

MARKET TRENDS

SAN DIEGO INDUSTRIAL

MARKET DRIVERS

Industrial demand, driven primarily by the onset of the pandemic, led to surging industrial fundamentals posting record low vacancy rates. Since the start of 2023 this demand has begun to cool, resulting in the sixth consecutive quarter of negative direct net absorption of 322K SF.

Total vacancy throughout San Diego’s industrial market increased year-over-year to 6.9% in 2Q24, an uptick of 240 basis points (bps). Quarter-over-quarter (QOQ) the increase in vacancy has slowed, increasing by only 30 bps.

Leasing transaction volume grew 12.1% YOY but fell 3.4% QOQ to approximately 2.3M SF in 2Q24. Leasing volume continues to trail the 5-year quarterly average of 3M SF from 2019-2023. Industrial properties under 50K SF continue to generate steady demand with total vacancies of 4.5% as of 2Q24. This subset of properties produced over half of the quarter’s total leasing activity.

Sales volume grew YOY by 18.8% to 1.5M SF in 2Q24. Year-to-date sales volume of 3.3M SF is on track to surpass 2023’s 6M SF. Despite the slight uptick in sales transactions, activity remains much lower when comparing figures recently seen such as the 12.7M SF sold in 2022. The general economic slow down and today’s high interest rate environment continue to limit investment activity.

ECONOMIC REVIEW

The United States recorded an unadjusted unemployment rate of 3.7% in May, just lower than the 4.5% recorded in California. San Diego County’s 3.6% unemployment rate is up from the 3.3% posted last May but fell month-over-month. Between April and May, the county added 3,600 jobs in total nonfarm employment.

The County’s month-over-month job gains were led by leisure and hospitality with 2,600 jobs added. Year-over-year, private education and health services led all sectors by adding 11,400 jobs. The professional and business service industry had the largest year-over-year loss in jobs of 10,400.

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Market Summary

	2Q24	1Q24	2Q23	YOY Change
Vacancy Rate	6.9%	6.6%	4.5%	240 bps
Availability Rate	11.0%	10.6%	8.4%	260 bps
Asking Lease Rate	\$1.53	\$1.55	\$1.54	-0.4%

	2Q24	2024 YTD	2023 YTD	YOY Change
Leasing Activity (SF)	2,280,749	4,641,276	4,916,269	-5.59%
Sales Volume (SF)	1,546,388	3,313,709	3,334,655	-0.63%
Direct Net Absorption (SF)	-322,353	-1,164,760	-1,121,915	N/A

↓ **2.3M SF**
LEASING ACTIVITY

↓ **-322K SF**
NET ABSORPTION

↑ **6.9%**
VACANCY RATE

↔ **\$1.53**
ASKING RENT (AVG)

