

MARKET TRENDS

SAN DIEGO INDUSTRIAL

MARKET DRIVERS

COUNTY-WIDE LEASING ACTIVITY fell to a historic new low, posting approx. 1.46M SF in Q3. Although leasing activity has decreased in the past few quarters, smaller blocks of space in the 50K SF range have seen increased demand, leasing in record time.

VACANCY AND AVAILABILITY rates continue to rise due to the moderation in demand, experiencing a jump of 47% YOY increase and 96% YOY increase respectively. Although vacancies have steadily risen since the beginning of the year, it's predicted that it won't rise much further, maxing out at 5.5%-6%.

RENT GROWTH has slowed recently over the past few quarters, as expected. The trajectory of the pandemic driven demand that drove industrial fundamentals to surge was expected to reach its peak within a few years after the initial skyrocketing of increased demand.

SALES VOLUME decreased dramatically in Q3 posting 877K SF, a 10-year record low and a YOY decrease of 70% when 3Q22 posted at 2.9M SF. Investment activity has been minimal across most property sectors, as they may be holding out and waiting to see if properties turn over to banks and default.

ECONOMIC REVIEW

THE SAN DIEGO COUNTY unemployment rate in August was 4.3%, above the year-ago estimate of 3.5%. It is up 2 basis points month-over-month, adding 4,900 jobs from April to May. This compares with an unadjusted unemployment rate of 5.1% for California and 3.9% for the nation during the same period.

COMPANIES ACROSS THE COUNTY continue to lay off employees, as reflected in the recent rise in unemployment, with the manufacturing industry showing the largest drop, down 800 employees month-over-month. Additional sectors that saw reductions included professional services, down 600, and leisure and hospitality down by 300.

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Market Summary

	3Q23	2Q23	3Q22	Annual Change
Vacancy Rate	5.0%	4.4%	3.4%	47.06%
Availability Rate	10.0%	8.5%	5.1%	96.08%
Asking Lease Rate	\$1.54	\$1.54	\$1.40	10.00%
Lease Transactions	1,466,527	1,751,934	2,275,413	-35.55%
Sale Transactions	877,349	1,212,401	2,891,228	-69.65%
Net Absorption (SF)	(572,663)	(419,280)	414,587	N/A

↓ 1.46M SF
LEASING ACTIVITY

↓ -572K SF
NET ABSORPTION

↑ 5.0%
VACANCY RATE

↔ \$1.54
ASKING RENT (AVG)

