

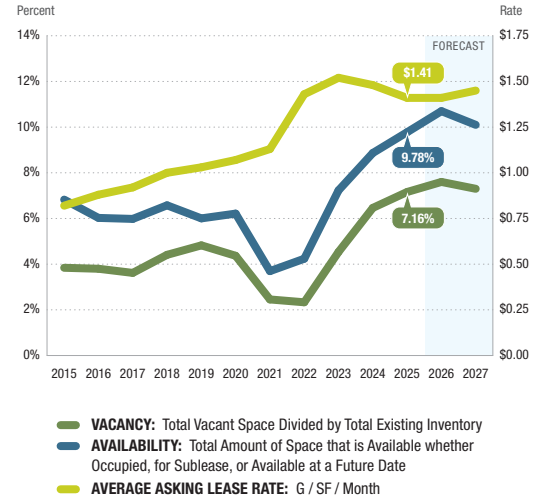
OVERVIEW. The tide has clearly shifted in the San Diego industrial market with the countywide vacancy rate tripling over the past three years and asking rental rates pulling back from all-time highs. Steadily since the start of 2024, many landlords have taken a more aggressive approach in pursuing tenants via lowered rental rates and increased concessions.

VACANCY & AVAILABILITY. Direct/sublease space (unoccupied) finished Q4 at 7.16%, a decrease of 40 basis points from the previous quarter's vacancy rate of 7.56%, and an increase of 0.7 percentage points compared with Q4 2024's rate of 6.46%. Available space being marketed (regardless of occupancy status) was 9.78% of the county's inventory at the end of Q4, an increase of 0.9 percentage points compared with Q4 2024's rate of 8.85%. Sublease availability decreased for the second consecutive quarter, finishing 2025 at 1.8 MSF. This compares to 225,000 SF of sublease availability at the end of 2021. The elevated level of sublease space in the market is one more indicator of the change in market dynamics over the course of the last three years.

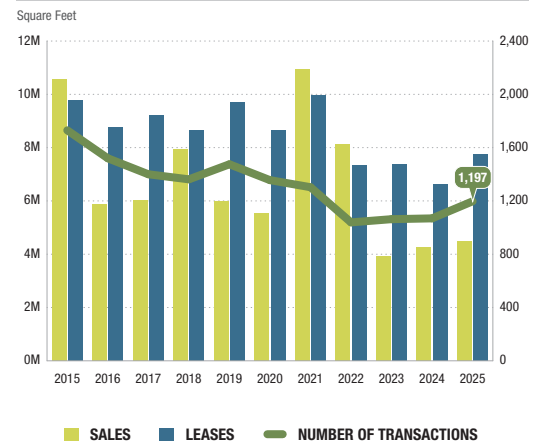
LEASE RATES. The average asking lease rate checked in at \$1.41 per square foot per month, unchanged from the previous quarter. The San Diego industrial market had seen asking rental rates skyrocket in the post-Covid period, increasing from \$1.04 in Q1 2020 to \$1.52 at the end of 2023. But over the course of the last seven quarters, the average asking rate has decreased by a total of 7.2%. This only reflects the movement of average asking rates, while concessions such as free rent and introductory promotional rates have increased significantly. Landlords are now going to such efforts as upgrading power to land prospective tenants. The bull market in industrial rent growth is over for now, as increasing vacancy has placed pressure on San Diego industrial landlords who had become accustomed to market conditions being overwhelmingly in their favor throughout the initial post-Covid years. Of course, the local balance of negotiating leverage across the county varies depending on the submarket and building characteristics.

TRANSACTION ACTIVITY. There were 207 lease transactions recorded in Q4, a bit below the quarterly average of 221 transactions between 2021–2024. The Q4 activity level is significantly lower than the average for the preceding five years, which had a quarterly average of 293 lease transactions. The 1.3 MSF of total leasing in Q4 gave the market an annual total 7.8 MSF for 2025. This marks the largest amount of leasing in a calendar year since 2021. Increased availability in the market and landlords being aggressive with concessions led to an uptick in leasing activity in 2025. Sales volume finished the year strong with \$478 million of industrial building sales in Q4, the largest quarterly total of the past three years. While underlying fundamentals across all real estate asset types remain soft, industrial real estate offers relative appeal as investors still believe in its long-term prospects.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

