

San Diego



Market Facts

3.2%

San Diego County
Unemployment Rate
As Of March 2018

-298,838 SF

Negative Net Absorption
Current Quarter

Positive 857,781 SF
Past 12 Months

4.4%

Total Vacancy Rate
Up From 4.0% In Q4 2017

\$0.95 PSF

Asking Rental Rate
Weighted Average

Market Overview

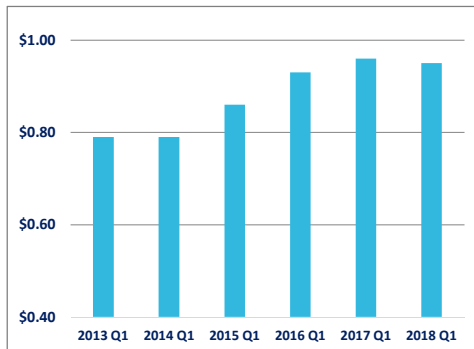
San Diego's industrial market is commanding premium rental rates while demand for limited supply encourages new development and increased sale pricing. The region's established industrial base supports the military, aerospace, precision manufacturing and advanced technology sectors. The market's long-term 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 increased year-over-year as unemployment dropped to 3.2% in the first quarter of 2018 from 4.2% in first-quarter 2017.

Industrial vacancy fell 50 bps year-over-year to 4.4% in the first 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 first quarter of 2018, construction projects have gained

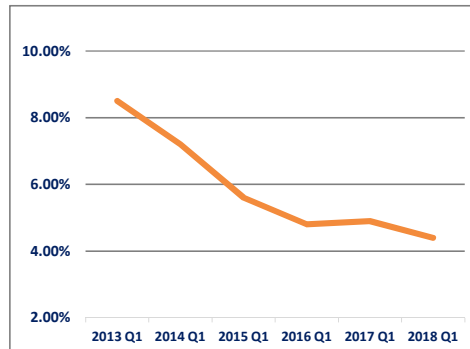
momentum. More than 2.1 msf of new industrial inventory was under construction in eight separate projects around the county with the bulk located in the North County and South Bay submarkets. The largest project is the Carlsbad Oaks North business park located in East Carlsbad. Three separate buildings located in Carlsbad and Oceanside completed construction during the first quarter, adding 328,500 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 first quarter of 2018 was 857,781 sf, up from 459,047 sf in first-quarter 2017. Rental asking rates averaged \$0.95 psf in the first quarter of 2018, down slightly from \$0.96 psf one year earlier. While rents have reached a plateau during the past two years, they are still at historic highs and are expected to remain flat as the market adjusts to the newly added inventory.

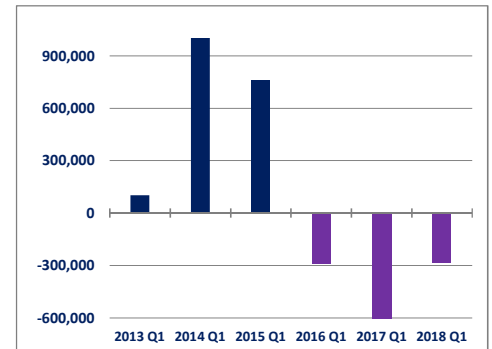
Asking Rent



Vacancy Rates



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
Acushnet Company	Renewal	2819 Loker Avenue	Carlsbad	166,310
LRAD Corporation	New	16262 W Bernardo Drive	Rancho Bernardo	54,964
Arizona Tile	Renewal	7415 Carroll Road	Mira Mesa	50,475
TransPower	New	2057 Aldergrove Avenue	Escondido	42,333
Heat Factory USA	New	2793 Loker Avenue	Carlsbad	42,268

Top Sales

Address	Submarket	Buyer	Seller	Price	SF	P/SF
2819 Loker Ave East	Carlsbad	BLT Enterprises	Hines Global REIT	\$40,000,000	166,310	\$241
3801-3817 Ocean Ranch Boulevard	Oceanside	First Industrial Realty Trust	RAF Pacifica Group	\$36,690,000	226,220	\$162
Activity Business Center	Miramar	BKM Capital Partners	Lincoln Property Company	\$28,100,000	160,811	\$175
901 Bay Marina Drive	National City	RREEF Management, LLC	Stos Partners	\$21,000,000	91,541	\$229
1319 Rocky Point Drive	Oceanside	MagnaFlow	Dividend Capital Trust	\$19,932,960	124,581	\$160

