SD4Q18 **FOURTH QUARTER 2018 MARKET REPORT** SAN DIEGO INDUSTRIAL



NEW DELIVERIES MAKING WAVES. At the close of 2018, the San Diego County industrial market rental rates again set an all-time high, while vacancy increased over the previous year with a significant amount of new construction coming online. Net absorption was almost a million square feet to the positive in 2018, placing it among the strongest years for growth in the tenant base in recent years.

VACANCY. Direct/sublease space (unoccupied) finished the quarter at 4.34%, rising above 4% for the first time in more than a year; however the vacancy rate for San Diego County's industrial market is still significantly lower than the best number posted in the last period of economic expansion, which was roughly 6% in 2006. Most of this increase in vacancy was caused by new construction in the market, and this has had the biggest impact in Carlsbad where the vacancy rate is now ten percentage points higher than the county average.

LEASE RATES. The average asking lease rate checked in at \$1.00 per square foot per month, an 8.7% increase year-over-year. The average asking rate is at an all-time high for the San Diego industrial market. The lack of availability has left tenants with limited options in many submarkets, keeping rental rates high.

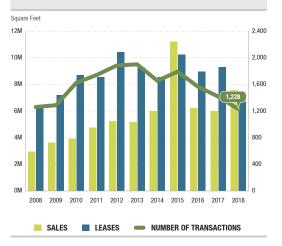
TRANSACTION ACTIVITY. The total square feet leased and sold in the fourth quarter was approximately 3.1 million square feet, a significant slowdown from the 4.8 million square feet of transactions in the third quarter of 2018. The sales volume of 7.5 million square feet in sales for 2018 was the second highest level in the past decade, while the leasing volume was near a decade low in 2018. This statistic can have some lag time in being reported, so look for this quarter's figures to end up somewhat higher in the next report.

EMPLOYMENT. The unemployment rate in San Diego County was 3.2% in November 2018, down from a revised 3.3% in October 2018, and below the year-ago estimate of 3.5%. This compares with an unadjusted unemployment rate of 3.9% for California and 3.5% for the nation during the same period. According to the State of California Employment Development Department, San Diego County gained 26,400 payroll jobs between November 2017 and November 2018, including 16,500 from professional and business services, which reported the largest overall gain. The manufacturing sector reported a growth of 6,000 jobs, the second most among the major employment sectors. The largest year-over-year loss was in trade, transportation, and utilities which reported 3,400 fewer jobs than the prior year.

OVERALL. Despite an increase in the vacancy rate at the end of the year due to a wave a new construction deliveries, the overall occupancy rate for the county remains almost two percentage points higher than the last cycle's peak in 2006. The San Diego industrial market conditions remain strong with rental rates continuing to reach new highs, quarter after quarter. The record high rental rates have suppressed the leasing activity, but conversely the sale volume has increased. The construction pipeline is still loaded with 1.4 million square feet under construction, and the overall market appears well positioned to handle the influx.



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Markat Statistic

	Change Over Last Quarter	4Q 2018	3Q 2018	4Q 2017	% Change Over Last Year
Vacancy Rate	UP UP	4.34%	3.83%	3.68%	18.00%
Availability Rate	UP UP	7.25%	6.98%	6.30%	15.12%
Average Asking Lease Rate	UP UP	\$1.00	\$0.98	\$0.92	8.70%
Sale & Lease Transactions	DOWN	3,068,827	4,803,251	4,579,183	(32.98%)
Gross Absorption	DOWN	1,769,343	2,158,747	2,075,370	(14.75%)
Net Absorption	NEGATIVE	(62,217)	457,834	430,101	N/A

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EMPLOYMENT. The labor market in San Diego County will continue to improve, although we anticipate job growth to slow. In 2017 there was a 1.2% increase in total employment, and a 1.0–1.2% increase is projected for 2018. With the local stalwarts of defense and biotech remaining strong, look for these sectors to lead the way for employment gains, followed by healthcare.

LEASE RATES. Expect average asking rates to increase by approximately 3–4% over the next four quarters.

VACANCY. We anticipate the vacancy rate will continue to move up from record lows as the vacancy rate is still nearly three percentage points lower than availability, and we have 1.4 million square feet currently under construction.

CONSTRUCTION. 2.2 million square feet of new industrial projects were delivered in 2018, the most square feet delivered since 2007. The new construction will continue into 2019 with 1.4 million square feet still under construction. The current product under construction is largely concentrated in the North County, and Otay Mesa.

AVAILABILITY. Direct/sublease space being marketed was 7.25% at the end of the fourth quarter, up 15.12% from the countywide availability rate of 6.3% in the fourth quarter of 2017, and nearly three percentage points higher than the vacancy rate. The majority of this available space which is not vacant is in the current construction pipeline.

ABSORPTION. There was 62,217 square feet of negative net absorption in the fourth quarter, with a total for the year of 902,690 square feet of positive net absorption. The San Diego industrial market just completed its ninth consecutive year of positive net absorption, and 2018 saw the third most positive net absorption of any year in the past decade. The East County was the only segment of the county to record more than 100,000 square feet of negative net absorption, and yet the East County area vacancy rate remains near 2%.



Significant Transactions

Sales						
Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller	
9043 & 8863 Siempre Viva Rd., Et Al	Otay Mesa	544,643	\$67,500,000	IDS Real Estate Group	AFL-CIO Building Investment Trus	
3250 Business Park Dr.	Vista	221,660	\$31,150,000	BLT Enterprises	DENSO Wireless Systems	
2695 Customhouse Ct. & 8830 Siempre Viva Rd.	Otay Mesa	264,679	\$28,500,000	TIAA-CREF	BKM Capital Partners	
2011–2101 Haffley Ave.	National City	146,700	\$24,800,000	KKR & Co, LP	Presidio Property Trust	
2710 Progress St.	Vista	135,020	\$24,715,000	The Blackstone Group, LP	J&D Laboratories	
Leases						
Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner	
4400 Ruffin Rd.	Kearny Mesa	106,000	Dec-2018	TWI	LBA Realty	
3817 Ocean Ranch Blvd.	Oceanside	66,780	Nov-2018	Undisclosed	First Industrial Realty Trust	
1669 Brandywine Ave.	Chula Vista	34,460	Nov-2018	Juiced Bikes	Industrial Property Trust	
7466 Carroll Rd.	Miramar	32,000	Oct-2018	Land Rover	(Sublease)	
4863 Shawline St.	Kearny Mesa	31,613	Nov-2018	Oakwood Worldwide	McGrath	
2 VOIT REAL ESTATE SERVICES						

