

MARKET TRENDS

SAN DIEGO INDUSTRIAL

MARKET DRIVERS

The San Diego industrial market experienced -368K SF of direct net absorption in 4Q24, returning to the trend of negative absorption that was briefly ended last quarter. Cumulatively, direct net absorption was 482K SF higher than last year, but at -1.4M SF, the region is still facing a period of moderate demand.

Total vacancy continues to reach new heights, measuring at 7.6%, a year-over-year (YOY) increase of 190 basis points (bps). Likewise, quarter-over-quarter (QOQ) vacancy grew by 50 bps.

Lease transaction volume halved YOY and QOQ totaling 1.2M SF on the quarter. Yearly totals for leasing volume reached 7.6M SF, falling short of the 9.1M SF reported in 2023.

Conversely, Industrial sales volume more than doubled QOQ, resulting in only 2.2M SF of properties trading hands. This saw a 7.3% increase in sales volume compared to last year, but on a dollar-basis, sales volume only increased by 2.8% to \$1.6B. This decrease in price per square foot paired with the increase in volume might indicate that the recent rate cuts have allowed for more investments to be made, but the recent dip in demand for space has caused the prices to come down.

ECONOMIC OVERVIEW

The unemployment rate throughout San Diego County was 4.6% in November 2024, 30 bps higher than the year-ago estimate of 4.3%. California reported an unadjusted unemployment rate of 5.4% in the same period, a 120 bps increase YOY.

The San Diego-Carlsbad-San Marcos Metropolitan Statistical Area (MSA) industrial jobs saw some positive and negative movement this year. The Manufacturing sector reported 109.8K jobs, marking a 3.9% decrease YOY, and a 1.5% decrease since 3Q24. The Transportation and Warehouse sector increased 0.6% YOY and 3.7% QOQ to 230.5K jobs.

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Market Summary

	4Q24	3Q24	4Q23	YOY Change
Direct Vacancy Rate	7.6%	7.1%	5.7%	190-bps
Total Availability Rate	11.2%	10.6%	9.5%	170-bps
Direct Asking Lease Rate	\$1.53	\$1.54	\$1.57	-2.5%
	4Q24	2024	2023	YOY Change
Total Lease Transactions (SF)	1,153,688	7,589,678	9,133,000	-16.9%
Sale Transactions (SF)	2,184,089	6,469,024	6,027,086	7.3%
Direct Net Absorption (SF)	-367,935	-1,388,824	-1,870,789	N/A

↓ **±1.5M SF**
LEASING ACTIVITY

↓ **-367K SF**
NET ABSORPTION

↑ **7.6%**
VACANCY RATE

↓ **\$1.53**
ASKING RENT (AVG)

