

SAN DIEGO OFFICE MARKET

Yardi® Matrix

Market Analysis

Third Quarter 2019

Contacts

Jeff Adler

Vice President & General
Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(800) 866-1124 x2403

Jack Kern

Director of Research and
Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Chris Nebenzahl

Senior Analyst
Chris.Nebenzahl@Yardi.com
(800) 866-1124 x2200

Veronica Grecu

Senior Real Estate Market Analyst
Veronica.Grecu@Yardi.com
(306) 955-1855 x7583

Author

Roxana Baiceanu

Associate Editor
Roxana.Baiceanu@Yardi.com

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

For more information please contact:

Ron Brock, Jr.

Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

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 office-using 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.