

MARKET TRENDS

SAN DIEGO INDUSTRIAL

MARKET DRIVERS

The San Diego industrial market recorded positive 205.7K SF of direct net absorption in 3Q26, reversing the negative 272.1K SF recorded in 2Q26. Cumulative direct absorption reached 776.5K SF through the first three quarters of 2026, compared with negative 1.2M SF through the same point last year, indicating a meaningful improvement in occupancy trends despite elevated availability.

Total vacancy declined 20 basis points (bps) quarter over quarter to 7.2% in 3Q26 and was unchanged from the same time last year. Total availability held steady over the quarter at 11.1% but remains 80 bps higher year over year. The quarter included 847.2K SF of new deliveries, yet vacancy still moved lower, suggesting that positive absorption helped offset the impact of newly completed space.

Lease transaction volume totaled approximately 2.0M SF in 3Q26, down from the prior quarter and below the 2.3M SF recorded in 3Q25. Year-to-date leasing activity reached 7.1M SF, 5.2% below the level recorded through the same point in 2025. Asking rents remained at \$1.47 PSF NNN, unchanged from both last quarter and one year ago, as landlords continue to compete for tenants amid elevated availability.

Industrial investment sales activity accelerated in 3Q26, with 1.8M SF trading across 51 transactions totaling \$430.7M in dollar volume. Year-to-date sales volume reached 4.7M SF, up 41.6% from the same point last year, while average quarterly pricing reached \$272.08 PSF. The increase in transaction volume indicates that buyers remain active for well-located industrial assets even as underwriting remains selective.

ECONOMIC OVERVIEW

In August 2026, San Diego MSA manufacturing employment totaled 110.4K jobs, down 0.1% YOY, while trade, transportation, and utilities employment increased 0.5% to 217.7K jobs, indicating relatively stable industrial-related employment.

San Diego County's unemployment rate rose to 4.9% in August, up from 4.7% in July but below California's 5.1% rate. Despite softening labor conditions, the region's diversified economy continues to support long-term industrial and logistics demand.

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Market Summary

	3Q26	2Q26	3Q25	YOY Change
Total Vacancy Rate	7.2%	7.4%	7.2%	0 bps
Total Availability Rate	11.1%	11.1%	10.3%	80 bps
Direct Asking Lease Rate/SF/Mo	\$1.47	\$1.47	\$1.47	0.0%
	3Q26	2026 YTD	2025 YTD	YOY Change
Total Lease Transactions (SF)	2,029,552	7,143,376	7,533,228	-5.2%
Sale Transactions (SF)	1,779,051	4,667,954	3,295,539	41.6%
Direct Net Absorption (SF)	205,737	776,480	-1,192,418	N/A

↓ 2.0M SF
LEASING ACTIVITY

↑ 206K SF
NET ABSORPTION

↔ 7.2%
VACANCY RATE

↔ \$1.47
ASKING RENT (AVG)

