

San Diego



Market Facts

2.9%

San Diego County
Unemployment
Rate As Of May 2018

364,263 SF

Positive Net Absorption
Current Quarter

Positive 1,236,160 SF
Past 12 Months

4.4%

Total Vacancy Rate
Up From 4.4% In Q1 2018

\$0.99 PSF

Asking Rental Rate
Weighted Average

Market Overview

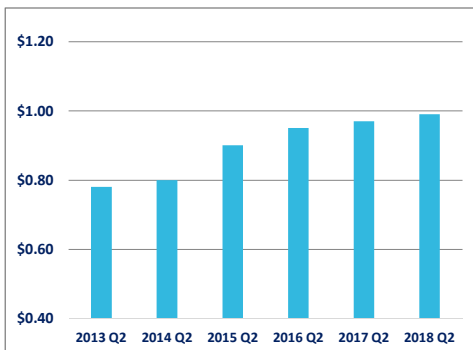
San Diego's industrial market is commanding premium rents while demand for limited supply encourages new development and increased sale pricing. The region's established industrial base supports the military, aerospace, precision manufacturing and advanced technology sectors. The market's long-term resilience is driven in part by its desirable geography within Southern California, which also makes it a vital hub for logistics with Mexico. The area also gains from sharing the world's busiest international land border crossing with Mexico. Local employment unemployment rate dropped 70 bps year-over-year to 2.9% in the second quarter of 2018, well below the state average of 4.2%.

Industrial vacancy remained flat from the previous quarter, while falling 60 bps from the same time in the previous year to 4.4% in the second quarter of 2018. Vacancy has remained below 5.5% for the past three years, and there was minimal construction activity during that time. As of the second quarter of 2018, construction projects have gained momentum. More than 2.8M sf of new industrial inventory

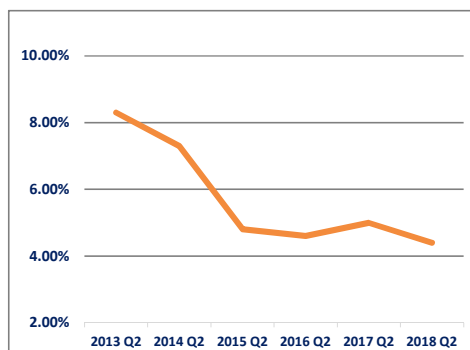
was under construction in 15 separate projects around the county, 27% of which is pre-committed to tenants, while the remainder is speculative. The bulk of these properties is located in the North County and South Bay submarkets. The largest project is the Carlsbad Oaks North business park located in East Carlsbad. Two separate buildings located in Carlsbad and Poway completed construction during the second quarter, adding 630,655 sf of new inventory. As developers become emboldened to take on new projects where limited opportunities are available, vacancy is expected to edge upward.

Total net absorption for the 12-month period ending with the second quarter of 2018 was 1,236,160 sf, up from the previous 12-month period of 823,772 sf. Rental asking rates averaged \$0.99 psf in the second quarter of 2018, up slightly from \$0.97 psf in the previous quarter. Rental rate growth has slowed while the market adjusts to newly added inventory, yet rents are still at historic highs and are expected to remain at this level for the remainder of the year.

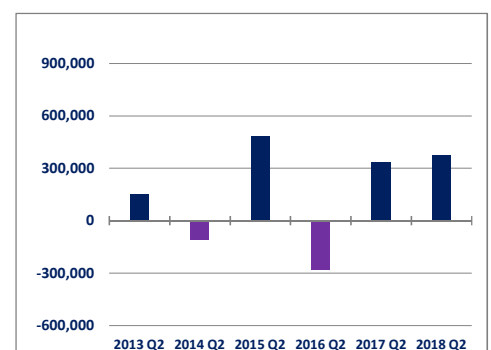
Asking Rent



Vacancy Rates



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
Acushnet Company	Renewal	2819 Locker Avenue	Carlsbad	166,310
General Atomics	New	14311 - 14177 Kirkham Way	Poway	150,500
PODS	New	2820 Whiptail Loop	Carlsbad	121,093
BAE Systems	Renewal	655 Gateway Center Way	Southeast San Diego	86,254
ACCO	New	5950 Nancy Ridge Drive	Mira Mesa	46,800