↑ 436K SF
NEW DELIVERIES

Year-Over-Year Trend

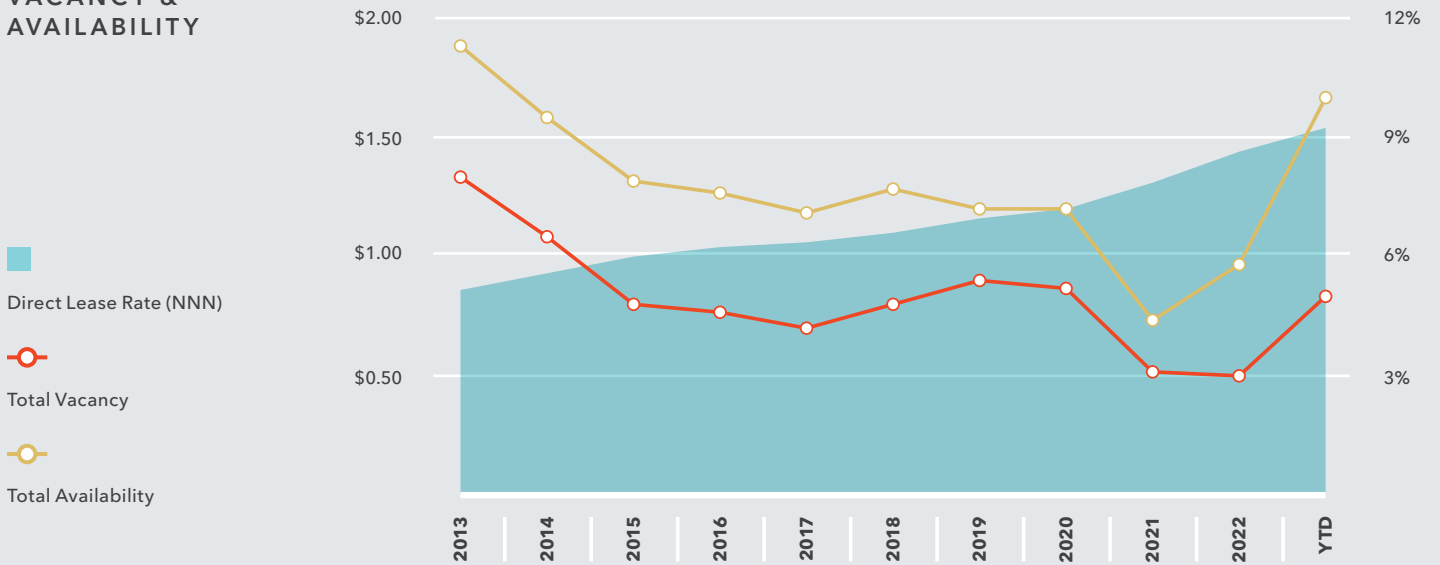
Market Highlights

LEASING VOLUME dropped to a new record low of 1.46M SF

ASKING RENTAL RATES remained the same QOQ at \$1.54

SALE TRANSACTION VOLUME remained the same QOQ at \$1.54

LEASE RATE, VACANCY & AVAILABILITY

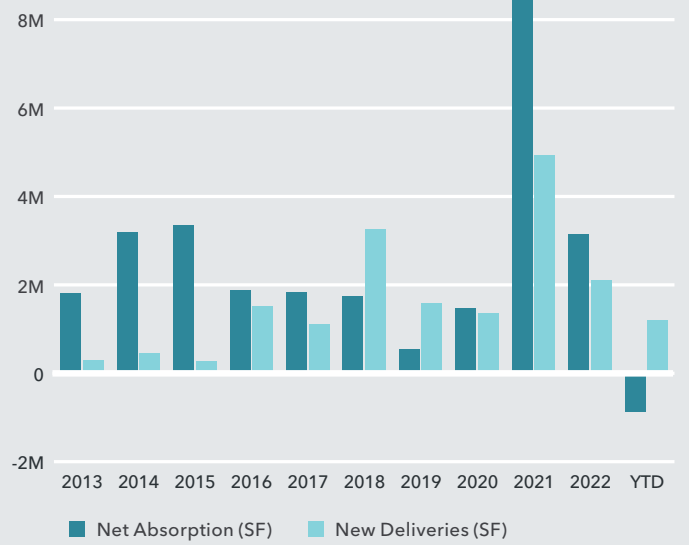


BIGGEST SALE OF THE QUARTER

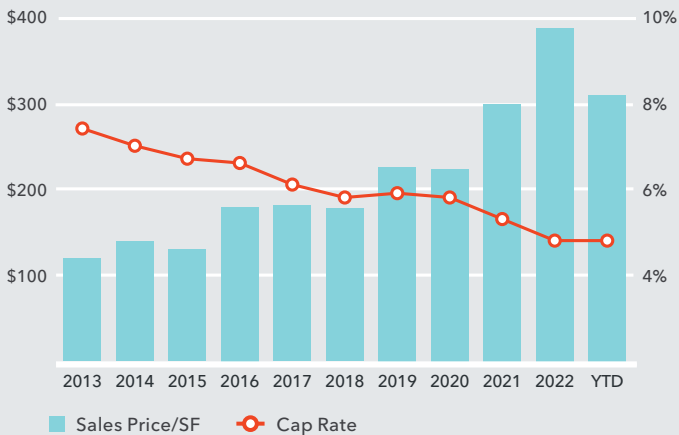
*9040-9050 Airway Rd
San Diego, CA*



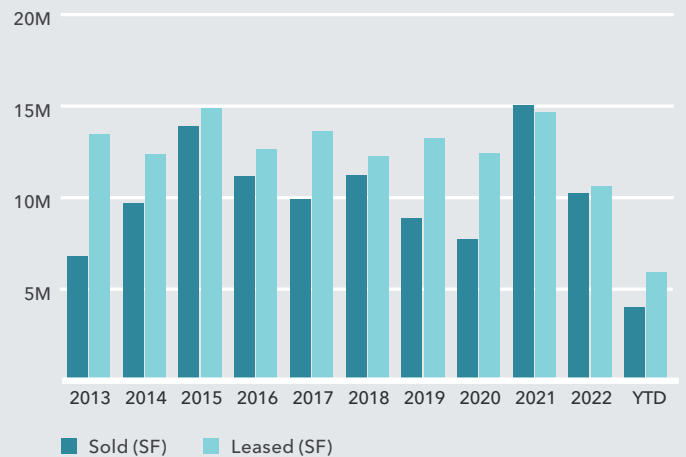
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	3Q23 Direct Net Absorption	YTD Direct Net Absorption	3Q23 Leasing Activity	YTD Leasing Activity	SF Under Construction	YTD Construction Completions	Average NNN Rental Rate
Carlsbad	15,719,392	5.5%	7.9%	(170,154)	(261,252)	90,627	550,787	222,959	0	\$1.73
Escondido	7,600,819	2.2%	2.3%	(5,044)	(36,370)	39,288	132,781	59,091	0	\$1.37
North Beach Cities	330,356	3.5%	3.5%	1,194	(10,561)	8,601	13,391	0	0	-
Oceanside	10,263,305	2.1%	2.2%	38,980	(75,887)	125,946	302,053	0	0	\$1.32
San Marcos	8,957,234	6.0%	7.1%	(60,269)	(167,941)	99,902	222,716	0	0	\$1.33
Vista	14,094,076	3.5%	3.9%	(44,762)	(149,687)	82,479	214,681	0	0	\$1.36
North County	56,965,182	4.0%	5.0%	(240,055)	(701,698)	446,843	1,436,409	282,050	0	\$1.44
Kearny Mesa	15,160,558	2.3%	3.3%	(36,207)	(137,087)	101,304	631,849	0	0	\$1.88
Mira Mesa/ Miramar	17,775,009	3.5%	4.0%	(5,061)	(361,394)	141,379	588,729	0	0	\$1.85
PB/Rose Canyon/ Morena	2,575,419	5.1%	6.7%	(5,220)	(104,499)	14,811	160,940	0	0	\$1.56
Sorrento Mesa	10,926,673	6.8%	11.6%	109,194	(108,429)	47,959	506,518	0	0	\$2.34
Sorrento Valley	3,591,877	11.5%	13.3%	(170,795)	(286,381)	48,625	124,060	0	0	\$2.17
Sports Arena/ Airport	2,867,839	3.4%	3.6%	29,089	11,014	0	34,500	0	0	\$1.61
Torrey Pines	4,288,808	5.2%	6.5%	(126,229)	(193,505)	10,822	45,585	0	0	\$2.00