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isat chy616633.470000.00%00.00%-0000Sammetrik3604.277.060071.961.512.911.20%1.1601.1601.161.2001.0001.162.001.161.2001.1601.161.2001.1601.161.2001.1601.161.2001.161.2001.1601.161.2001.1601.161.2001.1601.161.2001.1601.1601.161.2001.1601.1601.1601.161.2001.1601.1601.161.2001.1601.161.200 <t< td=""><td>Central County</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></t<>	Central County															
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nearry Mata4779,08,53809,41821,5032,198117,2312,27881,416,5075,11,205,11,20Minus Logo1122,146,678006,2582,0786,10,2732,1785,1435,21741,1087,108Spent Ansaly1122,06678000,5504,05372,0785,1516,1274,1781,1087,1085,288Spent Ansaly7813,223,43100,10010,0024,6582,94,4017,2985,116(12,838)(15,836)(12,738)1,1051,558Sprent Minea7813,223,43100,00500,051,101(11,838)(15,273)2,528Sprent Minea740,01,02300,0051,05,6842,6981,1780,1480,1127(01,838)(12,838)(13,838)(11,827)0,1282,528Sprent Marei4480,005,3231,0001,1270,0281,228(11,838)(1	East City	61	965,347	0	0	0	0.00%	0	0.00%	-	0	0	0	0		
Interior origination 112 1.841.868 0 0 0.4388 2.19% 44.97 2.71% 51.43 (5.58) (5.12) 7.7168 (5.23) Speci huma/findination 167 3.224.844 0 0 0.222 0.59% 0.0073 3.718 (5.12) 4.716 (7.18) (7.11) (7.18) (7.11) (7.11) (7.14) (7.14) (7.14) (7.14) (7.14) (7.14) (7.14) (7.14) (7.10) (7.11) (7.12) (7.10) (7.11) (7.13) (7.11) (7.11) (7.12) (7.11)	Southeast City	363	4,297,936	0	0	79,366	1.85%	163,328	3.80%	\$1.06	5,829	(12,906)	28,000	112,361		
Bose Garyan, Marena 112 2,466,676 0 0 15,823 0,69% 122,523 4,91% 51,51 22,174 77,469 75,666 Storis Acany, Alpent 144 16,852,200 0 0 0,227 0,29% 66,073 370% 51,16 0,232,69 17,460 7,169 6,250 370% 51,16 0,233,89 11,150 0,226,9 17,96 51,16 0,133,89 (12,23) 2,5719 Sarmato Mainy 3 10,448 0 19,858 2,64% 3798 4,138 51,12 (21,140) (81,23) 397,993 Eat Commy 110,148 0.00 7,146 4,87% 28,879 4,138 51,20 1,177 (92,28) 397,993 Eat County 110 15,032 17,240 17,270 17,270 17,270 41,203 12,770 41,203 12,770 41,203 12,770 41,203 12,770 41,203 12,770 14,720 12,7719 11,770 12,720	Kearny Mesa	427	9,826,536	0	24,188	215,081	2.19%	317,361	3.23%	\$1.41	6,007	58,182	93,057	435,125		
Sparts Arena / Arapet 143 1.855, 200 0 9.277 9.578 6.0579 0.709 6.122 4.198 7.168 6.7283 Minant 0.76 3.22,400 0 0 0.000 4.000 6.200 6.116 0.13.86 1.16 0.13.86 1.16 0.13.86 1.16 0.13.86 1.16 0.13.86 1.16 0.13.86 1.16 0.13.86 1.16 0.13.86 0.000	Mission Gorge	112	1,841,686	0	0	40,386	2.19%	49,973	2.71%	\$1.43	(5,588)	(61,786)	12,609	61,017		
Mmmur 567 13,224,884 0 615,000 469,036 3,55% 690,116 5,22% 51.16 (19,282) (14,359) 144,520 Semeth Mates 76 3,772,690 0 0 110,026 44,5% 37,968 41.16 (12,827,3) 25,700 25,900 Semeth Mates 3 104,448 0 149,663 0 0,00% - 0.0 0	Rose Canyon/Morena	132	2,496,676	0	0	15,823	0.63%	122,523	4.91%	\$1.31	22,174	17,490	76,666	121,579		
Sameta Mean 78 3,729,899 0 0 100,095 4,85% 994,44 7.899 4.18 (134,889) (192,75) 92,710 Sameta Meany 14 020625 0 0 3.756 3.45% 51,989 4.13% 51,440 (0.0,89) 62,035 52,00 Central County Iotal 2,040 40,457,355 0 708,851 1,050,054 2,66% 1,776,02 4,47% 51,00 1,122 (0.2,62) 52,669 Labexa/Spiny Maily 300 2,051,112 0 70,000 1,125 61,144 0.2% 3,77% 50,99 2,41% 51,00 1,122 (0.2,62) 52,669 Labexa/Spiny Maily 309 2,241,117 0 70,00 1,123 32,240 2,07% 7,370 3,04 (7,142) (15,7,70) 1,010 Labexa/Spiny Maily 1,110 16,033,93 1,77,83 131,75 339,89 4,27% 8,376 3,035 6,055 50,05 60,0529 122,129	Sports Arena / Airport	143	1,635,200	0	0	9,227	0.56%	60,579	3.70%	\$1.22	4,796	7,169	6,296	68,701		
Serreti Valley 41 92.025 0 0 31.756 9.45% 97.990 41.75% 51.48 (10.00) 42.243 52.490 Torrey ProvITC 3 10.444 0 14.9673 0 0.00% 0 0.00% - 0 0 0 Control Comp/ Total 2.640 40.497.355 0 788.851 1.050.854 2.60% 1.766.072 3.47% S1.10 (21.440) 681.69 2.77.97 2.78.79 0 70.00 1.1285 3.48% 19.56.99 4.74.75 5.30.90 4.71.72 (13.700) 11.227 Samter/Likestict 7.7 3.644.324 0 2.82.560 17.94 4.87.75 2.73.00 1.72.70 1.70.00 1.72.70 1.70.00 1.72.70 7.77.70 6.77.7 7.77.70 0.70.70 3.73% 50.90 2.74.77 7.77.70 6.77.7 7.77.70 6.77.7 7.77.70 6.77.75 7.75.77 7.77.70 7.77.70 7.77.77 7.77.7 7.77.75	Miramar	587	13,224,864	0	615,000	469,936	3.55%	690,418	5.22%	\$1.16	(99,262)	(14,359)	144,520	989,893		
