

# San Diego Industrial

## Market Forecast

Trends

Absorption



Vacancy



Rental Rate



New Construction



## Notable Lease Transactions

**General Atomics**  
13550 Stowe Dr., Poway  
112,000 s.f. leased

**Teledyne**  
9970 Carroll Canyon Rd., Scripps Ranch  
81,881 s.f. leased

**M2 Ingredients**  
3193 Lionshead Ave., Carlsbad  
65,041 s.f. leased

**Quantum Design**  
10307 Pacific Center Ct., Sorrento Mesa  
53,539 s.f. leased

**Coola Suncare**  
3200 Lionshead Ave., Carlsbad  
43,500 s.f. leased

**Supply Pro**  
9401 Waples St., Sorrento Mesa  
34,951 s.f. leased

The San Diego County industrial real estate market ended the year with strong leasing activity, nearly 4.2 million square feet of net absorption, and increasing rental rates. Countywide direct vacancy dropped 70 basis points, to 4.7%, as a result of the considerable leasing activity this quarter. The market continues to tighten, with over 1.1 million square feet of positive net absorption in the 4th quarter and limited construction deliveries serve to increase competition for space and raise rates heading into 2016. The strong local economy and job creation should drive real estate market growth for many quarters to come. The San Diego County unemployment rate sits at 4.8%, a 1.2% decrease from the 6.0% recorded a year ago.

Countywide direct vacancy fell to 4.7% this quarter, surpassing the previous record low of 5.2% set last quarter. Submarkets in San Diego with the highest vacancy rates include UTC at 16.6%, Scripps Ranch at 11.2%, and Carlsbad at 10.9%. Primary submarkets with the least vacant space include Escondido at 1.9%, and Oceanside, Vista, and Poway all at 2.3%. Countywide net absorption of 4.2 million square feet was the highest year on record. With only 1.3 million square feet under construction, new developments will offer very little short-term relief to this robust market, as net absorption in 2015 averaged approximately 1.05 million square feet per quarter, exceeding the amount of available space set to come online in 2016.

Asking rental rates for all industrial properties remained mostly unchanged this quarter, holding at an average of \$1.00 per square foot on a triple-net basis. This represents a 5% year over year increase in rates. Asking rates are highest in Central County, where they average \$1.40 per square foot and are growing

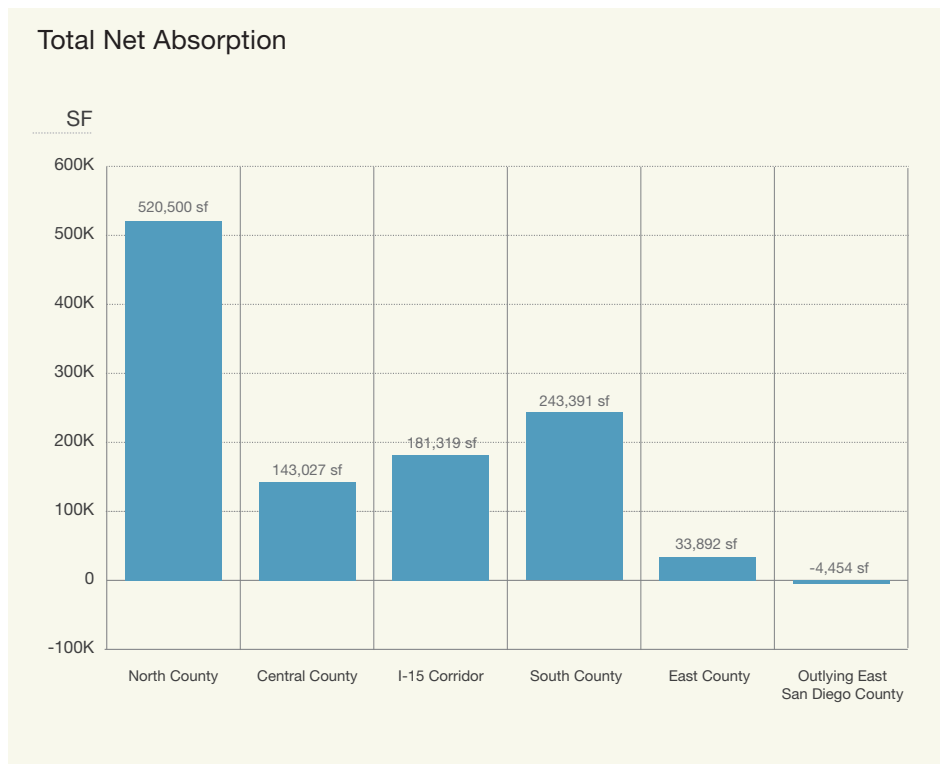
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steadily each quarter. By contrast, the lowest rates are found in South County, which reported an average asking rent of \$0.63 per square foot. Asking rental rates for R&D properties across the San Diego market averaged \$1.42 per square foot this quarter.

