

San Diego



Market Facts

4.1%

San Diego County
Unemployment Rate
As Of Sept 2017

715,541 SF

Positive Net Absorption
Current Quarter

Positive 1,249,684 SF
Year-To-Date

4.5%

Total Vacancy Rate
Down From 5.2% In Q2 2017

\$1.03 PSF

Asking Rental Rate
Weighted Average

Market Overview

Developers gained confidence in 2017, reaching a post-recession high in volume of new construction starts. A moderate tempering of new construction is expected, as developable land becomes more of a challenge to find, and emerging political changes may bring uncertainty to long-term location commitments. However, market fundamentals remain resilient as the county's established industrial base supports the military, biotechnology and telecommunication sectors. San Diego's desirable geography makes it a vital hub for logistics, while its quality labor pool sustains low unemployment, currently at 4.1%.

As of the third quarter of 2017, vacancy has retracted significantly to 4.5%, down from the previous quarter, but tracking similarly to the third quarter of the previous year. Current vacancy is still well below the pre-recession lows where vacancy had not dropped much below 7%, due in part to increased construction activity at the time.

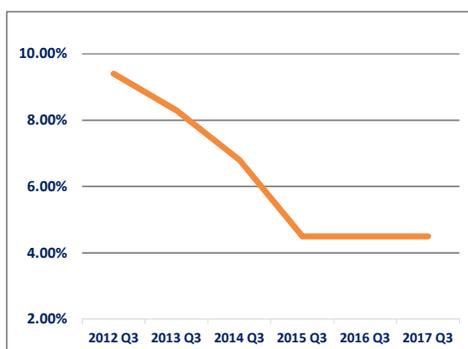
New development is still picking up momentum, with over 1.7M sf currently under construction, more than 20% of which is pre-committed to occupants. New deliveries year-to-date have resulted in 403,496 sf of industrial space being added to the market. The North County submarket of Carlsbad is experiencing the overwhelming majority of industrial development, while Otay Mesa, Poway and San Marcos will add inventory in 2018.

The 12 month period ending with the third quarter of 2017 recorded positive total net absorption of 1,897,743 sf. Rental rates remain high, and have plateaued over the past two years. As of the third quarter of 2017, industrial space commanded \$1.03 psf, up slightly from \$1.02 psf at the same time in the previous year. Current rents still exceed historic highs, and are expected to remain at this threshold even as newly constructed inventory is added.

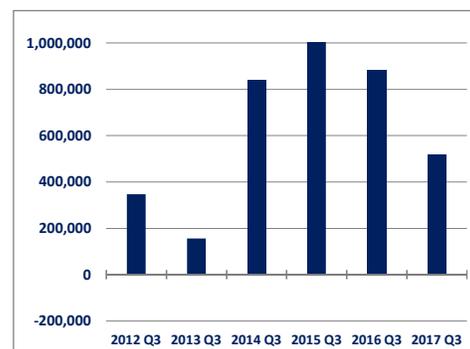
Asking Rent



Vacancy Rates



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
PETCO Animal Supplies, Inc.	Leaseback	10850 Via Frontera	Rancho Bernardo	260,000
Amazon	New	16550 Via Esprillo	Rancho Bernardo	180,946
SKLZ	New	2081 Faraday Avenue	Carlsbad	150,159
Amazon	New	10300 Campus Point Drive	UTC	107,000
Atlas Frieght	New	2020 Piper Ranch Road	Otay Mesa	99,800