Interprint 3 104,448 0 40,663 0 0.00% 0 0.00% 1 0.0 0 Central County Total 2,404 40,467,355 0 788,851 10,50,054 2,60% 17,76,023 4,34% 51,21 (21,144) (01,623) 397,098 East County East 0 0,00,525 17,060 112,126 61,144 0.68% 306,790 4,44% 51,00 1,127 (30,28) 12,028 Beame/Lalestain 0.77 3,684,32 0.0 9,283 17,44 4,47% 24,541 6,37% 6,388 (20,47) (13,700) 12,700 10.00 12,700 10.00 12,700 10.00 12,700 10.00 12,700 4,38% 51.05 (9,329) (21,17) (13,708) 4,44,51 32,244 2,67% 59,103 6,348 (29,47) 15,576 79,730 Contrint 110 16,033,05 0.00 0,17,790 14,345 14,663,676 9,249 6,313<	Sorrento Mesa	76	3,732,690	0	0	180,926	4.85%	294,404	7.89%	\$1.16	(134,888)	(152,753)	25,710	99,857		
Chrini County Totini Qu40 Qu40, 2455 Q Results Results Si 2 Q 11,400 (B1,52) 397,096 Eact County B Ogen 449 90,05,25 17,060 112,126 61,144 0.68% 3,48% 15,660 7,41% 51,34 (B7,68) (E,60) Lamas.Smiring May 30 2,661,117 0 7000 18,85 3,48% 16,560 7,41% 51,34 (B7,68) (E,00) 1,000 12,000 4,000 1,000 <td< td=""><td>Sorrento Valley</td><td>41</td><td>920,625</td><td>0</td><td>0</td><td>31,756</td><td>3.45%</td><td>37,998</td><td>4.13%</td><td>\$1.48</td><td>(10,508)</td><td>42,043</td><td>5,240</td><td>96,687</td></td<>	Sorrento Valley	41	920,625	0	0	31,756	3.45%	37,998	4.13%	\$1.48	(10,508)	42,043	5,240	96,687		
East County Processing Value Processing Value	Torrey Pines/UTC	3	104,448	0	149,663	0	0.00%	0	0.00%	-	0	0	0	0		
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La Mear/Spring Valley 309 2,641,117 0 70000 91,855 3,48% 196,669 7,41% 81,34 (77,62) (137,80) (14,72) (137,80) (14,72) (137,80) (14,72) (137,80) (14,72) (137,80) (1,80) Bard bourdy fold 110 16,098,392 10 0 0.06% 0 0.06% 50,0 50,05 56,320 22,125 1,000 12,700 East county fold 633 7,516,244 0 105,50 147,389 1,96% 200,70 3,7% 50,90 26,441 155,76 79,200 Sommarco 472 9,202,819 27,773 13,726 557,665 4,37% 1,886,190 14,749 50,46 155,746 8,557 80,49 15,749 14,866 65,85 81,07 10,902 167,32 Sommarco 427 8,787,5 0,186 557,665 4,37% 1,886,190 14,79 80,42 20,002 17,500 12,501 14,502 12,61	East County															
Samteer/Lakaside 277 3,884,324 0 282,385 179,441 4,87% 234,541 6,37% \$0,944 (71,472) (137,899) 4,108 Outhyng S0 Cunnty South 76 722,629 0 0 0 0.00% 0 0.00% \$0,75 12,700 1,000 12,700 Eaxt Cunnty Total 1,110 16,03395 17,660 444,521 332,440 2,07% 73,7300 45,05% \$1,05 (6,529) (22,125) 61,000 Chrich County 633 7,516,284 0 103,500 147,389 1,96% 280,370 3,73% \$0,988 (29,412) 155,726 79,250 Occasside 402 0.001919 277,733 131,726 389,369 4.27% 58,35% 90.91 4,443 28,654 1152,477 Sam Marcos 472 7,393,359 90.00 64,055 54,374 1,48610 1.47% 51.01 30,320 22,455 (12,717) 174,691 241,875 141,41% <th< td=""><td>El Cajon</td><td>448</td><td>9,005,325</td><td>17,060</td><td>112,126</td><td>61,144</td><td>0.68%</td><td>306,790</td><td>3.41%</td><td>\$1.00</td><td>1,127</td><td>(30,285)</td><td>25,069</td><td>175,482</td></th<>	El Cajon	448	9,005,325	17,060	112,126	61,144	0.68%	306,790	3.41%	\$1.00	1,127	(30,285)	25,069	175,482		
Dathlyng S0 Caurly South 76 762,623 0 0 0 0.00% 40 50.00 \$5.75 12,00 1,000 12,00 East Caurly Total 1,110 16,003,395 17,060 444,521 332,440 2,07% 737,000 45.8% \$1.05 (95,329) (22,112) 61,100 North Eastandia 633 7,516,284 0 0 147,389 1.98% 280,370 3.73% \$0.98 (23,412) 155,726 77,235 San Marcos 472 7,937,350 9,000 84,000 621,982 7.4% 576,949 6.53% 51.01 8.13% 9.02 192,025 117,17 144,010 Carisbad 227 7,29,53 9,000 44,000 0.00% 0 0.00% 0 0.00% - 0 0 0 0.00% 0 0.00% - 0 0 0 0 0.00% - 0.00% 1.018 1.02% 1.11 1.8.28 2.26.0	La Mesa/Spring Valley	309	2,641,117	0	70,000	91,855	3.48%	195,669	7.41%	\$1.34	(37,684)	(54,031)	19,223	62,039		
East County Total 1,10 16,093,995 17,060 444,521 332,40 2,07% 737,000 4,58% 51.05 (95,329) (221,125) 61,100 North County Escondido 653 7,516,284 0 103,500 147,389 1.96% 280,370 3.73% 50.88 (29,412) 155,726 79,250 Decamaide 402 9,020,81 277,73 131,726 389,860 4.32% 680,76 9,28% 50.90 7,44,83 26,543 167,443 San Marcos 528 12,769,326 77,725 60,165 557,665 4.37% 1.868,166 14.79% 50.92 92,255 (12,717) 174,601 Carisbach Chies 42 2,7670 0 0 0 000% 0 00,000 1.0 0 0 0 0 0 1.6 1.6 1.6 1.6 1.6 1.6 1.7 1.7 7.8 2.8 1.6 0.7 1.6 0.7 0 0	Santee/Lakeside	277	3,684,324	0	262,395	179,441	4.87%	234,541	6.37%	\$0.94	(71,472)	(137,809)	4,108	62,685		
North County Eacondido 6.33 7,516,284 0 103,500 147,389 1.96% 280,370 3.73% S0.98 (29,412) 155,726 79,250 Oceanside 402 9,002,019 277,733 131,726 383,389 4.32% 838,776 9,28% S0.90 74,643 26,543 152,647 San Marcos 472 7,397,50 9,00 84,000 621,992 7,487 168,199 4,74% S0.90 74,643 26,543 157,433 Vista 12,783,526 71,725 60,156 57,566 4,37% 1,881,199 14,798 S0.92 92,255 (62,17) 174,601 1,20% S1.11 165,28 26,694 273,09 26,592 0.00 0 0.00% 0 0.00% S1.01 0.82,09 178,930 126,582 North Beach Cities 42 27,017 0 0.0 90,005 1.00% S1.11 16.582 26,694 723,422 26,6187 723,422 26,649	Outlying SD County South	76	762,629	0	0	0	0.00%	0	0.00%	\$0.75	12,700	1,000	12,700	19,700		
