

**MARKET TRENDS | SAN DIEGO**  

# INDUSTRIAL

**MARKET DRIVERS**

**INCREASED DEMAND** in the market brought vacancies and availabilities to all-time lows. After 2Q 2021 reached a 15-year high in leasing volume, third quarter's number fell YOY and QOQ. The decrease in activity is not due to a lack of interest but due to the shortage of availability across the county.

**THE AVERAGE ASKING RENTAL RATE** soared to an all-time high in the third quarter. Otay Mesa stands as one of the strongest performing submarkets over the past 12 months with rent growth of nearly 8%, while still attracting tenants with some of the lowest rents in the region.

**SALES VOLUME REACHED** an all-time high of \$906M in Q3, a number the market has not experienced in over 20 years. The amount of available inventory is still roughly 25% below what it was in 2020 but demand from owner/users and investors remain strong.

**ECONOMIC OVERVIEW**

**THE SAN DIEGO COUNTY UNEMPLOYMENT RATE** in August dropped three basis points to 6.6% month-over-month, adding 5,300 jobs within the last month. This compares with an unadjusted unemployment rate of 7.5% for California and 5.3% for the nation.

**THE RISE IN DEMAND** for logistics space throughout the county for e-commerce and last-mile distribution continues to increase. Amazon's 3.4M SF fulfillment center recently completed in Otay Mesa and the e-commerce giant set out to hire roughly 1,500 workers in the recent months.

**NEAR TERM OUTLOOK**

**THE INDUSTRIAL MARKET MAY EXPERIENCE** some further tightening of fundamentals in the coming quarters as demand continues to surge, rent growth remains above the long-term average, and supply remains low.

**SAN DIEGO'S REPUTATION** as a top life science and biotech market has grown rapidly over recent years. The market is also firmly established among the last-mile distribution and e-commerce tenants in search of logistics space. These two leading sectors will help the industrial market remain strong and flourish.

SOURCE: COSTAR, EDD, SD BUSINESS JOURNAL

## Market Summary

	3Q 2021	2Q 2021	3Q 2020	Annual Change
Vacancy Rate	4.50%	5.00%	5.50%	<b>-18.18%</b>
Availability Rate	5.40%	6.10%	7.80%	<b>-30.77%</b>
Asking Lease Rate	\$1.29	\$1.24	\$1.15	<b>12.17%</b>
Lease Transactions	2,719,863	4,598,061	3,303,453	<b>-17.67%</b>
Sale Transactions	3,211,816	2,522,033	2,001,164	<b>60.50%</b>
Net Absorption (SF)	4,112,624	1,457,528	648,344	<b>N/A</b>

**▼ 2.72M**
**LEASING ACTIVITY**
**▲ 4.1M**
**NET ABSORPTION (SF)**
**▼ 4.5%**
**VACANCY RATE**
**▲ \$1.29**
**AVERAGE ASKING RENT**
**▲ 3.6M**
**NEW DELIVERIES (SF)**
**YEAR-OVER-YEAR CHANGE**

## Market Highlights

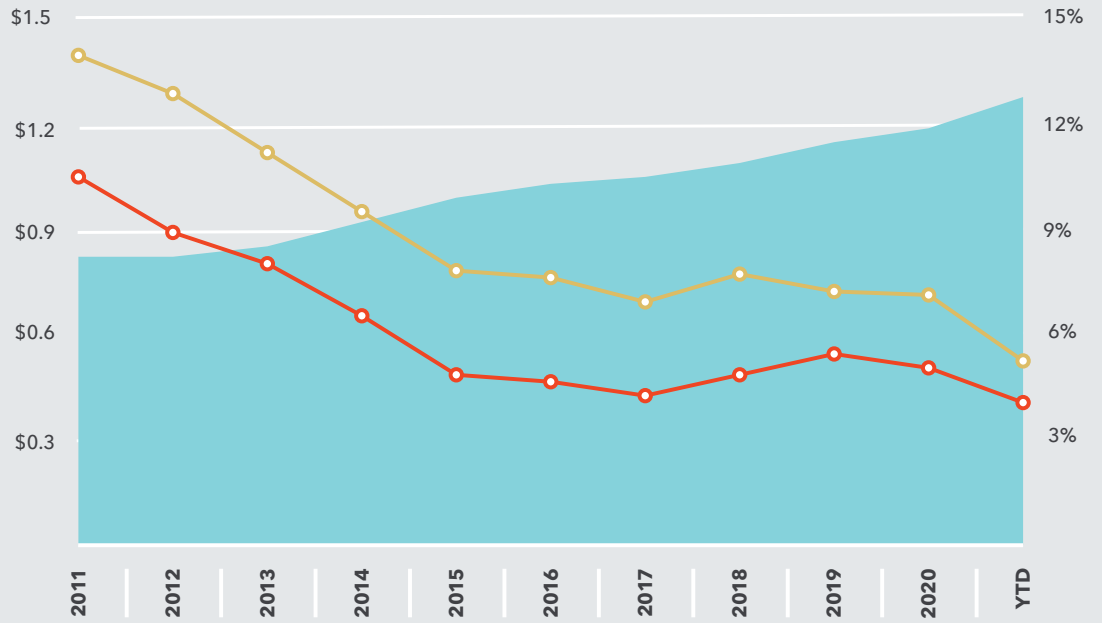
**RENTAL RATES** soared to an all-time high of \$1.29/SF NNN