UTC	2,692,433	11.8%	13.5%	(21,452)	(179,834)	21,452	21,452	0	0	-
Central County	59,878,616	4.8%	6.5%	(226,681)	(1,360,115)	386,352	2,113,633	0	0	\$1.87
Mission Gorge	1,920,363	1.5%	1.8%	(12,830)	(19,515)	1,380	61,381	0	0	\$1.97
Poway	9,722,619	1.8%	2.3%	(120,777)	(135,261)	47,054	108,749	0	0	\$1.59
Rancho Bernardo	7,715,378	5.7%	6.8%	15,313	(248,838)	90,526	238,703	0	0	\$1.82
Scripps Ranch	1,708,152	6.5%	6.5%	(11,175)	146,817	4,875	31,901	0	145,000	\$1.77
I-15 Corridor	21,066,512	3.6%	4.3%	(129,469)	(256,797)	143,835	440,734	0	145,000	\$1.72
Chula Vista	10,176,870	4.8%	6.7%	(87,095)	(70,447)	44,586	242,137	0	201,200	\$1.32
Downtown	1,709,478	3.1%	3.1%	3,353	(30,147)	3,353	9,983	0	0	\$1.22
National City	3,687,410	1.3%	1.3%	(6,063)	999	15,737	58,754	0	0	\$1.70
Otay Mesa	23,252,275	4.5%	6.0%	77,302	444,020	66,907	778,557	2,339,502	955,624	\$1.28
San Ysidro/ Imp Beach	1,351,785	1.2%	1.7%	2,086	(13,298)	1,796	8,774	0	0	\$1.15
South County	40,177,818	4.1%	5.5%	(10,417)	331,127	132,379	1,098,205	2,339,502	1,156,824	\$1.32
East City	900,774	0.8%	0.8%	1,525	351,476	0	76,822	0	346,128	-
El Cajon	9,807,334	0.3%	0.5%	22,444	68,801	215,037	366,728	381,240	0	\$1.39
La Mesa/ Spring Valley	2,531,612	1.1%	1.1%	(3,770)	(15,164)	38,633	85,803	0	0	\$1.13
Santee	4,360,893	1.4%	1.4%	5,622	75,247	10,310	59,340	0	0	\$1.36
Southeast San Diego	4,052,165	1.2%	1.6%	4,988	36,818	78,538	196,714	0	0	\$1.26
East County	21,652,778	0.8%	1.0%	30,809	517,178	342,518	785,407	381,240	346,128	\$1.27
Outlying SD County North	1,054,286	2.4%	2.4%	3,150	25,350	5,200	19,584	0	0	-
Outlying SD County South	980,020	5.7%	5.7%	0	(46,000)	9,400	12,474	0	0	-
Outlying East San Diego County	2,034,306	3.9%	3.9%	3,150	(20,650)	14,600	32,058	0	0	-
Submarket Total	201,775,212	3.9%	5.0%	(572,663)	(1,490,955)	1,466,527	5,906,446	3,002,792	1,647,952	\$1.54