The manufacturing and warehouse market was active this quarter, with 878,686 square feet of positive net absorption lowering direct vacancy 70 basis points to 3.6% from 4.3% in the third quarter. North County accounted for most of this absorption, with 393,266 square feet taken off the market. In addition, rents for manufacturing and warehouse space increased 6% since the first quarter.

Investment sales trends improved this quarter, as sale prices increased and cap rates decreased. The average sale price for industrial investment assets was \$149 per square foot, up from \$131 per square foot in the second quarter. Average cap rates decreased from 6.6% to 6.5% between the third and fourth quarters.

Source: CoStar



## Submarket Statistics

Submarket	Total Inventory	Total Vacancy Rate	QTR Direct Net Absorption	YTD Direct Net Absorption	SF Under Construction	YTD Construction Completions	QTR Leasing Activity	YTD Leasing Activity	Average NNN Rental Rate
North County	54,049,594	5.1%	520,500	1,270,726	862,000	162,723	610,292	2,214,261	\$0.85
Central County	58,749,082	5.3%	143,027	1,259,508	316,000	0	686,787	2,651,199	\$1.40
I-15 Corridor	20,419,339	5.9%	181,319	757,358	0	70,918	347,530	1,020,980	\$1.11
South County	33,705,398	4.9%	243,391	733,589	121,970	0	208,781	1,291,005	\$0.63
East County	21,879,628	2.6%	33,892	157,768	0	0	131,009	441,720	\$0.78
Outlying East San Diego Cty	1,880,835	1.4%	(4,454)	1,027	0	0	6,500	10,970	\$0.97
<b>Total</b>	<b>190,683,876</b>	<b>4.9%</b>	<b>1,117,675</b>	<b>4,179,976</b>	<b>1,299,970</b>	<b>233,641</b>	<b>1,990,899</b>	<b>7,630,135</b>	<b>\$1.00</b>

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# 4th Quarter 2015 San Diego Industrial Submarket Statistics