**AVAILABILITY RATES** decreased to a new low of 5.4%

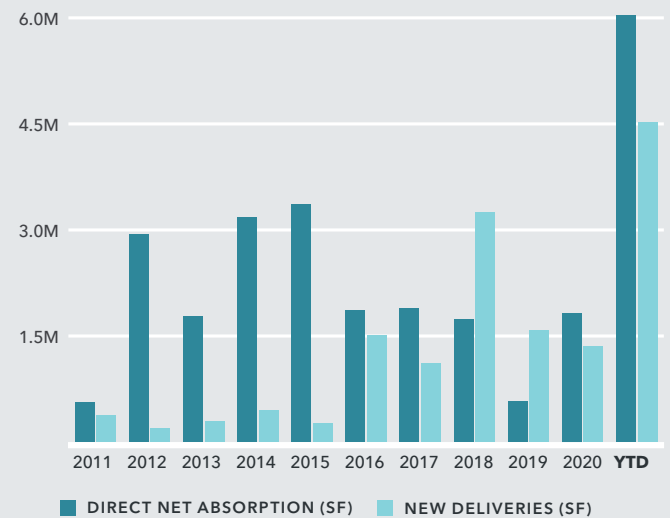
**SALES VOLUME** reached a record high of \$906M

# Lease Rate, Vacancy & Availability

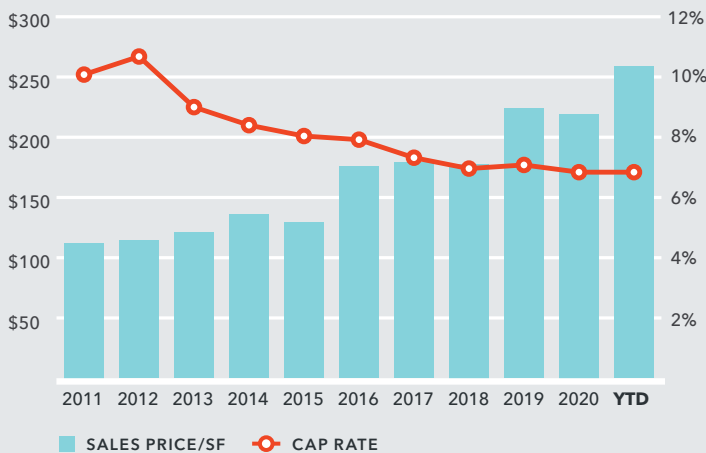
- DIRECT LEASE RATE (NNN)
- TOTAL VACANCY
- TOTAL AVAILABILITY



