

MARKET TRENDS

SAN DIEGO INDUSTRIAL

MARKET DRIVERS

The San Diego industrial market posted positive 612.8K SF of direct net absorption in 4Q25, reversing the prior quarter's negative 361.9K SF and improving from the negative 167.1K SF recorded in 4Q24. Despite the better quarter, cumulative 2025 absorption remained negative at 1.0M SF, marking a third consecutive year of negative net absorption for the industrial market.

Total vacancy edged down 30 basis points (bps) quarter over quarter to 9.3% in 4Q25, but remains 170 bps higher than the same time last year. New supply continued to add pressure, with 427.0K SF delivered in the quarter and roughly 2.1M SF still under construction, keeping tenant leverage concentrated in larger, newer blocks of space.

Lease transaction volume cooled after a strong 3Q25, totaling 1.6M SF across 268 deals in 4Q25. Leasing was down 35.8% quarter over quarter and 3.5% year over year, yet asking rents held firm at \$1.49 PSF NNN. On a year-over-year basis, overall asking rents decreased 2.6%, but pricing power for well located, modern logistics products.

Industrial investment sales activity rebounded in 4Q25, with 2.8M SF trading across 68 transactions, totaling \$839.3M in dollar volume. Average pricing rose to \$337 PSF, up 15.2% year over year, indicating that buyers remain selective but willing to pay for functional, infill assets.

ECONOMIC OVERVIEW

In September 2025, manufacturing employment in the San Diego Chula Vista Carlsbad MSA measured 109.0K jobs, down 2.3% year over year. Trade, transportation, and utilities employment totaled 221.4K jobs, down 0.4% year over year, highlighting a modest cooling in several industrial linked sectors.

The unemployment rate remained at 4.9% since last quarter, 50 bps higher than last year. While near term job growth has moderated, San Diego's diversified base across defense, life sciences, tourism, and cross border trade continues to support long term demand for industrial and logistics space.

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Market Summary

	4Q25	3Q25	4Q24	YOY Change
Direct Vacancy Rate	9.3%	9.6%	7.6%	170 bps
Total Availability Rate	12.6%	12.6%	11.1%	150 bps
Direct Asking Lease Rate/SF/Mo	\$1.49	\$1.49	\$1.53	-2.6%
	4Q25	2025	2024	YOY Change
Total Lease Transactions (SF)	1,569,486	9,647,917	9,069,930	6.4%
Sale Transactions (SF)	2,807,147	6,291,727	6,942,363	-9.4%
Direct Net Absorption (SF)	612,837	-1,089,958	-1,308,870	N/A

↓ **1.5M SF**
LEASING ACTIVITY

↑ **612K SF**
NET ABSORPTION

↑ **9.3%**
VACANCY RATE

↓ **\$1.49**
ASKING RENT (AVG)

