

Occupier's Guide

In the second quarter of 2020, San Diego's office market vacancy rate hit its highest point in nearly three years. Leasing volume during the second quarter recorded its lowest stretch since the peak of the Great Recession. As workers have transitioned to working from home, leasing momentum has slowed down leading to vacancy rates potentially exceeding 11%. Rental rates are back to where they were at the end of 2019. While rates are still above the long-term average, rents are showing signs of slowing down due to lack of demand.

San Diego had the most amount of space under construction at the end of the second quarter as it has had in the last decade. Because of the coronavirus outbreak, this could expose the market to more vacant office space or buildings left in stages of incomplete construction which happened during the Great Recession.

The resulting immediate and long-term effects of COVID-19 on the office market is still unknown. As businesses slowly navigate the process of reopening with the new social distancing protocols in place, we have created a [Roadmap to Recovery](#) to help with this transition.



Vacancy
10.2%



Average Rent
\$2.89/SF



Net Absorption
322,983 SF

Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	YoY Change
\$3.00	Downtown 18.5%	▲ 3.2%
\$3.77	UTC 7.0%	▲ 3.4%
\$2.71	Mission Valley 10.3%	▲ 3.9%
\$3.07	Sorrento Mesa 11.6%	▲ 3.6%
\$4.27	Del Mar Heights/Carmel Valley 13.2%	▼ 5.1%
\$2.86	Carlsbad 15.1%	▲ 3.7%

Recent Transactions

Tenant	Size SF	Submarket	Type
1 Fate Therapeutics	198,880	Scripps Ranch	Lease
2 Apple	196,734	Rancho Bernardo	Lease
3 Cooley LLP	74,000	Torrey Pines	Lease
4 Intuit	48,835	Rancho Bernardo	Lease
5 Development Inc.	46,823	Carlsbad	Lease

Occupier's Perspective



Pricing power will likely be restrained as buyers and lenders take caution during this new economic period



The vacancy rate reached its highest point this quarter in nearly three years.

Market Trends



Horton Plaza's redevelopment started this quarter with the first phase expected to be ready in 2021, after securing a construction loan for more than \$300 million after the Macy's lawsuit against Stockdale is secured.

Life science submarkets have been the least affected due to the firms, universities and research labs actively working on testing kits and a vaccine for the coronavirus.

Month-over-month employment gains are a sign that San Diego may begin recovering to a degree despite employment fell by 195,800 jobs in the past 12 months. This may be partially due to the PPP loans and their employment requirements for forgiveness.