Top Sales

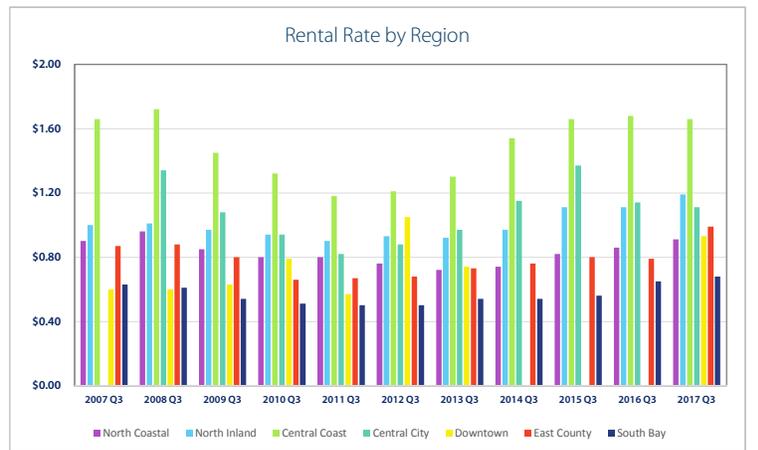
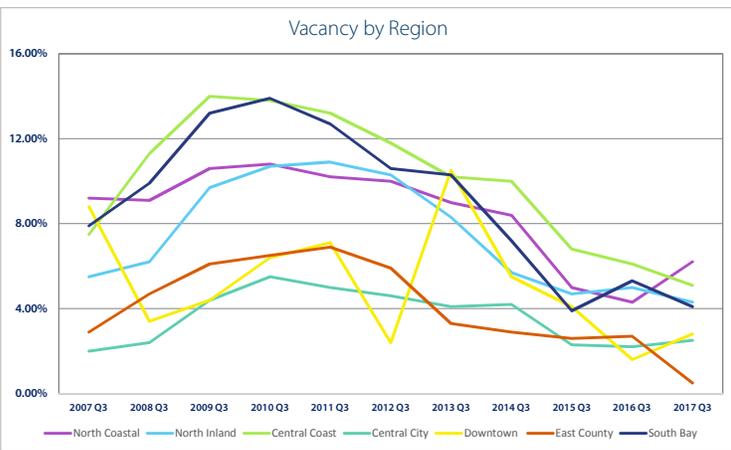
Address	Submarket	Buyer	Seller	Price	SF	P/SF
10850 Via Frontera	Rancho Bernardo	U.S. Realty Advisors, LLC	PETCO Animal Supplies, Inc.	\$110,000,000	260,000	\$423
10450 Pacific Center Court	Sorrento Mesa	Crown Acquisition Associates, LLC	Gramercy Property Trust, Inc.	\$44,000,000	134,000	\$328
8411 Siempre Viva Road	Otay Mesa	Ajinomoto Windsor, Inc.	Murphy Development Company, Inc.	\$26,500,000	159,631	\$166
The Art Center Block	Downtown	Paragon Real Estate Investment	Carleton Management, Inc.	\$25,500,000	118,258	\$216
Sears Distribution Center	Morena	LBA Realty	Sears Holding Corporation	\$23,800,000	184,000	\$129

Under Construction

Address	Submarket	Developer	SF	Completion
Carlsbad Oaks North, Whiptail Loop	Carlsbad	Techbilt Companies	438,675	Q2 2018
Ridgeview Business Park	Poway	HCP	302,500	Q2 2018
Carlsbad Raceway Business Park, Lots 12 & 15	Carlsbad	RAF Pacifica Group	277,349	Q2 2017
IPT Otay Logistics Park, Bldgs A & B	Otay Mesa	Black Creek Group	268,454	Q2 2018
Production Business Park, Bldgs A-D	San Marcos	RAF Pacifica Group	219,477	Q4 2018

