

MARKET TRENDS

SAN DIEGO

INDUSTRIAL

MARKET DRIVERS

SUBLEASE AVAILABILITY hit a new record high at the start of the year, with roughly 2.8M SF on the market. Amazon has been slowly giving back multiple spaces in the past two years and Panasonic added almost half of its facility at The Campus at Otay Mesa in Q1.

COMING OFF two strong record-breaking years, demand has slowed in Q1, recording one of the lowest transaction volumes in leasing in almost 15 years at roughly 1.8M SF. As predicted, smaller buildings under 75K SF are seeing a large share of the activity in recent quarters as larger spaces are sparse throughout the county.

HIGHER INTEREST RATES and economic uncertainty have resulted in a decrease in sales volume the past few quarters. Prices have, in turn, decreased to respond to the slowdown in activity, posting at \$261/SF in Q1.

ECONOMIC REVIEW

THE SAN DIEGO COUNTY unemployment rate in February was 3.7%, below the year-ago estimate of 4.1%, back to pre-pandemic levels. This compares with an unadjusted unemployment rate of 4.8% for California and 3.9% for the nation during the same period. Although the percentage rate remains unchanged when compared month-over-month from January, the market added 7,800 jobs within that period.

THE IMPACT OF THE COOLING in the economy can be felt in the San Diego Industrial market, as demand slows, and vacancies and availabilities rise. However, San Diego's location and infrastructure advantages, such as its proximity to the border and transportation networks, will continue to attract businesses and support demand for industrial space throughout the county.

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Market Summary

	1Q23	4Q22	1Q22	Annual Change
Vacancy Rate	3.8%	3.0%	2.9%	31.03%
Availability Rate	6.5%	5.7%	4.0%	62.50%
Asking Lease Rate	\$1.49	\$1.44	\$1.33	12.03%
Lease Transactions	1,847,416	2,190,414	2,821,078	-34.51%
Sale Transactions	1,921,921	1,677,332	2,071,585	-7.22%
Net Absorption (SF)	-779,815	1,266,866	800,002	N/A

↓ **1.8M SF**
LEASING ACTIVITY

↓ **-799K SF**
NET ABSORPTION

↑ **3.8%**
VACANCY RATE

↑ **\$1.49**
ASKING RENT (AVG)