↓ **427K SF**
NEW DELIVERIES

Year-Over-Year Trend

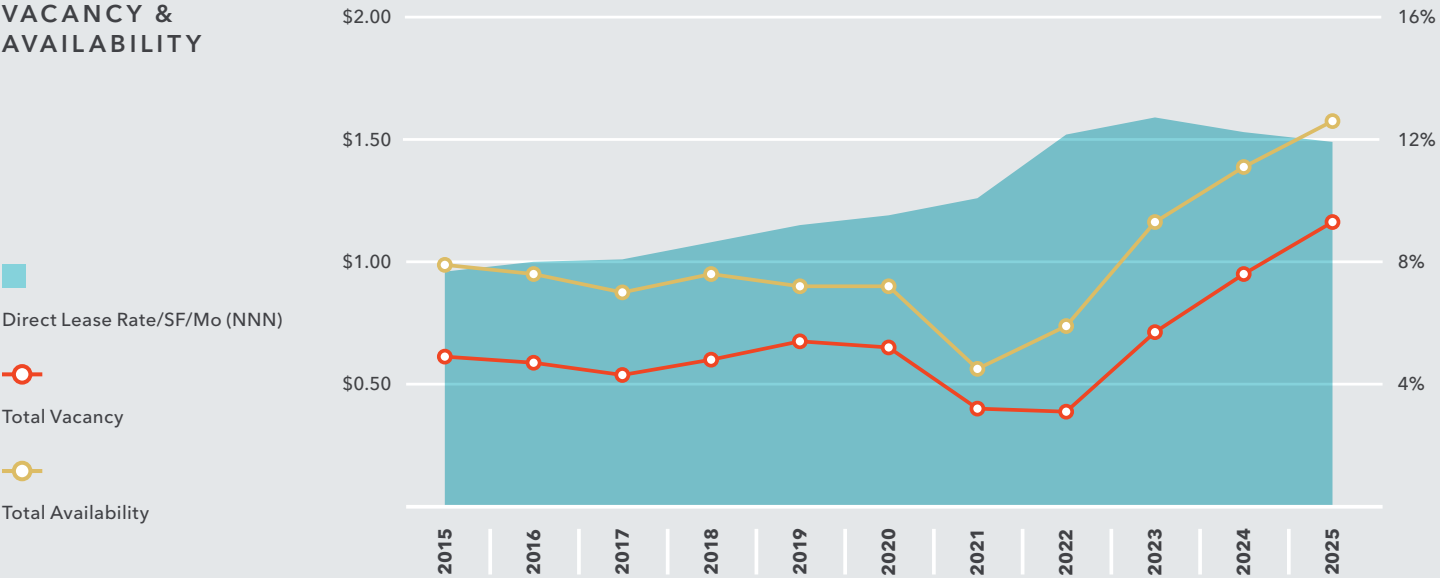
Market Highlights

LEASING VOLUME
decreased to 1.6M SF

ASKING RENTAL RATES fell
to \$1.49 PSF NNN

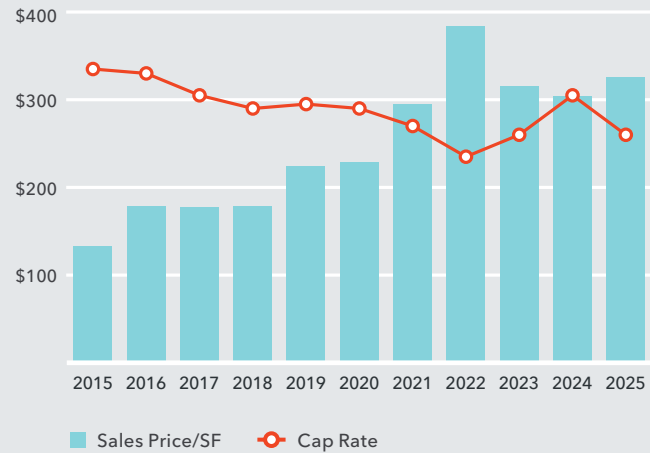
SALES VOLUME totaled
\$839.3M across 2.8MSF

