

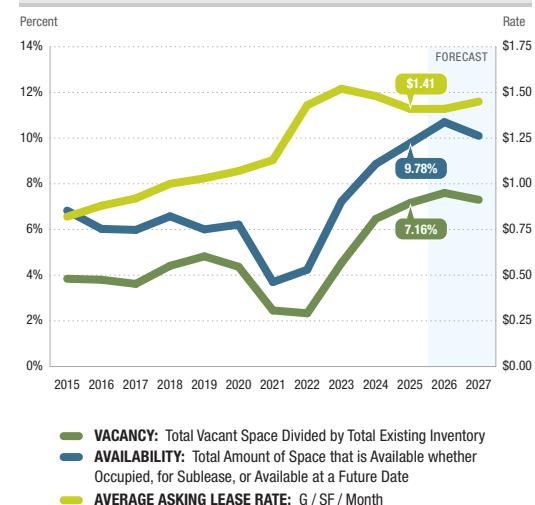
OVERVIEW. The tide has clearly shifted in the San Diego industrial market with the countywide vacancy rate tripling over the past three years and asking rental rates pulling back from all-time highs. Steadily since the start of 2024, many landlords have taken a more aggressive approach in pursuing tenants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



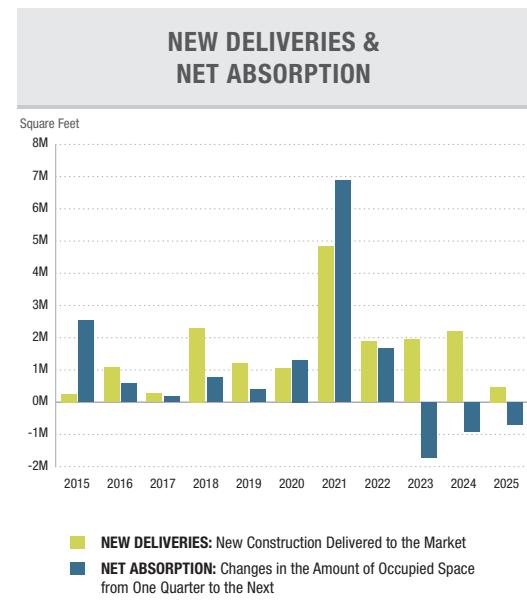
Market Statistics

	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.



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 a 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.