↓ **71K SF**
NEW DELIVERIES

Year-Over-Year Trend

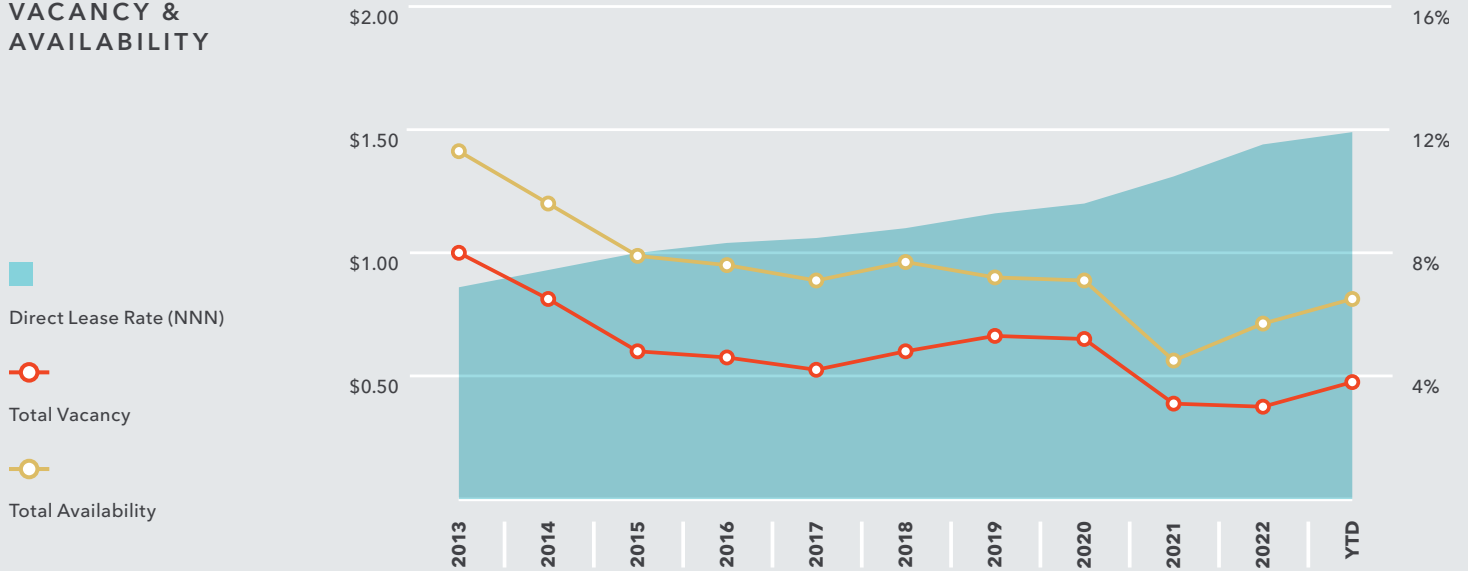
Market Highlights

AVAILABILITY RATES increased by over 50% YOY to 6.5%

RENTAL RATES climbed to a record high of \$1.49/SF NNN

SALE PRICES dropped YOY to \$261/SF

LEASE RATE, VACANCY & AVAILABILITY

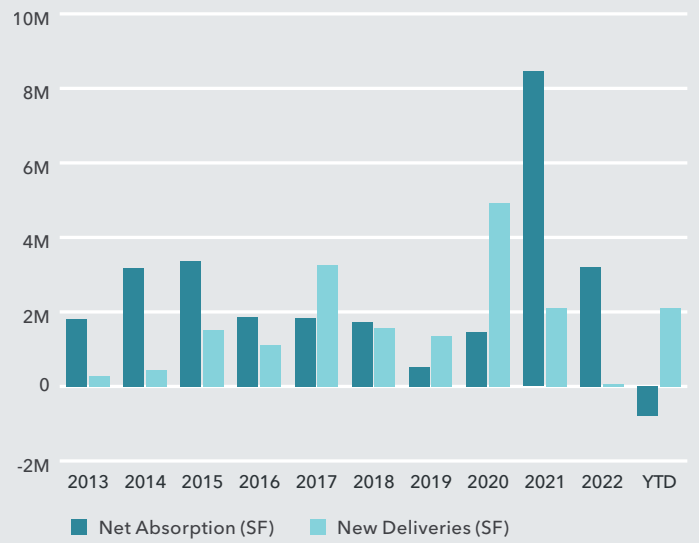


BIGGEST SALE OF THE QUARTER

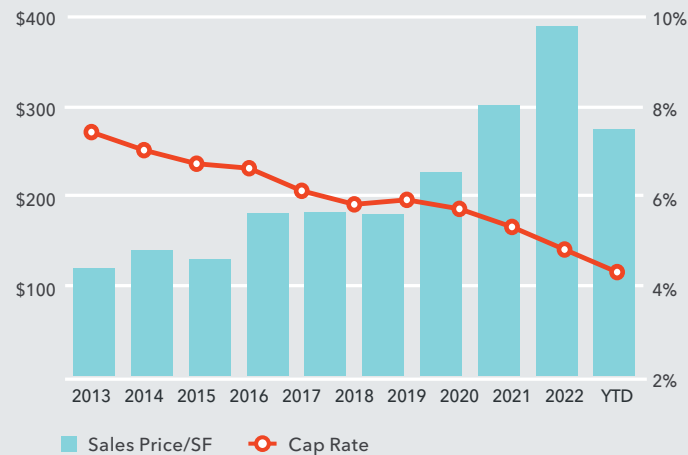
*9223-9323 Balboa Ave &
4285 Ponderosa Ave*



