

# San Diego



## Market Facts

**3.3%**

San Diego County  
Unemployment  
Rate As Of Nov 2017

**-130,575 SF**

Negative Net Absorption  
Current Quarter

Positive 1,253,860 SF  
Year-To-Date

**4.4%**

Total Vacancy Rate  
Down From 4.5% In Q3 2017

**\$0.98 PSF**

Asking Rental Rate  
Weighted Average

## Market Overview

The San Diego Industrial Market is experiencing premium rental rates within a constricted inventory. 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 3.3%.

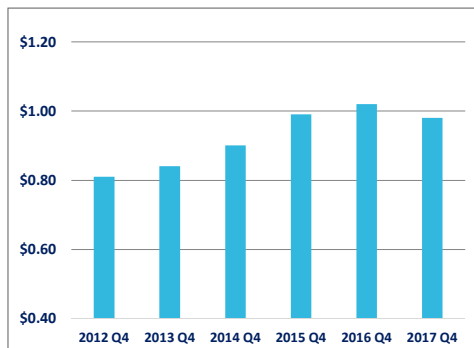
As of the fourth quarter of 2017, vacancy has dipped slightly to 4.4%, down from the previous quarter, and down modestly from 4.6% in the fourth quarter of the previous year. Current vacancy is still well below the pre-recession lows where vacancy had not dropped

much below 7%, due in part to increased construction activity at the time.

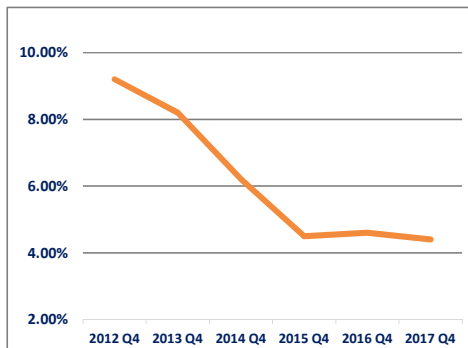
New development is still picking up momentum, with over 2.4M sf currently under construction, more than 26% of which is pre-committed to occupants. New deliveries year-to-date have resulted in 339,596 sf of industrial space being added to the market. The North County submarket of Carlsbad is experiencing 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 fourth quarter of 2017 recorded positive total net absorption of 1.25B sf. Rental rates remained high, yet decreased slightly at the end of the year. As of the fourth quarter of 2017, industrial space recorded \$0.98 psf, down 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 the surge of newly constructed inventory is added.

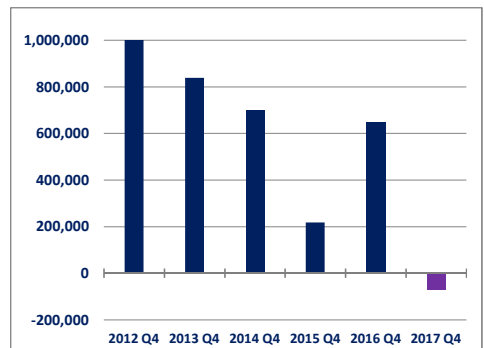
## Asking Rent



## Vacancy Rates



## Net Absorption



## Top Leases

Tenant	Type	Address	Submarket	SF
Imperial Toy	Renewal	9043 Siempre Viva Road	Otay Mesa	257,972
Veritiv Corporation	New	1925-2005 Harmony Grove Road	Escondido	212,088
JELD-WEN	Renewal	2760 Progress Street	Vista	123,270
Leidos, Inc.	Renewal	2985 Scott Street	Vista	120,251
Ontrac	Renewal	7077 Consolidated Way	Mira Mesa	84,000

## Top Sales

Address	Submarket	Buyer	Seller	Price	SF	P/SF
16550 Via Esprillo	Rancho Bernardo	Realterm Logistics	Greenlaw Partners	\$60,500,000	180,946	\$334
Centerpark Plaza	Sorrento Mesa	Montana Avenue Capital Partners	RREEF America, LLC	\$45,750,000	204,028	\$224
12367 Crosthwaite Circle	Poway	General Atomics	CT Realty Investors	\$44,000,000	339,337	\$130
10307-10309 Pacific Center Court	Sorrento Mesa	Klein Investment Family LP	Colony Northstar	\$33,750,000	103,830	\$325
2495 Faraday Avenue	Carlsbad	BLT Enterprises	Luanne Leonard Trust	\$24,500,000	109,000	\$225

