

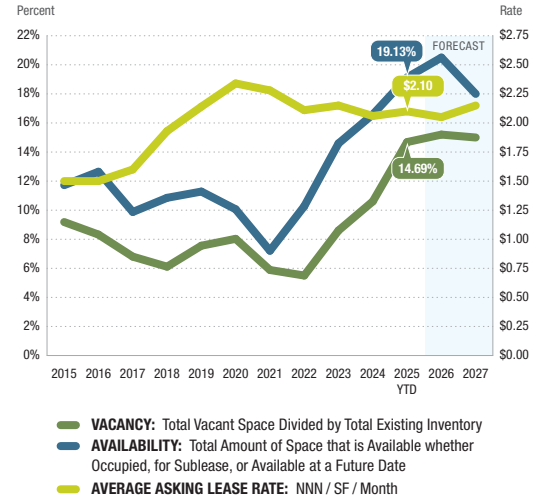
OVERVIEW. The Flex/R&D market saw more than 750,000 SF of negative net absorption in the first half of 2025, surpassing the total 2024 decrease of occupied space in just the first two quarters. Vacancy continued trending higher, and sublease space accounts for roughly a quarter of availability in the market. Sales and leasing volume in the San Diego Flex/R&D remained subdued at the midpoint of 2025.

VACANCY & AVAILABILITY. Direct/sublease space (unoccupied) finished Q2 2025 at 14.7%, a substantial increase of 52% from Q2 2024's vacancy rate of 9.6%. The rapid increase of vacant space seen in the last three years has pushed the vacancy rate near the peak levels seen during the Great Recession. Available space being marketed was 19.1% at the end of Q2 2025. Vacancy measures the amount of space which is unoccupied regardless of whether it is being marketed for sale or lease. Availability measures the amount of space which is on the market, regardless of whether it is occupied. Much of the increase in available space is coming from sublease space coming onto the market. Sublease availability continues to increase, coming in at 4.9% at the end of Q2 2025, after bottoming out at 0.9% in Q2 2022.

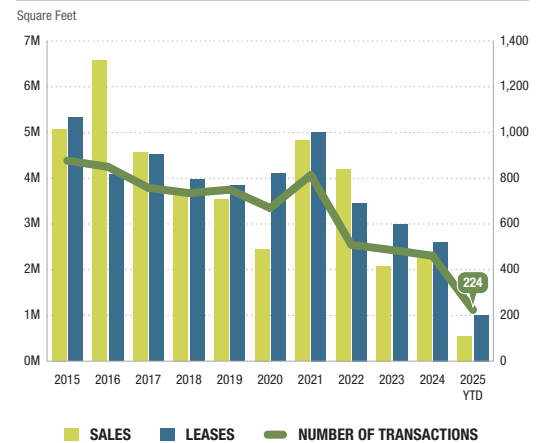
LEASE RATES. The average asking triple net lease rate per square foot per month in San Diego County was \$2.10 at the end of Q2 2025, which is a decrease of 4.5% from Q2 2024's rate of \$2.20. The substantial increase in availability and competition from sublease offerings has placed downward pressure on landlords' asking rates. The Flex/R&D market is relatively small in comparison to the office or industrial markets, and additionally the difference between the rental rates for biotech properties and other Flex/R&D properties is vast. This causes the overall average market statistics to fluctuate periodically.

TRANSACTION ACTIVITY. 433,351 SF of Flex/R&D space was leased across 98 transactions in Q2. This reflects a continued trend of moderate leasing activity compared with previous years. Since the beginning of 2023, the leasing market has averaged 686,053 SF and 102 transactions per quarter, highlighting a noticeable slowdown, especially among the larger tenants. These figures are significantly below the quarterly average recorded during 2021 and 2022, which saw an average of 1,058,781 SF leased and 134 transactions per quarter. On the sales side, the Flex/R&D market has continued to struggle. Sales volumes for 2023 and 2024 were each the lowest annual totals since 2015. The declining market fundamentals have created opportunities for well capitalized buyers to dislodge trophy properties which rarely change hands. In Q1 BioMed Realty's made a \$255 million acquisition of Pfizer's campus. The Q2 sales transactions were headlined by Parallel Capital Partners' acquisition of the Rose Canyon Commons business park for \$67 million. This flex/light industrial business park last sold for \$72.8 million in 2023 and was acquired days before a scheduled trustee's sale foreclosure.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