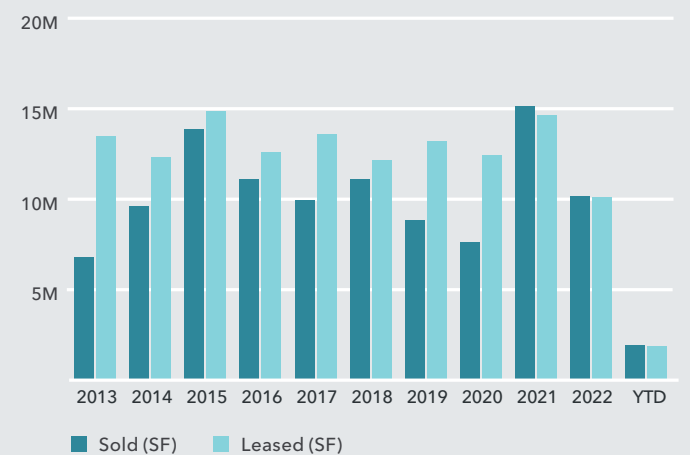
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	1Q Direct Net Absorption	2022 Direct Net Absorption	1Q Total Leasing Activity	2022 Leasing Activity	SF Under Construction	2022 Construction Completions	Average NNN Rental Rate
Carlsbad	15,679,283	4.9%	6.8%	(183,612)	(21,683)	186,266	1,094,686	222,959	0	\$1.65
Escondido	7,601,745	1.9%	2.1%	(19,248)	6,539	48,387	369,109	0	0	\$1.36
North Beach Cities	330,356	5.0%	5.0%	(15,635)	3,152	3,000	5,162	0	0	-
Oceanside	10,224,307	2.4%	2.5%	(100,866)	(11,549)	116,338	463,725	0	0	\$1.31
San Marcos	8,922,373	4.5%	4.7%	(32,244)	87,479	48,408	262,624	0	0	\$1.35
Vista	14,043,665	3.2%	3.8%	(79,722)	341,078	15,925	1,115,089	0	0	\$1.23
North County	56,801,729	3.6%	4.3%	(431,327)	405,016	418,324	3,310,395	222,959	0	\$1.39
Kearny Mesa	15,054,141	2.0%	2.5%	(104,508)	363,730	109,957	550,030	0	0	\$1.78
Mira Mesa/ Miramar	17,826,028	2.1%	2.9%	(116,445)	10,726	185,121	679,914	0	0	\$1.98
PB/Rose Canyon/ Morena	2,587,977	1.6%	5.3%	(15,195)	45,937	26,451	297,949	0	0	\$1.60
Sorrento Mesa	10,655,927	5.3%	9.2%	(43,303)	(14,419)	265,691	447,627	0	0	\$2.24
Sorrento Valley	3,562,010	4.8%	6.6%	(78,844)	260,488	44,818	188,867	0	0	\$2.31
Sports Arena/ Airport	2,865,625	4.1%	4.6%	(8,450)	30,275	0	32,555	0	0	\$1.48
Torrey Pines	4,244,808	1.0%	2.1%	(11,270)	146,313	7,333	69,494	0	0	-
UTC	2,642,213	9.4%	10.9%	(108,162)	(12,332)	0	27,014	0	0	-
Central County	59,438,729	3.1%	4.6%	(486,177)	830,718	639,371	2,293,450	0	0	\$1.73
Mission Gorge	1,885,790	1.0%	1.3%	(9,386)	7,320	15,083	63,701	0	0	\$2.19
Poway	9,703,313	0.8%	0.9%	(38,922)	1,307	54,391	241,106	0	0	\$1.46
Rancho Bernardo	7,726,449	4.5%	5.7%	(159,760)	41,262	108,005	276,073	0	0	\$1.80
Scripps Ranch	1,491,150	5.5%	5.5%	32,749	(87,573)	7,200	77,225	145,000	0	\$1.82
I-15 Corridor	20,806,702	2.5%	3.0%	(175,319)	(37,684)	184,679	658,105	145,000	0	\$1.68
Chula Vista	10,043,985	1.0%	1.8%	98,945	(1,254)	142,298	383,241	201,200	0	\$1.25
Downtown	1,718,145	2.3%	2.3%	(16,500)	29,820	0	2,478	0	0	\$1.60
National City	3,667,457	2.0%	2.0%	(23,687)	50,403	27,323	125,131	0	0	\$1.60
Otay Mesa	22,594,086	3.1%	4.1%	157,396	1,685,669	331,609	2,241,314	2,188,789	70,862	\$1.17
San Ysidro/ Imp Beach	1,351,845	0.1%	0.1%	1,625	3,743	2,425	1,640	0	0	\$1.00
South County	39,375,518	2.3%	3.1%	217,779	1,768,381	503,655	2,753,804	2,389,989	70,862	\$1.24
East City	562,225	1.6%	1.6%	4,023	(12,923)	0	12,923	346,128	0	-
El Cajon	9,797,394	0.8%	1.0%	19,245	121,792	37,463	199,621	0	0	\$1.40
La Mesa/ Spring Valley	2,547,429	1.3%	7.7%	(19,594)	32,744	14,480	232,415	0	0	\$1.05
Santee	4,361,686	1.7%	1.7%	56,092	61,563	22,373	274,635	0	0	\$1.41
Southeast San Diego	1,036,369	6.7%	6.7%	17,463	(31,775)	23,997	193,208	0	0	\$1.32
East County	18,305,103	1.5%	2.5%	77,229	171,401	98,313	912,802	346,128	0	\$1.31
Outlying SD County North	1,040,044	3.1%	3.2%	18,000	(47,346)	0	16,400	0	0	-
Outlying SD County South	827,930	1.1%	1.5%	0	(9,400)	3,074	0	0	0	-
Outlying East San Diego Cty	1,867,974	2.2%	2.5%	18,000	(56,746)	3,074	16,400	0	0	-
San Diego County	196,595,755	2.9%	3.8%	(779,815)	3,081,086	1,847,416	9,944,956	3,104,076	70,862	\$1.49