↓ **987K SF**
NEW DELIVERIES

Year-Over-Year Trend

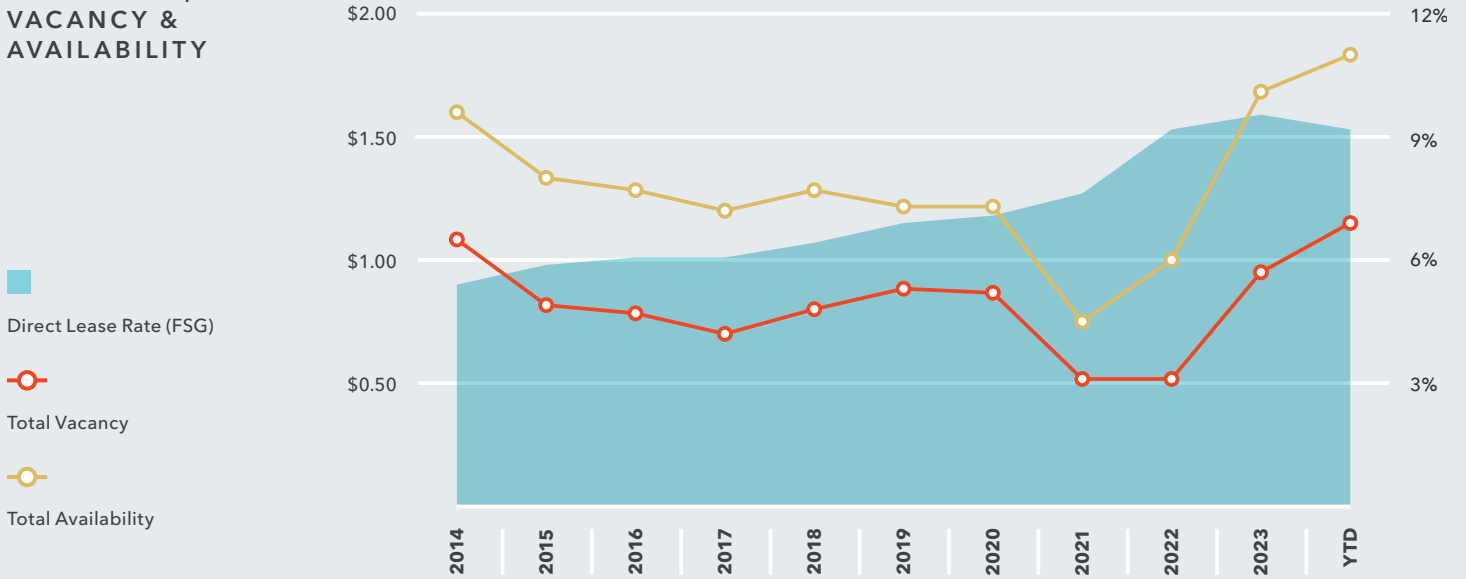
Market Highlights

LEASING VOLUME grew slightly YOY to 2.3M SF.

AVERAGE RENTAL RATES remained steady both QOQ and YOY at \$1.53/SF, NNN.

SALES VOLUME gained 18.8% YOY to 1.5M SF.