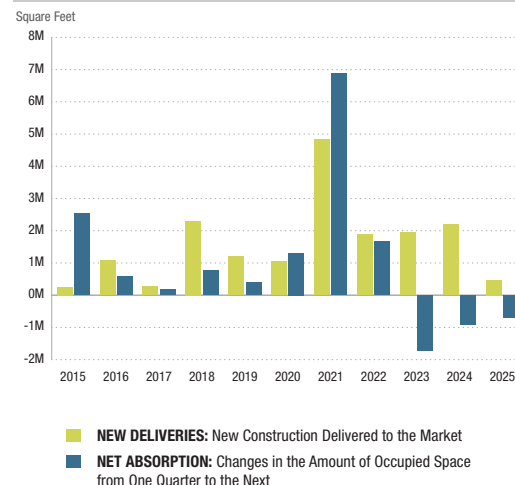
| | Change Over Last Quarter | Q4 2025 | Q3 2025 | Q4 2024 | % Change Over Last Year |
|---------------------------|--------------------------|-----------|-----------|-----------|-------------------------|
| Vacancy Rate | ▼ DOWN | 7.16% | 7.56% | 6.46% | 10.77% |
| Availability Rate | ▬ FLAT | 9.78% | 9.80% | 8.85% | 10.49% |
| Average Asking Lease Rate | ▬ FLAT | \$1.41 | \$1.41 | \$1.48 | (4.73%) |
| Sale & Lease Transactions | ▲ UP | 3,305,396 | 2,520,632 | 2,810,888 | 17.59% |
| Gross Absorption | ▬ FLAT | 1,906,170 | 1,955,116 | 1,589,981 | 19.89% |
| Net Absorption | ▲ POSITIVE | 630,717 | (243,317) | 43,818 | N/A |

ABSORPTION. There were 630,717 SF of positive net absorption in Q4, a strong finish to the year, but not enough to put the market in positive territory for the year. There was a net decrease in the total industrial-occupier footprint of 707,624 SF for the year. The market has now recorded three consecutive years of negative net absorption. The last time the San Diego market recorded two consecutive years of negative net absorption was 2008–2009. The dramatic increase in rental rates in recent years has pushed some tenants to make do with less space than they would prefer, and absorption has suffered. With the low level of new construction outside of Otay Mesa, the decrease in occupied space in certain areas has given tenants in the market more options than they have had in years.

CONSTRUCTION. 472,758 SF of new industrial projects were delivered in 2025, and 2 MSF was under construction at the close of Q4. The majority of the recent construction has been speculative, with minimal pre-leasing. Of the total space completed since the start of 2023, 49% remains available, while 44% of the 2 MSF under construction at the end of Q4 2025 is still available. As the gateway to international trade, and one of the few areas in San Diego County with a significant amount of developable land, Otay Mesa has stood above the rest in recent construction statistics. Otay Mesa comprises 74% of the 12.5 MSF that has been completed since 2020, and 94% of the 2 MSF under construction at the end of Q4 2025. The largest building under construction at the end of Q4 2025 was a 1.1 MSF Amazon fulfillment center in Otay Mesa which is set to deliver in early 2026.

EMPLOYMENT. The unemployment rate in San Diego County was 4.6% in November 2025, above the year-ago estimate of 4.3%. This compares with an unadjusted unemployment rate of 5.4% for California and 4.3% for the nation during the same period. Over the 12-month period between November 2024 and November 2025, San Diego County employment increased by 11,800 jobs, an increase of 0.7%. With the normal delay in reporting from the California EDD, employment figures from December were unavailable at the time of publishing this report. For the nation as a whole, unemployment ticked down to 4.4% from the prior month's revised 4.5% rate. 584,000 jobs were added across the U.S. in 2025, down from more than two million in 2024.

NEW DELIVERIES & NET ABSORPTION



Forecast

Supply, augmented by new deliveries, and demand, tempered by macroeconomic uncertainty, have been moving in opposite directions for three years. This has led to an increase in vacancy and a pullback in new lease and sale pricing. The industrial market has clearly been in correction territory following the post-pandemic boom, but if the decrease in sublease availability continues, the industrial market could reach an inflection point in 2026.