↓ **972K SF**
NEW DELIVERIES

Year-Over-Year Trend

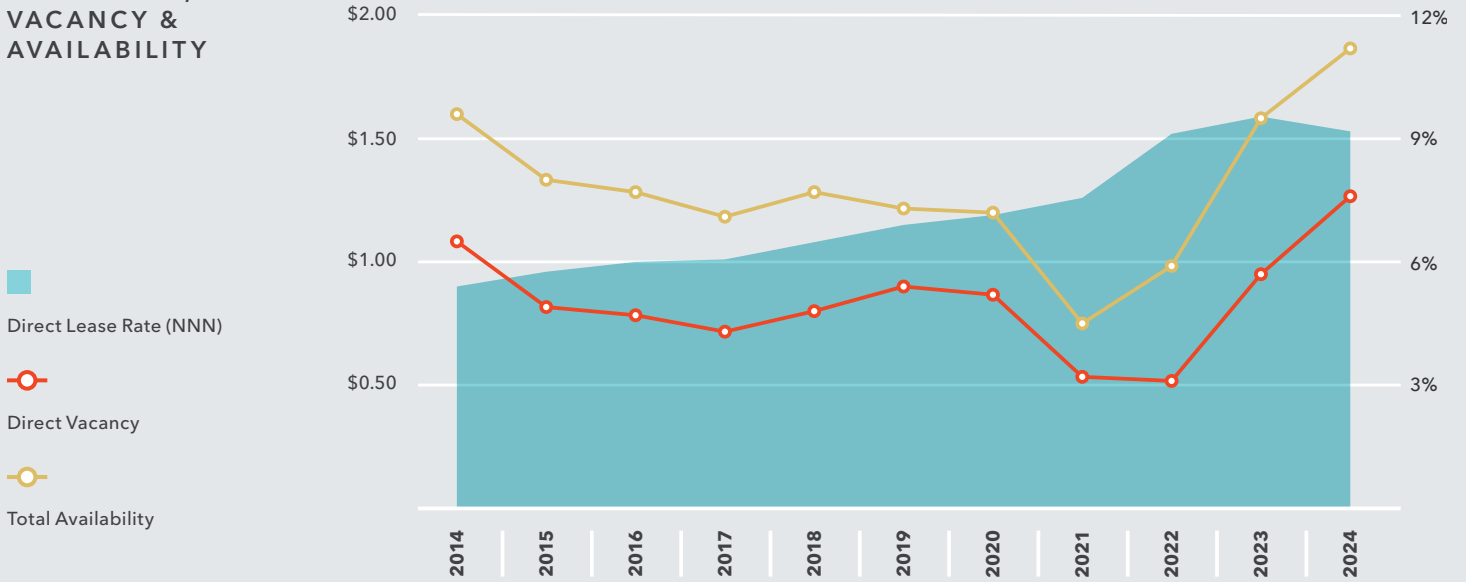
Market Highlights

QUARTERLY LEASING VOLUME fell YOY and QOQ to 1.2M SF.

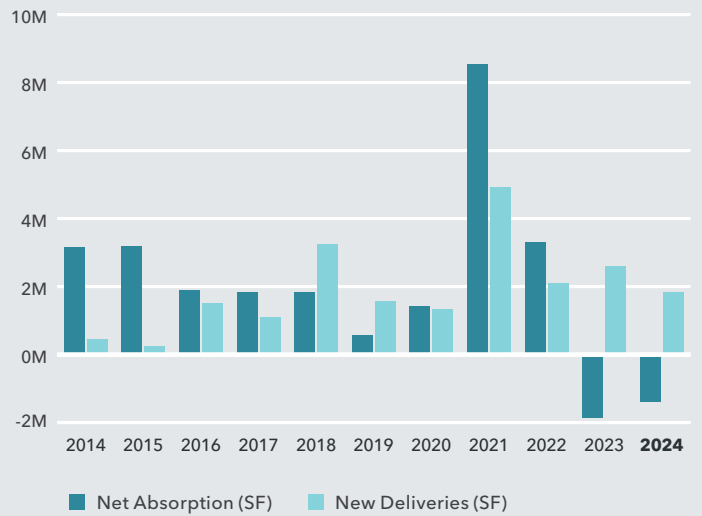
ASKING RENTAL RATES fell 2.5% YOY to \$1.53/SF NNN.

CUMULATIVE SALES VOLUME saw a 7.3% increase to 6.5M SF compared to 2023.