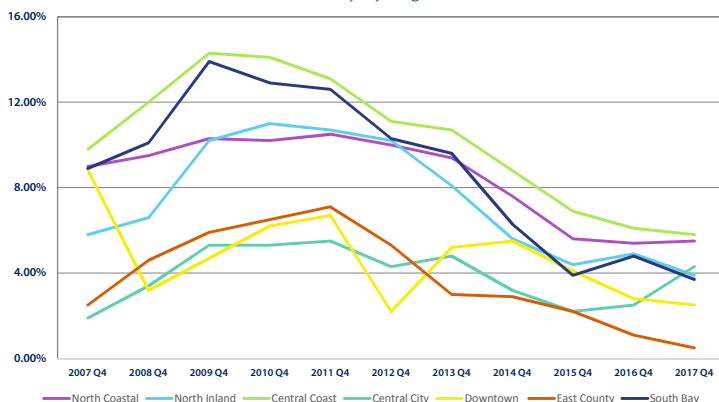
## Under Construction

Address	Submarket	Developer	SF	Completion
Carlsbad Oaks North, Whiptail Loop	Carlsbad	Techbilt Companies	932,675	Q3 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
Otay Logistics Center, 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

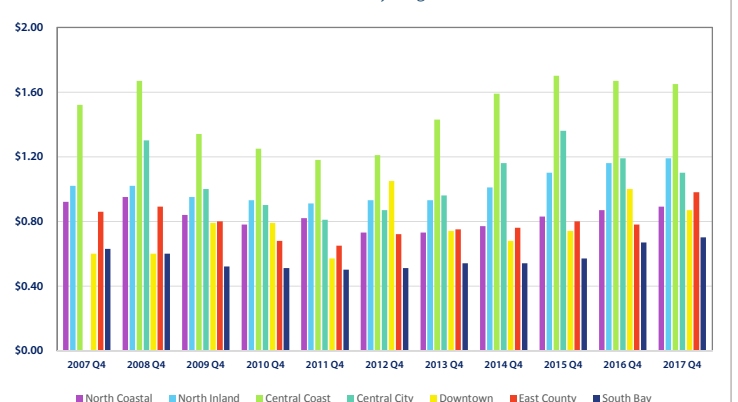
## San Diego By The Numbers

Size Category	Vacancy				Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline		
	Q4 2017 Inventory (SF)	Q4 2017 Vacancy (SF)	Q4 2017 Vacancy (%)	Q3 2017 Vacancy (%)	Current Quarter Absorption	Year-To-Date Absorption	Q4 2017 Rental Rates	Q3 2017 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	Year-To-Date Deliveries	Under Construction Quarter-End
<b>North County Coastal</b>												
20k to 49k SF	14,048,414	825,351	5.90%	6.30%	-39,887	-52,040	\$0.99	\$0.99	0.00%	0	41,902	72,481
50k to 99k SF	9,282,658	255,435	2.80%	3.10%	71,836	233,598	\$0.81	\$0.83	-2.41%	0	55,573	371,638
100k SF and up	10,414,893	759,063	7.30%	8.90%	65,181	-79,665	\$0.87	\$0.86	1.16%	0	115,075	1,173,863
<b>Total</b>	<b>33,745,965</b>	<b>1,839,849</b>	<b>5.50%</b>	<b>6.20%</b>	<b>97,130</b>	<b>101,893</b>	<b>\$0.89</b>	<b>\$0.91</b>	<b>-2.20%</b>	<b>0</b>	<b>212,550</b>	<b>1,617,982</b>
<b>North County Inland</b>												
20k to 49k SF	13,375,898	305,824	2.80%	3.60%	174,459	281,734	\$1.06	\$1.09	-2.75%	0	0	30,000
50k to 99k SF	8,112,371	474,502	5.80%	4.00%	-105,701	20,043	\$1.06	\$1.02	3.92%	0	82,640	150,500
100k SF and up	10,977,318	481,218	4.40%	5.20%	87,383	829,020	\$1.44	\$1.44	0.00%	0	0	364,088
<b>Total</b>	<b>32,465,587</b>	<b>1,261,544</b>	<b>3.90%</b>	<b>4.30%</b>	<b>156,141</b>	<b>1,130,797</b>	<b>\$1.19</b>	<b>\$1.19</b>	<b>0.00%</b>	<b>0</b>	<b>82,640</b>	<b>544,588</b>
<b>Central Coast</b>												
20k to 49k SF	5,751,488	312,575	5.40%	5.20%	-38,573	47,614	\$1.62	\$1.62	0.00%	0	0	0
50k to 99k SF	5,638,646	418,685	7.40%	5.60%	-21,453	-12,671	\$1.57	\$1.56	0.64%	0	0	0
100k SF and up	5,105,167	220,127	4.30%	4.40%	-68,157	-113	\$1.71	\$1.71	0.00%	0	0	0
<b>Total</b>	<b>16,495,301</b>	<b>951,387</b>	<b>5.80%</b>	<b>5.10%</b>	<b>-128,183</b>	<b>34,830</b>	<b>\$1.65</b>	<b>\$1.66</b>	<b>-0.60%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Central City</b>												