Significant Transactions

Sales

| Property Address | Submarket | Square Feet | Sale Price | Buyer | Seller |
|--------------------------------|-------------|-------------|--------------|----------------------|------------------------|
| 3125 Lionshead Ave. | Carlsbad | 228,548 | \$72,886,000 | New Pacific Realty | Hines |
| 2285 Rutherford Rd. | Carlsbad | 128,745 | \$43,250,000 | New Mountain Capital | Alexandria RE Equities |
| 5755–5795 Kearny Villa Rd. | Kearny Mesa | 147,144 | \$35,250,000 | ScaleMatrix | KV Resources, LLC |
| 7707 & 7715 Paseo de la Fuente | Otay Mesa | 152,469 | \$30,200,000 | TIAA | Cabot Properties |
| 2470 Faraday Ave. | Carlsbad | 127,200 | \$22,086,000 | BLT Enterprises | Beckman Coulter, Inc. |

Leases

* Voit Real Estate Services Deal

| Property Address | Submarket | Square Feet | Transaction Date | Tenant | Owner |
|---------------------|--------------|-------------|------------------|-----------------------|---------------------------------|
| 1770 Thor St. | Southeast SD | 128,248 | Oct-2025 | Enterprise | North Richmond Properties, Inc. |
| 1910 Landmark Rd. | Otay Mesa | 76,991 | Nov-2025 | Norman Krieger | Sunroad Enterprises |
| 2855 Faivre St. | Chula Vista | 48,849 | Nov-2025 | Alexander's Mobility | Sudberry Properties * |
| 5830 El Camino Real | Carlsbad | 36,169 | Oct-2025 | The Picklr | H.G. Fenton |
| 2580 Pioneer Ave. | Vista | 32,660 | Dec-2025 | PennyPacker Packaging | Property Reserve, Inc. |

