

MARKET TRENDS | **SAN DIEGO**

INDUSTRIAL

MARKET DRIVERS

DEMAND in the industrial market in 2021 was aggressive across all sectors, from life science companies to logistics and last-mile distribution centers. Vacancies and availabilities hit all-time lows, dropping over 35% year-over-year.

AFTER 2Q 2021 reached a 15-year high in leasing volume, the second half of 2021 fell short YOY. The decrease in activity is not due to a lack of interest but due to the tight market and shortage of availability across the county.

SALES VOLUME REACHED an all-time historic high in 2021, posting approximately \$1.8B in 4Q 2021 alone, a number the market has not ever experienced. Available inventory is still roughly 25% below what it was in 2020, furthering the upward pressure on sales prices. Although buyers are receiving close to no discount on asking prices, owner/users and investors remain bullish.

ECONOMIC OVERVIEW

ON THE STRENGTH of 15,000 new jobs in the county, the San Diego unemployment rate in November dropped to a pandemic low of 4.6%, down seven basis points from 5.3% month-over-month. This compares with an unadjusted unemployment rate of 5.4% for California and 3.9% for the nation. Driving the majority of the job additions in the county were retail trade with notable advancements in general merchandise stores (up 2,200) and clothing stores (up 1,600).

E-COMMERCE AND ONLINE RETAIL are expected to have record years, reflecting in the employment gains in transportation and warehousing. Additionally, the thriving life sciences sector is driving growth of high-paying, quality jobs that have a significant effect on the rest of the local economy, as every job in R&D supports additional jobs in supportive industries.

NEAR-TERM OUTLOOK

AS SUPPLY PRESSURE is not evident in the near term, and vacancies and availabilities across the county hit historic lows in 2021, more developers will likely break ground in the coming year to meet the surging demand of life science, e-commerce, and logistics tenants.

DESPITE brick-and-mortar establishments remaining open this year, novel variants of the COVID-19 virus remain a concern, creating reluctance to return to shopping in person. As such, e-commerce continues a rapid upward trajectory creating massive demand for space throughout the county.

Market Summary

	2021	2020	2019	Annual Change
Vacancy Rate	3.20%	5.10%	5.50%	-37.25%
Availability Rate	4.50%	7.10%	7.30%	-36.62%
Asking Lease Rate	\$1.31	\$1.20	\$1.16	9.17%
Lease Transactions	13,419,460	12,367,559	13,182,262	8.51%
Sale Transactions	14,325,615	7,701,829	8,882,162	86.00%
Net Absorption (SF)	8,224,724	1,805,712	580,837	N/A

4Q 2021

▼ **2.72M**

LEASING ACTIVITY

▲ **8.22M**

NET ABSORPTION (SF)

▼ **3.2%**

VACANCY RATE

▲ **\$1.31**

AVERAGE ASKING RENT

▲ **4.93M**

NEW DELIVERIES (SF)

YEAR-OVER-YEAR CHANGE

Market Highlights

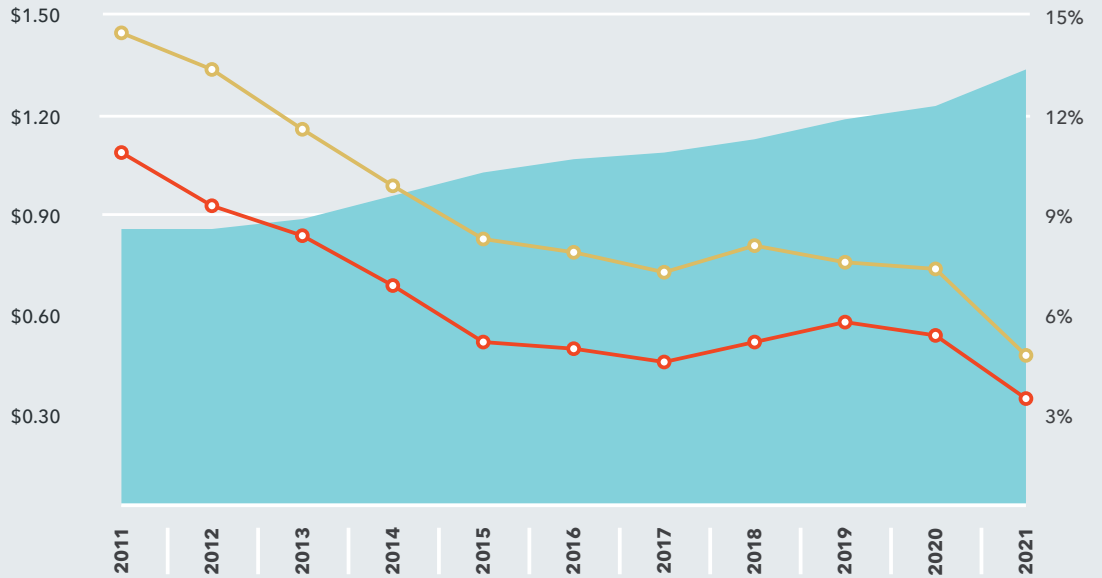
RENTAL RATES reached an all-time high of \$1.31/SF NNN