20k to 49k SF	7,112,677	172,736	2.40%	3.00%	53,662	-2,038	\$1.27	\$1.27	0.00%	0	0	0
50k to 99k SF	3,027,725	99,369	3.30%	0.80%	-77,035	-96,364	\$0.92	\$0.94	-2.13%	0	0	0
100k SF and up	4,892,986	370,011	7.60%	2.80%	-345,026	-243,093	\$0.95	\$0.95	0.00%	0	0	0
<b>Total</b>	<b>15,033,388</b>	<b>642,116</b>	<b>4.30%</b>	<b>2.50%</b>	<b>-368,399</b>	<b>-341,495</b>	<b>\$1.10</b>	<b>\$1.11</b>	<b>-0.90%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Downtown Business District</b>												
20k to 49k SF	349,659	25,000	7.10%	8.60%	5,000	5,000	\$1.00	\$1.10	-9.09%	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	\$0.00	\$0.00	0.00%	0	0	0
<b>Total</b>	<b>1,560,355</b>	<b>38,442</b>	<b>2.50%</b>	<b>2.80%</b>	<b>5,000</b>	<b>5,466</b>	<b>\$0.87</b>	<b>\$0.93</b>	<b>-6.45%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>East County</b>												
20k to 49k SF	6,290,118	38,235	0.60%	0.60%	23,767	45,372	\$1.38	\$1.23	12.20%	0	0	0
50k to 99k SF	2,274,044	13,752	0.60%	0.70%	2,000	42,269	\$0.55	\$0.69	-20.29%	0	0	0
100k SF and up	2,613,500	0	0.00%	0.00%	-14,111	114,357	\$0.78	\$0.76	2.63%	0	0	0
<b>Total</b>	<b>11,177,662</b>	<b>51,987</b>	<b>0.50%</b>	<b>0.50%</b>	<b>11,656</b>	<b>201,998</b>	<b>\$0.98</b>	<b>\$0.99</b>	<b>-1.01%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>South Bay</b>												
20k to 49k SF	8,510,818	221,383	2.60%	2.50%	38,033	130,431	\$0.81	\$0.77	5.19%	0	44,406	0
50k to 99k SF	7,002,247	216,626	3.10%	2.20%	-21,275	-50,433	\$0.71	\$0.67	5.97%	0	0	69,596
100k SF and up	10,218,492	513,612	5.00%	6.70%	79,322	40,373	\$0.65	\$0.65	0.00%	0	0	198,858
<b>Total</b>	<b>25,731,557</b>	<b>951,621</b>	<b>3.70%</b>	<b>4.10%</b>	<b>96,080</b>	<b>120,371</b>	<b>\$0.70</b>	<b>\$0.68</b>	<b>2.94%</b>	<b>0</b>	<b>44,406</b>	<b>268,454</b>
<b>San Diego County Industrial</b>												
20k to 49k SF	55,439,072	1,901,104	3.40%	3.90%	216,461	456,073	\$1.09	\$1.09	0.00%	0	86,308	102,481
50k to 99k SF	36,263,743	1,491,811	4.10%	3.10%	-151,628	136,908	\$0.89	\$0.91	-2.20%	0	138,213	591,734
100k SF and up	44,507,000	2,344,031	5.80%	6.40%	-195,408	660,879	\$0.96	\$0.97	-1.03%	0	115,075	1,736,809
<b>TOTAL</b>	<b>136,209,815</b>	<b>5,736,946</b>	<b>4.40%</b>	<b>4.50%</b>	<b>-130,575</b>	<b>1,253,860</b>	<b>\$0.98</b>	<b>\$1.03</b>	<b>-4.85%</b>	<b>0</b>	<b>339,596</b>	<b>2,431,024</b>