Escondido 633 7,56,284 0 103,00 147,399 196% 280,70 3.73% 50.90 (29,12) 15,728 79,203 Decenside 402 9,002,010 277,78 131,726 838,369 4.2% 836,76 9,2% 50.00 74,43 26,431 112,461 San Marcos 472 79,73,56 90.00 621,992 7,84% 67,649 8,53% 50.01 12,416 147,390 106,552 Carsbad 528 12,768,326 77,72 60,160 557,68 4.37% 14,888,661 14,799 0.00 0.00% 14,799 10,652 Carsbad 422 57,017 10 0 0.00% 10 0.00% 1.659% 51.01 148,68 15.027 61,618 723,42 23,000 North Deach Clites 42 27,017 71,990 433,25 2,9659 2,9659 13,075 11,50 12,92 2,66,94 2,30,692 12,72,72 2,66,95 12,91	East County Total	1,110	16,093,395	17,060	444,521	332,440	2.07%	737,000	4.58%	\$1.05	(95,329)	(221,125)	61,100	319,906		
Escondio 633 7,56,284 0 103,50 147,389 1,96% 2280,70 3,73% 50.80 (29,12) 15,728 77,293 Decenside 402 9,002,0110 277,78 131,726 838,369 4.2% 858,76 9,2% 50.00 74,643 26,543 152,726 San Marcos 472 79,73,50 90.00 61,015 12,14% 14,14% 14,883,66 16,5% 51,07 (48,17) 14,14% 14,16% 14,79% 50.00 12,652 Outh Beach Cities 42 25,707 70 0 0 0.00% 0.00% 1.00 1.00 0.00 0.00% 1.01 18,528 26,664 23,000 Outlying SD County North 107 95,420 0.0 3,734 6,708 0.70% 11,508 12,02 16,739 23,069 23,070 23,029 24,030 23,029 24,030 23,029 24,030 33,027 23,029 24,030 33,027 23,02 24,030	North County															
San Marcos 472 7,937,350 9,000 84,000 621,992 7.84% 676,940 8.53% 90.91 93,482 190,032 167,343 Vista 528 12,768,326 77,725 60,165 557,865 4.37% 1,888,169 14.79% 50.92 92,255 (12,717) 174,601 Carlsbad 237 8,782,556 417,477 50,150 1,241,875 14.14% 1,466,366 15.59% 51,07 (93,20) 179,909 126,582 North Beach Cities 42 257,017 0 0 0,00% 0 0,00% 12,09% 51,11 18,528 26,684 23,000 North County/Ibrial 2,421 47,237,772 781,998 332,85 2,465,18 51,013 12,09% 51,61 73,222 320,692 167,739 Rancho Bernardo 42 3,110,636 0 140,155 234,128 75,3% 310,335 9,96% 51,47 3,52,91 166,463 15,57 56,616 76,840 <	-	633	7,516,284	0	103,500	147,389	1.96%	280,370	3.73%	\$0.98	(29,412)	155,726	79,250	586,870		
Vista 528 12,768,326 77,725 60,165 557,865 4.37% 1,888,169 1.478% 50,92 92,255 (12,17) 174,601 Carlsbad 237 8,782,556 417,478 50,150 1,241,875 14.14% 1,456,366 16.58% \$1.07 (93,209) 179,909 126,522 North Beach Cities 42 257,017 0 0 0 0,00% 0 0,00% - 0 0 0 North Beach Cities 242 47,237,772 781,996 433,295 2,965,198 6,28% 5,150,138 10.0% \$0.06 156,287 566,167 72,323 I-15 Corridor 7 7,246,533 82,742 50,085 18,607 1.88% 303,610 4.19% \$1.06 73,232 20,602 167,739 Rancho Bemardo 42 3,110,636 0 0 92,619 13,16% 91,995 13,07% \$1.22 (6,795) (4,615) 7,680 L=15 Corridor Total	Oceanside	402	9,020,819	277,793	131,726	389,369	4.32%	836,776	9.28%	\$0.90	74,643	26,543	152,647	443,745		
Carlabad 237 8,782,566 417,478 50,150 1,241,875 14,14% 1,466,366 16.58% \$1.07 (93,29) 179,99 125,582 North Beach Citles 42 257,017 0 0 0.00% 0 0.00% - 0 0 0 Outlying SD County North 107 955,420 0 3,754 6,708 0.70% 11,508 1.216 \$1.11 18,528 26,604 23,000 North County Yorlal 2,421 47,237,777 781,996 2,965,198 6,28% 5,150,138 10.05% \$1.66 73,222 266,617 72,34,23 F-I-S Corridor 2 3,110,538 82,742 530,850 13,637 18,8% 303,055 9,19% \$1.40 73,222 26,595 4,6159 7,586 Rancho Bernado 24 3,110,636 0 0 9,219 13,16% 9,19% \$1.40 5,160 3,174 78,586 6,38% \$1.22 6,395 1,41,58 1,	San Marcos	472	7,937,350	9,000	84,000	621,992	7.84%	676,949	8.53%	\$0.91	93,482	190,032	167,343	506,845		
North Beach Cities 42 257,017 0 0 0 0.00% - 0 0 0 Outlying SD County North 107 955,420 0 3,754 6,708 0.70% 11,508 1.20% \$1.11 18,528 26,694 23,000 North County Total 2,421 47,237,772 781,996 433,295 2,965,198 6.28% 5,150,138 10.90% \$0.96 156,287 566,187 723,423 I-15 Corridor 7,246,533 82,742 530,850 136,037 1.88% 303,610 4.19% \$1.06 73,222 20,692 167,739 Rancho Bernardo 42 3,110,636 0 140,155 234,128 7.5% 313,055 9.9% \$1.47 3.227 (4,530) 3.227 Scrips Ranch 28 703,806 0 0 174,064 4.18% 705,958 6.39% \$0.49 (4,615) 7,786 South County 332 15,757,655	Vista	528	12,768,326	77,725	60,165	557,865	4.37%	1,888,169	14.79%	\$0.92	92,255	(12,717)	174,601	650,091		