San Diego By The Numbers

Size Category	Vacancy				Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline		
	Q3 2017 Inventory (SF)	Q3 2017 Vacancy (SF)	Q3 2017 Vacancy (%)	Q2 2017 Vacancy (%)	Current Quarter Absorption	Year-To-Date Absorption	Q3 2017 Rental Rates	Q2 2017 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	Year-To-Date Deliveries	Under Construction Quarter-End
North County Coastal												
20k to 49k SF	14,064,721	888,851	6.30%	6.50%	53,276	-20,253	\$0.99	\$0.99	0.00%	0	41,902	72,481
50k to 99k SF	9,338,064	289,390	3.10%	4.40%	185,786	161,762	\$0.83	\$0.78	6.41%	119,473	119,473	149,547
100k SF and up	10,263,890	925,240	8.90%	7.30%	-104,026	48,649	\$0.86	\$0.86	0.00%	0	115,075	838,054
Total	33,666,675	2,103,481	6.20%	6.20%	135,036	190,158	\$0.91	\$0.89	2.25%	119,473	276,450	1,060,082
North County Inland												
20k to 49k SF	13,403,639	491,595	3.60%	4.20%	144,861	119,708	\$1.09	\$1.10	-0.91%	0	0	30,000
50k to 99k SF	8,195,584	325,415	4.00%	3.50%	7,573	162,929	\$1.02	\$1.03	-0.97%	82,640	82,640	150,500
100k SF and up	11,020,318	568,601	5.20%	7.50%	286,845	234,122	\$1.44	\$1.43	0.70%	0	0	152,000
Total	32,619,541	1,385,611	4.30%	5.10%	439,279	516,759	\$1.19	\$1.18	0.85%	82,640	82,640	332,500
Central Coast												
20k to 49k SF	5,846,734	301,384	5.20%	6.80%	27,479	27,257	\$1.62	\$1.61	0.62%	0	0	0
50k to 99k SF	5,495,297	315,113	5.60%	6.40%	55,031	57,718	\$1.56	\$1.54	1.30%	0	0	0
100k SF and up	5,258,890	225,074	4.40%	7.80%	50,339	372,370	\$1.71	\$1.40	22.14%	0	0	0
Total	16,600,921	841,571	5.10%	7.00%	132,849	457,345	\$1.66	\$1.50	10.67%	0	0	0
Central City												
20k to 49k SF	7,071,581	215,868	3.00%	2.70%	-67,521	-58,480	\$1.27	\$1.27	0.00%	0	0	0
50k to 99k SF	2,931,788	22,334	0.80%	2.70%	-25,229	-76,729	\$0.94	\$0.92	2.17%	0	0	0
100k SF and up	5,036,480	135,685	2.80%	2.70%	-34,695	-42,084	\$0.95	\$0.95	0.00%	0	0	0
Total	15,039,849	373,887	2.50%	2.70%	-127,445	-177,293	\$1.11	\$1.10	0.91%	0	0	0
Downtown Business District												
20k to 49k SF	349,659	30,000	8.60%	8.60%	0	0	\$1.10	\$1.10	0.00%	0	0	0
50k to 99k SF	926,052	13,442	1.50%	1.50%	0	466	\$0.73	\$0.73	0.00%	0	0	0
100k SF and up	284,644	0	0.00%	0.00%	0	0	\$0.79	\$0.74	6.76%	0	0	0
Total	1,560,355	43,442	2.80%	2.80%	0	466	\$0.93	\$0.91	2.20%	0	0	0
East County												
20k to 49k SF	6,335,922	40,649	0.60%	1.20%	20,400	11,605	\$1.23	\$1.23	0.00%	0	0	0
50k to 99k SF	2,274,044	15,752	0.70%	0.60%	13,769	40,269	\$0.69	\$0.69	0.00%	0	0	0
100k SF and up	2,613,500	0	0.00%	0.60%	16,300	128,468	\$0.76	\$0.92	-17.39%	0	0	0
Total	11,223,466	56,401	0.50%	1.00%	50,469	180,342	\$0.99	\$1.03	-3.88%	0	0	0
South Bay												
20k to 49k SF	8,484,789	214,742	2.50%	3.40%	82,245	100,414	\$0.77	\$0.75	2.67%	0	44,406	0
50k to 99k SF	7,092,656	157,001	2.20%	4.60%	19,108	20,442	\$0.67	\$0.64	4.69%	0	0	148,646
100k SF and up	10,218,492	688,932	6.70%	9.30%	-16,000	-38,949	\$0.65	\$0.65	0.00%	0	0	198,858
Total	25,795,937	1,060,675	4.10%	6.00%	85,353	81,907	\$0.68	\$0.67	1.49%	0	44,406	347,504
San Diego County Industrial												
20k to 49k SF	55,557,045	2,183,089	3.90%	4.40%	260,740	180,251	\$1.09	\$1.11	-1.80%	0	86,308	102,481
50k to 99k SF	36,253,485	1,138,447	3.10%	4.00%	256,038	366,857	\$0.91	\$0.90	1.11%	202,113	202,113	448,693
100k SF and up	44,696,214	2,543,532	6.40%	7.10%	198,763	702,576	\$0.97	\$1.00	-3.00%	0	115,075	1,188,912
TOTAL	136,506,744	5,865,068	4.50%	5.20%	715,541	1,249,684	\$1.03	\$1.01	1.98%	202,113	403,496	1,740,086



