SAN DIEGO OFFICE MARKET

Yardi[®] Matrix

Market Analysis

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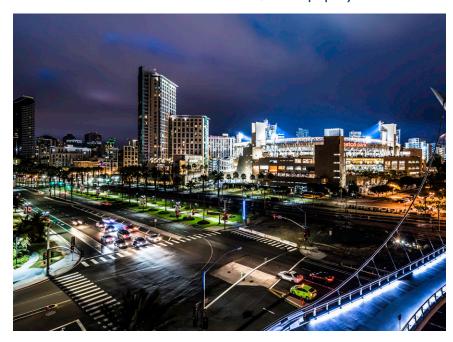
Aggregated and anonymized expense and lease expiration data is available to Yardi Matrix subscribers. Please contact us for details!

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Transactions Climb, Supply Fades



The San Diego market remains a hotbed for office investment, bolstered by higher acquisition yields than in other coastal markets, as well as the market's own strong overall performance. Deal flow intensified over the summer, with total sales volume reaching \$1.5 billion year-to-date through August. By the end of the year, transactions are expected to surpass last year's total investment volume of \$1.8 billion. Roughly 3.8 million square feet traded in the metro in the first eight months of the year, at an average price of \$408 per square foot.

San Diego's employment growth has moderated, while construction activity has also shifted down a gear, pointing to a step back in the market. However, with 8,400 jobs added to the professional and business services sector in the 12 months ending in July, the officeusing sector has maintained solid growth—despite having lost 700 positions in the financial activities sector and 300 information jobs during that interval. Apple, for instance, announced plans to hire more than 1,200 people in tech positions in the spring, but by August fewer than 100 new jobs had been filled.

The market's office vacancy rate decreased to 12% as of August and is expected to head for a new low in the coming quarters. The city's new supply remains limited, with 473,000 square feet slated for delivery by year's end, less than what was projected at the beginning of the year and a five-year low, as well. Approximately 1.3 million square feet was under construction as of August.