Outlying SD County North 107 955,420 0 3,754 6,708 0.70% 11,508 1.20% \$1.11 18,528 2,6694 23,000 North County Total 2,421 47,237,772 781,996 433,295 2,965,198 6.28% 5,150,138 10.90% \$0.96 156,287 566,187 723,423 I-15 Corridor Poway 178 7,246,533 82,742 530,850 136,037 1.88% 303,610 4.19% \$1.06 73,232 320,992 167,739 Rancho Bernardo 42 3,110,636 0 140,155 234,128 7.53% 310,353 9.94% \$1.47 3,227 (4,530) 3.227 Scripps Ranch 28 703,806 0 0 92,619 13.16% 91,995 13.07% \$1.22 (6,795) (4,615) 7.686 South County Counto State Sta	Carlsbad	237	8,782,556	417,478	50,150	1,241,875	14.14%	1,456,366	16.58%	\$1.07	(93,209)	179,909	126,582	599,641		
North County Total 2,421 47,237,772 781,996 433,295 2,965,198 6.28% 5,150,138 10.90% 80.96 156,287 566,187 723,423 L-15 Corridor Poway 178 7,246,533 82,742 530,850 136,037 1.88% 303,610 4.19% \$1.06 73,232 320,692 167,739 Rancho Bernardo 42 3,110,636 0 140,155 234,128 7.53% 310,353 9.96% \$1.47 3.227 (4,530) 3.227 Scripps Ranch 28 703,806 0 0 92,619 13.16% 91,995 13.07% \$1.22 (6,795) (4,615) 7,680 L=15 Corridor Total 248 11,060,975 82,742 671,005 462,784 4.18% 705,958 6.38% \$1.21 69,664 311,547 178,666 South County 255 3,822,916 0 0 43,725 1.14% 68,015 1.78% \$1.22 (18,293) 11,709 5.092 </td <td>North Beach Cities</td> <td>42</td> <td>257,017</td> <td>0</td> <td>0</td> <td>0</td> <td>0.00%</td> <td>0</td> <td>0.00%</td> <td>_</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td>	North Beach Cities	42	257,017	0	0	0	0.00%	0	0.00%	_	0	0	0	0		
L15 ContorPoway1787,246,53382,742530,850136,0371.88%303,6104.19%\$1.0673,232320,692167,739Rancho Bernardo423,110,6360140,155234,1287.53%310,3539.99%\$1.473.227(4,530)3.227Scripps Ranch28703,8060092,61913.16%91,99513.07%\$1.22(6,795)(4,615)7,680I-15 Corridor Total24811,060,97582,742671,005462,7844.18%705,9586.38%\$1.2169,664311,547178,646South County2553.822,9160043,7251.14%66,0151.78%\$1.22(18,293)11,7095.092Otay Mesa3315,757,655398,9601,201,6101,194,4997.58%1,393,8248.86%\$0.7183,219403,628334,628San Vidro /Imperial Beach641,412,815024,14137,3212.64%53,6873.80%\$0.38(7,624)19,7025,197South County Total97629,318,404\$61,9601,225,7511,449,694.94%2,094,5807,14%\$0.7818,601327,974409,076South County Total97629,318,404\$61,9601,225,7511,64%53,6873.80%\$0.13(7,2,27)92,9601,619,311,000-19,9991,77525,078,1303,1247,604252,7501,62%1	Outlying SD County North	107	955,420	0	3,754	6,708	0.70%	11,508	1.20%	\$1.11	18,528	26,694	23,000	51,359		
Poway 178 7,246,533 82,742 530,850 136,037 1.88% 303,610 4.19% \$1.06 73,232 320,692 167,739 Rancho Bernardo 42 3,110,636 0 140,155 234,128 7.53% 310,353 9.98% \$1.47 3,227 (4,50) 3,227 Scripps Ranch 28 703,806 0 0 92,619 13,16% 91,995 13,07% \$1.22 (6,795) (4,615) 7,680 L=15 Corridor Total 248 10,060,975 82,742 671,005 462,784 4.18% 705,958 6.38% \$1.21 69,664 311,547 178,666 South County 0 174,064 2.09% 579,054 6.96% \$0.89 (38,701) (107,065) 64,159 National City 255 3,822,916 0 0 43,725 1.14% 68,015 1.78% \$1.22 (18,293) 11,709 5,092 San Ysidro /Imperial Beach 64 <	North County Total	2,421	47,237,772	781,996	433,295	2,965,198	6.28%	5,150,138	10.90%	\$0.96	156,287	566,187	723,423	2,838,551		
Poway1787,246,53382,742530,850136,0371.88%303,6104.19%\$1.0673,232320,692167,739Rancho Bernardo423,110,6360140,155234,1287.53%310,3539.98%\$1.473,227(4,530)3,227Scripps Ranch28703,8060092,61913.16%91,99513.07%\$1.22(6,795)(4,615)7,680I-15 Corridor Total24811,060,97582,742671,005462,7844.18%705,9586.38%\$1.2169,664311,547178,666South County553,822,91600174,0642.09%579,0546.96%\$0.89(38,701)(107,065)64,159National City2553,822,9160043,7251.14%68,0151.78%\$1.22(18,293)11,7095,092Otay Mesa33315,75,655398,9601,201,6101,194,4997.58%1,393,8248.85%\$0.7183,219403,628334,628San Ysidro /Imperial Beach641,412,815024,14137,3212.64%53,6873.80%\$0.93(7,624)19,0025,197South County Total97629,318,404561,9001,225,7511,449,6094.94%2,094,5807.14%\$0.7818,601327,974409,076San Diego County Total6,791,443,790,563,2803,6971,6251,62%1,10,2444.67	I-15 Corridor															
Bancho Bernardo 42 3,110.636 0 140,155 224,128 7.53% 310,353 9.98% \$1.47 3.227 (4,53) 3.227 Scripps Ranch 28 703,806 0 0 92,619 13.16% 91,995 13.07% \$1.22 (6,795) (4,615) 7.680 I-15 Corridor Total 248 11,060,975 82,742 671,005 462,784 4.18% 705,958 6.38% \$1.21 69,664 311,547 178,666 South County 324 8.325,018 163,000 0 174,064 2.09% 579,054 6.96% \$0.89 (38,701) (107,065) 64,159 National City 255 3.822,916 0 0 43,725 1.14% 68,015 1.78% \$1,22 (18,293) 11,709 5,092 Otay Mesa 333 15,757,655 398,600 1,21,610 1,194,499 7.58% 1,33,824 8.85% \$0.71 83,219 403,628 344,628		178	7.246.533	82,742	530.850	136.037	1.88%	303.610	4.19%	\$1.06	73.232	320.692	167.739	687,244		
