

# Yardi® Matrix

## OFFICE MARKET REPORT

# San Diego Investment Powers Ahead

Winter 2020

**Vacancy Rate  
Tightens**

**Construction Activity  
Moderates**

**Investment Stays  
Promising**

# SAN DIEGO OFFICE MARKET

Yardi® Matrix

## Vacancy Levels Decline

San Diego's office market fundamentals remained constant through the end of 2019. The total sales volume neared \$1.9 billion last year, surpassing 2018's number by roughly \$60 million. While most buyers were local and regional institutional investors, the metro also attracted out-of-state capital, particularly from companies based on the East Coast. Office and lab space in the University City, Kearny Mesa and Sorrento Valley submarkets comprised the bulk of transactions.

Office-using employment was strong throughout 2019, with the unemployment rate remaining at record lows. The professional and business services sector added 8,200 jobs year-over-year through November. Despite contracting by 200 jobs, the metro's information sector remains one of the best in the nation.

The office vacancy rate shrank to 11.5% as of December, making the competition for premier office space even tighter. The availability of modern assets featuring lab spaces remains one of San Diego's challenges, especially since more than half of the office inventory consists of Class B assets. Construction activity was moderate throughout 2019, with only 510,000 square feet delivered, the lowest total in the past five years. Projections remain positive as almost 1.3 million square feet was underway at the end of 2019, while nearly 10 million square feet was in the planning and permitting stages.

## Market Analysis

First Quarter 2020

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