AVAILABILITY RATES dropped to a historic low of 4.5%

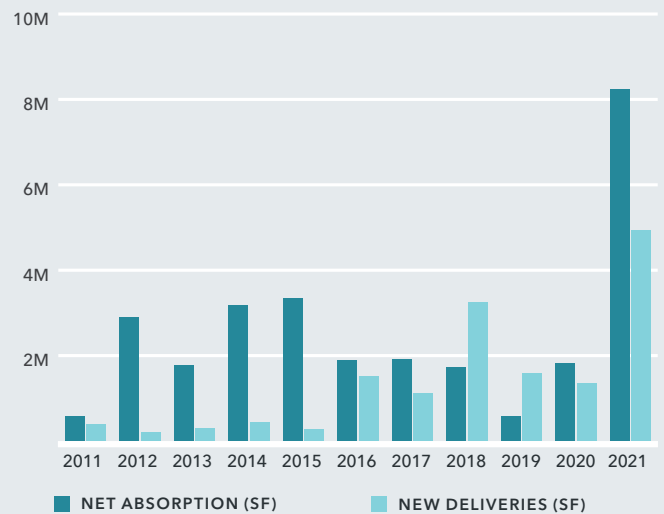
SALES VOLUME hit an annual record high of \$3.9B

Lease Rate, Vacancy & Availability

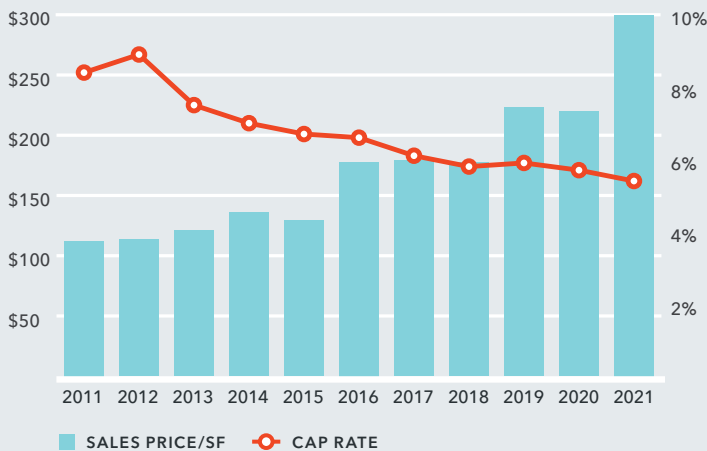
- DIRECT LEASE RATE (NNN)
- TOTAL VACANCY
- TOTAL AVAILABILITY



