Kidder Mathews

MARKET TRENDS

SAN DIEGO *INDUSTRIAL*

2Q 2025

MARKET DRIVERS

The San Diego industrial market experienced negative 719.9K SF of direct net absorption in 2Q25, which is significantly more than the negative 324.2K SF in 2Q24. This is the 10th consecutive quarter of negative net absorption. Cumulatively, direct net absorption reached negative 1.2M SF this year, only 62K SF less than this point last year.

The total vacancy rate continues to reach new heights, a year-over-year (YOY) increase of 270 basis points (bps) brought it to 9.5%. Likewise, quarter-over-quarter (QOQ) vacancy grew by 100 bps.

Lease transaction volume decreased YOY and QOQ, recording 2.0M SF on the quarter. Despite this slight decrease, cumulative transaction volume is nearly identical to this point last year.

Industrial sales volume also saw a decrease QOQ and YOY. Unlike lease volume, sales are down cumulatively 24.7%. Although sales volume has slowed, it is still early in the year, and the lower interest rates as well as increased demand for warehouse space as tariffs are implemented are signs that industrial can turn around in the second half of 2025.

ECONOMIC OVERVIEW

The unemployment rate in San Diego County was 4.0 percent in May 2025, 40 bps lower than in February 2024, and 40 bps above last year. Similarly, California reported a 5.4% rate, 10 bps lower than last quarter and 10 bps higher than last year.

The San Diego-Carlsbad-San Marcos Metropolitan Statistical Area (MSA) industrial jobs saw slight decreases over the past quarter and year. The Manufacturing sector reported 109.1K jobs, marking a 3.4% decrease YOY, and a 0.5% decrease since 1Q25. The Transportation and Utilities sector is down 0.2% YOY and 0.5% QOQ to 220.0K jobs.

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Market Summary

	2Q25	1Q25	2Q24	YOY Change
Direct Vacancy Rate	9.50%	8.50%	6.80%	**270 bps**
Total Availability Rate	12.20%	11.70%	10.20%	**200 bps**
Direct Asking Lease Rate	$1.50	$1.52	$1.57	**-4.46%**

	2Q25	2025 YTD	2024 YTD	YOY Change
Total Lease Transactions (SF)	1,959,014	4,255,352	4,256,272	**-0.02%**
Sale Transactions (SF)	1,249,143	2,536,354	3,367,503	**-24.68%**
Direct Net Absorption (SF)	-719,903	-1,229,436	-1,167,230	**N/A**

↓ *±1.9MSF*
LEASING ACTIVITY

↓ *-719K SF*
NET ABSORPTION

↑ *9.5%*
VACANCY RATE

↓ *$1.50*
ASKING RENT (AVG)

