Occupier Services San Diego | San Diego County

Tenant Outlook Report | Q4 2025 Office

San Diego Office Market at an Inflection Point: Suburban Strength Offsets Short-Term Softening

Market Overview

- Overall demand in the San Diego office market softened in Q4 2025, with negative net absorption recorded for the quarter and year. Despite near-term headwinds, core suburban submarkets continue to show improving fundamentals, particularly within Class A space.
- Suburban office markets are emerging as a relative bright spot, supported by sustained tenant preference for high-quality, amenitized buildings and proximity to skilled labor pools. This momentum is expected to carry into early 2026.
- Downtown continues to undergo a period of transition as ownership changes, repositioning strategies, and conversion activity reshape the urban core. While near-term vacancy remains elevated, this reset is laying the groundwork for long-term revitalization.
- Limited new office construction remains a defining characteristic of the San Diego market. With just 372,842 SF currently under construction and no additional projects expected to break ground in 2026, constrained supply is expected to support future vacancy improvement as demand stabilizes.
- Capital markets activity rebounded meaningfully in 2025, led by suburban asset pricing and renewed investor interest. This renewed transaction volume underscores growing confidence in well-located, high-performing office assets across the county.
- Tenant decision-making remains deliberate, with many occupiers prioritizing renewals, space efficiency, and flexibility over expansion. This cautious approach has moderated near-term leasing activity but is helping stabilize occupancy in core submarkets as companies refine long-term workplace strategies.

Job Market - Last 12 months

Source: Bureau of Labor Statistics, 12-month change (11/2025-11/2025), San Diego

Total Gained Jobs
+11,800
↑ +0.8%

↓ -2.3%
Professional & Business Services
6,200 Net Lost Jobs

↓ -1.7%
Financial Activities
1,200 Net Lost Jobs

Vacancy Summary

San Diego County Markets, Q4 2025

		Q4 2025	Q3 2025	Change
Vacancy by Space Type	Direct	13.6%	13.1%	↑
	Sublease	0.7%	1.1%	↓
	Total	14.3%	14.2%	↑
Vacancy by Bldg. Class	Class A	17.4%	17.1%	↑
	Class B	13.9%	13.8%	↑

-105,800 SF
Net Absorption
Q4 2025

372,800 SF
Under Construction
Q4 2025

4.6%
Unemployment
SD County - November 2025

14.3%
Total Vacancy Rate
All Classes - Q4 2025

Top VC Deals | Q4 2025

Cidara Therapeutics	$339M
Carlsmed	$100M
iBio, Inc.	$50M
Fabric8Labs	$50M
Firestorm Labs	$47M

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Office Absorption, Vacancy, & Trends

- San Diego County recorded negative net absorption of -105,810 SF in Q4 2025, bringing total annual absorption to -362,002 SF. While demand declined overall, Class A suburban office space posted positive absorption of +50,507 SF during the quarter and +172,404 SF for the year, signaling continued tenant preference for higher-quality space.
- The countywide office vacancy rate increased by 12 basis points (BPS) during Q4 to 14.31%. Vacancy trends varied by class, with Class A vacancy declining on a year-over-year basis, while Class B and Class C vacancies continued to trend upward.
- Class A vacancy has trended downward for more than a year despite modest quarterly increases, reflecting sustained demand for highly amenitized and well-located office buildings. Compared to a year ago, Class A vacancy declined by 56 BPS.
- Class B vacancy reached 13.86% at year-end, increasing 246 BPS since Q4 2022, as tenants continue to gravitate toward newer and more efficient space. Class C vacancy also rose to 8.11%, up 135 BPS since Q1 2024.
- Suburban submarkets recorded a combined +32,246 SF of net absorption in Q4, driven largely by Class A demand. Kearny Mesa, Escondido, and Sorrento Mesa posted the strongest positive absorption, while Downtown, Carlsbad, and Rancho Bernardo experienced the largest declines.
- With only 372,842 SF currently under construction and no new office projects expected to commence in 2026, future supply pressure is expected to remain limited. This constrained development environment should allow demand to gradually catch up, supporting vacancy stabilization over the coming quarters.