Top Sales

Address	Submarket	Buyer	Seller	Price	SF	P/SF
260 S Pacific Street	San Marcos	Penwood	Hager Pacific Industrial Partners	\$21,600,000	170,822	\$126
4039 Calle Platino	Oceanside	Rexford Industrial	6th & K, Ltd.	\$20,000,000	143,274	\$140
716 16th Street	Downtown	FP Makers Quarter, LLC	Navarra Properties	\$16,750,000	23,258	\$720
660-664 N Twin Oaks Valley Road	San Marcos	Rexford Industrial	DCT Industrial Trust, Inc.	\$14,000,000	96,993	\$144
2290 Cosmos Court	Carlsbad	Exp 2290 Cosmos, LLC	Grandona Investment Associates, LP	\$7,000,000	37,328	\$188

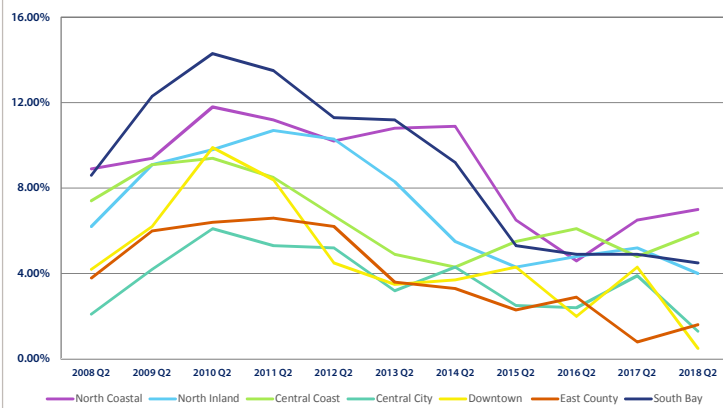
Under Construction

Address	Submarket	Developer	Techbilt	SF	Completion
Carlsbad Oaks North, Whiptail Loop	Carlsbad	Companies		774,988	Q4 2018
Pacific Coast Collection	Oceanside	McDonald Property Group		277,793	Q1 2019
Carlsbad Raceway Business Park, Lots 12 & 15	Carlsbad	RAF Pacifica Group		277,351	Q3 2018
Otay Logistics Center, Bldgs A & B	Otay Mesa	Black Creek Group		268,454	Q3 2018
Production Business Park, Bldgs A-D	San Marcos	RAF Pacifica Group		222,028	Q4 2018