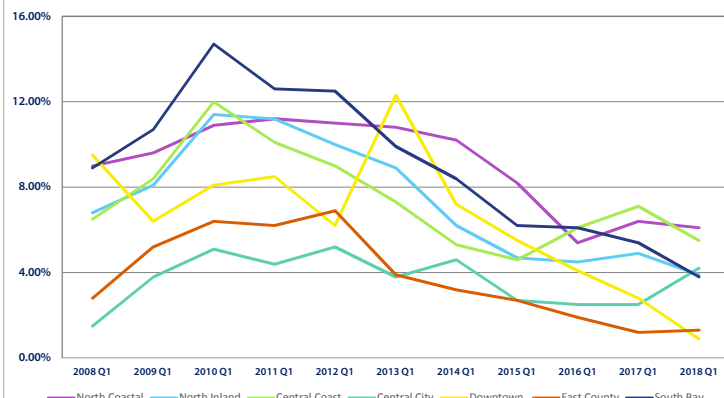
Under Construction

Address	Submarket	Developer	Techbilt	SF	Completion
Carlsbad Oaks North, Whiptail Loop	Carlsbad	Companies		792,675	Q4 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		222,028	Q4 2018

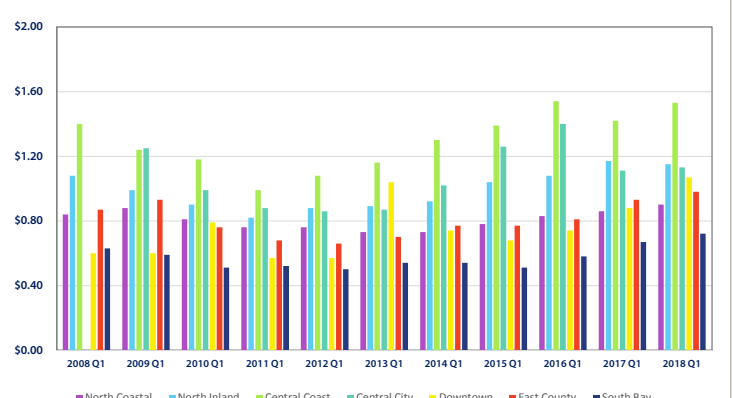
San Diego By The Numbers

Size Category	Vacancy				Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline		
	Q1 2018 Inventory (SF)	Q1 2018 Vacancy (SF)	Q1 2018 Vacancy (%)	Q4 2017 Vacancy (%)	Current Quarter Absorption	Year-To-Date Absorption	Q1 2018 Rental Rates	Q4 2017 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	Year-To-Date Deliveries	Under Construction Quarter-End
North County Coastal												
20k to 49k SF	13,512,627	609,829	4.50%	5.60%	115,491	115,491	\$0.95	\$0.96	-1.04%	0	41,902	72,481
50k to 99k SF	8,608,240	457,813	5.30%	3.70%	-2,866	-2,866	\$0.82	\$0.83	-1.20%	0	55,573	371,638
100k SF and up	9,282,308	856,813	9.20%	8.40%	154,932	154,932	\$0.93	\$0.88	5.68%	0	115,075	1,173,863
Total	31,403,175	1,924,455	6.10%	5.90%	267,557	267,557	\$0.90	\$0.89	1.12%	0	212,550	1,617,982
North County Inland												
20k to 49k SF	12,344,659	280,339	2.70%	2.10%	-50,700	-50,700	\$1.09	\$1.06	2.83%	0	0	30,000
50k to 99k SF	7,446,460	503,427	6.80%	6.30%	-164,551	-164,551	\$1.13	\$1.04	8.65%	0	82,640	150,500
100k SF and up	10,695,496	391,604	3.70%	4.00%	39,614	39,614	\$1.26	\$1.44	-12.50%	0	0	364,088
Total	30,486,615	1,175,370	3.90%	3.80%	-175,637	-175,637	\$1.15	\$1.19	-3.36%	0	82,640	544,588
Central Coast												
20k to 49k SF	3,247,171	135,886	4.20%	2.30%	-54,030	-54,030	\$1.22	\$1.16	5.17%	0	0	0
50k to 99k SF	2,211,186	102,800	4.60%	4.50%	-4,152	-4,152	\$1.36	\$1.45	-6.21%	0	0	0
100k SF and up	2,218,067	180,960	8.20%	8.20%	0	0	\$1.73	\$1.73	0.00%	0	0	0
Total	7,676,424	419,646	5.50%	4.60%	-58,182	-58,182	\$1.53	\$1.55	-1.29%	0	0	0