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	11,398,310	7.00%	1,273,924	9,486,278	8.10%	8.10%	21,023	\$1.08
Encinitas/Solana Beach/Del Mar	79,370	0.00%	0	79,370	0.00%	0.00%	915	\$2.43
Oceanside	6,696,605	2.40%	124,581	3,960,260	4.00%	4.00%	-36,425	\$0.78
San Marcos	4,857,918	7.80%	219,477	3,392,697	10.50%	10.50%	23,605	\$0.78
Vista	10,713,762	4.70%	0	7,502,899	6.50%	6.70%	141,379	\$0.80
North County Coastal	33,745,965	5.50%	1,617,982	24,421,504	7.20%	7.30%	150,497	\$0.89
	Existing Inventory	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Escondido	3,538,327	1.20%	212,088	2,548,002	1.50%	1.50%	25,886	\$0.86
Miramar/Mira Mesa	13,069,476	4.00%	30,000	11,021,629	3.80%	4.80%	4,535	\$1.05
Poway	7,397,968	0.60%	302,500	4,290,641	1.00%	1.10%	216,787	\$0.92
Carmel Mountain Ranch/Rancho Bernardo	7,327,099	7.60%	0	4,713,955	11.60%	11.80%	-132,655	\$1.51
Scripps Ranch	1,132,717	7.80%	0	826,598	10.70%	10.70%	34,615	\$1.02
North County Inland	32,465,587	3.90%	544,588	23,400,825	4.80%	5.40%	149,168	\$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%	0	\$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	\$0.00
Sorrento Mesa	9,030,008	5.70%	0	6,604,631	7.00%	7.80%	-2,832	\$1.61
Sorrento Valley	2,134,979	5.80%	0	1,891,774	6.00%	6.50%	1,820	\$1.55
Torrey Pines	3,659,301	5.80%	0	2,116,435	5.00%	10.10%	-66,924	\$4.25
UTC	1,404,389	6.00%	0	1,129,175	0.70%	7.50%	-60,247	\$2.52
Central Coast	16,495,301	5.80%	0	11,813,567	5.90%	8.10%	-128,183	\$1.65
	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	\$1.25
Kearny Mesa	10,619,645	5.80%	0	6,315,785	5.60%	6.00%	-176,841	\$1.31
Mission Valley	362,536	0.00%	0	307,065	0.00%	0.00%	0	-
Old Town/Sports Arena/Point Loma	1,826,620	0.00%	0	1,746,746	0.00%	0.00%	0	\$1.30
Pacific Beach/Rose Canyon/Morena	2,096,801	1.20%	0	1,634,695	1.50%	1.50%	25,442	\$0.84
Central City	15,033,388	4.30%	0	10,070,791	3.80%	4.00%	-151,399	\$1.10
	Existing Inventory	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Downtown San Diego	1,560,355	2.50%	0	928,833	4.10%	4.10%	5,000	\$0.87
Downtown Business District	1,560,355	2.50%	0	928,833	4.10%	4.10%	5,000	\$0.87
	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%	-543	\$0.97
El Cajon/La Mesa/Lemon Grove/Santee	8,923,251	0.40%	0	7,149,595	0.50%	0.50%	23,450	\$0.70
Mission Gorge	1,394,953	1.00%	0	1,290,458	1.10%	1.10%	-11,794	\$1.55
East County	11,177,662	0.50%	0	8,764,000	0.60%	0.60%	11,113	\$0.98
	Existing Inventory	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Chula Vista	7,357,700	0.80%	0	4,135,351	1.40%	1.40%	108,141	\$0.77
San Ysidro/Imperial Beach National	1,218,990	2.80%	0	1,075,748	3.00%	3.20%	9,930	\$0.74
City/Southeast San Diego Otay	4,481,899	2.00%	0	3,124,028	2.80%	2.80%	-33,145	\$0.80
Mesa	12,672,968	6.10%	268,454	10,211,859	7.00%	7.50%	-54	\$0.66
South Bay	25,731,557	3.70%	268,454	18,546,986	4.80%	5.10%	84,872	\$0.70
San Diego County Total	136,209,815	4.40%	2,431,024	97,946,506	5.10%	5.60%	121,068	\$0.98