| INVENTORY | | | | | VACANCY & LEASE RATES | | | | | ABSORPTION | | | |
|-------------------------|------------------|--------------------------|-------------------|---------------------|-----------------------|----------------------|-----------------------|---------------------------|---------------------------|------------------------|---------------------|--------------------------|-----------------------|
| | Number of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant | Vacancy Rate Q4 2025 | Square Feet Available | Availability Rate Q4 2025 | Average Asking Lease Rate | Net Absorption Q4 2025 | Net Absorption 2025 | Gross Absorption Q4 2025 | Gross Absorption 2025 |
| Central County | | | | | | | | | | | | | |
| Central City | 81 | 1,649,700 | 0 | 0 | 0 | 0.00% | 7,992 | 0.48% | \$0.96 | 0 | (7,070) | 0 | 34,750 |
| East City | 57 | 565,814 | 0 | 0 | 0 | 0.00% | 7,000 | 1.24% | \$1.65 | 4,750 | 0 | 4,750 | 4,750 |
| Southeast City | 366 | 4,233,345 | 0 | 0 | 322,571 | 7.62% | 205,323 | 4.85% | \$1.30 | 19,813 | (46,832) | 28,719 | 121,889 |
| Kearny Mesa | 415 | 10,096,320 | 0 | 0 | 328,394 | 3.25% | 424,670 | 4.21% | \$2.02 | 27,321 | 227,552 | 64,213 | 468,669 |
| Mission Gorge | 105 | 1,788,479 | 5,320 | 0 | 115,757 | 6.47% | 170,973 | 9.53% | \$1.96 | 21,041 | (79,695) | 31,242 | 84,246 |
| Rose Canyon / Morena | 130 | 2,013,860 | 0 | 0 | 219,140 | 10.88% | 217,108 | 10.78% | \$1.56 | (12,251) | (123,073) | 7,246 | 36,675 |
| Sports Arena / Airport | 133 | 1,536,526 | 0 | 0 | 56,545 | 3.68% | 101,080 | 6.58% | \$1.50 | 12,000 | (15,185) | 20,000 | 25,000 |
| Miramar | 577 | 13,333,102 | 0 | 85,000 | 1,102,289 | 8.27% | 1,320,695 | 9.91% | \$1.66 | (2,808) | (222,045) | 170,744 | 881,983 |
| Sorrento Mesa | 67 | 3,178,043 | 0 | 0 | 304,884 | 9.59% | 266,082 | 8.37% | \$1.75 | 47,584 | (117,497) | 56,490 | 145,942 |
| Sorrento Valley/UTC | 42 | 990,233 | 0 | 0 | 17,500 | 1.77% | 17,500 | 1.77% | \$2.30 | (10,100) | (17,500) | 1,600 | 2,400 |
| Central County Total | 1,973 | 39,385,422 | 5,320 | 85,000 | 2,467,080 | 6.26% | 2,738,423 | 6.95% | \$1.69 | 107,350 | (401,345) | 385,004 | 1,806,304 |
| East County | | | | | | | | | | | | | |
| El Cajon | 447 | 9,527,004 | 0 | 0 | 329,721 | 3.46% | 484,264 | 5.08% | \$1.57 | 18,093 | (36,650) | 56,336 | 171,937 |
| La Mesa / Spring Valley | 302 | 2,789,671 | 0 | 0 | 65,307 | 2.34% | 89,683 | 3.21% | \$1.52 | 4,209 | 16,011 | 16,279 | 64,801 |
| Santee / Lakeside | 287 | 3,888,527 | 0 | 192,245 | 86,019 | 2.21% | 100,441 | 2.58% | \$1.46 | (7,276) | (45,380) | 20,487 | 70,616 |
| Rural East County | 91 | 997,640 | 0 | 0 | 9,800 | 0.98% | 9,800 | 0.98% | \$1.42 | 0 | (5,800) | 0 | 21,240 |
| East County Total | 1,127 | 17,202,842 | 0 | 192,245 | 490,847 | 2.85% | 684,188 | 3.98% | \$1.53 | 15,026 | (71,819) | 93,102 | 328,594 |
| North County | | | | | | | | | | | | | |
| Escondido | 639 | 7,794,967 | 0 | 0 | 319,867 | 4.10% | 367,235 | 4.71% | \$1.41 | 41,998 | (147,969) | 85,486 | 272,246 |
| Oceanside | 396 | 9,142,270 | 0 | 520,446 | 391,639 | 4.28% | 493,208 | 5.39% | \$1.26 | (4,466) | 29,843 | 84,168 | 429,685 |
| San Marcos | 482 | 8,295,463 | 0 | 223,175 | 785,513 | 9.47% | 833,932 | 10.05% | \$1.49 | (6,631) | (132,613) | 145,237 | 405,985 |
| Vista | 528 | 13,610,760 | 123,705 | 0 | 1,068,354 | 7.85% | 1,916,253 | 13.95% | \$1.26 | 167,165 | 13,165 | 407,978 | 756,546 |
| Carlsbad | 235 | 9,128,212 | 0 | 0 | 593,929 | 6.51% | 1,008,510 | 11.05% | \$1.47 | 74,941 | (114,473) | 125,476 | 362,598 |
| North Beach Cities | 37 | 269,886 | 0 | 0 | 980 | 0.36% | 980 | 0.36% | \$2.08 | (980) | (980) | 0 | 0 |
| Rural North County | 128 | 1,153,556 | 0 | 10,000 | 15,307 | 1.33% | 134,518 | 11.66% | \$1.54 | 10,300 | 19,198 | 10,300 | 57,378 |
| North County Total | 2,445 | 49,395,114 | 123,705 | 753,621 | 3,175,589 | 6.43% | 4,754,636 | 9.60% | \$1.34 | 282,327 | (333,829) | 858,645 | 2,284,438 |
| I-15 Corridor | | | | | | | | | | | | | |
| Poway | 189 | 7,682,892 | 0 | 0 | 206,720 | 2.69% | 282,141 | 3.67% | \$1.71 | 37,936 | 32,343 | 81,048 | 175,372 |
| Rancho Bernardo | 37 | 2,687,300 | 0 | 0 | 98,012 | 3.65% | 166,368 | 6.19% | \$1.50 | (30,049) | (9,685) | 7,891 | 66,663 |
| Scripps Ranch | 26 | 698,630 | 0 | 86,000 | 60,334 | 8.64% | 68,509 | 9.81% | \$1.37 | 6,935 | (49,769) | 6,935 | 17,500 |
| I-15 Corridor Total | 252 | 11,068,822 | 0 | 86,000 | 365,066 | 3.30% | 517,018 | 4.67% | \$1.65 | 14,822 | (27,111) | 95,874 | 259,535 |
| South County | | | | | | | | | | | | | |
| Chula Vista | 323 | 8,899,578 | 0 | 110,658 | 1,124,457 | 12.63% | 1,163,102 | 13.07% | \$1.30 | 18,521 | (88,747) | 67,951 | 266,226 |
| National City | 254 | 3,768,329 | 0 | 93,720 | 198,563 | 5.27% | 340,903 | 9.05% | \$1.69 | (9,128) | (74,944) | 24,279 | 135,183 |
| Otay Mesa | 393 | 25,392,859 | 1,866,586 | 3,150,173 | 3,294,564 | 12.97% | 5,214,432 | 19.13% | \$1.15 | 196,448 | 371,082 | 375,264 | 2,122,590 |
| South San Diego | 62 | 1,330,428 | 0 | 0 | 85,454 | 6.42% | 78,634 | 5.91% | \$1.39 | 5,351 | (80,911) | 6,051 | 14,334 |
| South County Total | 1,032 | 39,391,194 | 1,866,586 | 3,354,551 | 4,703,038 | 11.94% | 6,797,071 | 16.47% | \$1.23 | 211,192 | 126,480 | 473,545 | 2,538,333 |
| San Diego County Total | 6,829 | 156,443,394 | 1,995,611 | 4,471,417 | 11,201,620 | 7.16% | 15,491,336 | 9.78% | \$1.41 | 630,717 | (707,624) | 1,906,170 | 7,217,204 |
| | | | | | | | | | | | | | |
| 0-9,999 | 3,046 | 15,524,749 | 5,320 | 0 | 423,038 | 2.72% | 616,116 | 3.97% | \$1.66 | 18,221 | (192,487) | 150,455 | 542,264 |
| 10,000-19,999 | 1,785 | 25,317,461 | 0 | 10,000 | 933,096 | 3.69% | 1,332,238 | 5.26% | \$1.57 | (52,975) | (209,020) | 238,071 | 1,067,594 |
| 20,000-34,999 | 971 | 24,967,053 | 0 | 27,720 | 1,360,060 | 5.45% | 1,974,438 | 7.91% | \$1.48 | 67,941 | (356,909) | 320,495 | 1,138,411 |
| 35,000-49,999 | 376 | 15,518,177 | 43,000 | 91,438 | 972,446 | 6.27% | 1,419,082 | 9.12% | \$1.45 | 131,957 | (253,615) | 202,748 | 592,118 |
| 50,000-99,999 | 396 | 27,364,426 | 309,093 | 658,291 | 2,631,316 | 9.62% | 3,689,380 | 13.33% | \$1.35 | 165,871 | (551,705) | 617,459 | 1,608,861 |
| 100,000 Plus | 255 | 47,751,528 | 1,638,198 | 3,683,968 | 4,881,664 | 10.22% | 6,460,082 | 13.08% | \$1.12 | 299,702 | 856,112 | 376,942 | 2,267,956 |
| San Diego County Total | 6,829 | 156,443,394 | 1,995,611 | 4,471,417 | 11,201,620 | 7.16% | 15,491,336 | 9.78% | \$1.41 | 630,717 | (707,624) | 1,906,170 | 7,217,204 |

