Kidder Mathews

2Q 2026

MARKET TRENDS

SAN DIEGO *INDUSTRIAL*

MARKET DRIVERS

The San Diego industrial market recorded negative 339.0K SF of direct net absorption in 2Q26, reversing the positive 517.3K SF recorded in 1Q26 but improving from the negative 517.3K SF recorded in 2Q25. Despite the quarterly loss, cumulative 2026 absorption remained positive at 178.3K SF, compared with negative 928.5K SF through the same point last year.

Total vacancy increased by roughly 10 basis points (bps) quarter-over-quarter to 9.4% in 2Q26 and is now 40 bps higher than the same time last year. Total availability also rose, up 20 bps over the quarter and 130 bps year over year to 13.3%. With no new deliveries during the quarter, the increase reflects slower move-in activity and continued lease-up of space delivered earlier in the year.

Lease transaction volume totaled 2.6M SF across 322 deals in 2Q26. Leasing was down 5.7% quarter-over-quarter and 13.0% year over year, though year-to-date activity is only 3.8% below the level recorded through the same point in 2025. Asking rents increased slightly to $1.47 PSF NNN, but remain 0.7% below year-ago levels as landlords continue to compete for tenants in larger and second-generation blocks of space.

Industrial investment sales activity remained muted in 2Q26, with 1.3M SF trading across 47 transactions totaling $253.4M in dollar volume. Average pricing fell to $232.60 PSF, down from $303.58 PSF last quarter and $287.80 PSF a year ago, indicating that buyers remain active but are underwriting more conservatively as capital markets stay selective.

ECONOMIC OVERVIEW

In May 2026, manufacturing employment in the San Diego-Chula Vista-Carlsbad MSA measured 109.4K jobs, while trade, transportation, and utilities employment totaled 215.7K jobs. Both sectors are down 0.6% over the same period, highlighting a modest cooling in several industrial-linked sectors.

The unemployment rate in San Diego County was 3.9% in May 2026, down from 4.1% in April and below California's 5.3% rate. While industrial-linked job growth has been mixed, 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

	2Q26	1Q26	2Q25	YOY Change
Total Vacancy Rate	9.4%	9.3%	9.0%	**40 bps**
Total Availability Rate	13.3%	13.1%	12.0%	**130 bps**
Direct Asking Lease Rate/SF/Mo	$1.47	$1.45	$1.48	**-0.7%**
	2Q26	**2026 YTD**	**2025 YTD**	**YOY Change**
Total Lease Transactions (SF)	2,559,582	5,273,812	5,481,110	**-3.8%**
Sale Transactions (SF)	1,286,635	2,651,615	2,721,135	**-2.6%**
Direct Net Absorption (SF)	-338,964	178,332	-928,496	**N/A**

↓ *2.6M SF*
LEASING ACTIVITY

↑ *-339K SF*
NET ABSORPTION

↑ *9.4%*
VACANCY RATE

↓ *$1.47*
ASKING RENT (AVG)