↓ *0 SF*
NEW DEVELIERIES

Year-Over-Year Trend

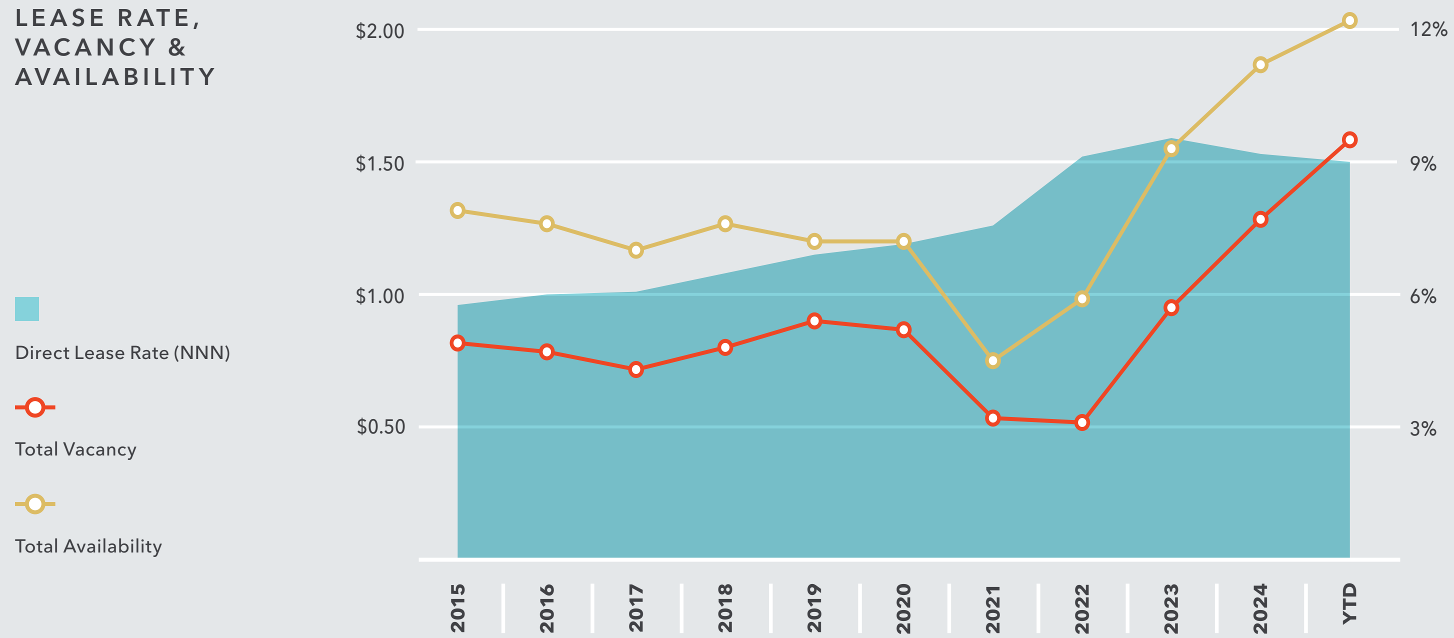
Market Highlights

LEASING VOLUME grew YOY and QOQ to 2.0M SF.

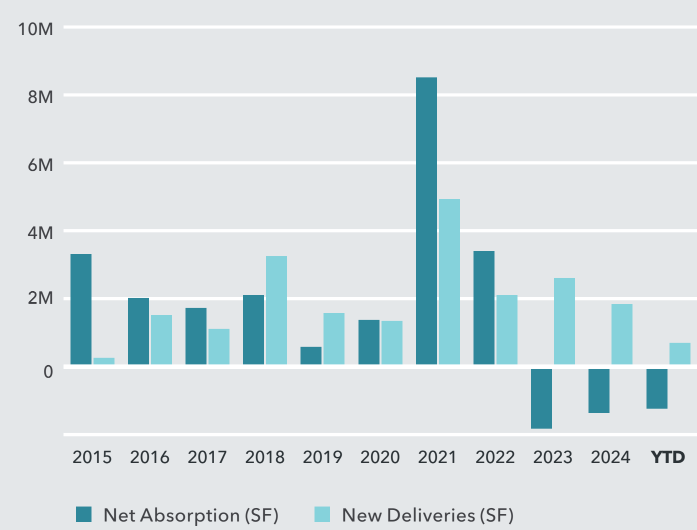
ASKING RENTAL RATES fell 4.5% YOY to $1.50 PSF NNN.

SALES VOLUME saw a 31.5% decrease to 1.2M SF.