Lease rates are on an industrial-gross basis.



Pressure On All Sides

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As we enter 2026, San Diego County's industrial real estate sector remains in a transition phase, shaped by shifting demand fundamentals and broader macroeconomic influences. After years of historically tight conditions, the market has softened compared with the pandemic-era boom. Vacancy rates across the county have risen to levels not seen in more than a decade.

Landlords have responded by prioritizing tenant retention. Many are operating with the mindset that it is better to make a deal than to hold out for optimal terms and risk extended vacancy in a down market. With fewer active tenants, spaces are sitting vacant for longer periods. In prior years, when vacancy was low, landlords held the upper hand in negotiations and could afford a "take it or leave it" stance. Today, the dynamic has shifted, and landlords are often more willing to accept deals without pressing for higher rates or reduced concessions.

In addition to weakened demand, increased competition from sublease availability has further pressured the market. Among the limited number of tenants considering expansion or relocation, many—particularly those with larger space requirements—are meeting their needs through sublease opportunities which often come at significant discounts to direct availabilities. This rise in sublease space is driven in part by the lingering effects of inflation. Even with the recent cooling in rental rate growth, tenants with upcoming lease renewals are still experiencing sticker shock. While rental rates may be lower than their peak, they remain meaningfully higher than levels seen five years ago, and tenants continue to feel the financial impact of the pandemic-era rent surge.

In the central county areas where I work, small multi-tenant projects have remained relatively stable, while fundamentals in other product types have weakened. Central County distribution facilities have seen very limited activity, with only a handful of new deals completed over the past six months. On the R&D side, tenants are increasingly sharing space as a cost-saving measure. The life sciences community is highly interconnected, and in some cases, companies are allowing affiliated or friendly firms to utilize excess space, easing the financial burden for both parties.

The biotech sector has also seen a reversal of a trend that previously tightened the industrial market. In areas such as Sorrento and Miramar, years of industrial and office properties being acquired for lab conversion helped constrain industrial supply. In 2025, select properties that had been repositioned for R&D use began marketing their space back to light industrial and flex users. Pressures on the industrial market are emerging from multiple directions.

Despite this softening, San Diego's industrial sector remains supported by a strong foundation of industries such as defense, specialized manufacturing, and life sciences. This and the region's strategic advantages continue to support long-term demand drivers.

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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.

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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

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