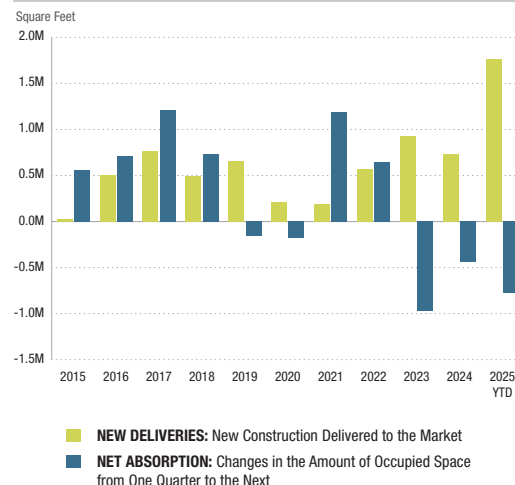
	Change Over Last Quarter		Q2 2025	Q1 2025	Q2 2024	% Change Over Last Year
Vacancy Rate	▲ UP		14.69%	12.57%	9.64%	52.30%
Availability Rate	▲ UP		19.13%	18.68%	16.29%	17.43%
Average Asking Lease Rate	▼ DOWN		\$2.10	\$2.11	\$2.20	(4.55%)
Sale & Lease Transactions	▼ DOWN		717,435	843,620	1,539,555	(53.40%)
Gross Absorption	▲ UP		912,800	577,587	745,450	22.45%
Net Absorption	▼ NEGATIVE		(359,999)	(415,877)	(27,187)	N/A

ABSORPTION. The San Diego Flex/R&D market recorded 359,999 SF of negative net absorption in Q2, bringing the 2025 total to 776,756 SF of negative net absorption. This comes on the heels of two consecutive years of negative net absorption in 2023 and 2024. Since the start of 2023 the San Diego market has seen the total footprint of companies occupying Flex real estate decrease by 2.2 MSF. The biotech segment of the Flex/R&D market has a very boom/bust nature dominated by a high percentage of large tenants, and this can move the market statistics rapidly in one direction or the other.

CONSTRUCTION. At the end of Q2 2025 there were 793,228 SF under construction or lab conversion, with 80% of this space preleased. The lack of available building sites, specifically in the primary biotech submarkets, has led to a steady stream of property conversions and repositioning over the years. All of the properties under construction at the end of Q2 were in the submarkets surrounding UCSD, apart from two Carlsbad developments. The Carlsbad projects consisted of Ionis Pharmaceuticals' 165,000-square-foot build-to-suit expansion and Techbilt's three-building, 67,714-square-foot speculative project, both of which are located on Whiptail Loop. The conversions from office or industrial to lab space do not show up in the new construction totals. The dividing line between office properties and flex properties is becoming less distinct, especially in Sorrento Mesa and Sorrento Valley which have been the epicenter of recent lab conversions. Additionally, many ground-up developments are positioned towards both office and lab users to fill their new buildings. There have been 1.76 MSF of new Flex/R&D buildings delivered in the first half of 2025, with 63% of this new space still available for lease. The 1.7 MSF of new Flex/R&D construction represents the largest annual total in two decades.

EMPLOYMENT. The unemployment rate in San Diego County was 4.0% in May 2025, down from a revised 4.1% in April 2025, and above the year-ago estimate of 3.6%. This compares with an unadjusted unemployment rate of 4.9% for California and 4.0% for the nation during the same period. Over the 12-month period between May 2024 and May 2025, San Diego County employment increased by 16,200 jobs, an increase of 1%. With the normal delay in reporting from the California EDD, employment figures from June were unavailable at the time of publishing this report. For the nation as a whole, 147,000 jobs were added in June, while the seasonally adjusted U.S. unemployment rate decreased from 4.2% to 4.1%.

NEW DELIVERIES & NET ABSORPTION



Forecast

It is evident the current wave of new property supply in the biotech sector, which began circa 2022, has eclipsed demand which peaked in that same year. The federal government's National Institutes of Health funds many research projects in Southern California and partners with local research institutions, thereby acting as lifeblood for many of the R&D companies in San Diego County. The federal government has cut more than \$1 billion in NIH funding cuts thus far in 2025, wreaking havoc on the biotech industry. There was a glimmer of hope in June as a federal judge overturned some of the funding cuts, but the sector remains reticent to pursue new growth in the current environment.

