

## MARKET TRENDS

# SAN DIEGO INDUSTRIAL

### MARKET DRIVERS

The San Diego industrial market posted negative 826.9K SF of direct net absorption in 1Q26, reversing the positive 462.1K SF recorded in 4Q25 and weakening from the negative 546.4K SF recorded in 1Q25. The quarter's pullback reflects a return to negative net absorption to start the year, even as leasing activity remained steady.

Total vacancy increased 40 basis points (bps) quarter over quarter (QOQ) to 9.7% in 1Q26 and now stands 140 bps higher year over year (YOY). Total availability also rose, up 50 bps QOQ and 140 bps YOY to 13.0%. Vacancy and Availability both sit at 15 year highs, and with 123.7K SF delivered in the quarter and roughly 1.2M SF still under construction, tenant leverage remains elevated, particularly in larger, newer blocks of space.

Lease transaction volume improved modestly from last quarter, totaling 2.1M SF across 348 deals in 1Q26. Leasing was up 3.0% quarter over quarter but down 19.5% year over year, as occupiers remained selective and continued to prioritize well-located, functional product. Asking rents have fallen slightly to \$1.46 PSF NNN, down 1.8% from last quarter and 3.7% from 1Q25.

Industrial investment sales activity slowed in 1Q26, with 1.4M SF trading across 54 transactions totaling \$260.0M in dollar volume. Average pricing fell to \$307 PSF, down from \$342 PSF last quarter and \$347 PSF a year ago, indicating that buyers remain active but more price sensitive as capital markets stay selective.

### ECONOMIC OVERVIEW

In December 2025, manufacturing employment in the San Diego-Chula Vista-Carlsbad MSA measured 108.5K jobs, down 2.4% year over year. Trade, transportation, and utilities employment totaled 229.8K jobs, down 0.6% year over year, highlighting modest softening across industrial-linked sectors while remaining broadly stable.

The unemployment rate in San Diego County was 4.4% in December 2025, down from 4.7% in November and below California's 5.5% rate. 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.

continued on page 3

### Market Summary

	1Q26	4Q25	1Q25	YOY Change
Total Vacancy Rate	9.7%	9.3%	8.3%	<b>140 bps</b>
Total Availability Rate	13.0%	12.5%	11.6%	<b>140 bps</b>
Direct Asking Lease Rate/SF/Mo	\$1.46	\$1.49	\$1.52	<b>-3.7%</b>
	1Q26	4Q25	1Q25	YOY Change
Total Lease Transactions (SF)	2,095,676	2,033,996	2,604,653	<b>-19.5%</b>
Sale Transactions (SF)	1,411,096	3,512,581	1,424,877	<b>-1.0%</b>
Direct Net Absorption (SF)	-826,930	462,124	-546,442	<b>N/A</b>