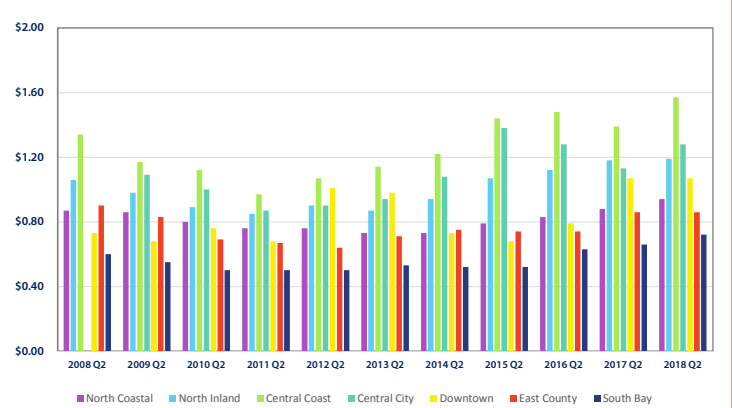
San Diego By The Numbers

Size Category	Vacancy				Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline		
	Q2 2018 Inventory (SF)	Q2 2018 Vacancy (SF)	Q2 2018 Vacancy (%)	Q1 2018 Vacancy (%)	Current Quarter Absorption	Year-To-Date Absorption	Q2 2018 Rental Rates	Q1 2018 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	Year-To-Date Deliveries	Under Construction Quarter-End
North County Coastal												
20k to 49k SF	13,724,632	555,818	4.00%	4.50%	100,741	115,491	\$0.95	\$0.95	0.00%	0	0	150,206
50k to 99k SF	8,605,465	471,483	5.50%	5.30%	-12,018	-2,866	\$0.86	\$0.82	4.88%	0	63,900	365,318
100k SF and up	9,464,259	1,199,069	12.70%	9.20%	-121,291	154,932	\$0.90	\$0.93	-3.23%	172,655	437,236	1,114,361
Total	31,794,356	2,226,370	7.00%	6.10%	-32,568	267,557	\$0.94	\$0.90	4.44%	172,655	501,136	1,629,885
North County Inland												
20k to 49k SF	12,449,130	372,883	3.70%	2.70%	-34,270	-50,700	\$1.13	\$1.09	3.67%	0	0	57,000
50k to 99k SF	7,444,040	457,544	6.10%	6.80%	103,982	-164,551	\$1.16	\$1.13	2.65%	150,000	150,000	0
100k SF and up	10,517,497	384,111	3.70%	3.70%	-71,613	39,614	\$1.30	\$1.26	3.17%	152,000	152,000	342,088
Total	30,410,667	1,214,538	4.00%	3.90%	-1,901	-175,637	\$1.19	\$1.15	3.48%	302,000	302,000	399,088
Central Coast												
20k to 49k SF	3,062,516	148,710	4.90%	4.20%	12,146	-54,030	\$1.35	\$1.22	10.66%	0	0	0
50k to 99k SF	2,287,608	120,685	5.30%	4.60%	-37,495	-4,152	\$1.31	\$1.36	-3.68%	0	0	0
100k SF and up	2,225,701	180,960	8.10%	8.20%	0	0	\$1.75	\$1.73	1.16%	0	0	0
Total	7,575,825	450,355	5.90%	5.50%	-25,349	-58,182	\$1.57	\$1.53	2.61%	0	0	0
Central City												
20k to 49k SF	7,230,845	135,930	1.90%	2.20%	24,129	43,868	\$1.33	\$1.26	5.56%	0	0	0
50k to 99k SF	3,082,006	66,311	2.20%	3.70%	-29,120	10,636	\$1.42	\$0.91	56.04%	0	0	63,800
100k SF and up	5,048,986	26,443	0.50%	7.60%	384,334	-322,401	\$0.95	\$0.95	0.00%	156,000	0	0
Total	15,361,837	228,684	1.30%	4.20%	379,343	-267,897	\$1.28	\$1.13	13.27%	156,000	0	63,800
Downtown Business District												
20k to 49k SF	265,159	0	0.00%	0.00%	0	25,000	\$1.00	\$1.00	0.00%	0	0	0
50k to 99k SF	467,477	5,259	1.10%	1.50%	8,183	0	\$1.37	\$1.37	0.00%	0	0	0
100k SF and up	284,644	0	0.00%	0.00%	0	0	\$0.00	\$0.00	0.00%	0	0	0
Total	1,017,280	5,259	0.50%	0.90%	8,183	25,000	\$1.07	\$1.07	0.00%	0	0	0
East County												
20k to 49k SF	6,243,704	74,320	1.20%	0.70%	-45,419	-19,476	\$0.98	\$1.35	-27.41%	0	0	0
50k to 99k SF	2,467,220	105,675	4.30%	4.60%	0	-91,923	\$0.55	\$0.55	0.00%	0	0	0
100k SF and up	2,463,500	0	0.00%	0.00%	14,111	0	\$0.78	\$0.78	0.00%	0	0	0
Total	11,174,424	179,995	1.60%	1.30%	-31,308	-111,399	\$0.86	\$0.98	-12.24%	0	0	0
South Bay												
20k to 49k SF	8,682,294	201,386	2.30%	2.20%	22,165	3,946	\$0.81	\$0.84	-3.57%	0	0	43,500
50k to 99k SF	7,881,470	241,826	3.10%	2.90%	-89,958	22,372	\$0.74	\$0.73	1.37%	0	0	328,946
100k SF and up	11,320,126	806,816	7.10%	5.80%	135,656	-4,598	\$0.65	\$0.65	0.00%	0	0	381,768
Total	27,883,890	1,250,028	4.50%	3.80%	67,863	21,720	\$0.72	\$0.72	0.00%	0	0	754,214
San Diego County Industrial												
20k to 49k SF	51,658,280	1,489,047	2.80%	2.70%	79,492	64,099	\$1.06	\$1.02	3.92%	0	0	250,706
50k to 99k SF	32,235,286	1,468,783	4.50%	4.70%	-56,426	-230,484	\$0.94	\$0.91	3.30%	150,000	213,900	758,064
100k SF and up	41,324,713	2,597,399	6.30%	6.30%	341,197	-132,453	\$0.98	\$0.92	6.52%	480,655	589,236	1,838,217
TOTAL	125,218,279	5,555,229	4.40%	4.40%	364,263	-298,838	\$0.99	\$0.95	4.21%	630,655	803,136	2,846,987