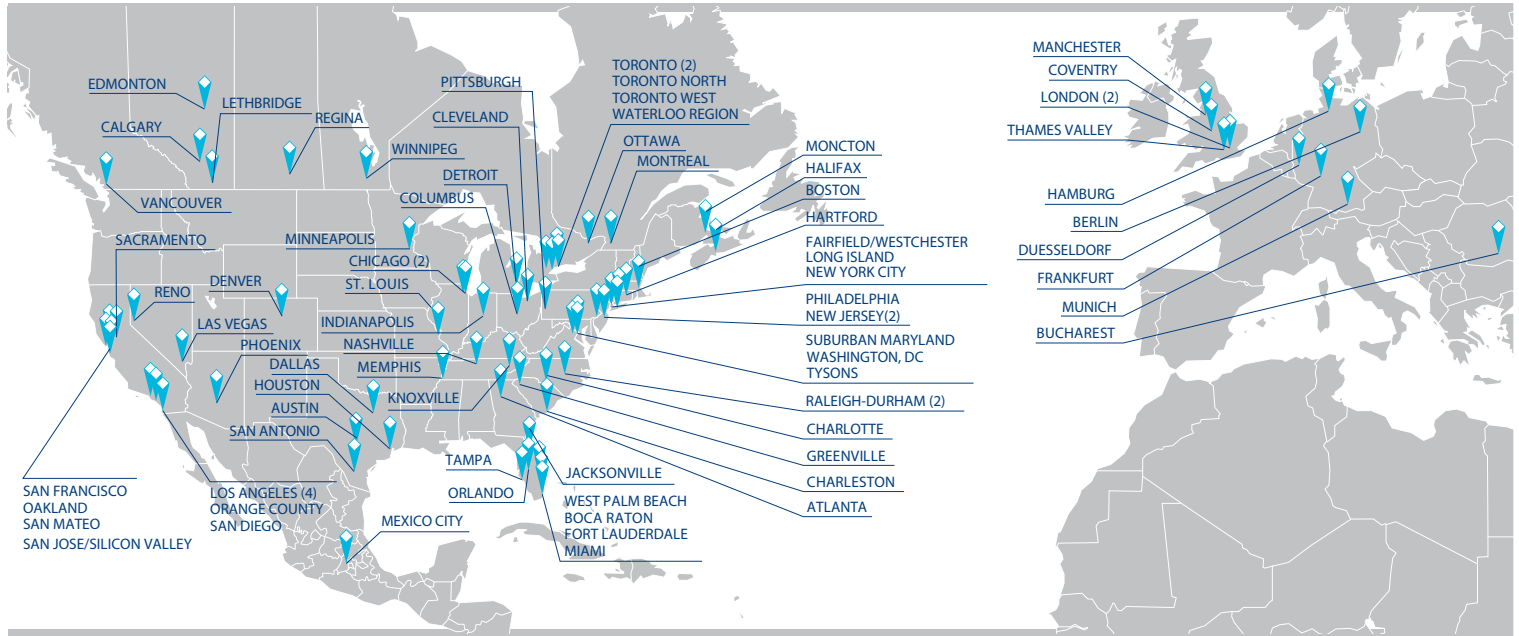


# A Growing, Multinational Presence

## Avison Young at a Glance

Founded: **1978**  
Total Real Estate Professionals: **2,600**  
Offices: **82**  
Brokerage Professionals: **1,100**  
Property Under Management: **100 million sf**

Avison Young is the world's fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its principals. Founded in 1978, the company comprises 2,600 real estate professionals in 82 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial, multi-family and hospitality properties.



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