

# MARKET TRENDS | SAN DIEGO

# INDUSTRIAL

## MARKET DRIVERS

**THE** average asking rental rate soared to an all-time high in the first quarter, a strong indicator of the highly competitive nature of the San Diego industrial market, even amidst the pandemic. Logistics inventory has been a main driver of rent growth, with rents growing 6% year-over-year.

**DEMAND** in the market remained strong in the first quarter. Amazon continues to be one of the most active companies in the market, taking over 4M SF of space since 2019 across the county for both distribution and last-mile facilities.

**INVESTORS** remain bullish, focusing on the region's life science campuses and logistics inventory. Many owner/user sales are experiencing record high prices of \$275-\$300/ft for smaller buildings. Prices are increasing as land is scarce in San Diego and with the strong market fundamentals and dynamics, there are no signs of activity slowing down.

## ECONOMIC OVERVIEW

**SAN DIEGO'S** reputation as a top life science and tech market is firmly established, and also includes increased traction of logistics demand throughout the county. These two leading sectors will help the industrial market remain steady in an unstable economic environment during the pandemic.

**THE** San Diego County unemployment rate in February dropped eight basis points to 7.2% month-over-month. This compares with an unadjusted unemployment rate of 8.4% for California and 6.6% for the nation.

## NEAR TERM OUTLOOK

**VACANCIES** may increase slightly due to the new supply in 2021 but there will continue to be robust demand. Buildings in the 50K-100K SF range will see a large share of the activity in the next quarters, as many of the larger blocks of spaces were leased last year.

**AS** land prices are posting at record highs in the nearby Los Angeles market, investors and owners may see opportunity for lower priced investments in the highly dynamic San Diego market.

SOURCE: COSTAR, EDD, SD BUSINESS JOURNAL

## Market Summary

	1Q 2021	4Q 2020	1Q 2020	Annual Change
Vacancy Rate	5.3%	5.4%	5.6%	-5.36%
Availability Rate	7.3%	7.0%	7.8%	-6.41%
Asking Lease Rate	\$1.23	\$1.20	\$1.15	6.96%
Lease Transactions	2,963,500	3,378,411	2,491,800	18.93%
Sale Transactions	1,976,342	2,672,653	1,531,263	29.07%
Net Absorption (SF)	524,699	820,183	(68,591)	N/A

▲ 2.96M

LEASING ACTIVITY

▲ 524K

NET ABSORPTION (SF)

▼ 5.3%

VACANCY RATE

▲ \$1.23

AVERAGE ASKING RENT

▲ 537K

NEW DELIVERIES (SF)