Scripps Ranch 28 703,806 0 0 92,619 13.16% 91,995 13.07% \$1.22 (6,795) (4,615) 7,680 I-15 Corridor Total 248 11,060,975 82,742 671,005 462,784 4.18% 705,958 6.38% \$1.21 69,664 311,547 178,646 South County 579,054 6.96% \$0.89 (38,701) (107,065) 64,159 National City 255 3,822,916 0 0 43,725 1.14% 68,015 1.78% \$1.22 (18,293) 11,709 5,092 Otay Mesa 333 15,757,655 398,960 1,201,610 1,194,499 7,58% 1,393,824 8.85% \$0.71 83,219 403,628 334,628 San Yeitor //mperial Beach 64 1,412,815 0 2,25,751 1,449,609 4,94% 2,094,580 7,14% \$0.78 18,601 327,974 409,076 San Diego County Total 9,	•				,	,		,				,	,	56,995		
I - 15 Corridor Total 248 11,060,975 82,742 671,005 462,784 4.18% 705,958 6.38% \$1.21 69,664 311,547 178,646 South County 579,054 6.96% \$0.89 (38,701) (107,065) 64,159 National City 255 3,822,916 0 0 43,725 1.14% 68,015 1.78% \$1.22 (18,293) 11,709 5,092 Otay Mesa 333 15,757,655 398,960 1,201,610 1,194,499 7.58% 1,393,824 8.85% \$0.71 83,219 403,628 334,628 San Ysidro /Imperial Beach 64 1,412,815 0 24,141 37,321 2.64% 53,687 3.80% \$0.03 (7,624) 19,702 5,197 South County Total 976 29,318,404 561,960 1,225,751 1,449,609 4.94% 2,094,580 7.14% \$0.07 81,601 327,974 409,076 South County Total 6,79														20,590		
South County South County Sage (1, 1, 2, 1, 2, 1, 1, 1, 2, 1, 2, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,														764,829		
Chula Vista 324 8,325,018 163,000 0 174,064 2.09% 579,054 6.96% \$0.89 (38,701) (107,065) 64,159 National City 255 3,822,916 0 0 43,725 1.14% 68,015 1.78% \$1.22 (18,293) 11,709 5,092 Otay Mesa 333 15,757,655 398,960 1,201,610 1,194,499 7.58% 1,393,824 8.85% \$0.71 83,219 403,628 334,628 San Ysidro/Imperial Beach 64 1,412,815 0 24,141 37,321 2.64% 53,687 3.80% \$0.93 (7,624) 19,702 5,197 South County Total 976 29,318,404 561,960 1,225,751 1,449,699 4.94% 2,094,580 7.14% \$0.78 18,601 327,97 409,076 San Diego County Total 6,795 144,197,901 1,443,758 3,5642 6,260,85 43,4% 10,453,699 7.25% \$1.00 (62,217) 902,960 1,769,4			,,	-,	.,	_, ,		,0			,	,	-,	.,3		
National City 255 3,822,916 0 0 43,725 1.14% 68,015 1.78% \$1.22 (18,293) 11,709 5,092 Otay Mesa 333 15,757,655 398,960 1,201,610 1,194,499 7.58% 1,393,824 8.85% \$0.71 83,219 403,628 333,4628 San Ysidro /Imperial Beach 64 1,412,815 0 24,141 37,321 2.64% 53,687 3.80% \$0.93 (7,624) 19,702 5,197 South County Total 976 29,318,404 561,960 1,225,751 1,449,609 4.94% 2,094,580 7.14% \$0.78 18,601 327,974 409,076 San Diego County Total 6,795 144,197,901 1,443,758 3,563,423 6,260,885 4.34% 10,453,699 7.25% \$1.00 (62,217) 902,960 1,769,343 County Total 6,795 144,197,901 1,443,758 3,563,423 6,260,885 4.34% 10,453,699 7.25% \$1.00 (62,217) 902,960 1,769,343 County Total 6,795 144,197,901 1,443	-	201	8 325 019	163 000	0	174 064	2 00%	570 054	6.06%	\$በ ደባ	(38 701)	(107 065)	6/ 150	279,559		
Otay Mesa 333 15,757,655 398,960 1,201,610 1,194,499 7.58% 1,393,824 8.85% \$0.71 83,219 403,628 334,628 San Ysidro/Imperial Beach 64 1,412,815 0 24,141 37,321 2.64% 53,687 3.80% \$0.93 (7,624) 19,702 5,197 South County Total 976 29,318,404 561,960 1,225,751 1,449,609 4.94% 2,094,580 7.14% \$0.78 18,601 327,974 409,076 San Diego County Total 6,795 144,197,901 1,443,758 3,563,423 6,260,885 4.34% 10,453,699 7.25% \$1.00 (62,217) 902,960 1,769,343 County Total 6,795 144,197,901 1,443,758 3,563,423 6,260,885 4.34% 10,453,699 7.25% \$1.00 (62,217) 902,960 1,769,343 County Total 6,795 144,197,901 1,443,758 3,563,423 6,260,885 4.34% 10,453,699 7.25% \$1.01 (99,628		
San Ysidro /Imperial Beach 64 1,412,815 0 24,141 37,321 2.64% 53,687 3.80% \$0.93 (7,624) 19,702 5,197 South County Total 976 29,318,404 561,960 1,225,751 1,449,609 4.94% 2,094,580 7.14% \$0.78 18,601 327,974 409,076 San Diego County Total 6,795 144,197,901 1,443,758 3,563,423 6,260,885 4.34% 10,453,699 7.25% \$1.00 (62,217) 902,960 1,769,343 Co-9,999 3,072 15,639,118 37,184 7,804 252,750 1.62% 427,721 2.73% \$1.21 (58,024) (40,812) 104,330 10,000-19,999 1,775 25,078,230 71,618 30,923 599,792 2.39% 1,170,244 4.67% \$1.15 84,127 (115,195) 376,340 20,000-34,999 979 25,081,648 30,520 324,209 632,578 2.52% 1,224,369 4.88% \$1.03 (72,272)	•													1,221,086		
