

SAN DIEGO OFFICE MARKET

Yardi® Matrix

Market Analysis

Second Quarter 2019

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Slow Growth Situation



San Diego's office market continued to perform well to start the year, but construction lags and a downshift in deliveries might tighten up the market even further. Investors continued to target San Diego's office stock during the year's first quarter, with \$297 million in confirmed deals being recorded.

The military, education and healthcare sectors remain the metro's main economic drivers, but Apple's plans to open a new office and hire more than 1,200 tech employees are expected to boost office-using employment, which has seen a downshift in growth of late. At 3.5% in February, unemployment in San Diego has slightly increased but remains below the state average. There were 23,500 jobs added in the metro in the 12 months ending in February. The professional and business services sector continued to lead gains, though the growth rate has been more tepid to start the year. The other two office-using employment sectors are still losing jobs, with financial activities down 700 jobs and information down 300.

The city's new supply remains limited, with 832,000 square feet delivered in 2018 and roughly 600,000 square feet expected to come online this year. Approximately 2.2 million square feet was under construction as of April 1. San Diego is also one of the markets with the least amount of office projects in place or underway in opportunity zones. With average office asking rents in these areas close to the metro's overall average, activity is expected in the market moving forward.