Kidder Mathews

MARKET TRENDS

SAN DIEGO *INDUSTRIAL*

MARKET DRIVERS

The San Diego industrial market experienced negative 703.4K SF of direct net absorption in 1Q25, which is slightly better than the negative 843.4K SF in in 1Q24. Cumulatively, direct net absorption reached negative 1.2M SF last year, with only one quarter being positive.

Total vacancy continues to reach new heights, measuring at 8.3%, a year-over-year (YOY) increase of 190 basis points (bps). Likewise, quarter-over-quarter (QOQ) vacancy grew by 70 bps. Lease transaction volume increased YOY and QOQ, reaching 2.3M SF on the quarter.

Lease transaction volume increased YOY and QOQ, reaching 2.3M SF on the quarter. This 13.1% increase from 1Q24 puts the industrial market well on pace to match last year's transaction totals.

Conversely, Industrial sales volume saw a 43.3% decrease from last year. Although the volume halved QOQ, resulting in only 1.0M SF of properties trading hands, on a price per SF basis, these deals were 3.6% higher. This quarter was not strong for sales, but there were lower quarters recorded in the past 2 years, and it is not a strong outlier that should cause concern.

ECONOMIC OVERVIEW

The unemployment rate in San Diego County was 4.4% in February 2025, 20 bps lower than in October 2024, and 10 bps above last year. Similarly, California reported a 5.4% rate, 10 bps lower than last quarter and 30 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 110.0K jobs, marking a 2.9% decrease YOY, and a 1.0% decrease since 4Q24. The Transportation and Warehouse sector is down 0.3% YOY and 3.1% QOQ to 221.2K jobs.

NEAR-TERM OUTLOOK

With 708.7K SF of construction already completed this quarter, there is only 1.3M SF remaining in the construction pipeline, a majority of both are concentrated in the already strained South County which could further vacancy and rent growth problems in the near term.

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Market Summary

	1Q25	4Q24	1Q24	YOY Change
Direct Vacancy Rate	8.30%	7.60%	6.40%	**190 bps**
Total Availability Rate	11.60%	11.20%	9.80%	**180 bps**
Direct Asking Lease Rate	$1.52	$1.53	$1.58	**-3.80%**

	1Q25	4Q24	1Q24	YOY Change
Total Lease Transactions (SF)	2,349,770	1,724,059	2,077,132	**13.13%**
Sale Transactions (SF)	1,005,840	2,728,274	1,773,022	**-43.27%**
Direct Net Absorption (SF)	-703,374	-256,446	-843,404	**N/A**

1Q 2025

↑ *±2.3MSF*
LEASING ACTIVITY

↓ *-703K SF*
NET ABSORPTION

↑ *8.3%*
VACANCY RATE

↓ *$1.52*
ASKING RENT (AVG)