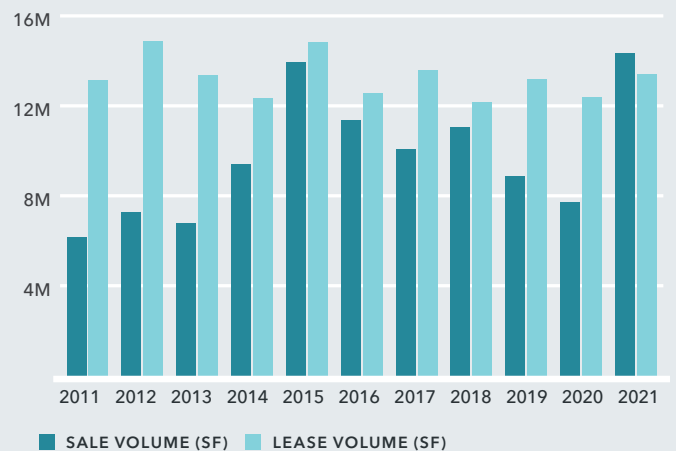
Net Absorption & New Deliveries



Average Sales Price/SF & Cap Rate



Sale Volume & Lease Volume



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	4Q Direct Net Absorption	2021 Direct Net Absorption	4Q Leasing Activity	2021 Leasing Activity	SF Under Construction	2021 Construction Completions	Avg. Rental Rate (NNN)
Carlsbad	15,676,874	3.6%	3.8%	663,820	1,201,430	249,867	1,725,077	0	301,118	\$1.31
Escondido	7,586,509	1.8%	1.9%	1,231	62,094	59,141	333,922	0	0	\$1.16
North Beach Cities	341,090	1.2%	1.2%	(2,832)	(1,952)	0	2,480	0	0	-
Oceanside	10,238,152	2.0%	2.1%	10,512	(4,885)	135,193	506,463	0	0	\$0.99
San Marcos	8,975,565	5.3%	5.6%	16,451	353,208	59,769	592,279	0	0	\$0.94
Vista	14,156,325	5.3%	6.6%	268,872	437,471	265,193	1,204,890	0	0	\$1.04
North County	56,974,515	3.8%	4.2%	958,054	2,047,366	769,163	4,365,111	0	301,118	\$1.10
Kearny Mesa	15,199,223	3.2%	3.3%	127,051	240,765	132,644	830,594	315,881	0	\$1.56
Mira Mesa/ Miramar	17,677,894	1.7%	1.8%	97,143	260,016	218,042	1,230,366	0	0	\$1.48
PB/Rose Canyon/ Morena	2,674,013	2.7%	2.7%	(670)	19,443	9,397	86,269	0	0	\$1.28
Sorrento Mesa	10,403,954	4.3%	5.2%	78,975	241,909	149,920	639,165	0	0	\$2.47
Sorrento Valley	3,410,942	8.8%	9.6%	(10,089)	(22,754)	30,367	474,455	0	0	\$2.09
Sports Arena/ Airport	2,868,941	5.0%	5.0%	(3,273)	(63,199)	8,477	25,927	0	0	-
Torrey Pines	4,010,666	0.8%	0.8%	156,817	332,597	4,727	380,486	146,368	117,710	\$2.61
UTC	2,613,429	4.8%	6.6%	0	23,363	45,053	133,656	0	0	\$2.27
Central County	58,859,062	3.2%	3.6%	445,954	1,032,140	598,627	3,800,918	462,249	117,710	\$1.24
Mission Gorge	1,906,732	1.0%	1.0%	9,333	86,314	14,931	123,373	0	0	\$1.86
Poway	9,711,354	0.4%	0.5%	20,672	32,744	29,448	216,125	0	0	\$1.12
Rancho Bernardo	7,913,159	2.5%	2.8%	104,064	12,376	17,001	358,241	0	0	\$1.57
Scripps Ranch	1,502,228	1.8%	1.8%	(12,626)	9,591	27,639	113,500	0	0	\$1.34
I-15 Corridor	21,033,473	1.4%	1.5%	121,443	141,025	89,019	811,239	0	0	\$1.37
Chula Vista	10,021,286	1.6%	1.7%	(71,111)	259,445	91,667	745,937	246,390	0	\$1.09
Downtown	1,690,841	3.1%	3.1%	0	(29,500)	0	3,353	0	0	\$1.60
National City	3,692,446	2.7%	2.7%	(4,076)	(85,889)	39,851	98,712	0	0	\$1.35
Otay Mesa	20,753,875	3.5%	3.5%	525,582	4,487,687	342,190	2,521,608	2,447,724	4,274,498	\$0.86
San Ysidro/ Imp Beach	1,338,893	0.5%	0.5%	36,432	(5,568)	27,730	72,190	0	0	\$0.89
South County	37,497,341	2.8%	2.8%	486,827	4,626,175	501,438	3,441,800	2,694,114	4,274,498	\$1.00
East City	912,305	0.0%	0.0%	41,249	0	0	41,249	0	0	\$0.95
El Cajon	9,746,143	2.0%	2.2%	68,335	141,986	96,077	472,550	0	0	\$1.06
La Mesa/ Spring Valley	2,530,932	1.9%	1.9%	30,478	9,131	13,003	95,728	0	0	\$0.93
Santee	4,297,642	2.4%	2.4%	1,565	204,736	17,396	209,769	0	240,740	\$1.16
Southeast San Diego	4,037,756	1.2%	1.2%	7,206	4,099	25,000	157,467	0	0	\$1.19
East County	21,524,778	1.8%	1.9%	148,833	359,952	151,476	976,763	0	240,740	\$1.08
Outlying SD County North	1,003,222	0.6%	0.6%	2,000	1,546	4,704	13,004	0	0	-
Outlying SD County South	803,495	0.0%	0.0%	0	16,520	0	10,625	0	0	-
Outlying East SD County	1,806,717	0.4%	0.4%	2,000	18,066	4,704	23,629	0	0	-
San Diego County	197,695,886	2.9%	3.2%	2,163,111	8,224,724	2,114,427	13,419,460	3,156,363	4,934,066	\$1.31