• Large Office Tenant Activity

Largest Q4 2025 Office Tenant Leases

Tenant	Size (SF)	Submarket	Location
Novartis	466,598 SF	Campus Point	10210 Campus Point Dr
Orthofix Medical, Inc.	81,711 SF	Carlsbad	5770 Armada Dr
Grifols	74,000 SF	San Diego	10808 Willow Ct
Jones Day	68,710 SF	UTC	4655 Executive Dr
Firestorm Labs	60,000 SF	Miramar	9431 Dody Dr

Largest Q4 2025 Office Building Sales

Address	Size (SF)	Sale Price	Price/SF	Location
600 West Broadway	625,000 SF	$120,000,000	$192/SF	Downtown
501 West Broadway	421,661 SF	$69,000,000	$167/SF	Downtown
650 Camino De La Reina (Amp&Rsand)	343,202 SF	$92,000,000	$268/SF	Mission Valley
5887 Copley Dr	201,562 SF	$30,000,000	$149/SF	Kearny Mesa
5600 Avenida Encinas	181,000 SF	$64,000,000	$354/SF	Carlsbad

Recent OSSD Team Client Successes

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Office Market Overview | Q4 2025

EXISTING PROPERTIES			VACANCY				NET ABSORPTION	
Submarket/ Class	Bldgs	Total Inventory SF	Direct Vacancy Rate	Sublease Vacancy Rate	Total Vacancy Rate	Prior Qtr Vacancy Rate	Net Abs Current Qtr SF	Net Abs YTD SF
DOWNTOWN								
A	23	8,257,265	31.31%	0.46%	31.77%	30.14%	(134,422)	10,274
B	31	2,835,620	23.38%	0.83%	24.20%	24.16%	(1,065)	(3,617)
C	15	444,503	41.19%	0.00%	41.19%	40.61%	(2,569)	(13,999)
Total	**69**	**11,537,388**	**29.74%**	**0.53%**	**30.27%**	**29.08%**	**(138,056)**	**(7,342)**
MISSION VALLEY								
A	15	2,555,020	17.88%	1.18%	19.06%	20.07%	25,769	51,590
B	61	2,886,115	14.12%	0.45%	14.57%	14.92%	10,133	57,278
C	62	1,577,542	7.52%	0.00%	7.52%	7.07%	(6,983)	(12,022)
Total	**138**	**7,018,677**	**14.00%**	**0.61%**	**14.62%**	**15.03%**	**28,919**	**96,846**
KEARNY MESA								
A	18	2,212,045	11.47%	0.00%	11.47%	11.24%	(5,111)	32,453
B	97	4,700,399	9.27%	0.46%	9.72%	10.73%	47,434	24,575
C	93	1,859,421	8.40%	0.65%	9.05%	9.37%	5,840	(61,142)
Total	**208**	**8,771,865**	**9.64%**	**0.38%**	**10.02%**	**10.57%**	**48,163**	**(4,114)**
UTC								
A	28	4,877,098	15.56%	1.56%	17.11%	17.58%	22,660	69,145
B	17	1,222,656	16.62%	1.07%	17.69%	17.51%	(2,114)	(135,295)
C	5	208,204	7.05%	0.00%	7.05%	6.69%	(737)	160
Total	**50**	**6,307,958**	**15.48%**	**1.41%**	**16.89%**	**17.21%**	**19,809**	**(65,990)**
SORRENTO MESA								
A	21	3,667,705	4.46%	1.41%	5.87%	6.79%	33,709	38,250
B	35	2,533,162	13.80%	0.12%	13.92%	14.02%	2,439	(169,976)
C	35	710,697	7.34%	1.01%	8.35%	7.02%	(9,452)	(25,376)
Total	**91**	**6,911,564**	**8.18%**	**0.90%**	**9.08%**	**9.46%**	**26,696**	**(157,102)**
CARMEL VALLEY								
A	42	3,603,256	9.63%	1.30%	10.93%	10.62%	(10,958)	(75,358)
B	23	952,148	13.08%	6.42%	19.51%	20.72%	11,600	(8,351)
C	1	13,914	0.00%	0.00%	0.00%	0.00%	0	4,150
Total	**66**	**4,569,318**	**10.32%**	**2.36%**	**12.68%**	**12.70%**	**642**	**(79,559)**
RANCHO BERNARDO								
A	19	2,301,154	5.51%	0.21%	5.72%	5.80%	1,853	(431)
B	58	3,268,301	16.95%	0.23%	17.18%	16.21%	(31,596)	44,883
C	31	490,210	5.46%	0.00%	5.46%	4.94%	(2,552)	8,842
Total	**108**	**6,059,665**	**11.67%**	**0.21%**	**11.88%**	**11.35%**	**(32,295)**	**53,294**
CARLSBAD								
A	47	2,497,091	14.81%	0.53%	15.33%	15.90%	14,218	46,621
B	115	3,704,124	19.65%	1.72%	21.36%	19.55%	(67,203)	(156,974)
C	37	507,424	11.91%	0.11%	12.02%	11.65%	(1,854)	7,130
Total	**199**	**6,708,639**	**17.26%**	**1.15%**	**18.41%**	**17.59%**	**(54,839)**	**(103,223)**
SAN DIEGO COUNTY OFFICE								
A	294	34,795,207	16.50%	0.86%	17.36%	17.12%	(83,915)	182,678
B	961	33,536,583	13.04%	0.82%	13.86%	13.82%	(14,987)	(389,965)
C	1,131	14,682,976	7.90%	0.21%	8.11%	8.07%	(6,908)	(154,715)
Total	**2,386**	**83,014,766**	**13.58%**	**0.73%**	**14.31%**	**14.19%**	**(105,810)**	**(362,002)**