Vacancy by Region



Rental Rate by Region



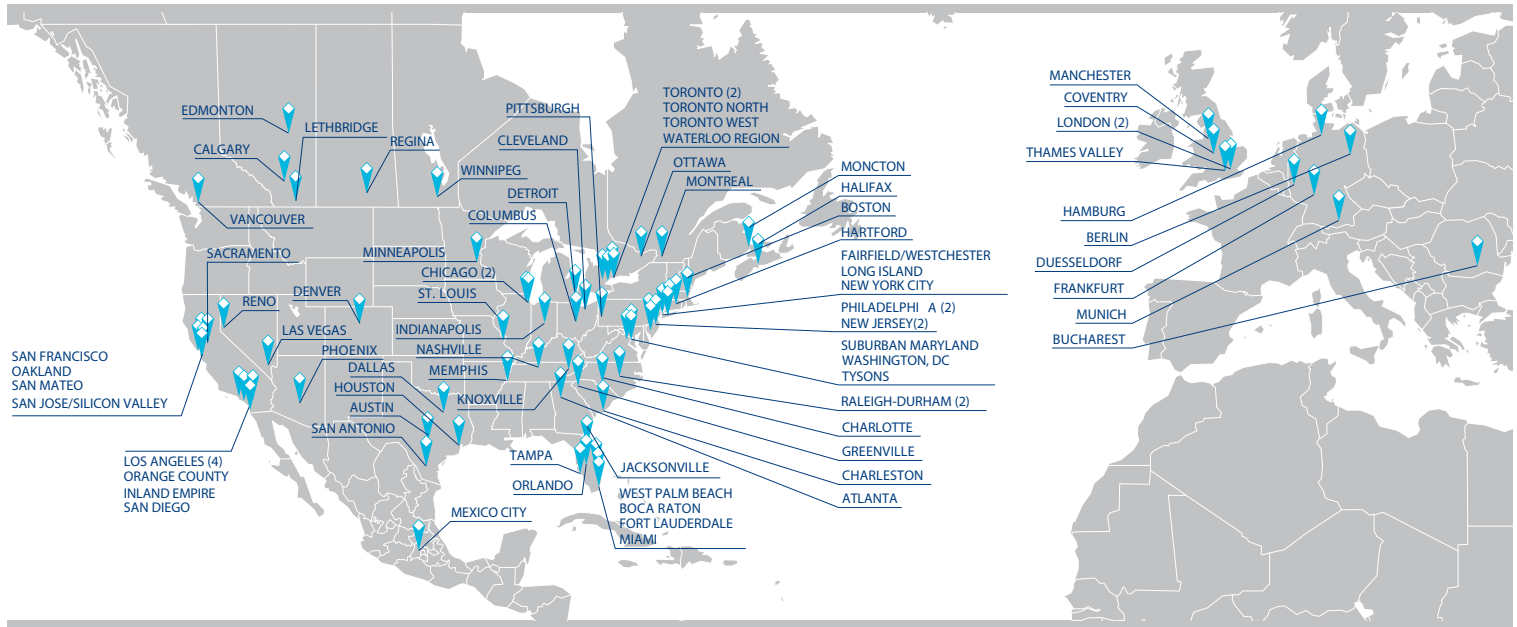
Industrial Markets	Total Market including owner occupied space			Leased Market				
	Existing Inventory	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Carlsbad	9,933,505	8.50%	1,052,339	8,345,983	10.00%	10.10%	91,986	\$1.09
Encinitas/Solana Beach/Del Mar	79,370	0.80%	0	79,370	0.80%	0.80%	-635	\$2.35
Oceanside	6,347,765	5.50%	277,793	4,494,055	7.70%	7.80%	-20,642	\$0.88
San Marcos	4,871,300	8.30%	222,028	3,512,371	11.20%	11.30%	38,753	\$0.71
Vista	10,682,816	6.00%	77,725	7,808,455	7.30%	8.10%	-140,570	\$0.85
North County Coastal	31,794,356	7.00%	1,629,885	24,240,234	8.90%	9.20%	-31,108	\$0.94
	Existing Inventory	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Escondido	3,606,576	2.80%	212,088	2,721,648	3.50%	3.50%	46,143	\$0.91
Miramar/Mira Mesa	11,648,785	3.50%	187,000	9,765,658	3.40%	4.10%	15,180	\$1.09
Poway	7,299,510	0.70%	0	4,362,755	0.70%	1.10%	8,225	\$0.94
Carmel Mountain Ranch/Rancho Bernardo	6,951,546	7.70%	0	4,560,768	11.70%	11.70%	-35,609	\$1.47
Scripps Ranch	904,250	13.50%	0	904,250	13.50%	13.50%	-35,840	\$1.22
North County Inland	30,410,667	4.00%	399,088	22,315,079	5.10%	5.40%	-1,901	\$1.19
	Existing Inventory	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Del Mar Heights/Carmel Valley	132,526	8.50%	0	39,526	28.40%	28.40%	1,297	\$1.97
Governor Park	32,026	0.00%	0	32,026	0.00%	0.00%	0	\$1.65
La Jolla	0	0.00%	0	0	0.00%	0.00%	0	\$0.00
Sorrento Mesa	5,955,480	5.80%	0	4,266,864	8.10%	8.10%	-29,327	\$1.61
Sorrento Valley	1,053,539	8.90%	0	908,363	9.90%	10.30%	2,681	\$1.13
Torrey Pines	203,000	0.00%	0	53,000	0.00%	0.00%	0	-
UTC	299,253	0.00%	0	0	0.00%	0.00%	0	\$2.00