↓ *708K SF*
NEW DELIVERIES

Year-Over-Year Trend

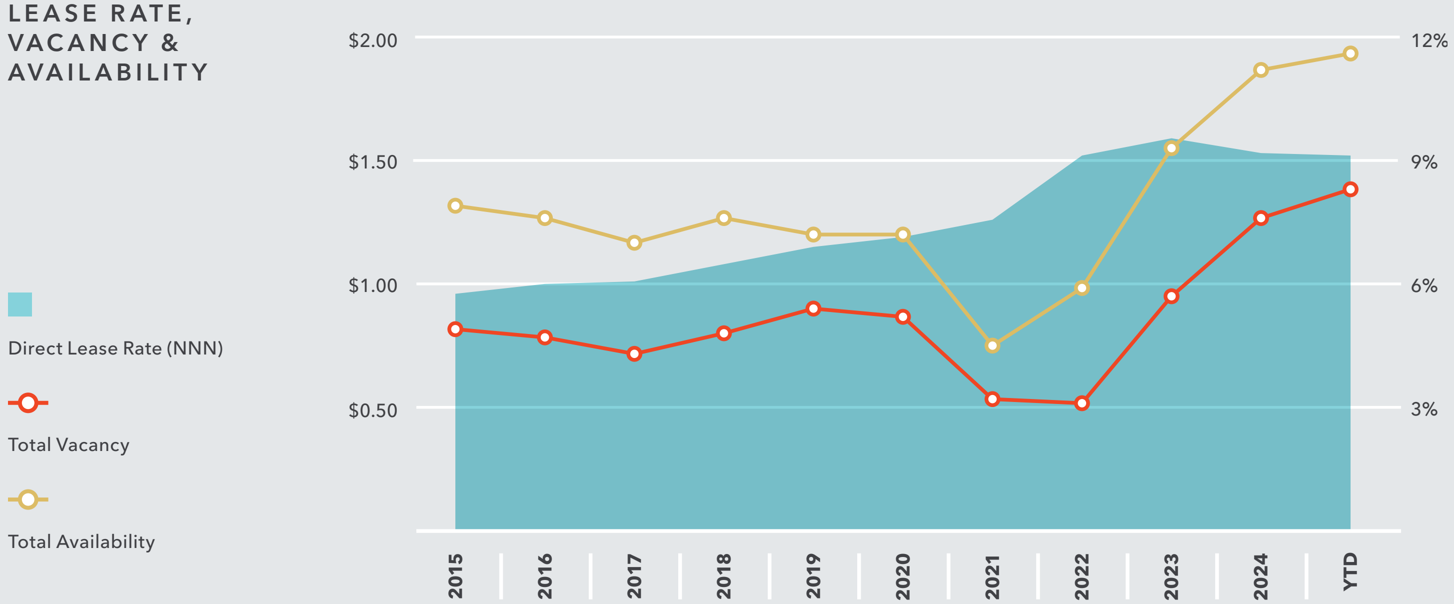
Market Highlights

LEASING VOLUME grew YOY and QOQ to 2.3M SF.

ASKING RENTAL RATES fell 3.8% YOY to $1.52/SF NNN.

