

SAN DIEGO OFFICE MARKET

Yardi® Matrix

Market Analysis

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San Diego Plays to Its Strengths



San Diego's office sector is **poised for significant growth**. The city has been consolidating its status as a life science and biotech hub around the University of California, San Diego as well as research institutions such as Scripps and the Salk Institute for Biological Studies. Demand is fueled by established employers and startups alike, with several **companies expanding their presence** in the metro, including Vertex, Takeda, Eli Lilly and Novartis.

Jobs continue to be added in key sectors such as education and health services, professional and business services, and government. **Professional and business services led gains**, with the addition of 13,000 jobs, which has boosted demand for office space. Financial activities, on the other hand, lost 200 positions. The employment growth rate is expected to slow down during the coming quarters as Qualcomm continues the layoffs—of more than 1,200 people—announced in April. On the other hand, the Millennial cohort has been growing at twice the national rate, a demographic trend that's set to yield further benefits for the market's employment.

The metro's tight office inventory drove vacancy down to **12.5%**, but the upcoming projects are expected to increase the rate. More than **2 million square feet was under construction** as of September, accounting for 2.8% of the total office stock. The bulk of construction activity is clustered in and around the market's core. The largest project underway as of September was the 1.3 million-square-foot Manchester Pacific Gateway mixed-use development.