

SAN DIEGO OFFICE MARKET

Yardi® Matrix

Market Analysis

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All Eyes on New Development



San Diego continues its positive, albeit cautious, **upward trajectory** in its efforts to grow into a tech and biotech hub. Most employment sectors saw significant gains in the last quarters, with the exception of leisure and hospitality. Companies are competing for large, Class A office space, but the entire metropolitan area is still facing a lack of new inventory. **Shrinking vacancy rates**, especially in desirable areas such as the Central Business District (CBD), have been pushing rents higher, forcing smaller tenants such as start-up businesses to look for affordable space in the suburbs.

Construction is underway on 14 properties totaling more than **1.9 million square feet** of space. Almost half of the projects are scheduled for delivery this summer, and we estimate that the supply and demand imbalance will improve in the coming quarters. Another **8 million square feet**, including speculative development, is in preconstruction stages. The upcoming projects are expected to be more spread out across the metro's submarkets including Kearny Mesa and Mission Valley, which have seen little development activity within the last decade.

Torrey Pines and University City continue to be popular among biotech and life-science companies, with vacancies below the metro's overall average of 12.4%. In the North Coast Corridor, where leasing activity has been sluggish, tenant interest is expected to pick up once the Interstate 5 expansion is completed and traffic problems are alleviated.