YEAR-OVER-YEAR CHANGE

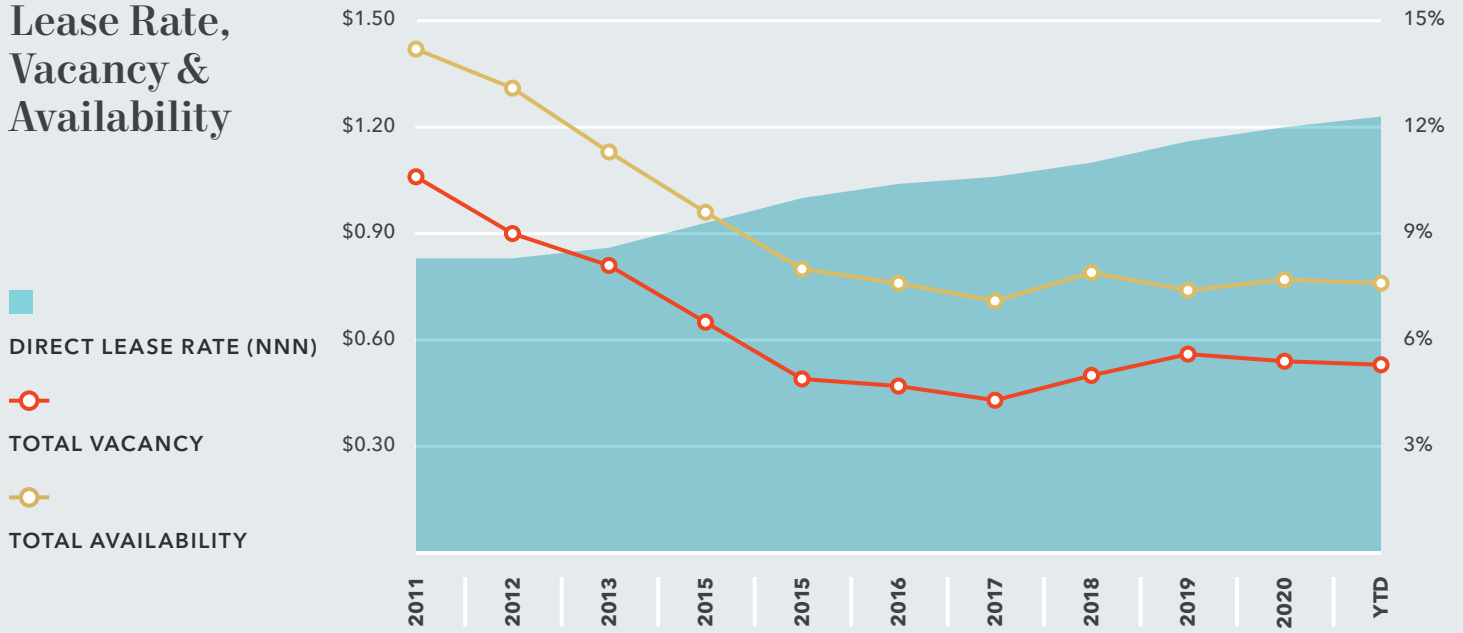
## Market Highlights

**RENTAL RATES** reached a record high of \$1.23/SF NNN

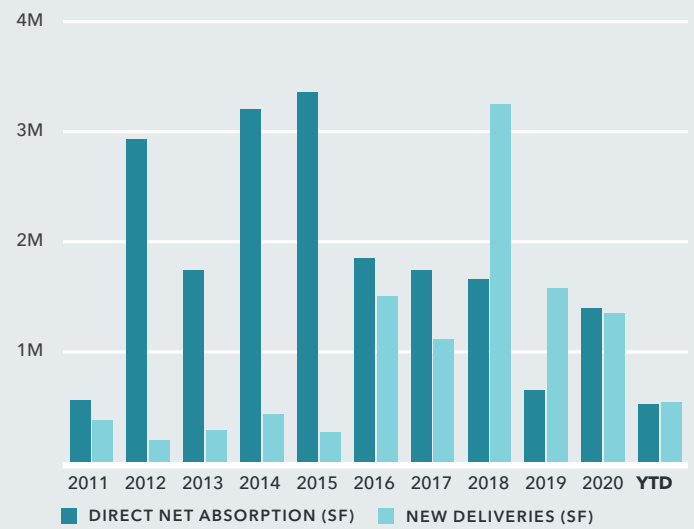
**SALES TRANSACTION** volume increased year-over-year to 2M SF

