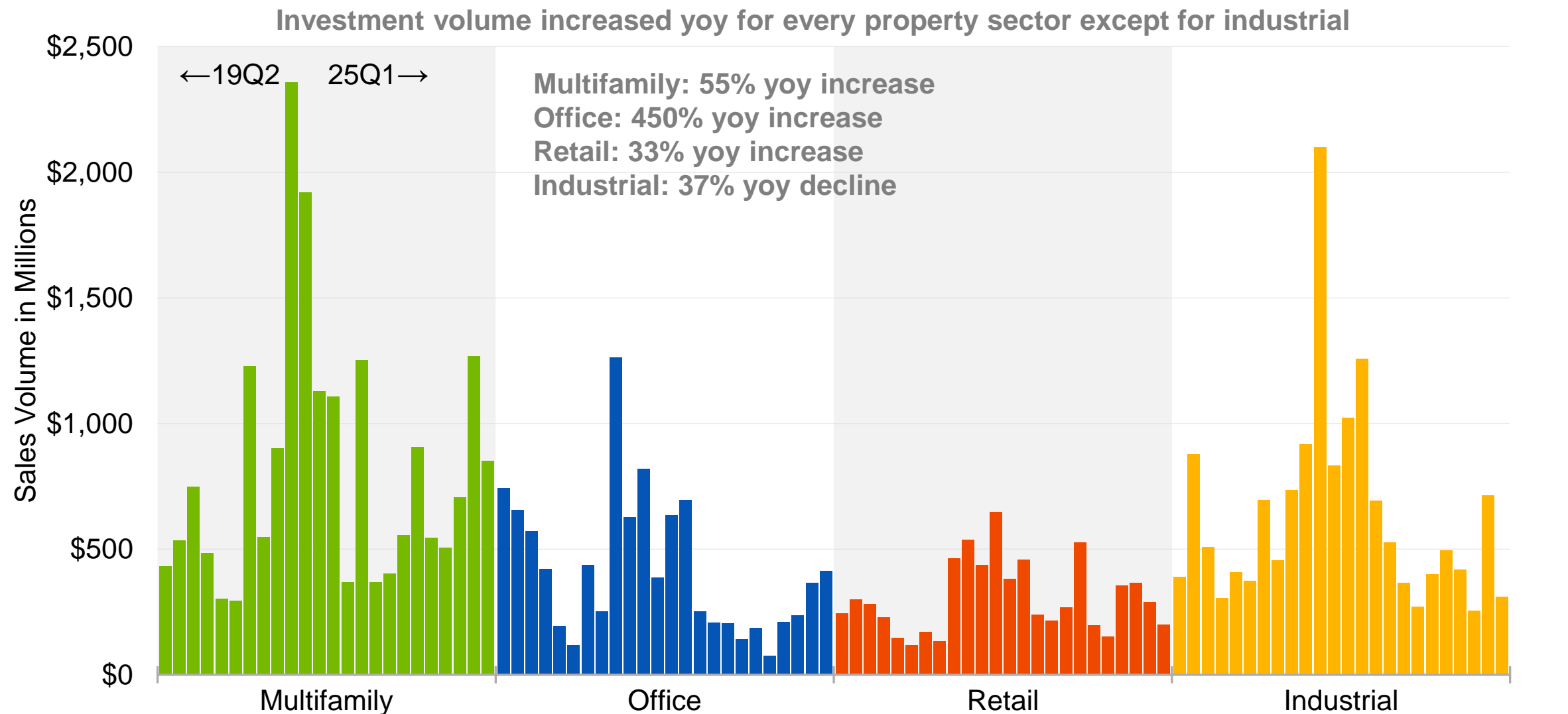


Source: Federal Reserve Bank of New York, 5/20/2025

Sales activity dips across all property types to start 2025



Sales volume mostly rises across San Diego





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FIN

Final Thoughts

- San Diego's office leasing environment is stable, albeit underwhelming. Leasing volume is below historical norms while new space Downtown has started piling up
- More space was added to the retail leasing market during Q1 than any other quarter in five years, yet availability remains historically tight
- Leasing improved among larger occupiers, although tariffs have led to more uncertainty
- Vacancy has stabilized and outpaced new supply for three quarters. Yet concessions have become the norm as landlords prioritize occupancy
- We likely passed the nadir of investment activity. Downtown office towers have been selling, and core apartment assets have been hot

CoStar market sentiment survey – super quick





THANK YOU

Presented by:

Josh Ohl

Sr. Director of Market Analytics, San Diego

johl@costar.com | 858.558.4375

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