↑ 847K SF
NEW DELIVERIES

Year-Over-Year Trend

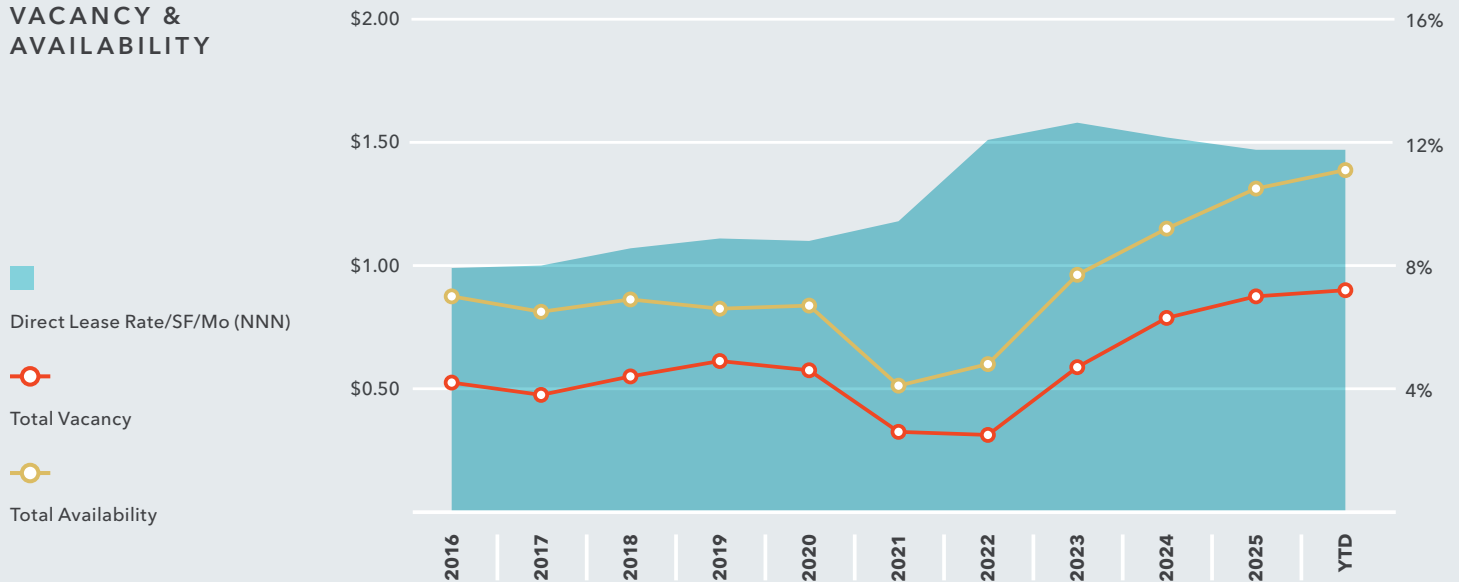
Market Highlights

QUARTERLY LEASING VOLUME
decreased YOY to 2.0M SF

ASKING RENTAL RATES
remained flat at
\$1.47 PSF NNN

SALES VOLUME totaled
\$430.7M across 1.8M SF

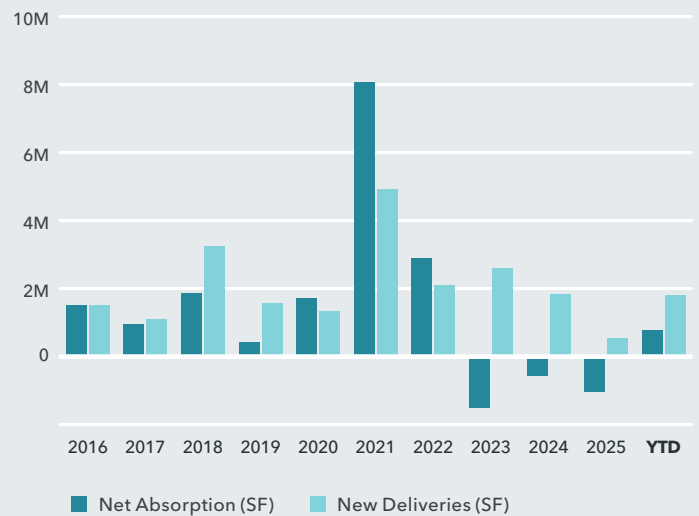
LEASE RATE, VACANCY & AVAILABILITY



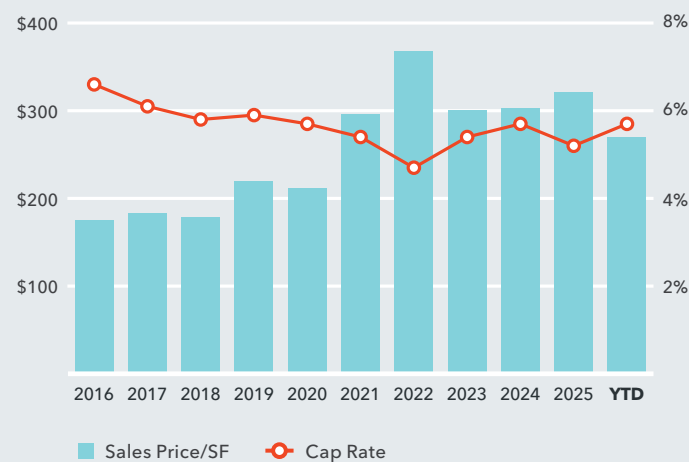
BIGGEST SALE OF THE QUARTER

Carlsbad Research Ctr, Carlsbad

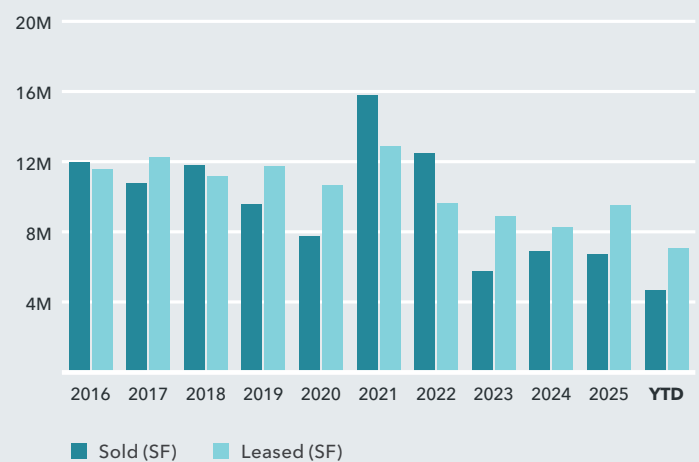
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	3Q26 Direct Net Absorption	YTD Direct Net Absorption	3Q26 Leasing Activity	YTD Leasing Activity	SF Under Construction	2026 Construction Completions	Average NNN Rental Rate
Carlsbad	15,796,295	7.2%	8.4%	101,091	-307,644	151,372	619,873	165,000	0	\$1.51
Escondido	7,798,008	4.1%	4.5%	2,448	-35,955	132,653	267,063	0	0	\$1.35
North Beach Cities	347,735	0.0%	0.0%	980	980	0	2,180	0	0	\$-
Oceanside	9,602,094	3.1%	3.5%	9,389	14,283	24,834	264,276	15,300	0	\$1.21
San Marcos	9,038,695	8.8%	9.3%	20,030	-40,666	178,707	359,517	0	0	\$1.27
Vista	14,679,318	9.5%	9.8%	98,873	-63,798	265,892	684,454	0	123,705	\$1.24
North County	57,262,145	6.9%	7.5%	232,811	-432,800	753,458	2,197,363	180,300	123,705	\$1.33
Kearny Mesa	15,293,933	4.6%	4.7%	-71,311	-29,923	145,065	446,479	0	0	\$2.03
Mira Mesa/Miramar	17,402,640	7.0%	7.9%	85,359	-20,479	218,614	688,321	0	0	\$1.79
PB/Rose Canyon/Morena	2,464,139	5.7%	7.4%	4,232	153,321	26,257	199,426	0	0	\$1.59
Sorrento Mesa	7,051,308	11.3%	14.4%	-399,311	-458,261	7,365	154,871	0	0	\$2.47
Sorrento Valley	2,229,376	3.3%	3.7%	55,951	76,890	19,444	110,608	0	0	\$1.81
Sports Arena/Airport	2,966,157	4.1%	4.1%	5,818	1,173	29,105	50,605	0	0	\$0.87
Torrey Pines	1,587,478	5.4%	5.7%	387	-1,113	0	0	0	0	\$-