TOP SALE TRANSACTIONS FOR 2021

Property	Submarket	SF	Sale Price	Price/SF	Buyer	Seller
Lusk Business Park	Sorrento Mesa	371,280	\$315,400,000	\$849.49	Longfellow Real Estate Partners	PS Business Parks, Inc.
Lusk Mira Mesa Business Park	Sorrento Mesa	482,154	\$298,500,000	\$619.10	Alexandria Real Estate Equities, Inc.	John Hancock Real Estate
The Campus	Otay Mesa	665,229	\$158,500,000	\$238.26	LaSalle Investmentment Mgmt.	Murphy Development Co.
Centerpark Plaza	Sorrento Mesa	255,880	\$149,300,000	\$583.48	Longfellow Real Estate Partners	Montana Avenue Capital Partners, LLC
North County Corporate Center	Vista	493,898	\$147,500,000	\$298.64	Black Creek Group	Barings

TOP LEASE TRANSACTIONS FOR 2021

Property	Submarket	Square Feet	Transaction Date	Landlord	Tenant
7144 Otay Mesa Rd	Otay Mesa	702,535	May 2021	Otay Enrico Industrial, LLC	Amazon
Kearny Mesa Logistics Center	Kearny Mesa	315,881	September 2021	Lincoln Property Company	Amazon
Eastlake Distribution Center	Chula Vista	191,150	April 2021	EastGroup Properties, Inc.	Amazon
dis*tri*bute	Carlsbad	157,502	April 2021	Link Logistics	Amazon
1395 Park Center Dr	Vista	155,069	June 2021	PCD Owner, LLC	M2 Ingredients

TOP UNDER CONSTRUCTION

Property	Address	Submarket	Square Feet	Owner	Delivery Date
Landmark at Otay	1601-1910 Landmark Rd	Otay Mesa	845,830	Majestic Realty Co.	1Q 2022
7144 Otay Mesa Rd - Amazon	7144 Otay Mesa Rd	Otay Mesa	702,535	IDS Real Estate/EastGroup	2Q 2022
California Crossings	Otay Mesa Rd & Harvest Rd	Otay Mesa w	453,330	Sudberry Properties, Inc.	1Q 2022
Kearny Mesa Logistics Center	5670 Kearny Mesa Rd	Kearny Mesa	344,000	Crow Holdings	2Q 2022
Airway Logistics Center	8151 Airway Rd	Otay Mesa	247,480	Badiee Development	2Q 2022

DATA SOURCE: COSTAR

Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 21 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, project and construction management, and debt equity finance services for all property types.

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**Commercial
Brokerage**

\$8B
TRANSACTION
VOLUME (ANNUAL)

23M
SALES SF
(ANNUAL)

42M
LEASING SF
(ANNUAL)

**Valuation
Advisory**

1,800+
ASSIGNMENTS
ANNUALLY

45/23
TOTAL NO.
APPRAISERS/MAI'S

**Asset
Services**

64M
MANAGEMENT
PORTFOLIO SF

\$11B
IN ASSETS UNDER
MANAGEMENT

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