Significant Transactions

Sales

* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
4901 Morena Blvd.	Morena/Rose Canyon	234,287	\$67,000,000	Parallel Capital Partners	Vertical Ventures
2270 Camino Vida Roble	Carlsbad	106,311	\$30,700,000	MCA Realty	Rexford Industrial
9112 Spectrum Center Blvd. & 4820 Overland Ave.	Kearny Mesa	162,856	\$26,250,000	Lincoln Property Company	W.P. Carey, Inc.
8320 Juniper Creek Ln.	Miramar	15,265	\$6,482,150	Support The Enlisted Project, Inc. *	LSMMT Properties, LLC
307 E. Carmel St.	San Marcos	18,452	\$6,016,000	Creative Carmel, LLC	TDFT1, LLC

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
5770 Armada Dr.	Carlsbad	81,711	Apr-2025	Orthofix Medical	Diversified Healthcare Trust
3030 Callan Rd.	Torrey Pines	79,998	Apr-2025	Avidity Biosciences	Healthpeak Properties
9360 Towne Centre Dr.	UTC	50,780	Jun-2025	(Undisclosed)	BioMed Realty
950 Waterfront Pl.	Downtown	42,726	May-2025	J. Craig Venter Institute	IQHQ
10555 Science Center Dr.	Torrey Pines	30,131	Jun-2025	Clearpoint Neuro	BioMed Realty

INVENTORY				VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q2 2025	Square Feet Available	Availability Rate Q2 2025	Average Asking Lease Rate	Net Absorption Q2 2025	Net Absorption 2025	Gross Absorption Q2 2025	Gross Absorption 2025
Central													
Central City	13	178,791	0	0	32,695	18.29%	30,035	16.80%	\$1.77	5,869	5,869	10,000	14,500
East City	3	373,020	0	0	0	0.00%	0	0.00%	-	0	0	0	0
Southeast City	25	256,138	0	0	0	0.00%	1,400	0.55%	-	2,700	0	2,700	2,700
Kearny Mesa	202	5,542,741	0	198,855	309,963	5.59%	416,302	7.51%	\$1.68	77,169	48,042	156,795	179,410
Mission Gorge	27	277,895	0	0	8,555	3.08%	8,555	3.08%	\$1.96	3,195	7,152	3,195	7,152
Rose Canyon/Morena	37	590,314	0	0	70,021	11.86%	78,694	13.33%	\$1.95	(11,328)	(19,612)	13,250	20,030
Sports Arena/Airport	32	422,608	0	0	149,399	35.35%	153,445	36.31%	\$2.00	(84,460)	(77,460)	0	7,000
Miramar	216	4,850,643	0	0	494,619	10.20%	541,275	11.16%	\$2.21	(27,825)	(121,632)	65,474	113,313
Sorrento Mesa	186	9,717,695	38,507	279,000	3,263,546	33.58%	3,514,340	36.02%	\$3.37	(121,596)	(415,029)	97,020	222,183
Sorrento Valley	114	2,823,651	0	0	821,261	29.09%	867,875	30.74%	\$2.91	(111,975)	(111,357)	29,763	103,760
Torrey Pines/UTC	93	8,495,202	522,000	1,200,000	1,606,777	18.91%	2,222,478	24.65%	\$2.45	(1,289)	(101,749)	265,786	265,786
Central County Total	948	33,528,698	560,507	1,677,855	6,756,836	20.15%	7,834,399	22.98%	\$2.53	(269,540)	(785,776)	643,983	935,834
East County													
El Cajon	79	911,516	0	0	14,118	1.55%	7,638	0.84%	\$1.39	(9,556)	(12,506)	4,562	4,562
La Mesa/Spring Valley	43	314,738	0	60,000	2,500	0.79%	2,500	0.79%	\$1.58	700	9,709	700	14,709
Santee/Lakeside	54	541,464	0	0	6,469	1.19%	6,469	1.19%	\$1.81	(2,871)	(5,257)	2,181	2,181
Rural East County	22	95,520	0	0	0	0.00%	0	0.00%	\$1.50	1,325	0	1,325	1,325
East County Total	198	1,863,238	0	60,000	23,087	1.24%	16,607	0.89%	\$1.56	(10,402)	(8,054)	8,768	22,777
North County													
Escondido	82	769,238	0	0	25,869	3.36%	36,690	4.77%	\$1.11	3,709	(1,408)	15,938	17,321
Oceanside	33	1,101,558	0	0	5,420	0.49%	5,420	0.49%	\$1.50	71,812	79,600	71,812	81,412
San Marcos	57	1,086,130	0	0	59,127	5.44%	85,228	7.85%	\$1.44	3,272	5,936	28,238	34,313
Vista	62	1,376,268	0	0	51,657	3.75%	122,187	8.88%	\$1.46	4,840	(24,748)	23,036	28,241
Carlsbad	260	7,535,541	232,721	0	884,368	11.74%	1,457,125	18.76%	\$1.85	(126,789)	(128,428)	60,902	99,875
North Beach Cities	17	144,924	0	0	0	0.00%	0	0.00%	\$3.06	0	0	0	0
Rural North County	23	177,320	0	0	12,695	7.16%	11,495	6.48%	\$2.50	(2,900)	(1,741)	7,500	9,364
North County Total	534	12,190,979	232,721	0	1,039,136	8.52%	1,718,145	13.83%	\$1.67	(46,056)	(70,789)	207,426	270,526
I-15 Corridor													
Poway	62	2,201,085	0	0	24,064	1.09%	112,548	5.11%	\$1.55	10,297	14,239	21,309	41,923
Rancho Bernardo	100	4,777,515	0	0	384,231	8.04%	1,187,036	24.85%	\$1.79	(25,599)	126,401	15,360	194,703
Scripps Ranch	31	986,624	0	100,000	173,363	17.57%	180,933	18.34%	\$1.92	0	(23,792)	0	0
I-15 Corridor Total	193	7,965,224	0	100,000	581,658	7.30%	1,480,517	18.59%	\$1.76	(15,302)	116,848	36,669	236,626
South County													
Chula Vista	81	1,467,727	0	0	56,354	3.84%	122,750	8.36%	\$1.98	(24,219)	(27,985)	9,434	17,224
National City	23	300,227	0	0	1,782	0.59%	0	0.00%	\$1.87	3,375	0	3,375	3,375
Otay Mesa	10	198,722	0	0	1,000	0.50%	1,000	0.50%	\$1.73	2,145	(1,000)	3,145	3,145
South San Diego	5	86,876	0	0	0	0.00%	0	0.00%	-	0	0	0	0
South County Total	119	2,053,552	0	0	59,136	2.88%	123,750	6.03%	\$1.92	(18,699)	(28,985)	15,954	23,744
San Diego County Total	1,992	57,601,691	793,228	1,837,855	8,459,853	14.69%	11,173,418	19.13%	\$2.10	(359,999)	(776,756)	912,800	1,489,507