NEAR-TERM OUTLOOK

FOLLOWING TWO STRONG YEARS the San Diego industrial market is projected to experience a slowdown in activity in the coming year, as experienced in Q1. Rent growth is also expected to slow, and although vacancies and availabilities are slowly rising, they are still historically well below the long-term average.

WHILE INVESTORS are still seeking out opportunities in the San Diego industrial market, transaction volume is expected to downshift in the near term amid high interest rates. Pricing may settle and deals may trade at lower prices as the cost of debt remains, while cap rates are projected to experience some upward pressure in 2023.

TOP SALE TRANSACTIONS 1Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Balboa Ave & Ponderosa Ave	Kearny Mesa	513,820	\$200,000,000	\$389.24	Rexford Industrial Realty, Inc.	Cubic
2020 Piper Ranch Rd	Otay Mesa	601,103	\$126,836,500	\$211.01	LaSalle Investment Management	ARES Mgmt.LLC
Rose Canyon Business Park	PB/Rose Canyon/Morena	232,863	\$72,750,000	\$312.42	Vertical Ventures	Link Logistics RE
Parkway Commerce Center	Poway	147,907	\$38,250,000	\$258.61	SENTRE, Inc.	TA Realty
2210 Faraday Ave	Carlsbad	119,591	\$35,750,000	\$298.94	BentallGreenOak	Hill Co., LLC
La Costa Meadows Business Ctr	San Marcos	158,923	\$32,250,000	\$202.93	Birtcher Anderson & Davis Associates, Inc.	AEW Capital Mgmt.

TOP LEASE TRANSACTIONS 1Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
1610 Landmark Rd	Otay Mesa	240,975	January 2023	Majestic Realty Co.	R.L. Jones
6550 Mira Mesa Blvd	Sorrento Mesa	45,000	January 2023	Eugene Leni	DPR Construction
955 Gateway Center Way	Southeast San Diego	39,777	January 2023	LIA Associates	R.R. Donelley & Sons Co.
120 Mata Way	San Marcos	35,153	January 2023	BentallGreenOak	Service Partners
3977 Ocean Ranch Blvd	Oceanside	34,375	February 2023	Innovative Development Enterprises, Inc.	Lamination Depot, Inc.

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Landmark at Otay - 3&4	1610 & 1910 Landmark Rd	Otay Mesa	476,060	Majestic Realty Co.	3Q23
California Crossings	717 & 755 Harvest Rd	Otay Mesa	453,330	Sudberry Properties, Inc.	2Q23
Interchange Industrial Otay	8830-8878 Cypress Ct	Otay Mesa	404,723	Phelan Development	2Q23
Sanyo Logistics Center	2066 Sanyo Rd	Otay Mesa	242,969	Badiee Development	1Q24
Carlsbad Raceway Industrial Park - UPS	Lionshead Ave - Lots 1-4	Carlsbad	222,959	Hines	1Q24

Data Source: CoStar, EDD, SD Business Journal



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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

ERIC PAULSEN

Regional President, Brokerage
Southern California & Arizona
858.509.1200
eric.paulsen@kidder.com

LIC N° 01001040

COMMERCIAL
BROKERAGE

\$12B

TRANSACTION
VOLUME ANNUALLY

32.1M

ANNUAL
SALES SF

41.2M

ANNUAL
LEASING SFASSET
SERVICES

53M

MANAGEMENT
PORTFOLIO SF

771+

ASSETS UNDER
MANAGEMENT

250+

ASSET SERVICES
CLIENTSVALUATION
ADVISORY

2,600+

ASSIGNMENTS
ANNUALLY

46

TOTAL
APPRAISERS

23

WITH MAI
DESIGNATIONS