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	11,232,054	7.80%	716,024	9,164,561	9.40%	9.50%	192,581	\$1.08
Encinitas/Solana Beach/Del Mar	79,370	1.20%	0	79,370	1.20%	1.20%	0	\$2.43
Oceanside	6,623,502	2.70%	124,581	3,887,157	4.60%	4.60%	-44,498	\$0.78
San Marcos	4,887,222	9.10%	219,477	3,446,000	13.10%	13.10%	-2,414	\$0.67
Vista	10,844,527	5.40%	0	7,710,232	7.70%	7.80%	-59,052	\$0.82
North County Coastal	33,666,675	6.20%	1,060,082	24,287,320	8.60%	8.60%	86,617	\$0.91
	Existing Inventory	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Escondido	3,538,327	2.20%	0	2,528,669	1.50%	2.90%	-5,265	\$0.99
Miramar/Mira Mesa	13,097,329	4.50%	30,000	11,051,241	4.40%	5.40%	76,859	\$1.04
Poway	7,397,968	3.40%	302,500	4,361,174	5.60%	5.70%	144,325	\$1.01
Carmel Mountain Ranch/Rancho Bernardo	7,450,261	5.00%	0	4,403,411	6.90%	6.90%	201,360	\$1.50
Scripps Ranch	1,135,656	8.00%	0	829,537	11.00%	11.00%	0	\$0.92
North County Inland	32,619,541	4.30%	332,500	23,174,032	5.00%	5.70%	417,279	\$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	234,598	5.30%	0	39,526	31.60%	31.60%	-7,840	\$1.94
Governor Park	32,026	0.00%	0	32,026	0.00%	0.00%	0	-
La Jolla	0	0.00%	0	0	0.00%	0.00%	0	-
Sorrento Mesa	9,023,590	4.90%	0	6,351,045	6.80%	7.00%	146,450	\$1.60
Sorrento Valley	2,134,586	5.30%	0	1,891,381	5.60%	6.00%	10,265	\$1.59
Torrey Pines	3,572,814	4.70%	0	2,114,448	5.50%	8.10%	-36,945	\$4.25
UTC	1,603,307	7.20%	0	1,328,093	2.60%	8.90%	0	\$2.52
Central Coast	16,600,921	5.10%	0	11,756,519	6.00%	7.30%	111,930	\$1.66
	Existing Inventory	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
North Park/South Park	127,786	0.00%	0	66,500	0.00%	0.00%	0	\$1.18
Kearny Mesa	10,372,106	3.30%	0	6,095,344	5.40%	5.60%	-82,948	\$1.33
Mission Valley	521,036	0.00%	0	465,565	0.00%	0.00%	0	\$1.60
Old Town/Sports Arena/Point Loma	1,826,620	0.00%	0	1,746,746	0.00%	0.00%	0	\$1.30
Pacific Beach/Bay Ho/Morena	2,192,301	1.20%	0	1,793,195	1.50%	1.50%	-24,497	\$0.85
Central City	15,039,849	2.50%	0	10,167,350	3.60%	3.70%	-107,445	\$1.11
	Existing Inventory	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Downtown San Diego	1,560,355	2.80%	0	928,833	4.70%	4.70%	0	\$0.93
Downtown Business District	1,560,355	2.80%	0	928,833	4.70%	4.70%	0	\$0.93
	Existing Inventory	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
College Area	880,102	0.00%	0	344,591	0.00%	0.00%	-5,306	\$1.20
El Cajon/La Mesa/Lemon Grove/Santee	8,969,621	0.40%	0	7,104,042	0.50%	0.50%	27,562	\$0.74
Mission Gorge	1,373,743	1.30%	0	1,269,248	1.40%	1.40%	9,907	\$1.46
East County	11,223,466	0.50%	0	8,717,881	0.60%	0.60%	32,163	\$0.99
	Existing Inventory	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Chula Vista	7,422,080	3.10%	0	4,199,731	2.20%	2.20%	70,557	\$0.75
Imperial Beach	1,218,990	2.90%	0	1,051,748	3.10%	3.30%	8,570	\$0.74
National City/Southeast San Diego	4,481,062	1.20%	0	3,125,506	1.70%	1.70%	130	\$0.72
Otay Mesa	12,673,805	5.90%	347,504	10,212,696	7.10%	7.20%	7,993	\$0.66
South Bay	25,795,937	4.10%	347,504	18,589,681	4.90%	5.00%	87,250	\$0.68
San Diego County Total	136,506,744	4.50%	1,740,086	97,621,616	5.50%	5.90%	627,794	\$1.03