UTC	622,587	25.4%	25.4%	0	-74,344	0	0	0	0	\$-
Central County	49,617,618	6.6%	7.5%	-318,875	-352,736	445,850	1,650,310	0	0	\$1.90
Mission Gorge	1,939,374	4.9%	4.9%	11,944	29,062	7,848	147,749	0	0	\$1.89
Poway	9,767,968	1.7%	2.7%	-905	30,624	50,525	117,518	0	0	\$1.59
Rancho Bernardo	7,415,055	6.6%	9.4%	87,560	-67,596	163,890	251,757	0	0	\$1.99
Scripps Ranch	1,428,755	8.3%	8.3%	-10,613	23,448	4,061	81,726	0	0	\$1.71
I-15 Corridor	20,551,152	4.3%	5.7%	87,986	15,538	226,324	598,750	0	0	\$1.77
Chula Vista	8,491,527	9.8%	9.9%	123,543	478,899	63,665	390,038	66,384	0	\$1.25
Downtown	1,934,682	4.0%	4.0%	-16,851	-40,228	0	0	0	0	\$-
National City	3,728,857	4.7%	4.7%	19,995	16,948	51,805	123,293	0	0	\$1.66
Otay Mesa	27,269,998	14.2%	14.9%	-161,379	873,721	326,048	1,571,776	176,933	1,689,653	\$0.99
San Ysidro/Imp Beach	1,360,876	7.4%	7.4%	-2,684	-15,733	11,152	14,272	0	0	\$1.36
South County	42,785,940	11.8%	12.3%	-37,376	1,313,607	452,670	2,099,379	243,317	1,689,653	\$1.12
East City	859,079	0.0%	0.0%	0	0	0	0	0	0	\$-
El Cajon	10,204,642	1.4%	1.5%	162,268	198,899	32,623	343,260	0	0	\$1.51
La Mesa/Spring Valley	2,567,342	2.2%	3.1%	-3,171	-20,967	18,272	39,703	0	0	\$1.51
Santee	4,282,750	2.7%	2.8%	51,692	39,704	53,396	106,711	0	0	\$1.38
Southeast San Diego	4,702,169	5.9%	5.9%	60,492	39,563	30,434	64,153	0	0	\$1.41
East County	22,615,982	2.6%	2.8%	271,281	257,199	134,725	553,827	0	0	\$1.46
Outlying SD County N	1,187,848	1.9%	1.9%	85	2,830	1,525	16,730	0	0	\$-
Outlying SD County S	974,205	4.0%	4.0%	-30,175	-27,158	15,000	27,017	0	0	\$1.45
Outlying East San Diego City	2,162,053	2.8%	2.8%	-30,090	-24,328	16,525	43,747	0	0	\$1.45
San Diego County	194,994,890	6.5%	7.2%	205,737	776,480	2,029,552	7,143,376	423,617	1,813,358	\$1.47