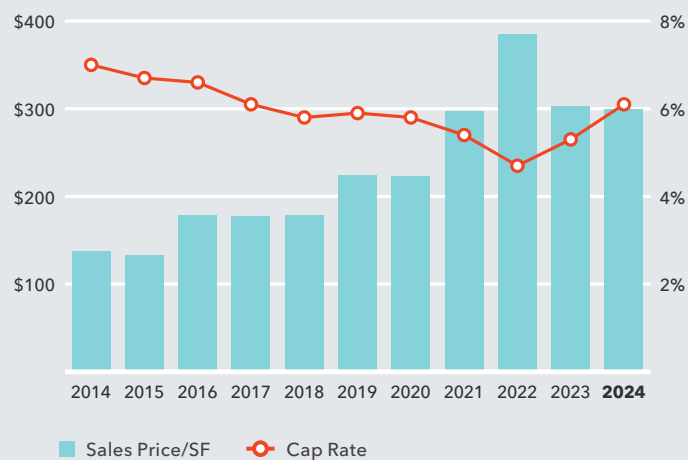
LEASE RATE, VACANCY & AVAILABILITY



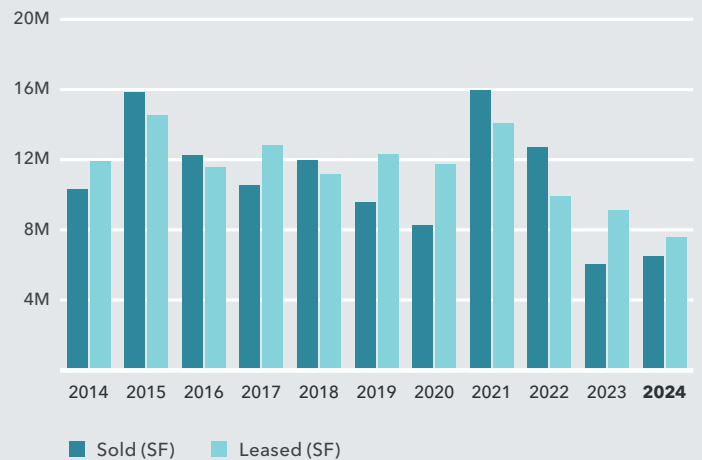
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	4Q24 Direct Net Absorption	YTD Direct Net Absorption	4Q24 Leasing Activity	YTD Leasing Activity	SF Under Construction	YTD Construction Completions	Average NNN Rental Rate
Carlsbad	16,144,296	5.7%	7.6%	(77,411)	83,911	49,779	676,525	232,714	218,429	\$1.68
Escondido	7,667,676	1.2%	1.8%	4,585	8,796	27,951	318,553	59,091	88,390	\$1.56
North Beach Cities	327,463	0.8%	0.8%	1,155	2,550	2,710	3,615	0	0	-
Oceanside	9,892,983	4.3%	4.4%	24,228	(46,279)	118,182	441,537	50,000	0	\$1.27
San Marcos	9,012,045	6.6%	8.0%	13,442	(105,393)	30,110	308,901		26,118	\$1.31
Vista	14,425,555	6.6%	7.6%	(306,626)	(339,104)	56,447	573,923	22,480	0	\$1.34
North County	57,470,018	5.2%	6.3%	(340,627)	(395,519)	285,179	2,323,054	364,285	332,937	\$1.44
Kearny Mesa	15,462,253	4.0%	4.5%	(17,030)	(251,488)	152,112	782,649	95,800	120,900	\$1.86
Mira Mesa/ Miramar	17,766,409	6.3%	7.1%	(133,780)	(428,635)	164,860	947,379	0	0	\$1.81
PB/Rose Canyon/ Morena	2,560,692	5.6%	5.7%	17,284	(15,459)	15,959	101,970	0	0	\$1.54
Sorrento Mesa	11,738,856	12.6%	15.1%	(65,034)	(178,607)	91,161	738,939	0	0	\$2.04
Sorrento Valley	3,640,787	15.8%	19.5%	(109,845)	(189,822)	4,150	109,098	0	0	\$2.30
Sports Arena/ Airport	2,950,087	3.8%	3.8%	(2,000)	20,546	6,000	21,825	0	0	\$1.71
Torrey Pines	4,752,554	6.3%	9.9%	6,169	14,446	63,000	292,074	0	0	\$2.00
UTC	2,878,965	8.1%	9.1%	61,376	113,104	0	23,379	0	0	-
Central County	61,750,603	7.4%	8.8%	(242,860)	(915,915)	497,242	3,017,313	95,800	120,900	\$1.81
Mission Gorge	1,934,135	2.3%	2.5%	17,121	(6,385)	16,120	89,160	0	0	\$1.86
Poway	9,978,917	2.8%	2.8%	(3,424)	(59,384)	47,917	545,753	0	0	\$1.53
Rancho Bernardo	7,709,682	4.7%	7.8%	42,480	62,722	26,275	183,037	0	0	\$1.78
Scripps Ranch	1,759,791	9.0%	10.2%	2,608	(52,500)	2,608	69,724	0	0	\$1.32
I-15 Corridor	21,382,525	3.9%	5.2%	58,785	(55,547)	92,920	887,674	0	0	\$1.63
Chula Vista	10,269,410	10.6%	10.6%	2,063	(9,249)	12,998	363,968		205,266	\$1.41
Downtown	2,018,380	2.7%	3.3%	6,500	(24,000)	6,500	19,020	0	0	\$1.30
National City	3,760,918	2.5%	3.1%	(24,430)	(50,741)	21,348	227,226	0	0	\$1.78
Otay Mesa	25,271,567	11.0%	13.5%	36,070	51,487	145,014	877,498	1,501,202	919,037	\$1.22
San Ysidro/ Imp Beach	1,364,538	0.0%	0.3%	(240)	15,723	4,175	99,424	0	0	-
South County	42,684,813	9.4%	11.0%	19,963	(16,780)	190,035	1,587,136	1,501,202	1,124,303	\$1.28
East City	900,774	0.0%	0.0%	0	7,575	0	0	0	0	-
El Cajon	10,214,087	2.7%	2.7%	153,965	186,537	23,960	473,017		381,240	\$1.33
La Mesa/ Spring Valley	2,655,871	1.9%	3.4%	9,990	(28,012)	21,950	57,406	0	0	\$1.81
Santee	4,331,486	1.0%	1.0%	13,256	3,830	20,645	122,950	0	0	\$1.40
Southeast San Diego	4,077,613	6.8%	6.8%	(32,288)	(210,754)	21,545	113,130	0	0	\$1.40
East County	22,179,831	2.9%	3.1%	144,923	(40,824)	88,100	766,503	0	381,240	\$1.36
Outlying SD County North	1,069,306	3.2%	3.7%	(8,119)	(10,239)	212	8,235	0	0	\$0.64
Outlying SD County South	974,205	9.9%	9.9%	0	46,000	0	3,761	0	0	\$1.58
Outlying East San Diego Cty	2,043,511	6.4%	6.6%	(8,119)	35,761	212	11,996	0	0	\$0.64
San Diego County	207,511,301	6.4%	7.6%	(367,935)	(1,388,824)	1,153,688	8,593,676	1,961,287	1,959,380	\$1.53