**VACANCY RATES** fell 30 basis points year-over-year to 5.3%

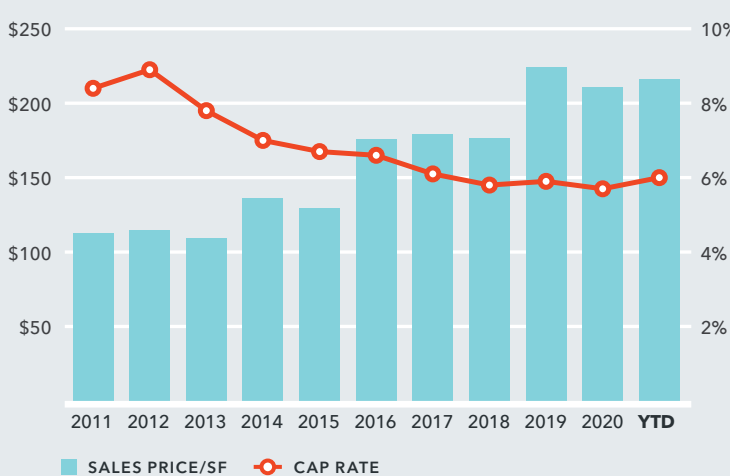
# Lease Rate, Vacancy & Availability



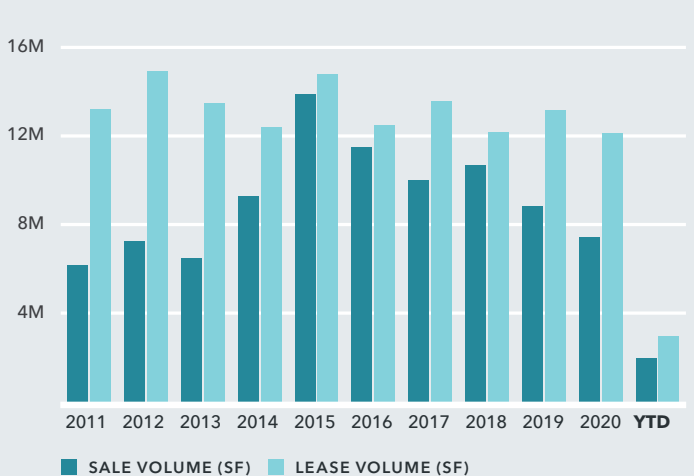
# Net Absorption & New Deliveries



# Average Sales Price/SF & Cap Rate



# Sale Volume & Lease Volume



## SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	1Q21 Direct Net Absorption	2020 Direct Net Absorption	1Q Leasing Activity	2020 Leasing Activity	SF Under Construction	YTD Construction Completions	Avg. Rental Rate (NNN)
Carlsbad	15,691,905	9.1%	9.3%	283,506	240,401	528,017	940,112	0	0	\$1.23
Escondido	7,568,626	2.6%	2.9%	4,149	13,908	99,446	286,281	0	0	\$1.08
North Beach Cities	347,865	0.7%	0.7%	(400)	3,531	0	25,159	0	0	-
Oceanside	10,236,285	2.6%	3.0%	(66,051)	119,573	103,240	459,836	0	0	\$0.92
San Marcos	8,853,875	8.7%	8.8%	35,881	(78,116)	202,875	608,636	0	0	\$0.88
Vista	14,136,005	7.9%	8.5%	79,236	(182,462)	110,065	1,002,028	0	0	\$0.96
<b>North County</b>	<b>56,834,561</b>	<b>6.6%</b>	<b>7.0%</b>	<b>336,321</b>	<b>116,835</b>	<b>1,043,643</b>	<b>3,322,052</b>	<b>0</b>	<b>0</b>	<b>\$1.02</b>
Kearny Mesa	15,500,900	4.7%	5.1%	12,472	(173,434)	164,318	518,517	0	0	\$1.52
Mira Mesa/ Miramar	17,658,352	3.8%	3.9%	(58,790)	28,690	257,858	1,174,891	0	0	\$1.31
PB/Rose Canyon/ Morena	2,750,294	2.2%	2.2%	30,831	(48,404)	34,982	201,432	0	0	\$1.14
Sorrento Mesa	10,380,113	5.8%	5.9%	40,341	199,423	63,937	1,184,427	0	0	\$2.12
Sorrento Valley	3,410,259	10.1%	10.4%	(9,409)	(74,173)	99,916	264,043	0	0	\$2.03
Sports Arena/ Airport	2,884,264	3.7%	3.7%	(16,360)	11,010	12,700	75,375	0	0	\$1.25
Torrey Pines	3,847,854	4.1%	4.5%	85,817	(52,078)	142,976	514,716	117,710	0	\$2.50
UTC	2,618,405	5.5%	5.5%	5,742	53,220	17,423	85,248	0	98,000	\$2.20
<b>Central County</b>	<b>59,050,441</b>	<b>4.7%</b>	<b>5.0%</b>	<b>90,644</b>	<b>(55,746)</b>	<b>794,110</b>	<b>4,018,649</b>	<b>117,710</b>	<b>98,000</b>	<b>\$1.21</b>
Mission Gorge	1,894,984	1.9%	2.1%	68,484	(65,990)	8,859	102,137	0	0	\$1.61
Poway	9,707,497	0.7%	1.0%	9,533	624,515	52,329	731,593	0	0	\$1.13
Rancho Bernardo	8,001,695	4.8%	5.7%	(46,636)	340,355	200,803	300,691	0	0	\$1.63
Scripps Ranch	1,471,186	2.3%	2.5%	1,866	57,454	38,898	136,261	0	0	\$1.27
<b>I-15 Corridor</b>	<b>21,075,362</b>	<b>2.5%</b>	<b>3.0%</b>	<b>33,247</b>	<b>956,334</b>	<b>300,889</b>	<b>1,270,682</b>	<b>0</b>	<b>0</b>	<b>\$1.37</b>
Chula Vista	9,980,361	7.2%	7.3%	35,465	(272,343)	121,496	396,209	66,860	163,000	\$0.97
Downtown	1,694,914	1.4%	1.4%	0	19,962	0	0	0	0	-
National City	3,745,716	2.5%	2.7%	(74,538)	(146)	14,377	80,974	0	0	\$1.11
Otay Mesa	16,637,842	5.4%	6.2%	230,811	331,006	494,526	1,110,139	5,237,898	227,268	\$0.79
San Ysidro/ Imp Beach	1,338,893	2.3%	2.3%	(29,790)	14,710	4,870	58,332	0	0	\$0.75
<b>South County</b>	<b>33,397,726</b>	<b>5.3%</b>	<b>5.7%</b>	<b>161,948</b>	<b>93,189</b>	<b>635,269</b>	<b>1,645,654</b>	<b>5,304,758</b>	<b>390,268</b>	<b>\$0.84</b>
East City	913,309	0.0%	0.0%	0	0	0	0	0	0	-
El Cajon	9,744,899	3.4%	3.9%	9,570	(163,020)	14,956	317,249	0	0	\$1.05
La Mesa/ Spring Valley	2,491,560	2.5%	2.5%	(5,929)	158,715	11,107	211,410	0	0	\$0.88
Santee	4,098,787	4.8%	4.8%	(93,259)	74,616	26,297	176,111	31,948	48,792	\$1.07
Southeast San Diego	4,070,133	1.5%	1.7%	(7,793)	58,135	122,929	110,862	0	0	\$1.06
<b>East County</b>	<b>21,318,688</b>	<b>3.1%</b>	<b>3.3%</b>	<b>(97,411)</b>	<b>128,446</b>	<b>175,289</b>	<b>815,632</b>	<b>31,948</b>	<b>48,792</b>	<b>\$0.99</b>
Outlying SD County North	990,518	0.8%	0.8%	(50)	5,466	5,000	10,080	0	0	-
Outlying SD County South	801,777	2.1%	2.1%	0	(19,520)	9,300	6,110	0	0	-
<b>Outlying East SD Cty</b>	<b>1,792,295</b>	<b>1.4%</b>	<b>1.4%</b>	<b>(50)</b>	<b>(14,054)</b>	<b>14,300</b>	<b>16,190</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>San Diego County Total</b>	<b>193,469,073</b>	<b>4.9%</b>	<b>5.3%</b>	<b>524,699</b>	<b>1,225,004</b>	<b>2,963,500</b>	<b>11,088,859</b>	<b>5,454,416</b>	<b>537,060</b>	<b>\$1.23</b>