Central City												
20k to 49k SF	7,083,307	154,048	2.20%	2.40%	43,868	43,868	\$1.26	\$1.27	-0.79%	0	0	0
50k to 99k SF	2,994,656	110,211	3.70%	3.30%	10,636	10,636	\$0.91	\$0.92	-1.09%	0	0	0
100k SF and up	4,756,122	360,218	7.60%	0.20%	-322,401	-322,401	\$0.95	\$0.95	0.00%	0	0	0
Total	14,834,085	624,477	4.20%	1.90%	-267,897	-267,897	\$1.13	\$1.10	2.73%	0	0	0
Downtown Business District												
20k to 49k SF	349,659	0	0.00%	7.10%	25,000	25,000	\$1.00	\$1.00	0.00%	0	0	0
50k to 99k SF	926,052	13,442	1.50%	1.50%	0	0	\$1.37	\$0.73	87.67%	0	0	0
100k SF and up	284,644	0	0.00%	0.00%	0	0	\$0.00	\$0.00	#DIV/0!	0	0	0
Total	1,560,355	13,442	0.90%	2.50%	25,000	25,000	\$1.07	\$0.87	22.99%	0	0	0
East County												
20k to 49k SF	6,291,818	44,088	0.70%	0.60%	-19,476	-19,476	\$1.35	\$1.38	-2.17%	0	0	0
50k to 99k SF	2,272,759	105,675	4.60%	0.60%	-91,923	-91,923	\$0.55	\$0.55	0.00%	0	0	0
100k SF and up	2,613,500	0	0.00%	0.00%	0	0	\$0.78	\$0.78	0.00%	0	0	0
Total	11,178,077	149,763	1.30%	0.50%	-111,399	-111,399	\$0.98	\$0.98	0.00%	0	0	0
South Bay												
20k to 49k SF	8,515,492	189,061	2.20%	2.60%	3,946	3,946	\$0.84	\$0.81	3.70%	0	44,406	0
50k to 99k SF	7,006,215	200,665	2.90%	3.10%	22,372	22,372	\$0.73	\$0.71	2.82%	0	0	69,596
100k SF and up	10,121,029	586,149	5.80%	5.10%	-4,598	-4,598	\$0.65	\$0.65	0.00%	0	0	198,858
Total	25,642,736	975,875	3.80%	3.70%	21,720	21,720	\$0.72	\$0.70	2.86%	0	44,406	268,454
San Diego County Industrial												
20k to 49k SF	51,344,733	1,413,251	2.70%	3.00%	64,099	64,099	\$1.02	\$1.00	2.00%	0	86,308	102,481
50k to 99k SF	31,465,568	1,494,033	4.70%	3.90%	-230,484	-230,484	\$0.91	\$0.88	3.41%	0	138,213	591,734
100k SF and up	39,971,166	2,375,744	6.30%	5.30%	-132,453	-132,453	\$0.92	\$0.96	-4.17%	0	115,075	1,736,809
TOTAL	122,781,467	5,283,028	4.40%	4.00%	-298,838	-298,838	\$0.95	\$0.95	0.00%	0	339,596	2,431,024