NEAR-TERM OUTLOOK

San Diego's industrial market showed signs of stabilization in 3Q26, as improving occupancy trends helped offset significant new supply despite continued tenant selectivity. While leasing activity remains below last year's pace, positive absorption and declining vacancy suggest that market conditions are gradually improving rather than experiencing a broad-based recovery.

Recent activity reflected this selective environment. Notable leases included AO Reed's 100.6K SF commitment in Vista and General Atomics' 61.8K SF lease in Rancho Bernardo, while several other major transactions involved renewals in Otay Mesa, Mira Mesa/Miramar, and Oceanside.

Investment activity included the \$45.0M sale of Carlsbad Research Center and the \$31.0M sale of 901 Bay Marina Drive in National City, highlighting continued investor interest in established industrial locations. Meanwhile, the completion of the 612.2K SF first phase of Otay Business Park added substantial speculative space targeting cross-border logistics demand.

Looking ahead, the construction pipeline has narrowed to approximately 423.6K SF, signaling a moderation in new supply. Although elevated availability should continue to favor tenants, improving occupancy and a smaller development pipeline could support gradual stabilization as recently delivered space is absorbed.

SIGNIFICANT SALE TRANSACTIONS 3Q26

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Carlsbad Research Center	Carlsbad	157,973	\$45,000,000	\$284.86	Majestic Asset Management, Inc.	Lincoln Property Company
901 Bay Marina Dr	National City	91,541	\$31,000,000	\$338.65	Realty Income Corporation	DWS Group
Carlsbad Oaks I	Carlsbad	104,298	\$26,600,000	\$255.04	SENTRE, Inc.	Bixby Land Company
2025 Gillespie Way	El Cajon	150,159	\$24,000,000	\$159.83	Palomar Chula Partners, LLC	Cabot Properties, Inc.
8830 Siempre Viva Rd	Otay Mesa	153,166	\$22,600,000	\$147.55	NorthPoint Development	TIAA

SIGNIFICANT LEASE TRANSACTIONS 3Q26

Property	Submarket	SF	Transaction Date	Landlord	Tenant
2611 Business Park Dr	Vista	100,596	August 2026	Sagard Real Estate	AO Reed
1470 Exposition Way*	Otay Mesa	98,822	September 2026	PPF Sudberry Ocean View Hills, LP	Expeditors Int'l of Washington, Inc.
9440 Carroll Park Dr*	Mira Mesa/Miramar	97,126	August 2026	Irvine Co.	Acon Laboratories
1224 Exposition Way*	Otay Mesa	89,955	August 2026	Morgan Stanley & Co., LLC	3PL Winner
1319 Rocky Point Dr*	Oceanside	64,109	July 2026	NKL Paolone	Weiland Sliding Doors & Windows, Inc.

*Renewal

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
2830 Whiptail Loop	2830/2836 Whiptail Loop	Carlsbad	165,000	Oxford Properties Group	4Q 2026
RD Business Center	7373-7363 Britannia Ct	Otay Mesa	133,933	RD Business Center, LP	4Q 2026
Otay River Business Park	Faivre St - Lots 1 & 2	Chula Vista	66,384	Sudberry Development	1Q 2027
Otay Center Dr	Otay Center Dr	Otay Mesa	43,000	Cedar Realty Group	4Q 2026
525-555 Airport Rd	525-555 Airport Rd	Oceanside	15,300	Undisclosed	1Q 2027

Data Source: CoStar, EDD, U.S. Bureau of Labor Statistics, CoStar News, RENTV



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The information in this report was composed by the Kidder Mathews Research Group.

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