Year-Over-Year Trend

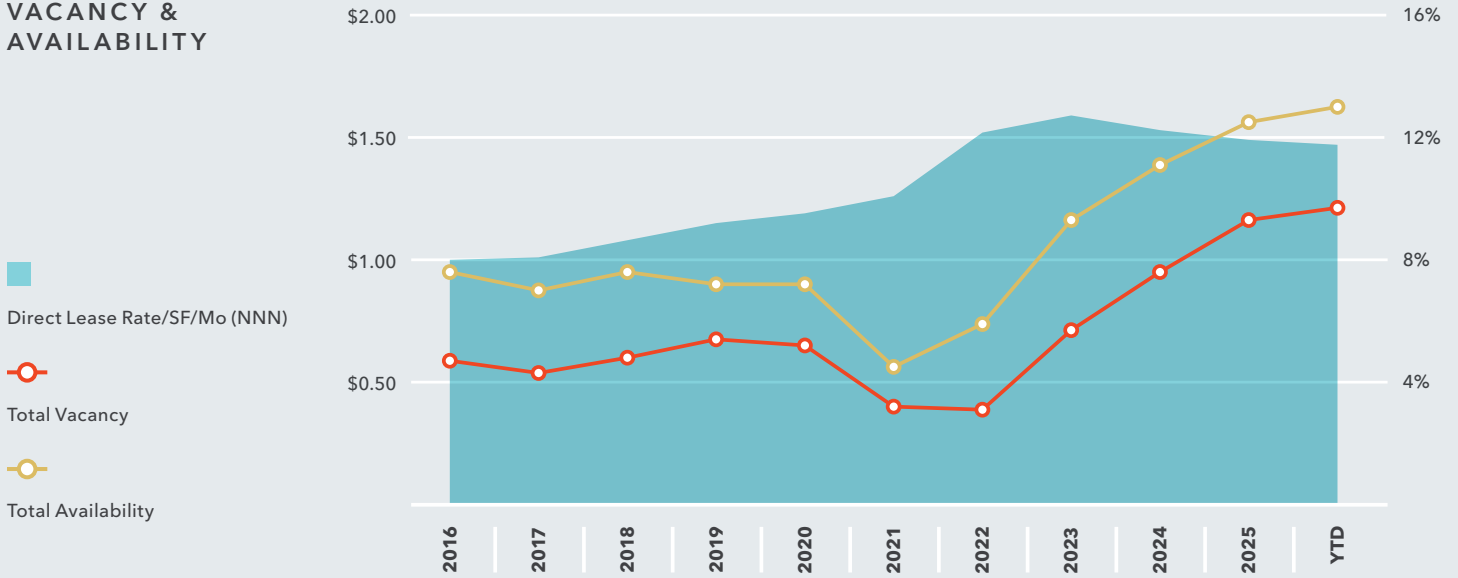
### Market Highlights

**LEASING VOLUME** increased to 2.1M SF QOQ

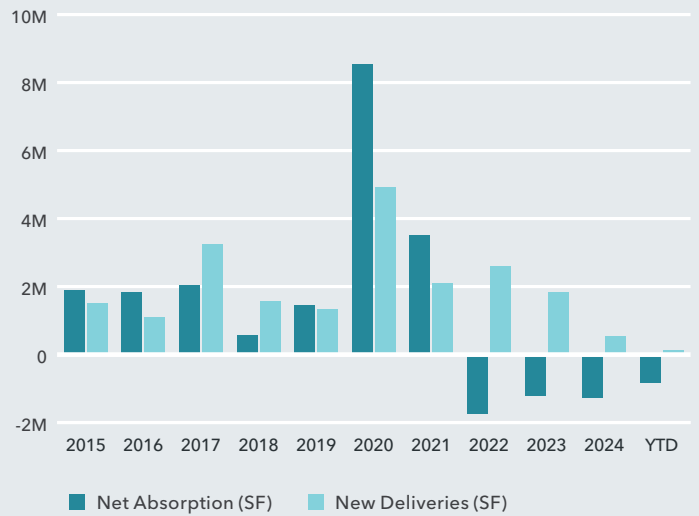
**ASKING RENTAL RATES** fell to \$1.46 PSF NNN