South County Total 976 29,318,404 561,960 1,225,751 1,449,609 4.94% 2,094,580 7.14% \$0.78 18,601 327,974 409,076 San Diego County Total 6,795 144,197,901 1,443,758 3,563,423 6,260,885 4.34% 10,453,699 7.25% \$1.00 (62,217) 902,960 1,769,343 D-9,999 3,072 15,639,118 37,184 7,804 252,750 1.62% 427,721 2.73% \$1.21 (58,024) (40,812) 104,330 10,000–19,999 1,775 25,078,230 71,618 30,923 599,792 2.39% 1,170,244 4.67% \$1.15 84,127 (115,195) 376,340 20,000–34,999 979 25,081,648 30,520 324,209 632,578 2.52% 1,224,369 4.88% \$1.03 (72,272) 97,618 304,911 35,000–49,999 362 14,918,310 90,705 248,490 553,260 3.71% 1,227,501 8.23% \$0.99 (103,449) <t< td=""><td>-</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>79,427</td></t<>	-													79,427		
San Diego County Total 6,795 144,197,901 1,443,758 3,563,423 6,260,885 4.34% 10,453,699 7.25% \$1.00 (62,217) 902,960 1,769,343 0-9,999 3,072 15,639,118 37,184 7,804 252,750 1.62% 427,721 2.73% \$1.21 (58,024) (40,812) 104,330 10,000-19,999 1,775 25,078,230 71,618 30,923 599,792 2.39% 1,170,244 4.67% \$1.15 84,127 (115,195) 376,340 20,000-34,999 979 25,081,648 30,520 324,209 632,578 2.52% 1,224,369 4.88% \$1.03 (72,272) 97,618 304,911 35,000-49,999 362 14,918,310 90,705 248,490 553,260 3.71% 1,227,501 8.23% \$0.99 (103,449) 11,632 100,621 50,000-99,999 392 26,975,405 331,321 450,658 1,459,812 5.41% 2,663,242 9.87% \$0.90 152,919 180,1														1,679,700		
0-9,999 3,072 15,639,118 37,184 7,804 252,750 1.62% 427,721 2.73% \$1.21 (58,024) (40,812) 104,330 10,000-19,999 1,775 25,078,230 71,618 30,923 599,792 2.39% 1,170,244 4.67% \$1.15 84,127 (115,195) 376,340 20,000-34,999 979 25,081,648 30,520 324,209 632,578 2.52% 1,224,369 4.88% \$1.03 (72,272) 97,618 304,911 35,000-49,999 362 14,918,310 90,705 248,490 553,260 3.71% 1,227,501 8.23% \$0.99 (103,449) 11,632 100,621 50,000-99,999 392 26,975,405 331,321 450,658 1,459,812 5.41% 2,663,242 9.87% \$0.90 152,919 180,166 508,530 100,000 Plus 215 36,505,190 882,410 2,501,339 2,762,693 7.57% 3,740,622 10.25% \$0.95 (65,518) 769,551 <	-													7,646,656		
10,000-19,999 1,775 25,078,230 71,618 30,923 599,792 2.39% 1,170,244 4.67% \$1.15 84,127 (115,195) 376,340 20,000-34,999 979 25,081,648 30,520 324,209 632,578 2.52% 1,224,369 4.88% \$1.03 (72,272) 97,618 304,911 35,000-49,999 362 14,918,310 90,705 248,490 553,260 3.71% 1,227,501 8.23% \$0.99 (103,449) 11,632 100,621 50,000-99,999 392 26,975,405 331,321 450,658 1,459,812 5.41% 2,663,242 9.87% \$0.90 152,919 180,166 508,530 100,000 Plus 215 36,505,190 82,410 2,501,339 2,762,693 7.57% 3,740,622 10.25% \$0.95 (65,518) 769,551 374,611								,								
10,000-19,999 1,775 25,078,230 71,618 30,923 599,792 2.39% 1,170,244 4.67% \$1.15 84,127 (115,195) 376,340 20,000-34,999 979 25,081,648 30,520 324,209 632,578 2.52% 1,224,369 4.88% \$1.03 (72,272) 97,618 304,911 35,000-49,999 362 14,918,310 90,705 248,490 553,260 3.71% 1,227,501 8.23% \$0.99 (103,449) 11,632 100,621 50,000-99,999 392 26,975,405 331,321 450,658 1,459,812 5.41% 2,663,242 9.87% \$0.90 152,919 180,166 508,530 100,000 Plus 215 36,505,190 882,410 2,501,339 2,762,693 7.57% 3,740,622 10.25% \$0.95 (65,518) 769,551 374,611	0–9,999	3,072	15,639,118	37,184	7,804	252,750	1.62%	427,721	2.73%	\$1.21	(58,024)	(40,812)	104,330	523,237		
20,000-34,999 979 25,081,648 30,520 324,209 632,578 2.52% 1,224,369 4.88% \$1.03 (72,272) 97,618 304,911 35,000-49,999 362 14,918,310 90,705 248,490 553,260 3.71% 1,227,501 8.23% \$0.99 (103,449) 11,632 100,621 50,000-99,999 392 26,975,405 331,321 450,658 1,459,812 5.41% 2,663,242 9.87% \$0.90 152,919 180,166 508,530 100,000 Plus 215 36,505,190 882,410 2,501,339 2,762,693 7.57% 3,740,622 10.25% \$0.95 (65,518) 769,551 374,611														1,371,910		
35,000-49,999 362 14,918,310 90,705 248,490 553,260 3.71% 1,227,501 8.23% \$0.99 (103,449) 11,632 100,621 50,000-99,999 392 26,975,405 331,321 450,658 1,459,812 5.41% 2,663,242 9.87% \$0.90 152,919 180,166 508,530 100,000 Plus 215 36,505,190 882,410 2,501,339 2,762,693 7.57% 3,740,622 10.25% \$0.95 (65,518) 769,551 374,611														1,456,375		
50,000–99,999 392 26,975,405 331,321 450,658 1,459,812 5.41% 2,663,242 9.87% \$0.90 152,919 180,166 508,530 100,000 Plus 215 36,505,190 882,410 2,501,339 2,762,693 7.57% 3,740,622 10.25% \$0.95 (65,518) 769,551 374,611														910,549		
100,000 Plus 215 36,505,190 882,410 2,501,339 2,762,693 7.57% 3,740,622 10.25% \$0.95 (65,518) 769,551 374,611														1,669,614		
														1,714,971		
San Diego County Total 6,795 144,197,901 1,443,758 3,563,423 6,260,885 4.34% 10,453,699 7.25% \$1.00 (62,217) 902,960 1,769,343	San Diego County Total	6,795	144,197,901	1,443,758	3,563,423	6,260,885	4.34%	10,453,699	7.25%	\$1.00	(6 <u>2,217)</u>	902,960	1,769,343	7,646,656		