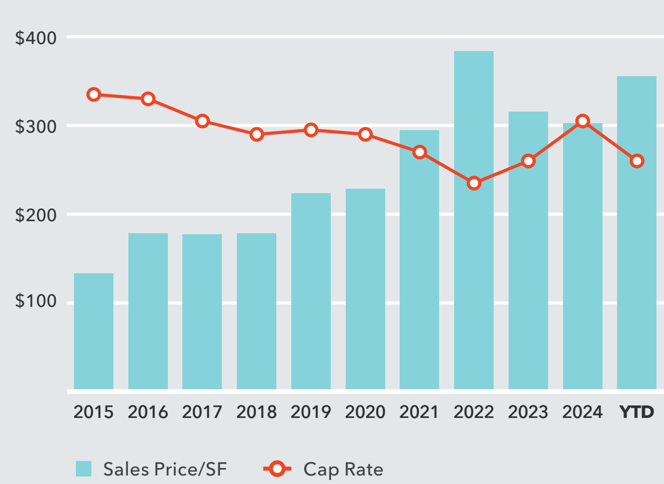
LEASE RATE, VACANCY & AVAILABILITY



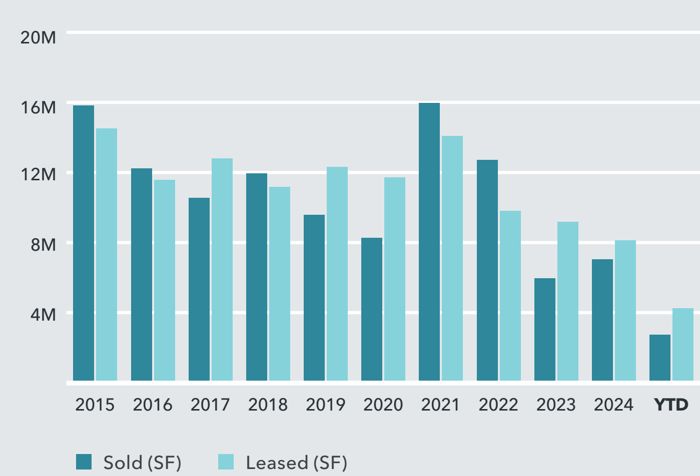
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	2Q25 Direct Net Absorption	YTD Direct Net Absorption	2Q25 Leasing Activity	YTD Leasing Activity	SF Under Construction	YTD Construction Completions	Average NNN Rental Rate
Carlsbad	16,258,187	7.0%	9.1%	-208,433	-223,830	217,048	408,058	232,714	0	$1.67
Escondido	7,856,081	4.3%	5.0%	-65,436	-184,077	140,577	189,468	0	59,091	$1.38
North Beach Cities	302,674	0.0%	0.0%	0	880	0	880	0	0	0
Oceanside	10,173,498	3.9%	4.0%	47,797	101,924	82,882	235,779	0	0	$1.21
San Marcos	9,014,578	7.6%	9.2%	-7,824	-86,719	117,159	192,416	0	0	$1.32
Vista	14,610,216	6.4%	7.5%	51,420	19,297	58,352	389,141	123,705	22,480	$1.29
North County	**58,215,234**	**6.0%**	**7.2%**	**-182,476**	**-372,525**	**616,018**	**1,415,742**	**356,419**	**81,571**	**$1.39**
Kearny Mesa	15,529,249	5.2%	5.5%	47,931	-9,997	97,984	264,894	0	95,800	$1.88
Mira Mesa/ Miramar	17,649,652	6.8%	8.2%	190,355	-84,560	315,230	528,213	0	0	$1.70
PB/Rose Canyon/ Morena	2,561,573	9.6%	11.2%	-91,546	-102,594	16,593	164,274	0	0	$1.55
Sorrento Mesa	13,024,997	23.5%	27.5%	212,015	-313,769	35,721	74,618	0	0	$2.02
Sorrento Valley	3,699,090	17.7%	22.4%	-109,947	-79,968	17,990	38,354	0	0	$2.42
Sports Arena/ Airport	3,000,571	3.7%	6.9%	-5,923	1,077	13,300	20,300	0	0	0
Torrey Pines	5,269,817	10.9%	16.7%	6,464	122,322	97,399	221,085	0	0	$2.00
UTC	3,448,817	21.4%	22.4%	34,013	-63,573	76,466	89,904	0	0	0
Central County	**64,183,766**	**11.5%**	**13.8%**	**-140,668**	**-531,062**	**670,683**	**1,401,642**	**0**	**95,800**	**$1.70**
Mission Gorge	1,934,135	6.7%	6.7%	-89,245	-83,929	13,310	44,864	0	0	$2.04
Poway	9,836,702	2.8%	2.8%	1,901	-1,906	68,268	96,933	0	0	$1.56
Rancho Bernardo	7,672,212	3.3%	5.8%	-8,939	103,218	9,625	81,616	0	0	$1.75
Scripps Ranch	1,685,271	9.8%	10.3%	0	-6,197	0	11,693	0	0	$1.77
I-15 Corridor	**21,128,320**	**3.9%**	**4.8%**	**-96,283**	**11,186**	**91,203**	**235,106**	**0**	**0**	**$1.69**
Chula Vista	10,304,009	12.0%	12.4%	-134,236	-149,405	101,319	146,754	0	0	$1.41
Downtown	1,953,911	2.1%	2.4%	18,369	13,869	11,750	11,750	0	0	$0.85
National City	3,769,510	4.1%	4.8%	13,973	-60,528	32,358	126,176	0	0	$1.81
Otay Mesa	25,407,331	12.3%	14.0%	-114,099	-74,387	335,093	1,019,203	1,077,413	531,319	$1.13
San Ysidro/ Imp Beach	1,351,584	1.1%	1.4%	-14,805	-14,975	16,523	16,523	0	0	$1.35
South County	**42,786,345**	**10.7%**	**11.9%**	**-230,798**	**-285,426**	**497,043**	**1,320,406**	**1,077,413**	**531,319**	**$1.25**
East City	902,939	0.0%	0.0%	0	0	0	0	0	0	0
El Cajon	10,202,286	3.7%	3.7%	-70,158	-86,206	26,631	70,884	0	0	$1.68
La Mesa/ Spring Valley	2,679,420	0.9%	2.4%	2,478	26,779	1,792	23,273	0	0	$1.69
Santee	4,211,286	1.3%	1.4%	-17,446	-13,460	28,564	63,952	0	0	$1.43
Southeast San Diego	4,020,498	6.1%	6.1%	9,255	22,729	0	47,934	0	0	$1.35
East County	**22,016,429**	**3.2%**	**3.4%**	**-75,871**	**-50,158**	**56,987**	**206,043**	**0**	**0**	**$1.50**
Outlying SD County North	1,166,470	2.4%	2.4%	-12,972	1,949	11,950	14,918	0	0	$0.64
Outlying SD County South	974,205	10.2%	10.2%	19,165	-3,400	15,130	21,240	0	0	$1.59
Outlying East San Diego Cty	**2,140,675**	**6.0%**	**6.0%**	**6,193**	**-1,451**	**27,080**	**36,158**	**0**	**0**	**$0.64**
San Diego County	**210,470,769**	**8.1%**	**9.5%**	**-719,903**	**-1,229,436**	**1,959,014**	**4,615,097**	**1,433,832**	**708,690**	**$1.50**