New Office Supply

High-profile Office & Life Science projects currently proposed, planned or under construction include:

Owner/Project	Size	Submarket
Seaport Village Redevelopment / Protea & 1HWY1 / (Proposed) $3.6B project on 105 acres & 2.7M of office/ mixed-use Port of San Diego Commissioners agreed to extend the term of its negotiating agreement with developer 1HWY1 through Oct. 1, 2027	TBD	Downtown Embarcadero
U.S. Navy Old Town Campus *Formerly NAVWAR & SPAWAR* 70.3-acre redevelopment of Navy's 80-year-old WWII aircraft plant	1,000,000 – 2,000,000 SF TBD	Old Town
SDSU Mission Valley / LPC West Phase 1 Consisting of 315,000 SF Office, Lab and Amenity space *Planned Phases thru 2037 at $3.5 Billion Total Cost*	1,600,000 SF	Mission Valley
Millenia Smart Park / Chestnut Properties 324,000 SF; 420,000 SF; 700,000 SF *1st Phase 168,000 SF Office Building*	1,440,000 SF Office / R&D	Chula Vista
Science Research Park / UCSD – Wexford Partnership Life Science/Technology Redevelopment on UCSD Campus *Construction Planned to Begin in Q3 2024*	1,000,000 – 1,400,000 SF	Torrey Pines UCSD Campus
North City / Sea Breeze Properties / *Proposed*	1,000,000 SF	San Marcos
Makers Quarter / *Portions Under Construction & Planned*	1,000,000 SF	Downtown
OnPoint Tech Center / OnPoint Development / *Proposed*	1,000,000 SF	Sorrento Mesa
Towne Center View / BioMed / *Securing Permits*	1,000,000 SF	UTC
Costa Verde / Regency Centers & Alexandria Joint Venture	700,000 SF	UTC
Pacific Center (Life Science) - Sterling Bay's First Stage Opened Q2 2025 *Corner of Pacific Heights Blvd & Mira Mesa Blvd*	690,000 SF	Sorrento Mesa
Former Salvation Army Property / Kilroy / *Proposed Office*	600,000 SF	Downtown
Santa Fe Summit (HWY 56) / Kilroy *Proposed Office Q4 2024*	600,000 SF	I-56 Corridor
Torrey View / Breakthrough Properties *Life Science Under Construction*	520,000 SF	Torrey Hills
Merge 56 / Sea Breeze Properties	485,000 SF	I-56 Corridor
The Preserve @ Torrey Highlands / Cisterra / *Planned*	420,000 SF	I-56 Corridor
The Row at Civita / Sudberry Properties / *Planned*	420,000 SF	Mission Valley
Genesis Science Center / Phase 3 Real Estate (Life Science) 5530 Morehouse - 330,000 SF BTS	330,000 SF	Sorrento Mesa
WEST / Courthouse Commons / Holland Partners	280,000 SF	Downtown
2045 Pacific HWY in Little Italy / Kilroy / *Planned Office*	275,000 SF	Downtown
The Post / Hammer Ventures *Pt. Loma Post Office - 2535 Midway Drive Planned*	230,000 SF	Point Loma
Pacifica / City Office *Planned to Break Ground in 2022*	180,000 SF	Sorrento Mesa
4930 Directors Place / Healthpeak Properties / Sorrento Therapeutics *Under Construction*	163,000 SF	Sorrento Mesa
UniverCity broke ground on a 168,000 SF office building to be shared with the Chula Vista Public Library occupying 60,000 SF	168,000 SF	Chula Vista
10251 Vista Sorrento Pkwy (Vista Sorrento Labs) ground-up lab conversion	116,000 SF	Sorrento Mesa

Large office projects with major renovations planned and/or underway include:

Project	Size	Submarket
The Campus at Horton (324 Horton Plaza)/ Stockdale (Q4 2025) *Former Horton Plaza plans to develop Two 40-story apartment towers on top of former Macy's Department store for 518 apartments & 12,600 SF of additional retail*	750,000 SF+	Downtown

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$4.9 billion in annual revenue

2 billion square feet under management

23,000+ professionals and staff

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