Lease rates are on am industrial gross basis.







A lot of noise out there...

by Randy LaChance SENIOR VICE PRESIDENT/PARTNER, SAN DIEGO 858.458.3374 · rlachance@voitco.com · Lic. #00969674

If you listen to the "talking heads" you might want to put your money under your mattress and take some time off. Whether it is talk of impeachment, the government shutdown, rising interest rates, Chinese tariffs, inverted yield curve or.... Right now, the news is dominating the equity markets and creating a ton of volatility.

Even with all of these headwinds, 2018 is expected to have close to 3% GDP growth and most economists are still predicting GDP growth in 2019 to be in the 2.5% range, unemployment to remain low and inflation to remain relatively low.

The San Diego industrial markets continue to enjoy some of their best times. Vacancy rates are still at or near all-time lows, even with the addition of more than 2,000,000 square feet of new product built this year, and rental rates across all markets are at all-time highs. Rents have increased a healthy 9% overall in 2018, mostly caused by the rents for the new product that came online. With limited land available in the county, and with current land prices being high, industrial development will be constrained and will not be able to keep up with market demand, which should continue to push rates even higher. With limited availability in the Central County, leasing concessions have been reduced and most owners are limiting their tenant improvement contribution, except for the most creditworthy tenants and even then, they are requiring amortization. Net absorption finished the year with a strong 900,000 square feet, which is the most in the last three years. This was facilitated in large part by the new construction that came online.

In 2018, more than 2.2 million square feet of industrial development occurred (the most in San Diego since 2006), mostly in perimeter markets of San Diego – San Marcos / Escondido (450,000 square feet), Carlsbad (860,000 square feet), Poway (400,000 square feet) and Otay Mesa (330,000 square feet). These industrial properties provide features that are not available in most of the older properties throughout the county, such as ESFR sprinklers for higher density storage, higher clear height, better truck courts with dock and grade level loading. With limited choices in the Central County markets these new developments have seen good activity.

Sales prices for both owner/user properties and investment sales continued to rise in 2018 as demand outpaced supply. 2019 should bring more of the same, as industrial property owners benefit from the market fundamentals.

Product Type

MFG./DIST.

Manufacturing/Distribution/Warehouse facilities with up to 49.9% office space.

Submarkets

CENTRAL COUNTY

Central City, East City, Southeast City, Kearny Mesa, Mission Gorge, Rose Canyon/Morena, Sports Arena/Airport, Miramar, Sorrento Mesa, Sorrento Valley, Torrey Pines/UTC

EAST COUNTY

El Cajon, La Mesa/Spring Valley, Santee/Lakeside

NORTH COUNTY

Escondido, Oceanside, San Marcos, Vista, Carlsbad, North Beach Cities, Outlying SD County North

I-15 CORRIDOR

Poway, Rancho Bernardo, Scripps Ranch

SOUTH BAY

Chula Vista, National City, Otay Mesa, San Ysidro/Imperial Beach, Outlying SD County South

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This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on an industrial gross basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services. ©2019 Voit Real Estate Services, Inc. DRE License #01991785.

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