SALES VOLUME saw a 43.3% decrease to 1.0M SF compared to 1Q24

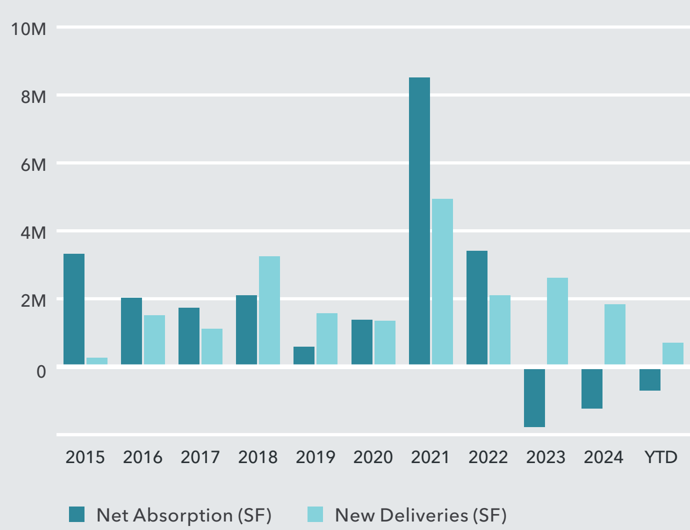
LEASE RATE, VACANCY & AVAILABILITY



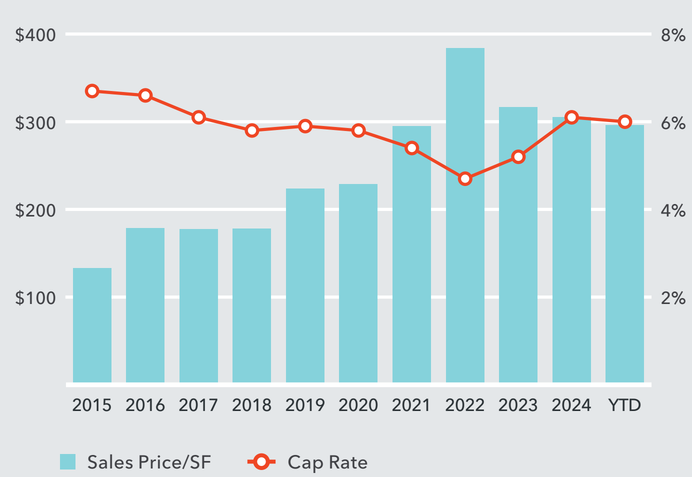
BIGGEST SALE OF THE QUARTER

237 Via Vera Cruz, San Marcos

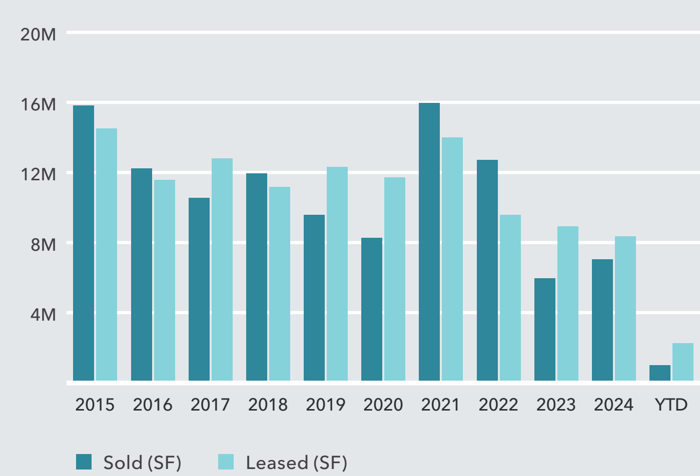
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	1Q25 Direct Net Absorption	2024 Direct Net Absorption	1Q25 Leasing Activity	2024 Leasing Activity	SF Under Construction	YTD Construction Completions	Average NNN Rental Rate
Carlsbad	16,307,910	5.7%	7.8%	-15,397	83,911	191,010	676,525	232,714	0	$1.69
Escondido	7,800,068	3.5%	4.4%	-118,641	8,796	65,529	318,553	0	59,091	$1.49
North Beach Cities	302,674	0.0%	0.0%	880	2,550	880	3,615	0	0	-
Oceanside	10,007,136	3.7%	3.9%	54,127	-46,279	153,417	441,537	0	0	$1.27
San Marcos	9,011,031	7.5%	8.9%	-78,895	-105,393	73,697	308,901	0	0	$1.33
Vista	14,588,828	6.6%	7.5%	-32,123	-339,104	147,691	573,923	0	22,480	$1.34
North County	**58,017,647**	**5.6%**	**6.7%**	**-190,049**	**-395,519**	**632,224**	**2,323,054**	**232,714**	**81,571**	**$1.44**
Kearny Mesa	15,532,657	5.4%	5.9%	-48,328	-251,488	164,295	782,649	0	95,800	$1.90
Mira Mesa/ Miramar	17,720,569	7.6%	8.4%	-220,535	-428,635	212,983	947,379	0	0	$1.72
PB/Rose Canyon/ Morena	2,568,193	6.0%	6.1%	-11,048	-15,459	146,581	101,970	0	0	$1.57
Sorrento Mesa	12,117,899	16.6%	20.7%	-76,966	-178,607	37,597	738,939	0	0	$1.99
Sorrento Valley	3,699,490	14.7%	19.2%	29,979	-189,822	20,364	109,098	0	0	$2.45
Sports Arena/ Airport	2,961,313	3.6%	3.6%	7,000	20,546	7,000	21,825	0	0	$1.70
Torrey Pines	4,773,726	7.2%	11.4%	-99,016	14,446	122,302	292,074	0	0	$2.00
UTC	2,958,794	14.2%	15.4%	-97,586	113,104	13,438	23,379	0	0	-
Central County	**62,332,641**	**9.2%**	**11.1%**	**-516,500**	**-915,915**	**724,560**	**3,017,313**	**0**	**95,800**	**$1.79**
Mission Gorge	1,934,135	2.1%	2.1%	5,316	-6,385	31,554	89,160	0	0	$1.86
Poway	9,838,447	2.8%	2.9%	-3,807	-59,384	28,665	545,753	0	0	$1.55
Rancho Bernardo	7,671,773	3.2%	5.4%	112,157	62,722	60,353	183,037	0	0	$1.80
Scripps Ranch	1,759,791	9.4%	11.0%	-7,325	-52,500	11,693	69,724	0	0	$1.75
I-15 Corridor	**21,204,146**	**3.4%**	**4.4%**	**106,341**	**-55,547**	**132,265**	**887,674**	**0**	**0**	**$1.69**
Chula Vista	10,303,548	10.7%	10.8%	-15,169	-9,249	55,435	363,968	0	0	$1.42
Downtown	2,018,380	2.9%	3.3%	-4,500	-24,000	0	19,020	0	0	$1.25
National City	3,771,810	4.5%	5.1%	-74,501	-50,741	56,158	227,226	0	0	$1.80
Otay Mesa	25,393,666	11.8%	13.4%	39,472	51,487	586,986	877,498	1,077,413	531,319	$1.14
San Ysidro/ Imp Beach	1,351,779	0.0%	0.7%	-170	15,723	0	99,424	0	0	-
South County	**42,839,183**	**10.1%**	**11.2%**	**-54,868**	**-16,780**	**698,579**	**1,587,136**	**1,077,413**	**531,319**	**$1.23**
East City	900,774	0.0%	0.0%	0	7,575	0	0	0	0	-
El Cajon	10,238,864	2.9%	2.9%	-16,048	186,537	44,253	473,017	0	0	$1.60
La Mesa/ Spring Valley	2,679,339	1.3%	2.8%	15,466	-28,012	21,481	57,406	0	0	$1.84
Santee	4,211,452	0.9%	0.9%	2,534	3,830	48,221	122,950	0	0	$1.45
Southeast San Diego	4,081,581	6.4%	6.4%	13,474	-210,754	39,109	113,130	0	0	$1.35
East County	**22,112,010**	**2.8%**	**3.0%**	**15,426**	**-40,824**	**153,064**	**766,503**	**0**	**0**	**$1.49**
Outlying SD County North	1,182,369	6.3%	6.3%	-41,159	-10,239	2,968	8,235	0	0	$0.64
Outlying SD County South	974,205	12.2%	12.2%	-22,565	46,000	6,110	3,761	0	0	$1.57
Outlying East San Diego Cty	**2,156,574**	**9.0%**	**9.0%**	**-63,724**	**35,761**	**9,078**	**11,996**	**0**	**0**	**$0.64**
San Diego County	**208,662,201**	**7.1%**	**8.3%**	**-703,374**	**-1,388,824**	**2,349,770**	**8,593,676**	**1,310,127**	**708,690**	**$1.52**