## TOP SALE TRANSACTIONS FOR 1Q 2021

Property	Submarket	Buyer	Seller	Sale Price	\$/SF	SF
Three Piper Ranch	Otay Mesa	KKR & Co.	Zurich Alternative Asset Mgmt	\$57,750,000	\$173.20	333,436
Rancho Bernardo Vista	Rancho Bernardo	SENTRE, Inc.	The Greystone Group	\$50,000,000	\$353.31	141,518
1 Viper Way	Vista	RAF Pacifica Group, Inc.	Stockbridge Capital Group, LLC	\$26,100,000	\$128.67	202,844
2285 Rutherford Rd	Carlsbad	Alexandria Real Estate Equities, Inc.	Link Logistics Real Estate	\$25,750,000	\$200.01	128,745
3209 Lionshead Ave	Carlsbad	EverWest Real Estate Investors, LLC	Graymark Capital	\$25,250,000	\$337.68	74,774

## TOP LEASE TRANSACTIONS FOR 1Q 2021

Property	Submarket	Landlord	Tenant	Sign Date	SF
2311 Boswell Rd	Chula Vista	EastGroup Properties	E-Commerce Tenant	March 2021	191,150
2285 Rutherford Rd	Carlsbad	Alexandria Real Estate Equities	Quidel Corporation	January 2021	128,745
505 S Pacific St	San Marcos	Stos Partners	Stone Brewing Co.	January 2021	113,500
Pacific Vista Commerce Center	Carlsbad	Ryan Companies	OnTrac	January 2021	103,984
Canyon Ridge Technology Park	Mira Mesa/Miramar	The Irvine Company	Mesa Biotech/Thermo Fisher Scientific	March 2021	97,162

## TOP UNDER CONSTRUCTION

Property	Address	Submarket	Owner	Delivery Date	SF
11 Otay Mesa Rd - Amazon	11 Otay Mesa Rd	Otay Mesa	Amazon	June 2021	3,300,000
Landmark at Otay	100-400 Landmark Rd	Otay Mesa	Majestic Realty Company	August 2021	845,830
California Crossings	Otay Mesa Rd & Harvest Rd	Otay Mesa	Sudberry Properties, Inc.	July 2021	453,330
Brown Field Technology Park	Otay Mesa Rd	Otay Mesa	Murphy Development Company	May 2021	314,059
Majestic Sunroad Center	Saint Andrews Ave	Otay Mesa	Majestic Realty Company	January 2021	227,268

DATA SOURCE: COSTAR

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The information in this report was composed by the Kidder Mathews Research Group.

**GARY BARAGONA**  
 Director of Research  
 415.229.8925  
[gary.baragona@kidder.com](mailto:gary.baragona@kidder.com)

**MARK READ**  
 Regional President, Brokerage Southwest  
 858.369.3010  
[mark.read@kidder.com](mailto:mark.read@kidder.com)  
 LIC N° 00572743

**Commercial  
 Brokerage**

**\$8B**  
 TRANSACTION  
 VOLUME (ANNUAL)

**23M**  
 SALES SF  
 (ANNUAL)

**42M**  
 LEASING SF  
 (ANNUAL)

**Valuation  
 Advisory**

**1,800+**  
 ASSIGNMENTS  
 ANNUALLY

**40/19**  
 TOTAL NO.  
 APPRAISERS/MAI'S

**Property  
 Management**

**70M+**  
 MANAGEMENT  
 PORTFOLIO SF

**\$12B+**  
 IN ASSETS UNDER  
 MANAGEMENT

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