Vacancy by Region



Rental Rate by Region

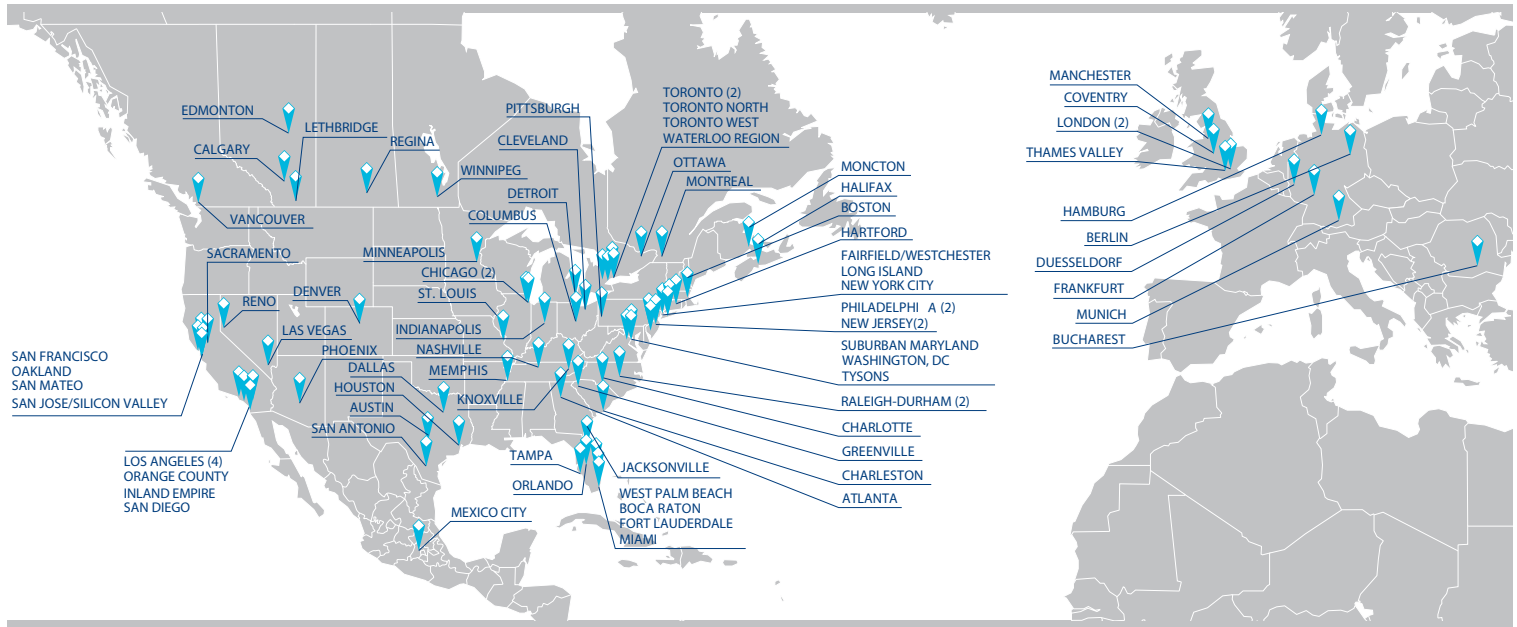


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Contact Information - Southern California, United States

Los Angeles - Downtown

555 S Flower St, Ste 3200
Los Angeles, CA 90071
Primary Contact: Ted Simpson
ted.simpson@avisonyoung.com
213.935.7430

Los Angeles - North

6711 Forest Lawn Dr
Los Angeles, CA 90068
Primary Contact: Mark Evanoff
mark.evanoff@avisonyoung.com
323.851.6666

Los Angeles - Santa Monica

301 Arizona Ave, Ste 303
Santa Monica, CA 90401
Primary Contact: Randy Starr
randy.starr@avisonyoung.com
310.899.1800

Los Angeles - West

10940 Wilshire Blvd, Ste 800
Los Angeles, CA 90024
Primary Contact: Jonathan Larsen
jonathan.larsen@avisonyoung.com
213.471.1069

Inland Empire - Temecula

27555 Ynez Rd, Suite 204
Temecula, CA 92590
Primary Contact: Stan Nowak
stan.nowak@avisonyoung.com
951.267.2770

Orange County - Irvine

2030 Main St, Ste 150
Irvine, CA 92614
Primary Contact: Keith Kropfl
keith.kropfl@avisonyoung.com
949.757.1190

San Diego - UTC

4655 Executive Dr, Ste 325
San Diego, CA 92121
Primary Contact: Jerry Keeney
jerry.keeney@avisonyoung.com
858.201.7077

Regional Managing Director:

Chris Cooper - Corporate
555 S Flower St, Ste 3200
Los Angeles, CA 90071
chris.cooper@avisonyoung.com
213.935.7435

Report Prepared By:

Amber Jagers - Research Manager
4655 Executive Dr, Ste 325
San Diego, CA 92121
amber.jagers@avisonyoung.com
858.201.7072



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