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3RD QUARTER 2025 REAL ESTATE MARKET UPDATE

SOLD

2811 NIMITIZ BLVD

SAN DIEGO

- Tim Represented Buyer
- Buyer Replaced Rent for Loan Payments

LEE & ASSOCIATES

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SAN DIEGO COUNTY MARKET DATA SNAPSHOT

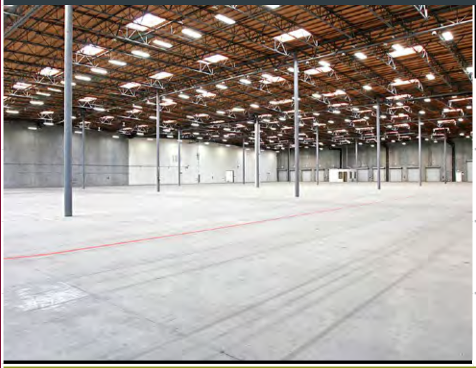
RETAIL

MARKET INDICATORS	Q3 2023	Q3 2024	Q3 2025
12 Mo. Net Absorption SF	(37,136)	(4,486)	(546,852)
Availability Rate	4.4%	4.5%	5.3%
Avg NNN Asking Rate PSF	$2.88	$2.97	$3.00
Price/SF	$389	$391	$391

OFFICE

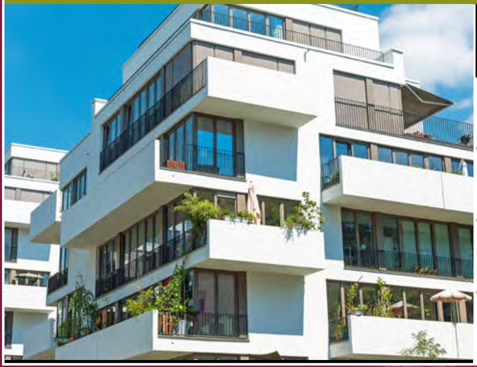
MARKET INDICATORS	Q3 2023	Q3 2024	Q3 2025
12 Mo. Net Absorption SF	(533,437)	(345,855)	(659,328)
Availability Rate	15.9%	16.2%	16.2%
Avg Asking Rate PSF	$3.23	$3.27	$3.28
Price/SF	$311	$299	$281

INDUSTRIAL / FLEX



MARKET INDICATORS	Q3 2023	Q3 2024	Q3 2025
12 Mo. Net Absorption SF	(1,747,728)	(1,770,565)	(2,193,843)
Availability Rate	9.1%	10.4%	12.4%
Avg NNN Asking Rate PSF	$1.84	$1.88	$1.86
Price/SF	$326	$326	$327

MULTIFAMILY



MARKET INDICATORS	Q3 2023	Q3 2024	Q3 2025
Vacancy Rate	4.3%	5.3%	5.4%
Asking Rent/Unit ($)	$2,510	$2,524	$2,532
Inventory Units	$277,096	$282,126	$286,689
Price/Unit	$398,000	$393,000	$403,000

SAN DIEGO KEY TAKEAWAYS

RETAIL:

- Availability has edged higher, and 12-month absorption is negative, while asking rents are basically flat with a slight uptick.
- Demand has softened, tenants are giving back more space, but landlords aren't cutting rates meaningfully, which suggests the market isn't distressed, just slower.
- Well-located, grocery-anchored and experiential centers should continue to outperform; weaker centers will need concessions or creative re-leasing to stay full.

OFFICE:

- Availability is high and stable, 12-month absorption is clearly negative, rents are flat, and sale pricing has slipped.
- Companies are still rightsizing, and the "flight to quality" is real—trophy and newly renovated buildings will outperform the market.
- Conditions remain tenant-friendly outside top assets; limited new construction prevents a worse oversupply, but rent growth will be muted.