LEASE RATE, VACANCY & AVAILABILITY

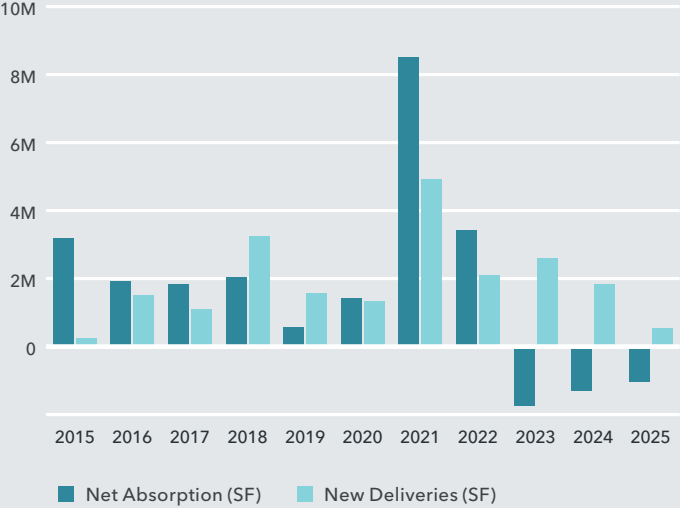


BIGGEST SALE OF THE QUARTER
3125 Lionshead Ave, Carlsbad

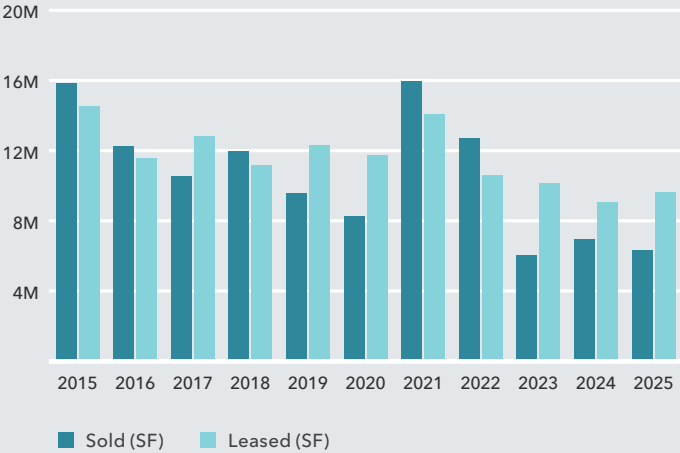
AVERAGE SALES PRICE/SF & CAP RATE



NET ABSORPTION & NEW DELIVERIES



SALE VOLUME & LEASING ACTIVITY



4Q 2025 | SAN DIEGO INDUSTRIAL

SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	4Q25 Direct Net Absorption	2025 Direct Net Absorption	4Q25 Leasing Activity	2025 Leasing Activity	SF Under Construction	2025 Construction Completions	Average NNN Rental Rate
Carlsbad	16,426,725	7.3%	9.0%	121,400	-115,879	139,902	831,050	165,000	67,714	\$1.66
Escondido	7,818,869	3.6%	4.3%	56,924	-134,585	77,704	326,031	0	58,502	\$1.27
North Beach Cities	354,674	0.3%	0.3%	-980	-100	0	880	0	0	-
Oceanside	10,169,949	3.7%	3.9%	742	114,768	100,046	640,999	0	0	\$1.22
San Marcos	9,078,524	8.3%	9.0%	-44,894	-154,459	54,842	347,131	0	0	\$1.36
Vista	14,633,686	7.0%	7.5%	53,529	-71,349	96,065	913,843	123,705	22,480	\$1.24
North County	58,482,427	6.2%	7.1%	186,721	-361,604	468,559	3,059,934	288,705	148,696	\$1.37
Kearny Mesa	15,623,737	4.3%	4.4%	-52,526	113,894	58,355	589,958	0	0	\$2.04
Mira Mesa/ Miramar	18,201,255	7.4%	8.4%	-49,121	-235,860	185,483	1,145,683	0	0	\$1.82
PB/Rose Canyon/ Morena	2,564,073	10.2%	11.8%	-11,179	-118,357	18,836	201,917	0	0	\$1.51
Sorrento Mesa	13,369,640	23.0%	27.6%	2,130	-330,781	141,764	423,972	0	0	\$2.06
Sorrento Valley	3,702,997	18.7%	21.6%	-19,490	-117,956	10,982	74,209	0	0	\$1.90
Sports Arena/ Airport	3,001,112	4.1%	4.1%	950	-9,235	12,000	145,865	0	0	\$0.88
Torrey Pines	5,244,632	11.3%	15.5%	-53,081	64,423	9,580	281,694	0	0	\$2.00
UTC	3,796,795	21.7%	21.8%	381,350	258,018	12,742	158,086	0	0	-
Central County	65,504,241	11.6%	13.4%	199,033	-375,854	449,742	3,021,384	0	0	\$1.78
Mission Gorge	1,934,054	6.1%	6.1%	24,869	-73,461	12,886	151,238	0	0	\$1.76
Poway	9,839,617	2.0%	2.4%	49,136	73,127	8,368	215,679	0	0	\$1.64
Rancho Bernardo	7,676,223	4.7%	7.1%	-25,754	-4,561	40,561	135,419	0	0	\$1.56
Scripps Ranch	1,716,252	13.0%	13.0%	9,386	-63,245	2,058	29,965	0	0	\$1.78
I-15 Corridor	21,166,146	4.3%	5.3%	57,637	-68,140	63,873	532,301	0	0	\$1.63
Chula Vista	10,306,379	11.7%	11.8%	-41,198	-146,205	64,335	299,013	0	0	\$1.23
Downtown	1,937,623	1.9%	1.9%	0	17,853	2,147	24,881	0	0	\$0.85
National City	3,757,168	5.1%	5.4%	-11,272	-97,675	15,273	158,279	0	0	\$1.72
Otay Mesa	25,506,349	11.8%	12.9%	190,433	153,717	209,492	1,766,683	1,823,586	380,796	\$1.14
San Ysidro/ Imp Beach	1,352,280	6.3%	6.3%	1,220	-85,214	29,634	54,499	0	0	\$1.35
South County	42,859,799	10.6%	11.3%	139,183	-157,524	320,881	2,303,355	1,823,586	380,796	\$1.21
East City	864,329	0.0%	0.0%	0	0	0	0	0	0	-
El Cajon	10,214,053	3.3%	3.3%	19,353	-48,824	68,317	200,200	0	10,300	\$1.61
La Mesa/ Spring Valley	2,661,225	1.0%	2.5%	-3,173	23,886	3,820	34,111	0	0	\$1.48
Santee	4,195,030	2.0%	2.1%	-10,913	-43,638	24,862	203,424	0	0	\$1.42
Southeast San Diego	4,035,514	7.9%	7.9%	24,413	-51,602	168,232	246,790	0	0	\$1.37
East County	21,970,151	3.5%	3.7%	29,680	-120,178	265,231	684,525	0	10,300	\$1.45
Outlying SD County North	1,165,575	2.2%	2.2%	9,200	5,359	1,200	25,178	0	0	-
Outlying SD County South	974,205	1.2%	1.2%	-8,617	-12,017	0	21,240	0	0	\$1.48
Outlying East San Diego Cty	2,139,780	1.7%	1.7%	583	-6,658	1,200	46,418	0	0	\$0.67
San Diego County	212,122,544	8.25%	9.3%	612,837	-1,089,958	1,569,486	9,647,917	2,112,291	539,792	\$1.49