LEASE RATE, VACANCY & AVAILABILITY

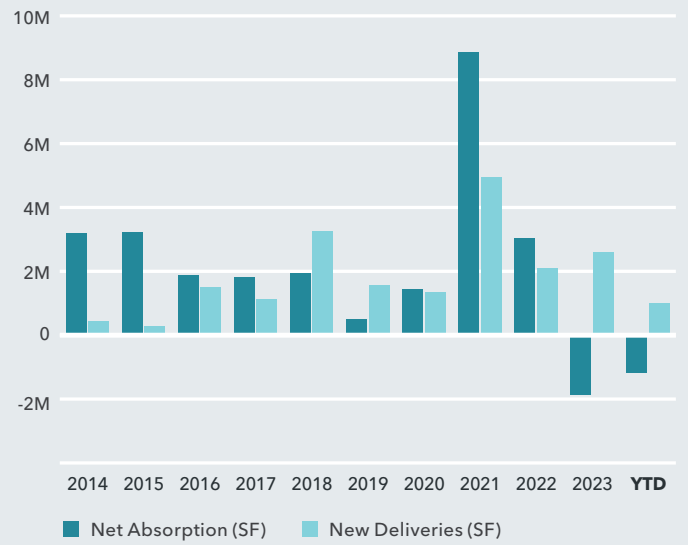


BIGGEST SALE OF THE QUARTER

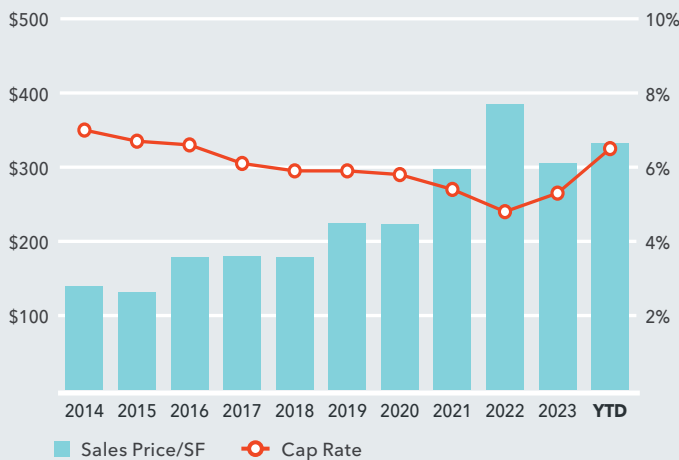
13450 Stowe Dr, Poway, CA



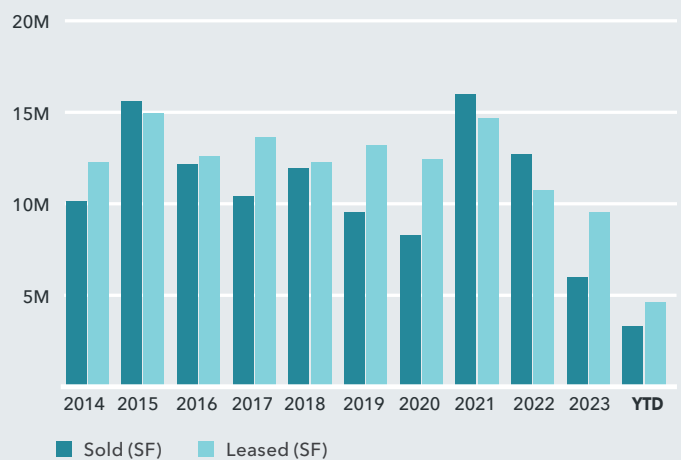
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	2Q24 Direct Net Absorption	YTD Direct Net Absorption	2Q24 Leasing Activity	YTD Leasing Activity	SF Under Construction	YTD Construction Completions	Average NNN Rental Rate
Carlsbad	15,924,343	6.6%	8.4%	174,571	7,854	189,859	321,253	165,000	218,429	\$1.69
Escondido	7,675,666	1.6%	2.4%	7,499	(23,461)	76,230	182,120	147,481	0	\$1.48
North Beach Cities	327,463	1.2%	1.2%	1,395	1,395	0	0	0	0	-
Oceanside	9,882,909	3.2%	4.2%	48,030	(17,310)	176,504	215,071	0	0	\$1.29
San Marcos	8,974,038	6.7%	8.4%	(90,191)	(135,903)	95,135	166,466	26,118	0	\$1.37
Vista	14,421,219	4.3%	4.6%	(99,802)	(42,562)	252,509	336,423	0	0	\$1.37
North County	57,205,638	4.8%	5.9%	41,502	(209,987)	790,237	1,221,333	338,599	218,429	\$1.45
Kearny Mesa	15,367,354	3.2%	4.1%	(54,309)	(119,772)	224,977	441,995	216,700	0	\$1.86
Mira Mesa/ Miramar	17,784,553	5.2%	5.8%	(36,777)	(225,451)	145,307	563,120	0	0	\$1.82
PB/Rose Canyon/ Morena	2,546,224	5.6%	5.8%	8,473	(15,542)	33,334	70,788	0	0	\$1.52
Sorrento Mesa	11,714,501	12.1%	16.1%	(103,954)	(124,405)	185,990	280,017	0	0	\$2.10
Sorrento Valley	3,639,871	11.8%	15.2%	(3,407)	(45,651)	43,289	72,668	0	0	\$1.92
Sports Arena/ Airport	2,959,956	3.5%	3.5%	6,000	30,380	2,000	12,000	0	0	\$1.71
Torrey Pines	4,590,190	7.7%	10.0%	(60,092)	(121,076)	160,500	172,726	0	0	\$2.00
UTC	2,879,013	11.9%	15.1%	26,644	6,503	0	0	0	0	-
Central County	61,481,662	6.8%	8.5%	(217,422)	(615,014)	795,397	1,613,314	216,700	0	\$1.80
Mission Gorge	1,949,376	2.7%	3.8%	(34,300)	(13,297)	9,108	12,456	0	0	\$1.97
Poway	9,865,249	3.1%	3.3%	(144,549)	(93,282)	115,943	271,813	0	0	\$1.53
Rancho Bernardo	7,708,109	5.3%	6.5%	13,385	14,940	23,765	49,885	0	0	\$1.80
Scripps Ranch	1,758,007	9.1%	9.1%	(1,413)	(55,108)	4,805	16,880	0	0	\$1.48
I-15 Corridor	21,280,741	4.4%	5.0%	(166,877)	(146,747)	153,621	351,034	0	0	\$1.66
Chula Vista	10,041,011	9.3%	9.6%	(25,155)	(63,068)	86,047	181,681	205,266	0	\$1.38
Downtown	1,680,301	3.2%	4.5%	(20,000)	(24,000)	0	0	0	0	\$1.24
National City	3,759,765	1.7%	2.2%	(3,557)	(21,231)	40,741	65,615	0	0	\$1.76
Otay Mesa	24,855,144	10.7%	12.1%	81,903	(69,543)	166,758	683,211	1,651,732	768,507	\$1.26
San Ysidro/ Imp Beach	1,364,534	0.0%	0.6%	15,963	15,963	69,998	95,249	0	0	\$1.25
South County	41,700,755	8.9%	9.9%	49,154	(161,879)	363,544	1,025,756	1,856,998	768,507	\$1.33
East City	900,774	0.0%	0.0%	0	7,575	0	0	0	0	-
El Cajon	9,835,238	1.0%	1.0%	(23,570)	(18,928)	106,130	310,707	411,240	0	\$1.39
La Mesa/ Spring Valley	2,510,379	1.1%	1.1%	(5,059)	(4,743)	15,025	17,172	0	0	\$1.46
Santee	4,348,512	0.7%	1.0%	(507)	17,321	43,625	76,914	0	0	\$1.32
Southeast San Diego	4,043,174	2.0%	2.0%	(5,404)	(18,775)	0	11,876	0	0	\$1.37
East County	21,638,077	1.1%	1.2%	(34,540)	(17,550)	164,780	416,669	411,240	0	\$1.32
Outlying SD County North	1,082,264	3.4%	3.4%	5,830	(13,583)	13,170	13,170	0	0	\$0.64
Outlying SD County South	970,620	14.6%	14.6%	0	0	0	0	0	0	-
Outlying East San Diego Cty	2,052,884	8.7%	8.7%	5,830	(13,583)	13,170	13,170	0	0	\$0.64
San Diego County	205,359,757	5.8%	6.9%	(322,353)	(1,164,760)	2,280,749	4,641,276	2,823,537	986,936	\$1.53