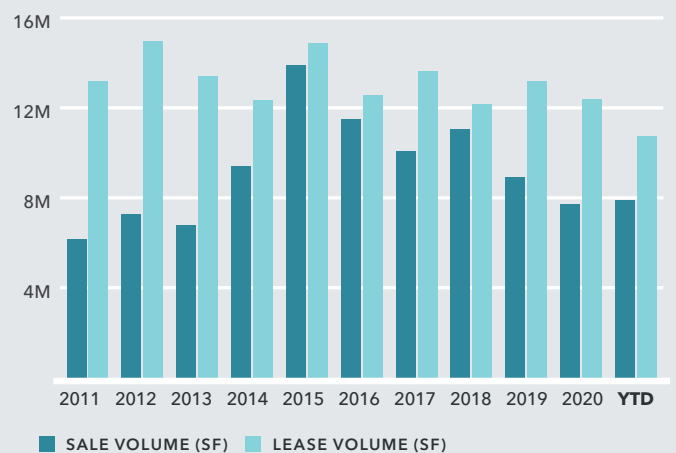
# Net Absorption & New Deliveries



# Average Sales Price/SF & Cap Rate



# Sale Volume & Lease Volume



## SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	3Q Direct Net Absorption	YTD Direct Net Absorption	3Q Leasing Activity	YTD Leasing Activity	SF Under Construction	YTD Construction Completions	Avg. Rental Rate (NNN)
Carlsbad	15,770,450	7.8%	8.0%	154,396	537,610	361,232	1,473,710	0	301,118	\$1.25
Escondido	7,579,349	1.8%	2.0%	10,000	60,863	45,492	274,781	0	0	\$1.12
North Beach Cities	343,583	0.3%	0.3%	0	880	1,200	2,480	0	0	-
Oceanside	10,236,647	2.1%	2.6%	72,526	(15,397)	104,390	368,449	0	0	\$0.94
San Marcos	8,909,730	5.5%	6.4%	(33,517)	335,482	172,588	532,510	0	0	\$0.93
Vista	14,156,068	7.3%	8.1%	3,765	154,303	77,484	888,975	0	0	\$1.00
<b>North County</b>	<b>56,995,827</b>	<b>5.5%</b>	<b>5.9%</b>	<b>207,170</b>	<b>1,073,741</b>	<b>762,386</b>	<b>3,540,905</b>	<b>0</b>	<b>301,118</b>	<b>\$1.06</b>
Kearny Mesa	15,310,167	4.0%	4.2%	40,493	106,029	178,502	593,440	315,881	0	\$1.55
Mira Mesa/ Miramar	17,685,241	2.2%	2.3%	175,010	161,302	277,718	1,036,544	0	0	\$1.46
PB/Rose Canyon/ Morena	2,673,192	2.7%	3.0%	(1,254)	20,113	11,555	56,642	0	0	\$1.26
Sorrento Mesa	10,603,450	5.3%	6.7%	62,185	125,746	193,541	490,217	0	0	\$2.38
Sorrento Valley	3,408,121	8.5%	8.5%	(73,983)	(12,665)	273,330	416,525	0	0	\$2.03
Sports Arena/ Airport	2,889,541	4.8%	4.9%	(12,727)	(49,326)	15,350	28,050	0	0	-
Torrey Pines	4,085,512	4.6%	4.6%	132,716	173,848	49,931	254,459	146,368	117,710	\$2.50
UTC	2,613,429	4.8%	4.8%	0	23,363	44,040	88,603	0	0	\$2.22
<b>Central County</b>	<b>59,268,653</b>	<b>4.0%</b>	<b>4.3%</b>	<b>322,440</b>	<b>548,410</b>	<b>1,043,967</b>	<b>2,964,480</b>	<b>462,249</b>	<b>117,710</b>	<b>\$1.21</b>
Mission Gorge	1,894,984	1.5%	1.5%	(11,405)	76,981	75,096	108,442	0	0	\$1.83
Poway	9,830,333	0.6%	0.9%	58,119	12,072	22,490	186,677	0	0	\$1.11
Rancho Bernardo	7,911,046	3.8%	4.1%	(32,797)	(91,688)	133,835	331,635	0	0	\$1.55
Scripps Ranch	1,502,184	0.9%	0.9%	6,319	22,217	40,197	85,861	0	0	\$1.37
<b>I-15 Corridor</b>	<b>21,138,547</b>	<b>1.9%</b>	<b>2.1%</b>	<b>20,236</b>	<b>19,582</b>	<b>271,618</b>	<b>712,615</b>	<b>0</b>	<b>0</b>	<b>\$1.36</b>
Chula Vista	10,021,774	0.9%	0.9%	75,615	330,556	85,526	649,360	66,860	0	\$1.00
Downtown	1,695,841	3.1%	3.1%	(36,000)	(29,500)	0	3,353	0	0	-
National City	3,682,680	2.6%	2.6%	8,960	(81,813)	23,913	58,861	0	0	\$1.27
Otay Mesa	20,374,531	4.3%	4.3%	3,408,052	3,960,855	201,744	1,996,314	2,826,292	3,893,395	\$0.84
San Ysidro/ Imp Beach	1,338,893	3.3%	3.3%	(1,508)	(43,610)	12,990	17,860	0	0	\$0.89
<b>South County</b>	<b>37,113,719</b>	<b>3.1%</b>	<b>3.1%</b>	<b>3,455,119</b>	<b>4,136,488</b>	<b>324,173</b>	<b>2,725,748</b>	<b>2,893,152</b>	<b>3,893,395</b>	<b>\$0.89</b>
East City	912,305	4.5%	4.5%	(41,249)	(41,249)	0	0	0	0	\$0.95
El Cajon	9,739,893	2.7%	3.2%	45,673	73,651	239,457	376,473	0	0	\$1.06
La Mesa/ Spring Valley	2,525,932	3.1%	3.2%	(21,798)	(21,347)	33,118	82,725	0	0	\$0.93
Santee	4,291,360	2.4%	2.4%	133,426	203,171	31,519	146,673	35,000	205,740	\$1.13
Southeast San Diego	4,037,856	1.4%	1.4%	(9,693)	(3,107)	9,000	132,467	0	0	\$1.12
<b>East County</b>	<b>21,507,346</b>	<b>2.5%</b>	<b>2.8%</b>	<b>106,359</b>	<b>211,119</b>	<b>313,094</b>	<b>738,338</b>	<b>35,000</b>	<b>205,740</b>	<b>\$1.07</b>
Outlying SD County North	1,003,222	0.8%	0.8%	1,300	(454)	3,300	8,300	0	0	-
Outlying SD County South	801,777	0.0%	0.0%	0	16,520	1,325	10,625	0	0	-
<b>Outlying East SD County</b>	<b>1,804,999</b>	<b>0.5%</b>	<b>0.5%</b>	<b>1,300</b>	<b>16,066</b>	<b>4,625</b>	<b>18,925</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>San Diego County</b>	<b>197,829,091</b>	<b>3.9%</b>	<b>4.1%</b>	<b>4,112,624</b>	<b>6,005,406</b>	<b>2,719,863</b>	<b>10,701,011</b>	<b>3,390,401</b>	<b>4,517,963</b>	<b>\$1.29</b>