**SALES VOLUME** totaled \$260M across 1.4M SF

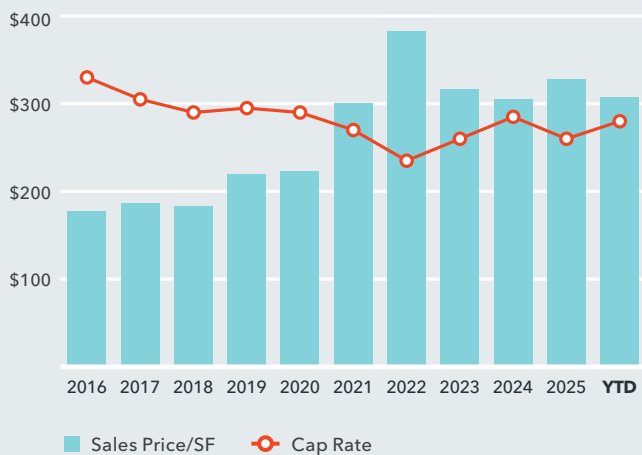
## LEASE RATE, VACANCY & AVAILABILITY



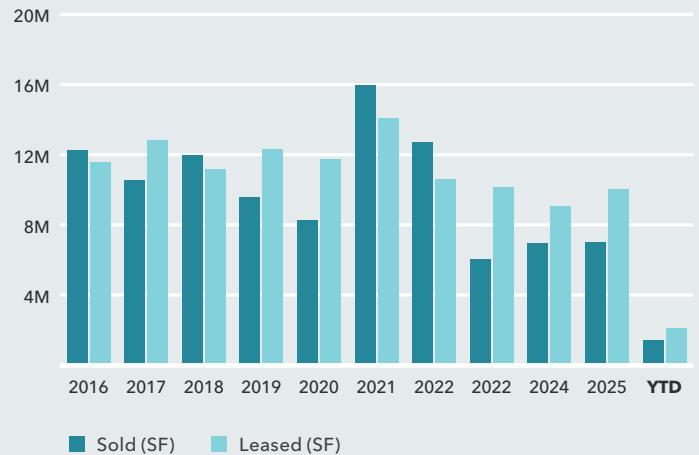
## NET ABSORPTION & NEW DELIVERIES



## AVERAGE SALES PRICE/SF & CAP RATE



## SALE VOLUME & LEASING ACTIVITY



## SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	1Q26 Direct Net Absorption	2025 Direct Net Absorption	1Q26 Leasing Activity	2025 Leasing Activity	SF Under Construction	2026 Construction Completions	Average NNN Rental Rate
Carlsbad	16,279,114	9.0%	10.6%	-254,194	-115,879	231,289	831,050	165,000	0	\$1.62
Escondido	7,794,322	4.0%	4.6%	-22,879	-134,585	53,554	326,031	0	0	\$1.24
North Beach Cities	347,735	0.0%	0.0%	980	-100	1,200	880	0	0	-
Oceanside	10,169,196	3.3%	3.5%	-19,783	114,768	68,392	640,999	0	0	\$1.24
San Marcos	9,036,377	8.6%	9.3%	-25,847	-154,459	41,321	347,131	0	0	\$1.35
Vista	14,756,085	8.8%	9.2%	-75,329	-71,349	201,143	913,843	0	123,705	\$1.24
<b>North County</b>	<b>58,382,829</b>	<b>7.2%</b>	<b>7.9%</b>	<b>-397,052</b>	<b>-361,604</b>	<b>596,899</b>	<b>3,059,934</b>	<b>165,000</b>	<b>123,705</b>	<b>\$1.36</b>
Kearny Mesa	15,554,807	4.7%	4.8%	-51,607	113,894	125,572	589,958	0	0	\$2.02
Mira Mesa/ Miramar	18,195,265	8.8%	10.1%	-257,791	-235,860	345,566	1,145,683	0	0	\$1.81
PB/Rose Canyon/ Morena	2,555,123	10.5%	12.1%	-15,538	-118,357	74,790	201,917	0	0	\$1.53
Sorrento Mesa	13,366,929	23.0%	27.2%	8,421	-330,781	96,518	423,972	0	0	\$2.05
Sorrento Valley	3,643,659	16.8%	19.7%	25,594	-117,956	41,624	74,209	0	0	\$1.52
Sports Arena/ Airport	2,977,283	4.3%	4.3%	-5,645	-9,235	9,500	145,865	0	0	\$0.87
Torrey Pines	5,253,315	12.9%	16.4%	-86,102	64,423	109,461	281,694	0	0	\$2.00
UTC	3,819,780	24.2%	24.4%	-101,772	258,018	0	158,086	0	0	-
<b>Central County</b>	<b>65,366,161</b>	<b>12.3%</b>	<b>14.0%</b>	<b>-484,440</b>	<b>-375,854</b>	<b>803,031</b>	<b>3,021,384</b>	<b>0</b>	<b>0</b>	<b>\$1.75</b>
Mission Gorge	1,939,374	6.9%	6.9%	-9,896	-73,461	38,622	151,238	0	0	\$1.92
Poway	9,847,881	1.7%	2.3%	32,021	73,127	26,277	215,679	0	0	\$1.65
Rancho Bernardo	7,542,110	5.0%	7.3%	-15,715	-4,561	43,267	135,419	0	0	\$1.57
Scripps Ranch	1,716,252	9.5%	9.5%	60,334	-63,245	2,090	29,965	0	0	\$1.79
<b>I-15 Corridor</b>	<b>21,045,617</b>	<b>4.0%</b>	<b>5.1%</b>	<b>66,744</b>	<b>-68,140</b>	<b>110,256</b>	<b>532,301</b>	<b>0</b>	<b>0</b>	<b>\$1.66</b>
Chula Vista	10,270,998	9.7%	9.7%	209,236	-146,205	141,972	299,013	0	0	\$1.26
Downtown	1,932,623	1.8%	1.8%	2,147	17,853	0	24,881	0	0	\$0.85
National City	3,740,722	5.1%	5.1%	574	-97,675	43,990	158,279	0	0	\$1.72
Otay Mesa	25,500,900	12.2%	13.3%	-225,978	153,717	301,489	1,766,683	1,823,586	0	\$1.08
San Ysidro/ Imp Beach	1,306,726	7.2%	7.2%	-8,023	-85,214	3,120	54,499	0	0	\$1.35
<b>South County</b>	<b>42,751,969</b>	<b>10.7%</b>	<b>11.4%</b>	<b>-22,044</b>	<b>-157,524</b>	<b>490,571</b>	<b>2,303,355</b>	<b>1,823,586</b>	<b>0</b>	<b>\$1.17</b>
East City	864,329	0.0%	0.0%	0	0	0	0	0	0	-
El Cajon	10,198,228	2.9%	2.9%	44,271	-48,824	45,120	200,200	0	0	\$1.48
La Mesa/ Spring Valley	2,715,858	2.1%	2.9%	-20,346	23,886	9,702	34,111	0	0	\$1.51
Santee	4,194,971	1.8%	2.2%	10,173	-43,638	26,597	203,424	0	0	\$1.41
Southeast San Diego	4,716,677	7.3%	7.3%	-25,036	-51,602	9,700	246,790	0	0	\$1.31
<b>East County</b>	<b>22,690,063</b>	<b>3.4%</b>	<b>3.6%</b>	<b>9,062</b>	<b>-120,178</b>	<b>91,119</b>	<b>684,525</b>	<b>0</b>	<b>0</b>	<b>\$1.38</b>
Outlying SD County North	1,218,004	2.3%	2.8%	-2,600	5,359	400	25,178	0	0	-
Outlying SD County South	974,205	0.9%	0.9%	3,400	-12,017	3,400	21,240	0	0	\$1.45
<b>Outlying East San Diego Cty</b>	<b>2,192,209</b>	<b>1.7%</b>	<b>2.0%</b>	<b>800</b>	<b>-6,658</b>	<b>3,800</b>	<b>46,418</b>	<b>0</b>	<b>0</b>	<b>\$0.64</b>
<b>San Diego County</b>	<b>212,428,848</b>	<b>8.7%</b>	<b>9.7%</b>	<b>-826,930</b>	<b>-1,089,958</b>	<b>2,095,676</b>	<b>9,647,917</b>	<b>1,988,586</b>	<b>123,705</b>	<b>\$1.46</b>