INDUSTRIAL:

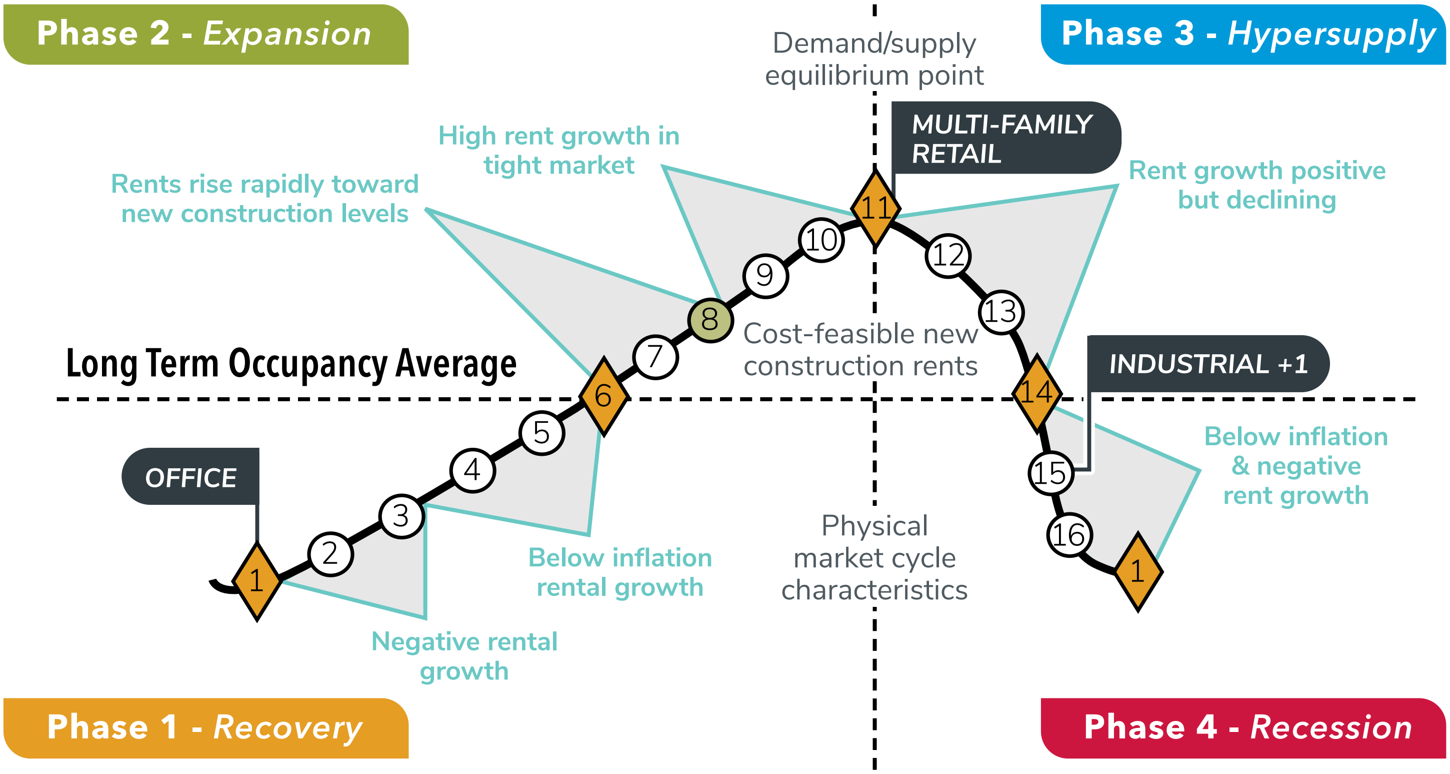
- Availability rose notably, and trailing absorption is still negative (though improving), with rents essentially flat.
- The market is digesting the pandemic-era build-out; some tenants are shedding space or delaying expansions.
- Landlords may prioritize occupancy over rent gains in the near term.
- Stabilization depends on clearing existing vacancies; once the pipeline eases and demand normalizes, rents should firm before they rise.

MULTIFAMILY:

- Vacancy nudged up but remained healthy; rents are flat to slightly positive; inventory increased with new deliveries; sale pricing ticked higher.
- New supply is being absorbed without major stress. Demand is steady.

Sources: Costar and Lee & Associates research

SAN DIEGO MARKET CYCLE ANALYSIS



This research currently monitors five property types in 54 major markets. We gather data from numerous sources to evaluate and forecast market movements. The market cycle model we developed looks at the interaction of supply and demand to estimate future vacancy and rental rates. Our individual market models are combined to create a national average model for all U.S. markets. This model examines the current cycle locations for each property type and can be used for asset allocation and acquisition decisions.

Sources: Glenn R. Mueller, Ph.D Professor | Denver University | www.du.edu/burns | glenn.mueller@du.edu

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