Lease rates are on a triple-net basis.



Lackluster and Uncertain – For Now

by **Michael Mossmer**

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At the conclusion of the second quarter of 2025, I have had the opportunity to speak with many people in various capacities within the real estate industry including brokers, landlords, tenants, developers, and lenders. In these discussions, I have noticed a couple of words often being used in today's parlance when describing the current state of the previously white-hot industrial market. These words are "lackluster" and "uncertain." The industrial market, for many years, was the darling of the real estate investment world, and clearly the real estate investment of choice. Investors were so keen to purchase that they were purchasing properties under construction, on a forward basis, in the hope of landing one of the many credit tenants expanding in the market including companies like Amazon and Walmart. This made sense at the time, as interest rates remained low and both rents and property values were rising to match the extreme enthusiasm for the industrial warehouse/distribution market. There was excitement coupled with hope. But as we know, all good times must come to an end. And so went the market enthusiasm which has now dulled into the lackluster environment we have seen over the last two years.

Any remaining enthusiasm in the general economy has been squelched by current US trade policy. We find ourselves in a dire situation for business decision-makers, as a result of the Trump Administration's tariff policies and additional economic sanctions that have either been imposed or threatened. Of particular harm to the San Diego economy are the impacts to Mexico, including the recent announcement of a 30% tariff set to take effect August 1. These and other policies have had a tremendous dampening effect on South San Diego County, further exacerbating an already slowing economy. These policies and the way they have been so haphazardly introduced have brought extreme uncertainty to the market, which is untenable for anyone facing a real estate-related decision. This has not been a decision factor in our lifetimes, but now industrial tenants and landlords alike are feeling the negative effects of this uncertainty, not only in the South County, but also in all of Southern California and beyond. The result is a paralysis of many decision-makers, whether they are buying, selling, or leasing real estate.

There is, however, a glimmer of hope on the horizon, as I see silver linings in those dark clouds. The worst of times are followed by the best of times, and we are in that transition phase. I see encouraging signs that the economy is slowly turning the corner, the tariff policies will be understood and their negative effect will be mitigated, and soon enough our resilient economy, lifted by our resilient spirit, will be on the mend and heading for prosperous times once again.

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This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net 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.

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Product Type

MFG./DIST.: Flex/Research and Development (R&D) buildings can be one story, one story with a mezzanine, and two story built-out structures with a high ratio of window wall to floor area with lower ceilings. They generally have over 50% built-out office space or laboratory use, with the remaining space being utilized as light manufacturing or warehousing. In addition, the parking ratio must be at least 3 spaces or greater per 1,000 square feet.

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, Rural East County

NORTH COUNTY

Escondido, Oceanside, San Marcos, Vista, Carlsbad, North Beach Cities, Rural North County

I-15 CORRIDOR

Poway, Rancho Bernardo, Scripps Ranch

SOUTH BAY

Chula Vista, National City, Otay Mesa, South San Diego