## NEAR-TERM OUTLOOK

San Diego's industrial market entered 2026 on softer footing, as negative absorption and rising vacancy suggest that the market is still working through both recent deliveries and a more cautious tenant base. Even so, the quarter's 2.1M SF of leasing activity shows that demand has not disappeared, it has simply become more selective and more concentrated in modern, functional space.

That pattern is especially visible in Otay Mesa, where Martin Home Furnishings renewed 115.5K SF at 2345 Britannia Blvd., Bose renewed 112.4K SF at 8863 Siempre Viva Road, and Republic Moving leased 77.2K SF at 8140 St. Andrews Ave. At the same time, the upcoming 1.1M SF Amazon facility at 6980 Otay Mesa Rd and the 612.2K SF first phase of Otay Business Park should keep pressure on vacancy in the near term, even as H.G. Fenton's recent acquisition of Kearny Mesa West points to continued investor conviction in well-located infill industrial assets. Looking ahead, tenant-favorable conditions are likely to persist until current deliveries are absorbed, after which fundamentals should begin to stabilize.

## SIGNIFICANT SALE TRANSACTIONS 1Q26

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Kearny Mesa West	Kearny Mesa	210,916	\$74,150,000	\$351.56	H.G. Fenton Company	CIM Group, LP
13100 Danielson St	Poway	133,844	\$43,300,000	\$323.51	Realty Income	New York Life Investments
1111 Pioneer Way	El Cajon	110,663	\$22,500,000	\$203.32	Isaac Alchalel	Elion Partners
3280 Corporate View	Vista	59,828	\$16,000,000	\$267.43	Automotive Properties REIT	RAF Pacifica Group, Inc.
10637 Scripps Summit Ct	Scripps Ranch	60,334	\$15,100,000	\$250.27	Satechi	Dye Precision Inc

## SIGNIFICANT LEASE TRANSACTIONS 1Q26

Property	Submarket	SF	Transaction Date	Landlord	Tenant
2345 Britannia Blvd*	Otay Mesa	115,510	March 2026	EQT Real Estate	Martin Home Furnishings
8863 Siempre Viva Road*	Otay Mesa	112,430	March 2026	EastGroup Properties, Inc.	Bose Corporation
8140 St Andrews Ave*	Otay Mesa	77,154	January 2026	Majestic Sunroad I, LLC	Republic Moving
2091 Rutherford Rd*	Carlsbad	62,381	January 2026	Prologis	Laird Technologies
5810 Van Allen Way	Carlsbad	56,835	March 2026	The Blackmore Company	TUV SUD

\*Renewal

## SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
6980 Otay Mesa Rd	6980 Otay Mesa Rd	Otay Mesa	1,077,413	Amazon	2Q 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 2026
RD Business Ctr	7373-7363 Britannia Ct	Otay Mesa	133,933	RD Business Center, LP	2Q 2026

Data Source: CoStar, EDD, U.S. Bureau of Labor Statistics, FRED, CBRE, JLL



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<b>COMMERCIAL BROKERAGE</b>	<b>\$9B</b> AVERAGE ANNUAL TRANSACTION VOLUME	<b>32.4M</b> ANNUAL SALES SF	<b>32.5M</b> ANNUAL LEASING SF
<b>ASSET SERVICES</b>	<b>55M SF</b> MANAGEMENT PORTFOLIO SIZE	<b>800+</b> ASSETS UNDER MANAGEMENT	<b>250+</b> CLIENTS SERVED
<b>VALUATION ADVISORY</b>	<b>2,700+</b> AVERAGE ASSIGNMENTS	<b>42</b> TOTAL APPRAISERS	<b>23</b> WITH MAI DESIGNATIONS