↓ *0 SF*
NEW DELIVERIES

Year-Over-Year Trend

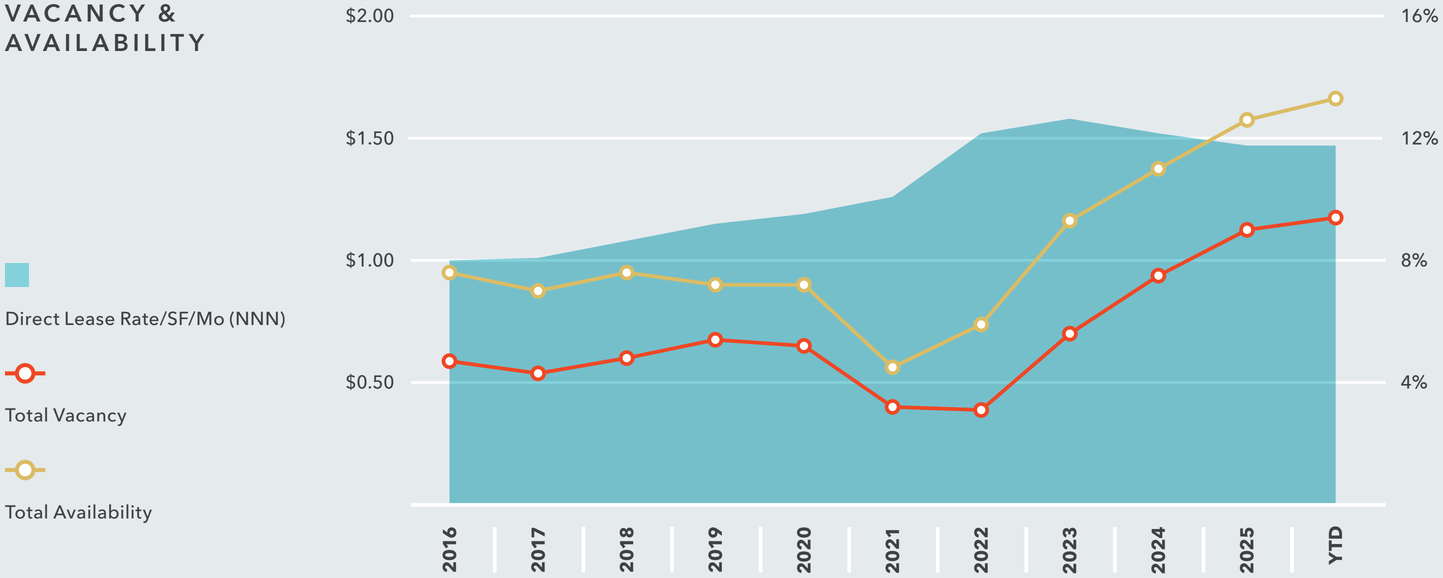
Market Highlights

LEASING VOLUME decreased YOY to 2.6M SF

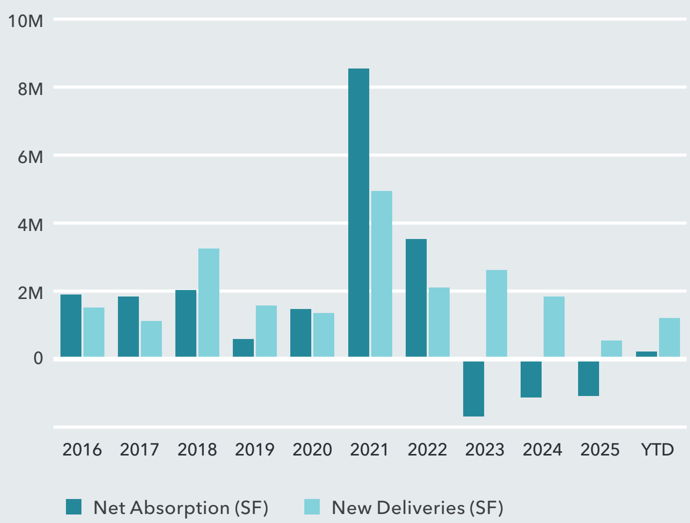
ASKING RENTAL RATES slipped to $1.47 PSF NNN