## TOP SALE TRANSACTIONS FOR 3Q 2021

Property	Submarket	Buyer	Seller	Sale Price	\$/SF	SF
Centerpark Plaza	Sorrento Mesa	Longfellow Real Estate Partners	Montana Avenue Capital Partners, LLC	\$149,300,000	\$584.12	255,599
North County Corporate Center	Vista	Black Creek Group	Barings	\$147,500,000	\$298.64	493,898
Commerce Center Portfolio	Carlsbad	Carlsbad1-Make Holding, LLC	Cruzan	\$135,500,000	\$447.60	302,727
Miramar Activity Business Center	Mira Mesa/Miramar	Hines	BKM Capital Partners	\$40,800,000	\$253.71	160,811
Airway Industrial Park	Otay Mesa	Black Creek Group	Rockefeller Group	\$23,750,000	\$175.12	135,623

## TOP LEASE TRANSACTIONS FOR 3Q 2021

Property	Submarket	Landlord	Tenant	Sign Date	SF
Kearny Mesa Logistics Center	Kearny Mesa	Lincoln Property Company	Amazon	September 2021	315,881
Airway Industrial Park	Otay Mesa	Rockefeller Group	Amazon	September 2021	135,623
111 Pioneer Way	El Cajon	Elioin Partners	Dynalectric	July 2021	110,663
6955 Consolidated Way	Mira Mesa/Miramar	Elion Partners	Granite Factory Direct	September 2021	82,781
Sumitomo Distribution Center	Oceanside	Rexford Industrial Realty, LP	Hobie Cat	September 2021	73,418

## TOP UNDER CONSTRUCTION

Property	Address	Submarket	Owner	Delivery Date	SF
Landmark at Otay	1601-1910 Landmark Rd	Otay Mesa	Majestic Realty Co.	4Q 2021	845,830
7144 Otay Mesa Rd - Amazon	7144 Otay Mesa Rd	Otay Mesa	IDS Real Estate/EastGroup	1Q 2022	700,000
California Crossings	Otay Mesa Rd & Harvest Rd	Otay Mesa	Sudberry Properties, Inc.	1Q 2022	453,330
Kearny Mesa Logistics Center	5670 Kearny Mesa Rd	Kearny Mesa	Crow Holdings	2Q 2022	344,000
Airway Logistics Center	8151 Airway Rd	Otay Mesa	Badiee Development	1Q 2022	247,480

DATA SOURCE: COSTAR

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**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

**Asset  
Services**

**70M**  
MANAGEMENT  
PORTFOLIO SF

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

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