NEAR-TERM OUTLOOK

No new construction has been completed this quarter, and there is only 1.3M SF remaining in the construction pipeline, all of which is concentrated in North and South County. Supply constraints and growing demand are reshaping industrial market dynamics. On the supply side, elevated construction costs, driven by tariffs and volatile material pricing, particularly for steel and aluminum, continue to challenge developers. In response, many are adjusting their strategies through bulk purchasing and contingency planning, while general contractors are recalibrating cost projections amid unpredictable input costs.

At the same time, demand is intensifying as global fragmentation drives occupiers to duplicate infrastructure and build redundancy into their supply chains. According to Prologis executives, this trend is leading to increased leasing activity across key logistics markets as companies seek to secure space closer to end users and diversify regional operations. Together, these factors are tightening market fundamentals and placing upward pressure on industrial space competition.

SIGNIFICANT SALE TRANSACTIONS 2Q25

Property	Submarket	SF	Sale Price	$/SF	Buyer	Seller
4400-4450 Ruffin Rd	Kearny Mesa	202,547	$80,050,000	$395.22	CenterPoint Properties	LBA Realty
4901 Morena Blvd	PB/Rose Canyon/Morena	234,287	$67,000,000	$285.97	Parallel Capital Partners	Vertical Ventures
2270 Camino Vida Roble	Carlsbad	106,311	$30,700,000	$288.78	MCA Realty, Inc.	Rexford Industrial Realty, Inc.
9605 Airway Rd	Otay Mesa	72,158	$16,200,000	$224.51	The Bendetti Company	TA Realty
2260 Oak Ridge Wy	Vista	59,379	$13,360,500	$225.00	San Diego Food Bank	Advanced Web Offset, Inc.

SIGNIFICANT LEASE TRANSACTIONS 2Q25

Property	Submarket	SF	Transaction Date	Landlord	Tenant
9269 Lightwave Ave*	Kearny Mesa	62,572	May 2025	BLT Enterprises	Amazon
6740 Cobra Wy	Sorrento Mesa	47,790	June 2025	Chase Terrace, LLC	Cymbiotika
2057 Aldergrove Ave	Escondido	42,333	May 2025	Aina Famco Llc	Elite Moving & Storage
1855 Dornoch Ct	Otay Mesa	36,029	April 2025	KKR & Co. Inc	Atlas Freight
1424 Corporate Center Dr	Otay Mesa	32,426	April 2025	Morgan Stanley	R&R International Freight

*Renewal

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
6980 Otay Mesa Rd	6980 Otay Mesa Rd	Otay Mesa	1,077,413	Amazon	3Q25
2830 Whiptail Loop	2830/2836 Whiptail Loop	Carlsbad	165,000	Oxford Properties Group	3Q25
1430 Decision St	1430 Decision St	Vista	123,705	LBA Logistics	3Q25
Evolve	Carlsbad Oaks North Lot 3- Whiptail Loop	Carlsbad	67,714	Techbilt Companies, Inc	3Q25

Data Source: EDD, CoStar

Kidder Mathews

Kidder Mathews is the largest fully independent commercial real estate firm in the Western U.S., with over 900 real estate professionals and staff in 20 offices in Washington, Oregon, California, Idaho, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

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COMMERCIAL BROKERAGE	$9B AVERAGE ANNUAL TRANSACTION VOLUME	26.2M ANNUAL SALES SF	36.7M ANNUAL LEASING SF
ASSET SERVICES	58M SF MANAGEMENT PORTFOLIO SIZE	850+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,400+ AVERAGE ASSIGNMENTS	39 TOTAL APPRAISERS	24 WITH MAI DESIGNATIONS