Kidder Mathews

1Q 2026

MARKET TRENDS

SAN DIEGO *INDUSTRIAL*

2.1M SF
LEASING ACTIVITY

250K SF
NET ABSORPTION

9.6%
VACANCY RATE

$1.46
ASKING RENT (AVG)

1.2M SF
NEW DELIVERIES

Year-Over-Year Trend

MARKET DRIVERS

The San Diego industrial market posted positive 250.5K SF of direct net absorption in 1Q26, following the 462.1K SF recorded in 4Q25 and improving from the negative 546.4K SF recorded in 1Q25. While that marks a healthier start to the year than the same period last year, the quarter's gains were not enough to fully offset the impact of recent deliveries on overall market conditions, specifically the 1M SF Amazon delivery at 6980 Otay Mesa Rd.

Total vacancy increased by 30 basis points (bps) quarter over quarter to 9.6% in 1Q26 and is now 130 bps higher than the same time last year. Total availability also rose, up 50 bps over the quarter and 140 bps over the year to 13.0%. These figures are both 15 year highs. 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/SF NNN, just 3.7% below 1Q25 levels.

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/SF, down from $342/SF last quarter and $347/SF 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.

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Market Summary

	1Q26	4Q25	1Q25	YOY Change
Total Vacancy Rate	9.6%	9.3%	8.3%	**130 bps**
Total Availability Rate	13.0%	12.5%	11.6%	**140 bps**
Direct Asking Lease Rate/SF/Mo	$1.46	$1.49	$1.52	**-3.7%**

	1Q26	4Q25	1Q25	YOY Change
Total Lease Transactions (SF)	2,095,676	2,033,996	2,604,653	**-19.5%**
Sale Transactions (SF)	1,411,096	3,512,581	1,424,877	**-1.0%**
Direct Net Absorption (SF)	-826,930	462,124	-546,442	**N/A**

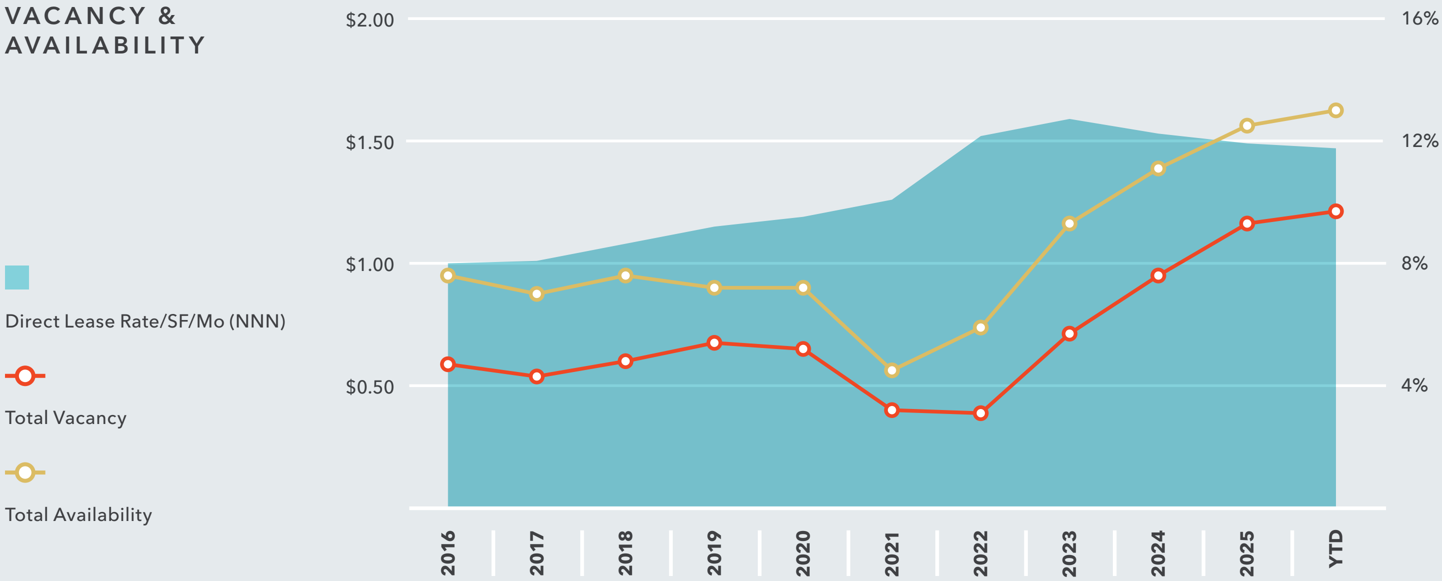
Market Highlights

LEASING VOLUME increased to 2.1M SF QOQ

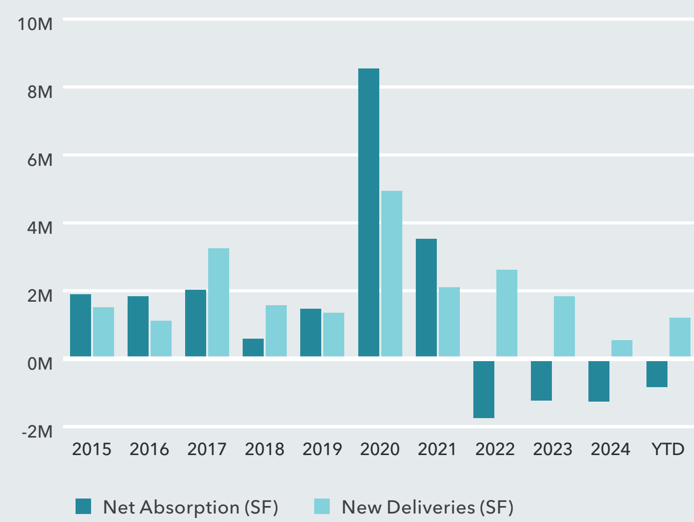
ASKING RENTAL RATES fell to $1.46 PSF NNN