NEAR-TERM OUTLOOK

Over 1.7M SF of new construction, concentrated primarily in south county, is slated to be delivered in the first half of 2025, further straining vacancy in that area and limiting rent growth in the near term.

As expected, the Federal Reserve cut interest rates for a third time in 2024, and they project to cut rates again two more times

in 2025, with a target rate between 4.25% and 4.5%. There is still some unease in the market, but these recent and expected cuts aim to increase spending and investments which could benefit the industrial market, especially in terms of sale volume.

The Industrial market has posted negative net absorption in back-to-back years for

the first time since 2008-2009. Though the market has seen a rough patch, if the past is any indication, the market will likely begin to swing up as the general economy continues its post-pandemic recovery in 2025.

Source: CoStar, EDD, SD Business Journal

SIGNIFICANT SALE TRANSACTIONS FOR 4Q24

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
1960 Citracado Pky	Escondido	88,552	\$38,760,500	\$437.71	San Diego County Water Authority	RPG
2790-2796 Loker Ave W	Carlsbad	99,424	\$34,250,000	\$344.48	RAF Pacifica Group, Inc.	Gerald Sova
1152 Armorlite Dr	San Marcos	44,313	\$12,000,500	\$270.81	Erin Tamer	Brennan Investment Group
10165 McKellar Ct	Sorento Mesa	70,779	\$9,500,000	\$134.22	LOBCM McKellar Court Owner LLC	10165 McKellar Court, LP
1350 Piper Ranch Rd	Otay Mesa	32,028	\$8,225,000	\$256.81	JE-Exports	P&R Paper Supply Company, Inc.

SIGNIFICANT LEASE TRANSACTIONS FOR 4Q24

Property	Submarket	SF	Transaction Date	Landlord	Tenant
1855 Dornoch Ct	Otay Mesa	62,576	October 2024	Kohlberg Kravis Roberts & Co. LP	Cotton Collective
1291 Rocky Point Dr	Oceanside	66,376	October 2024	EastGroup Properties	Sleep Train, LLC
2057 Aldergrove Ave	Escondido	42,333	December 2024	Greg Clark	Elite Storage
4400 Ruffin Rd	Kearny Mesa	39,716	December 2024	LBA Logistics	Undisclosed
8425 Otay Mesa Rd	Otay Mesa	35,647	December 2024	Majestic Realty Co	VMACO

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
6980 Otay Mesa Rd	6980 Otay Mesa Rd	Otay Mesa	1,077,413	Amazon	2Q 2025
Landmark Phase III	8425 Otay Mesa Rd & 1911 Landmark Rd	Otay Mesa	256,789	Majestic Realty Co.	1Q 2025
2830 Whiptail Loop	2830 Whiptail Loop	Carlsbad	165,000	Oxford Properties Group	3Q 2025
7401 Bristow Ct	7401 Bristow Ct	Otay Mesa	124,000	Johnson Moving & Storage	1Q 2025
4400 Ruffin Road	4400 Ruffin Road	Kearny Mesa	95,800	LBA Logistics	1Q 2025

Data Source: EDD, CoStar



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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
 President of Brokerage
 949.557.5079
 eric.paulsen@kidder.com
 LIC N° 01001040

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>57M SF</i> MANAGEMENT PORTFOLIO SIZE	<i>850+</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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