Submarket	Total Inventory	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	QTR Direct Net Absorption	YTD Direct Net Absorption	SF Under Construction	YTD Construction Completions	QTR Leasing Activity	YTD Leasing Activity	Average NNN Rental Rate
Carlsbad	13,632,276	10.9%	0.0%	10.9%	14,906	153,408	202,000	79,295	270,530	859,847	\$1.02
Escondido	8,073,824	1.9%	0.1%	2.0%	80,841	122,338	0	0	79,168	260,134	\$0.89
North Beach Cities	499,630	2.4%	0.0%	2.4%	(3,614)	(8,737)	0	0	8,668	12,345	\$2.72
Oceanside	9,029,192	2.3%	0.2%	2.5%	252,358	641,140	660,000	83,428	71,976	413,823	\$0.68
San Marcos	9,047,249	5.2%	0.4%	5.6%	37,914	110,578	0	0	100,913	254,075	\$0.82
Vista	13,767,423	2.3%	0.4%	2.7%	138,095	251,999	0	0	79,037	414,037	\$0.73
<b>North County</b>	<b>54,049,594</b>	<b>4.9%</b>	<b>0.2%</b>	<b>5.1%</b>	<b>520,500</b>	<b>1,270,726</b>	<b>862,000</b>	<b>162,723</b>	<b>610,292</b>	<b>2,214,261</b>	<b>\$0.85</b>
Kearny Mesa	15,511,701	3.9%	0.0%	3.9%	51,367	295,649	0	0	154,703	668,502	\$1.33
Mira Mesa/Miramar	17,972,482	3.4%	0.1%	3.5%	109,333	444,903	0	0	212,828	865,837	\$0.95
PB/Rose Canyon/Morena	3,330,173	1.3%	0.1%	1.4%	32,252	26,615	0	0	29,612	121,619	\$1.26
Sorrento Mesa	10,390,811	7.7%	1.5%	9.2%	(15,495)	283,044	0	0	113,456	392,442	\$1.46
Sorrento Valley	3,417,501	5.0%	0.5%	5.4%	31,139	38,525	0	0	90,280	258,366	\$1.84
Sports Arena/Airport	3,000,187	1.5%	0.0%	1.5%	(15,020)	107,627	0	0	65,710	120,820	\$1.10
Torrey Pines	3,425,240	7.9%	0.0%	7.9%	(12,261)	140,575	0	0	20,198	135,062	\$3.66
UTC	1,700,987	16.6%	4.2%	20.8%	(38,288)	(77,430)	316,000	0	0	88,551	\$1.85
<b>Central County</b>	<b>58,749,082</b>	<b>4.8%</b>	<b>0.5%</b>	<b>5.3%</b>	<b>143,027</b>	<b>1,259,508</b>	<b>316,000</b>	<b>0</b>	<b>686,787</b>	<b>2,651,199</b>	<b>\$1.40</b>
Mission Gorge	2,124,280	1.1%	0.0%	1.1%	63,492	52,710	0	0	21,418	93,781	\$0.89
Poway	8,675,809	2.3%	0.0%	2.3%	108,381	360,562	0	70,918	131,928	419,335	\$0.93
Rancho Bernardo	8,129,250	10.0%	0.0%	10.0%	28,949	286,609	0	0	106,387	331,239	\$1.36
Scripps Ranch	1,490,000	11.2%	0.0%	11.2%	(19,503)	57,477	0	0	87,797	176,625	\$1.13
<b>I-15 Corridor</b>	<b>20,419,339</b>	<b>5.9%</b>	<b>0.0%</b>	<b>5.9%</b>	<b>181,319</b>	<b>757,358</b>	<b>0</b>	<b>70,918</b>	<b>347,530</b>	<b>1,020,980</b>	<b>\$1.11</b>
Chula Vista	10,211,871	3.5%	0.0%	3.5%	42,825	164,821	0	0	57,304	279,707	\$0.75
Downtown	2,731,369	2.8%	0.0%	2.8%	15,000	25,635	0	0	0	41,370	N/A
National City	3,825,964	2.8%	0.0%	2.8%	27,416	(4,505)	0	0	27,782	114,475	\$0.68
Otay Mesa	15,438,456	6.6%	0.2%	6.8%	158,271	429,069	121,970	0	118,995	833,814	\$0.52
San Ysidro/ Imp Beach	1,497,738	5.0%	0.0%	5.0%	(121)	118,569	0	0	4,700	21,639	\$0.73
<b>South County</b>	<b>33,705,398</b>	<b>4.8%</b>	<b>0.1%</b>	<b>4.9%</b>	<b>243,391</b>	<b>733,589</b>	<b>121,970</b>	<b>0</b>	<b>208,781</b>	<b>1,291,005</b>	<b>\$0.63</b>
East City	1,008,083	0.1%	0.0%	0.1%	0	0	0	0	0	0	N/A
El Cajon	9,870,006	2.5%	0.2%	2.7%	19,562	22,425	0	0	57,960	217,718	\$0.76
La Mesa/ Spring Valley	3,010,863	4.3%	0.0%	4.3%	36,270	43,005	0	0	10,748	71,461	\$0.80
Santee	4,253,343	1.2%	0.0%	1.2%	7,119	12,463	0	0	50,312	115,861	\$0.93
Southeast San Diego	3,737,333	3.3%	0.0%	3.3%	(29,059)	79,875	0	0	11,989	36,680	\$0.64
<b>East County</b>	<b>21,879,628</b>	<b>2.5%</b>	<b>0.1%</b>	<b>2.6%</b>	<b>33,892</b>	<b>157,768</b>	<b>0</b>	<b>0</b>	<b>131,009</b>	<b>441,720</b>	<b>\$0.78</b>
<b>Outlying East San Diego Cty</b>	<b>1,880,835</b>	<b>1.4%</b>	<b>0.0%</b>	<b>1.4%</b>	<b>(4,454)</b>	<b>1,027</b>	<b>0</b>	<b>0</b>	<b>6,500</b>	<b>10,970</b>	<b>\$0.97</b>
<b>San Diego County</b>	<b>190,683,876</b>	<b>4.7%</b>	<b>0.2%</b>	<b>4.9%</b>	<b>1,117,675</b>	<b>4,179,976</b>	<b>1,299,970</b>	<b>233,641</b>	<b>1,990,899</b>	<b>7,630,135</b>	<b>\$1.00</b>