SALES VOLUME totaled $253.4M across 1.3M SF

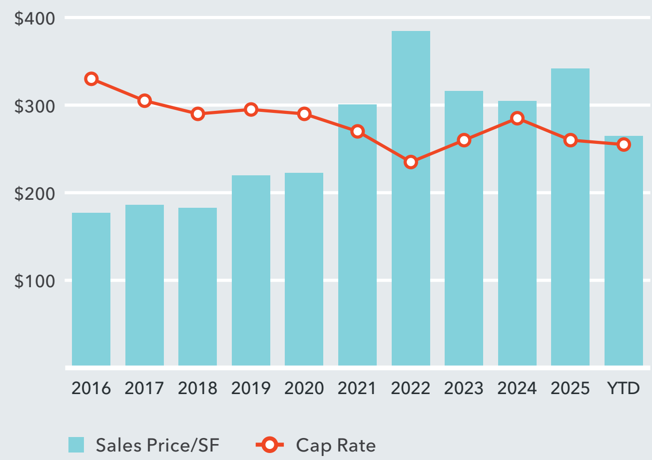
LEASE RATE, VACANCY & AVAILABILITY



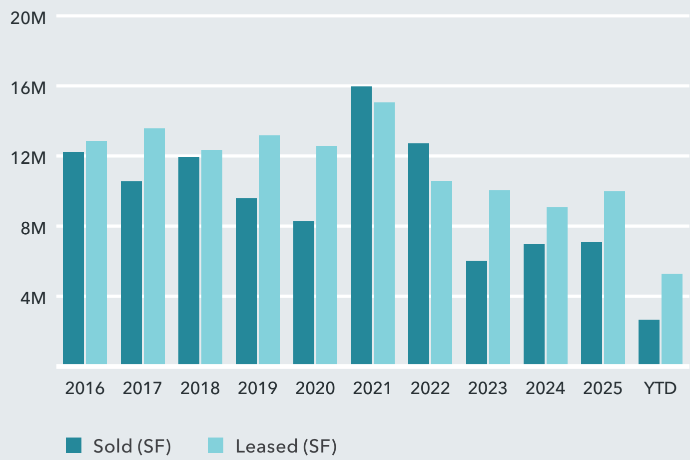
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	2Q26 Direct Net Absorption	YTD Direct Net Absorption	2Q26 Leasing Activity	YTD Leasing Activity	SF Under Construction	2026 Construction Completions	Average NNN Rental Rate
Carlsbad	16,295,929	10.0%	11.4%	-166,710	-420,904	140,713	434,383	165,000	0	$1.52
Escondido	7,775,307	4.2%	4.5%	-15,524	-38,403	74,226	134,410	0	0	$1.32
North Beach Cities	347,735	0.3%	0.3%	-980	0	0	1,200	0	0	$-
Oceanside	10,169,280	3.0%	3.5%	-13,438	4,894	168,271	236,663	0	0	$1.21
San Marcos	9,038,516	9.0%	9.6%	-26,891	-60,696	97,358	178,841	0	0	$1.35
Vista	14,691,754	9.4%	9.7%	-89,622	-162,671	191,527	417,002	0	123,705	$1.25
North County	**58,318,521**	**7.7%**	**8.3%**	**-313,165**	**-677,780**	**672,095**	**1,402,499**	**165,000**	**123,705**	**$1.34**
Kearny Mesa	15,316,929	4.1%	4.4%	92,995	41,388	164,030	299,794	0	0	$2.03
Mira Mesa/Miramar	18,201,421	8.5%	9.8%	60,203	-198,968	219,824	578,501	0	0	$1.80
PB/Rose Canyon/Morena	2,565,347	7.0%	8.4%	90,871	75,333	98,379	173,169	0	0	$1.59
Sorrento Mesa	13,385,026	23.0%	27.0%	-3,018	5,403	227,378	316,558	0	0	$1.99
Sorrento Valley	3,664,541	16.3%	19.6%	14,742	40,336	35,905	134,736	0	0	$1.81
Sports Arena/Airport	2,963,957	4.3%	4.3%	1,000	-4,645	6,000	15,500	0	0	$0.87
Torrey Pines	5,303,238	10.8%	13.1%	-5,895	-91,997	9,906	95,639	0	0	$-
UTC	3,790,487	23.6%	23.6%	-3,373	-73,645	7,500	7,500	0	0	$-
Central County	**65,190,946**	**11.7%**	**13.4%**	**247,525**	**-206,795**	**768,922**	**1,621,397**	**0**	**0**	**$1.85**
Mission Gorge	1,939,374	5.5%	5.5%	27,014	17,118	2,425	112,666	0	0	$1.82
Poway	9,848,878	1.7%	3.0%	-3,321	31,529	30,627	56,904	0	0	$1.60
Rancho Bernardo	7,502,962	6.9%	9.5%	-139,441	-155,156	64,017	95,745	0	0	$1.92
Scripps Ranch	1,725,076	11.0%	11.3%	-26,273	34,061	75,575	77,665	0	0	$1.77
I-15 Corridor	**21,016,290**	**4.7%**	**6.2%**	**-142,021**	**-72,448**	**172,644**	**342,980**	**0**	**0**	**$1.75**
Chula Vista	10,282,067	9.3%	9.4%	40,570	249,806	209,596	349,539	66,384	0	$1.25
Downtown	1,923,978	3.1%	3.1%	-25,524	-23,377	0	0	0	0	$-
National City	3,730,021	5.2%	5.2%	-3,621	-3,047	27,498	71,488	0	0	$1.72
Otay Mesa	26,631,008	10.7%	11.6%	-114,520	933,342	382,973	1,056,180	746,173	1,077,413	$1.04
San Ysidro/Imp Beach	1,355,263	7.3%	7.3%	-5,026	-13,049	0	3,120	0	0	$1.35
South County	**43,922,337**	**9.5%**	**10.0%**	**-108,121**	**1,143,675**	**620,067**	**1,480,327**	**812,557**	**1,077,413**	**$1.16**
East City	864,329	0.0%	0.0%	0	0	0	0	0	0	$-
El Cajon	10,204,642	2.9%	2.9%	-7,640	36,631	250,881	301,837	0	0	$1.49
La Mesa/Spring Valley	2,712,586	2.0%	2.8%	2,550	-17,796	16,329	26,031	0	0	$1.57
Santee	4,212,750	2.3%	3.0%	-22,161	-11,988	26,718	53,315	0	0	$1.36
Southeast San Diego	4,721,539	7.2%	7.2%	-893	-20,929	8,504	18,204	0	0	$1.32
East County	**22,715,846**	**3.5%**	**3.7%**	**-28,144**	**-14,082**	**302,432**	**399,387**	**0**	**0**	**$1.44**
Outlying SD County N	1,201,636	1.9%	1.9%	5,345	2,745	14,805	15,205	0	0	$-
Outlying SD County S	974,205	0.9%	0.9%	-383	3,017	8,617	12,017	0	0	$1.45
Outlying East San Diego City	**2,175,841**	**1.4%**	**1.4%**	**4,962**	**5,762**	**23,422**	**27,222**	**0**	**0**	**$1.45**
San Diego County	**213,339,781**	**8.5%**	**9.4%**	**-338,964**	**178,332**	**2,559,582**	**5,273,812**	**977,557**	**1,201,118**	**$1.47**