Central Coast	7,575,825	5.90%	0	5,299,779	8.30%	8.40%	-25,349	\$1.57
	Existing Inventory	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
North Park/South Park	106,146	0.00%	0	66,500	0.00%	0.00%	0	-
Kearny Mesa	10,993,152	1.80%	63,800	6,901,718	2.50%	2.70%	221,766	\$1.32
Mission Valley	341,326	0.00%	0	285,855	0.00%	0.00%	0	-
Old Town/Sports Arena/Point Loma	1,950,412	0.10%	0	1,848,898	0.10%	0.10%	-2,000	\$1.34
Pacific Beach/Rose Canyon/Morena	2,033,801	1.40%	0	1,633,524	0.30%	0.90%	10,990	\$0.93
Central City	15,361,837	1.30%	63,800	10,736,495	1.70%	1.90%	230,756	\$1.28
	Existing Inventory	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Downtown San Diego	1,017,280	0.50%	0	583,258	0.90%	0.90%	8,183	\$1.40
Downtown Business District	1,017,280	0.50%	0	583,258	0.90%	0.90%	8,183	\$1.40
	Existing Inventory	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
College Area	859,458	0.00%	0	323,947	0.00%	0.00%	-11,794	-
El Cajon/La Mesa/Lemon Grove/Santee	9,053,433	1.70%	0	7,345,062	2.10%	2.20%	-51,344	\$0.85
Mission Gorge	1,261,533	1.70%	0	1,157,038	1.90%	1.90%	20,036	\$1.05
East County	11,174,424	1.60%	0	8,826,047	2.00%	2.00%	-43,102	\$0.86
	Existing Inventory	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Chula Vista	7,191,784	2.70%	163,000	4,021,285	4.90%	4.90%	-3,209	\$0.84
San Ysidro/Imperial Beach National	1,218,990	2.00%	0	1,051,748	2.30%	2.30%	-4,030	\$0.72
City/Southeast San Diego Otay	5,273,948	0.80%	0	3,821,842	1.20%	1.20%	35,579	\$1.02
Mesa	14,199,168	6.90%	591,214	11,218,683	7.40%	7.70%	30,023	\$0.67
South Bay	27,883,890	4.50%	754,214	20,113,558	5.50%	5.60%	58,363	\$0.72
San Diego County Total	125,218,279	4.40%	2,846,987	92,114,450	5.60%	5.90%	195,842	\$0.99

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