SALES VOLUME totaled $260M across 1.4MSF

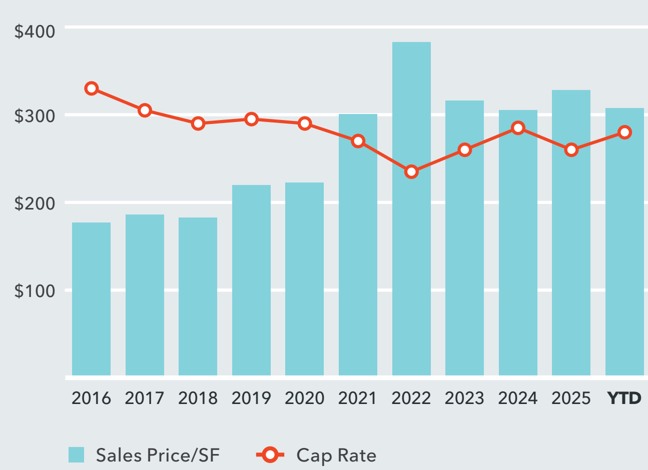
LEASE RATE, VACANCY & AVAILABILITY



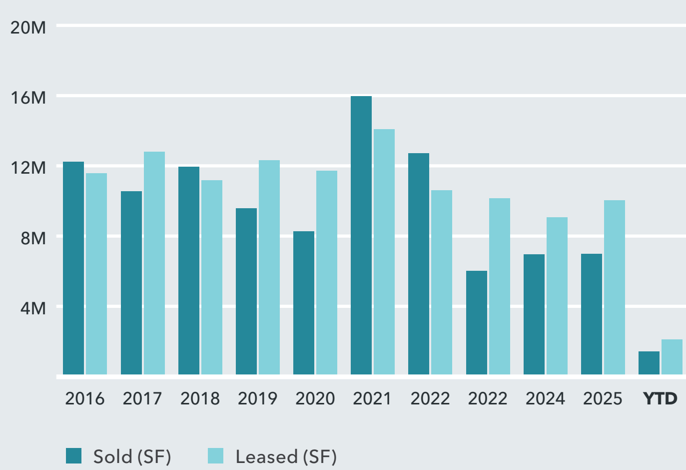
NET ABSORPTION & NEW DELIVERIES



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
North County	**58,382,829**	**7.2%**	**7.9%**	**-397,052**	**-361,604**	**596,899**	**3,059,934**	**165,000**	**123,705**	**$1.36**
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	-
Central County	**65,366,161**	**12.3%**	**14.0%**	**-484,440**	**-375,854**	**803,031**	**3,021,384**	**0**	**0**	**$1.75**
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
I-15 Corridor	**21,045,617**	**4.0%**	**5.1%**	**66,744**	**-68,140**	**110,256**	**532,301**	**0**	**0**	**$1.66**
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	26,578,313	12.2%	13.3%	851,435	153,717	301,489	1,766,683	746,173	1,077,413	$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
South County	**43,829,382**	**10.4%**	**11.4%**	**1,055,369**	**-157,524**	**490,571**	**2,303,355**	**746,173**	**1,077,413**	**$1.17**
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
East County	**22,690,063**	**3.4%**	**3.6%**	**9,062**	**-120,178**	**91,119**	**684,525**	**0**	**0**	**$1.38**
Outlying SD County N	1,218,004	2.3%	2.8%	-2,600	5,359	400	25,178	0	0	-
Outlying SD County S	974,205	0.9%	0.9%	3,400	-12,017	3,400	21,240	0	0	$1.45
Outlying East San Diego City	**2,192,209**	**1.7%**	**2.0%**	**800**	**-6,658**	**3,800**	**46,418**	**0**	**0**	**$0.64**
San Diego County	**213,506,261**	**8.6%**	**9.6%**	**250,483**	**-1,089,958**	**2,095,676**	**9,647,917**	**911,173**	**1,201,118**	**$1.46**

NEAR-TERM OUTLOOK

San Diego's industrial market entered 2026 with mixed but constructive signals. Positive absorption and a modest increase in leasing activity point to continued occupier demand, but the market is still working through a sizable wave of recently delivered space, such as the owner user space at 6980 Otay Mesa Rd by Amazon. This dynamic is especially visible in Otay Mesa, where there were two large lease renewals such as Martin Home Furnishings at 2345 Britannia Blvd. and Republic Moving at 8140 St. Andrews Ave. show that tenants are still pursuing modern distribution space near the border and major transportation corridors.

Developer and investor activity continues to reinforce long-term conviction in key submarkets. Otay Business Park remains on track to bring 612.2K SF of first-phase space online in 2Q26, underscoring continued confidence in the cross-border logistics corridor. At the same time, the recent sale of Kearny Mesa West to H.G. Fenton highlights ongoing investor interest in infill industrial product. Looking ahead, the combination of elevated vacancy, a shrinking construction pipeline, and steady demand for functional buildings suggests tenant-favorable conditions should persist in the near term, with the market positioned to stabilize once current deliveries are absorbed.

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
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

Kidder Mathews

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COMMERCIAL BROKERAGE	$9B AVERAGE ANNUAL TRANSACTION VOLUME	32.4M ANNUAL SALES SF	32.5M ANNUAL LEASING SF
ASSET SERVICES	54M SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,700+ AVERAGE ASSIGNMENTS	42 TOTAL APPRAISERS	23 WITH MAI DESIGNATIONS