NEAR-TERM OUTLOOK

San Diego's industrial market entered midyear with softer occupancy fundamentals but relatively steady leasing demand. Negative absorption and rising availability indicate the market is still digesting earlier deliveries, yet leasing volume remains healthy enough to suggest tenant demand has not disappeared. Instead, occupiers remain selective, prioritizing functional buildings with efficient loading, clear heights, yard capacity, and access to major transportation corridors.

Recent activity reinforces this selective demand story. The quarter's largest leases included Amazon in El Cajon, Waymo in Chula Vista, and Rock West Composites in Otay Mesa. These leases reflect continued demand from logistics, technology, and advanced manufacturing users, especially in submarkets with newer product and strong regional or cross-border distribution access. Meanwhile, Otay Business Park remains the largest near-term supply story, with 612.2K SF expected to deliver in 3Q26. Looking ahead, tenant-favorable conditions should persist while vacancy remains elevated, but the absence of new deliveries and a smaller construction pipeline should help stabilize the market as recently completed space is absorbed.

SIGNIFICANT SALE TRANSACTIONS 2Q26

Property	Submarket	SF	Sale Price	$/SF	Buyer	Seller
Camino Santa Fe Business Park	Mira Mesa/Miramar	172,504	$58,000,000	$336.22	Schnitzer Properties Mgmt., LLC	Westport Capital Ptns., LLC
2365 Oak Ridge Way	Vista	70,253	$21,700,000	$308.88	Swarco	JBM Properties, LLC
9125 Rehco Rd	Mira Mesa/Miramar	60,786	$17,780,000	$292.50	Pacific Rim Mechanical	LBA Logistics
6212 Corte Del Abeto	Carlsbad	70,224	$16,000,000	$227.84	Staley Point Capital	Elion Partners
1755 La Costa Meadows Dr	San Marcos	66,976	$14,500,000	$216.50	1755 La Costa, LLC	SMD Victory, LLC

SIGNIFICANT LEASE TRANSACTIONS 2Q26

Property	Submarket	SF	Transaction Date	Landlord	Tenant
Gillespie Field iPark	El Cajon	222,293	June 2026	Chesnut Properties	Amazon
Heritage Industrial Center	Chula Vista	105,550	April 2026	EQT Exeter	Waymo
2055 Dublin Drive	Otay Mesa	101,758	May 2026	STAG Industrial, Inc.	Rock West Composites
7603 St Andrews Ave	Otay Mesa	63,225	Jun 2026	Beard Land Improvement Company	NuShoe, Inc.
1490 Air Wing Rd	Otay Mesa	56,684	April 2026	1490 Air Wing Road, LLC	Sanchotena Express

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	3Q26
2830 Whiptail Loop	2830 Whiptail Loop	Carlsbad	165,000	Oxford Properties Group	3Q26
RD Business Center	7373-7363 Britannia Ct	Otay Mesa	133,933	RD Business Center, LP	4Q26
Otay River Business Park	Faivre St - Lots 1 & 2	Chula Vista	66,384	Sudberry Development	4Q26

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

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 19 offices in Washington, Oregon, California, 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	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

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