NEAR-TERM OUTLOOK

MODERATION IN THE INDUSTRIAL MARKET is expected to continue into the end of the year and into early next year due to high interest rates and economic concerns. Rent growth will continue to slow, and although vacancies and availabilities have been rising, the local market is better positioned than compared to other major markets throughout California.

WHILE THERE HAS BEEN AN UPTICK IN DEMAND for smaller spaces, we're not sure how long this trend will last as the market is already seeing a dip in inventory for these spaces, with most of the availability located in South County, specifically in Otay Mesa.

Source: CoStar, EDD, ES Business Journal

TOP SALE TRANSACTIONS 3Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Runway Distribution Center	Otay Mesa	199,997	\$57,000,000	\$285.00	Ares Management Corp.	Lincoln Property Company
Empire Center	Otay Mesa	132,667	\$34,580,000	\$260.65	T&S Properties	TA Realty
10054 Old Grove Rd	Scripps Ranch	85,824	\$33,999,000	\$396.15	The United Brotherhood of Carpenters and Joiners	Chandru Wadhvani
131 W 33rd St	National City	78,699	\$20,330,000	\$258.33	Dean Factor	Unilev Capital Corp.
6695 Rasha St	Mira Mesa/Miramar	37,747	\$16,000,000	\$423.87	Wholesalers Property Co. LLC	Dean Faucett

TOP LEASE TRANSACTIONS 3Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
1756 Weld Blvd	El Cajon	160,000	August 2023	Chestnut Properties	GKN Aerospace Chem-tronics Inc.
1470 Exposition Way	Otay Mesa	55,788	September 2023	PPF Sudberry Ocean View Hills, LP	HP, Inc.
3939 Market St	Southeast	51,262	September 2023	Montbleau & Associates	Cruise, LLC
16868 Via del Campo Ct	Rancho Bernardo	39,979	September 2023	General Atomics	IWG International dba Regus
4039 Calle Platino	Oceanside	30,082	September 2023	Rexford Industrial Realty, Inc.	Undisclosed

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Interchange Industrial Otay	8830-8878 Cypress Ct	Otay Mesa	404,723	Phelan Development	4Q23
Gillespie Field Park	1756 Weld Blvd	El Cajon	381,240	Chestnut Properties	2Q24
Otay Border Crossings OBX	7727-7823 Paseo De La Fuente	Otay Mesa	353,800	Kearny Real Estate Company	1Q24
Majestic Landmark Phase 3	La Media Rd & Otay Mesa Rd	Otay Mesa	256,789	Majestic Realty Co.	2Q24
Sanyo Logistics Center	2080 Sanyo Ave & 7133 Airway Rd	Otay Mesa	242,969	Badiee Development	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.

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COMMERCIAL BROKERAGE	<i>\$12B</i> TRANSACTION VOLUME ANUALLY	<i>32.1M</i> ANNUAL SALES SF	<i>41.2M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>53M</i> MANAGEMENT PORTFOLIO SF	<i>771+</i> ASSETS UNDER MANAGEMENT	<i>250+</i> ASSET SERVICES CLIENTS
VALUATION ADVISORY	<i>2,800+</i> ASSIGNMENTS ANNUALLY	<i>41</i> TOTAL APPRAISERS	<i>23</i> WITH MAI DESIGNATIONS

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