NEAR-TERM OUTLOOK

San Diego’s industrial market ended the year with a notable improvement in absorption, suggesting that occupiers are beginning to take advantage of expanded availability to secure space ahead of 2026 needs. With vacancy still elevated, tenants remain disciplined, prioritizing functionality and location and negotiating harder on concession packages, especially for second generation product. For landlords, the most competitive assets continue to be modern buildings in infill submarkets, where clear heights, dock configurations, and yard or trailer parking options align with the region’s logistics constraints.

Developer and investor activity continues to signal long term conviction in supply constrained submarkets. In Kearny Mesa, Lincoln Property Co. and Brasa Capital acquired Spectrum Tech Center and announced plans to reposition it as Spectrum Logistics Center, underscoring the market’s ongoing shift toward redevelopment and adaptive reuse. In Otay Mesa, vertical construction is advancing at Otay Business Park, a large scale industrial project that is expected to deliver first phase space in 2026, reflecting continued focus on the region’s cross border trade corridor.

SIGNIFICANT SALE TRANSACTIONS 4Q25

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
3125 Lionshead Ave	Carlsbad	228,548	\$72,886,000	\$318.91	New Pacific Realty Corporation	Hines
9305 Lightwave Ave	Kearny Mesa	162,803	\$63,089,000	\$387.52	Hines	GI Partners
5755-5775 Kearny Villa Rd	Kearny Mesa	147,144	\$35,250,000	\$239.56	ScaleMatrix	Gary Roundy
7707 Paseo de la Fuente	Otay Mesa	152,469	\$30,200,000	\$198.07	TIAA	Cabot Properties Inc
2470 Faraday Ave	Carlsbad	127,200	\$22,086,000	\$173.63	BLT Enterprises	Beckman Coulter

SIGNIFICANT LEASE TRANSACTIONS 4Q25

Property	Submarket	SF	Transaction Date	Landlord	Tenant
1770 Thor St	Southeast San Diego	128,248	October 2025	North Richmond Properties, Inc.	Enterprise Rent-A-Car
1910 Landmark Rd	Otay Mesa	76,991	November 2025	Sunroad Enterprises	Norman Krieger
2875 Loker Ave E	Carlsbad	44,983	October 2025	Techbilt Construction Corp.	Zest Anchors
5830 El Camino Real	Carlsbad	36,169	October 2025	H.G. Fenton Company	The Picklr
2580 Pioneer Ave	Vista	32,660	October 2025	Property Reserve, Inc.	PennyPacker Packaging

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
6980 Otay Mesa Rd	6980 Otay Mesa Rd	Otay Mesa	1,077,413	Amazon	1Q 2026
Otay Business Park	1-3 Via De La Amistad Rd	Otay Mesa	612,240	Amistad Holdings, LLC	2Q 2026
2830 Whiptail Loop	2830/2836 Whiptail Loop	Carlsbad	165,000	Oxford Properties Group	3Q 2025
RD Business Ctr	7373-7363 Britannia Ct	Otay Mesa	133,933	RD Business Center, LP	2Q 2026
1430 Decision St	1430 Decision St	Vista	123,705	LBA Logistics	2Q 2026

Data Source: CoStar, EDD, U.S. Bureau of Labor Statistics, FRED, SD Business Journal, CoStar News



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**COMMERCIAL
BROKERAGE****\$9B**AVERAGE ANNUAL
TRANSACTION VOLUME**26.2M**ANNUAL
SALES SF**36.7M**ANNUAL
LEASING SF**ASSET
SERVICES****53M SF**MANAGEMENT
PORTFOLIO SIZE**800+**ASSETS UNDER
MANAGEMENT**250+**CLIENTS
SERVED**VALUATION
ADVISORY****2,400+**AVERAGE
ASSIGNMENTS**41**TOTAL
APPRAISERS**23**WITH MAI
DESIGNATIONS