NEAR-TERM OUTLOOK CONTINUED

Market direction remains uncertain as several proposed policies, ranging from tariffs and corporate tax reductions to deregulation, have yet to be enacted. Without clarity on which measures will take effect, it is challenging to assess their full impact. Once these policy decisions are finalized, market participants will be better positioned to evaluate their implications and respond with greater confidence.

The largest sale of the quarter, 237 Via Vera Cruz, was sold in part because it was a vacant property, but the largest driver was a change in the zoning, indicating that it will be a redevelopment play.

This property changed from a C-Commercial zone to a M-Industrial zone, allowing for more flexibility for industrial uses, especially heavy industrial. It's not clear what the plans are for the property yet, but its encouraging to see that even in San Marcos, which is not a notoriously strong submarket for industrial, is still seeing investments being made to expand industrial in the area.

SIGNIFICANT SALE TRANSACTIONS 1Q25

Property	Submarket	SF	Sale Price	$/SF	Buyer	Seller
237 Via Vera Cruz	San Marcos	80,257	$16,200,000	$201.85	2055 Meridian Park Blvd, LLC	Lipt Bixby I Llc
3310 Via de la Valle	Oceanside	57,000	$15,300,000	$268.42	Ocean Park Ventures V, LLC	Roymar Oceanside Partners, LLC
494 W Calle Primera	San Ysidro/Imp Beach	69,530	$15,000,000	$215.73	Partners Capital, Inc.	Border Business Center, LLC
1437-1463 Fayette St	El Cajon	35,419	$9,800,000	$276.69	Skywater-El Cajon, LLC	Jack Lynne Goldberg
968 E Rancheros Dr	San Marcos	48,692	$8,000,000	$164.30	960 Rancheros, LLC	Malcolm Center Enterprises

SIGNIFICANT LEASE TRANSACTIONS 1Q25

Property	Submarket	SF	Transaction Date	Landlord	Tenant
5959 Santa Fe St*	PB/Rose Canyon/Morena	131,299	January 2025	LBA Logistics	Anheuser Busch
9350 Airway Rd	Otay Mesa	119,044	March 2025	Badiee Development, Inc.	Brokerage & Logistics Solutions, Inc.
7498 Colchester Ct	Otay Mesa	102,099	January 2025	Hines	Foxx Development, Inc.
1395 Aspen Way	Vista	81,928	February 2025	The Hewson Company	ALE
7820 Paseo De La Fuente	Otay Mesa	80,031	March 2025	Kearny Real Estate Company	Goodfarms, LLC

*Renewal

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
6980 Otay Mesa Rd	6980 Otay Mesa Rd	Otay Mesa	1,077,413	Amazon	2Q25
Evolve	Carlsbad Oaks North Lot 3- Whiptail Loop	Carlsbad	67,714	Techbilt Companies, Inc	2Q25

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 19 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