NEAR-TERM OUTLOOK

The softening market dynamics of the San Diego industrial market are expected to continue throughout the second half of 2024. Both vacancy and availability rates have reached a near 10-year high of 6.9% and 11% respectively.

San Diego’s consistent construction pipeline will continue to put upward pressure on vacancy rates and limit rent growth, with majority of upcoming deliveries located in South County.

SIGNIFICANT SALE TRANSACTIONS 2Q 2024

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
13450 Stowe Dr	Poway	78,000	\$19,600,000	\$251.28	Staley Point Capital/Bain Capital, LP	Swift Engineering, Inc.
6352 & 6354 Corte Del Abeto	Carlsbad	63,893	\$19,300,000	\$302.07	TA Realty	BKM Capital Partners
9575 Aero Dr	Kearny Mesa	55,093	\$17,985,000	\$326.45	Rady Children's Hospital	JRC Real Estate Investment Co.
755-785 & 877 Vernon Way	El Cajon	52,880	\$10,950,000	\$207.07	Solar Manufacturing	Certified Metal Craft, Inc.
2350 Oak Ridge Way	Vista	35,469	\$8,867,250	\$250.00	Redback Boots U S A	Hana Road Holdings, LLC

SIGNIFICANT LEASE TRANSACTIONS 2Q 2024

Property	Submarket	SF	Transaction Date	Landlord	Tenant
2080 Sanyo Ave	Otay Mesa	58,852	June 2024	Badiee Development	Blue Streak Electronics
2790 Business Park Dr	Vista	49,299	April 2024	Meruelo Group	Granite Construction
4039 Calle Platino	Oceanside	43,725	April 2024	Rexford Industrial Realty, Inc.	Daikin
3275 Corporate View	Vista	35,808	May 2024	TKM Investments	Tinker Tin, Inc.
1248 Los Vallecitos Blvd	San Marcos	33,843	June 2024	Lehrer Holdings, LLC	International Greenscapes, LLC

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
6980 Otay Mesa Rd	6980 Otay Mesa Rd	Otay Mesa	1,077,413	Amazon	2Q25
Gillespie Field Park	1756 Weld Blvd	El Cajon	381,240	Chesnut Properties	3Q24
Landmark Phase III	8425 Otay Mesa Rd & 1911 Landmark Rd	Otay Mesa	256,789	Majestic Realty Co.	3Q24
Otay River Business Park Lot 10-12	2855 & 2995 Faivre St	Chula Vista	205,266	Sudberry Properties, Inc.	3Q24
2830 Whiptail Loop	2830 Whiptail Loop	Carlsbad	165,000	Oxford Properties Group	3Q25

Data Source: CoStar, EDD, SD Business Journal



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COMMERCIAL BROKERAGE	<i>\$10B</i> 3-YEAR AVERAGE TRANSACTION VOLUME	<i>31.7M</i> ANNUAL SALES SF	<i>42.4M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>55M SF</i> MANAGEMENT PORTFOLIO SIZE	<i>800+</i> ASSETS UNDER MANAGEMENT	<i>260+</i> CLIENTS SERVED
VALUATION ADVISORY	<i>2,600+</i> 3-YEAR AVERAGE ASSIGNMENTS	<i>43</i> TOTAL APPRAISERS	<i>27</i> WITH MAI DESIGNATIONS

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