

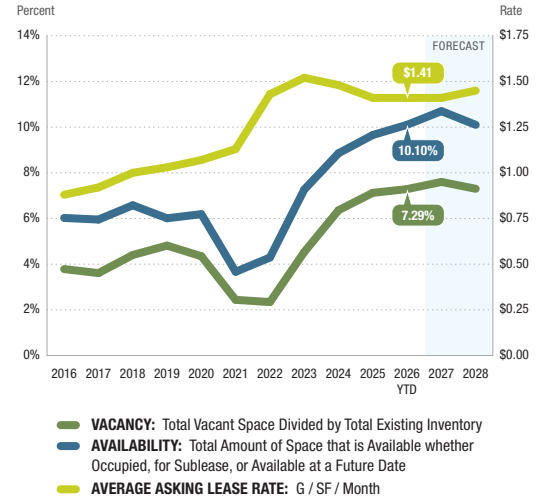
OVERVIEW. The tide has clearly shifted in the San Diego industrial market, with the countywide vacancy rate tripling over the past three years and asking rental rates pulling back from all-time highs. Steadily since the start of 2024, many landlords have taken a more aggressive approach in pursuing tenants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

VACANCY & AVAILABILITY. Direct/sublease space (unoccupied) finished Q1 at 7.29%, an increase of 17 basis points from the previous quarter's vacancy rate of 7.12%, and an increase of 0.6 percentage points compared with Q1 2025's rate of 6.69%. Available space being marketed (regardless of occupancy status) was 10.1% of the county's inventory at the end of Q1, an increase of 1.3 percentage points compared with Q1 2025's rate of 8.8%. The availability rate has been quickly rising since bottoming out at 2.9% in Q2 2022, and has now reached the highest level since Q1 2014. Sublease availability ticked up to 1.8 MSF in Q1 after two quarters of decreases to finish 2025. This compares to 225,000 SF of sublease availability at the end of 2021.

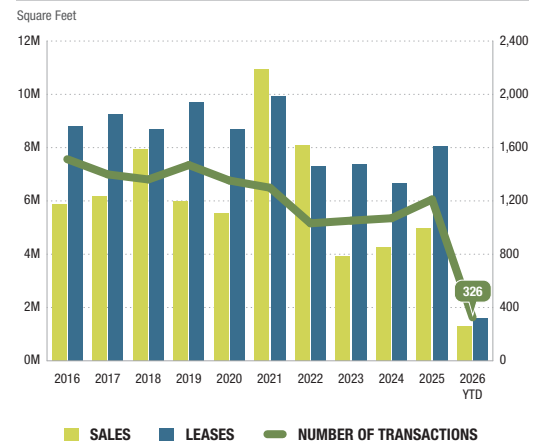
LEASE RATES. The average asking lease rate checked in at \$1.41 per square foot per month, unchanged from the previous two quarters. The San Diego industrial market had seen asking rental rates skyrocket in the post-Covid period, increasing from \$1.04 in Q1 2020 to \$1.52 at the end of 2023. But since the start of 2024, the average asking rate has decreased by a total of 7.2%. This reflects only the movement of average asking rates, while concessions such as free rent and introductory promotional rates have increased significantly over that span. To fill vacancies, landlords are now going to such efforts as upgrading power or in certain instances lowering requirements on tenant credit strength. The bull market in industrial rent growth is over for now, as increasing vacancy has placed pressure on San Diego industrial landlords which had become accustomed to market conditions being overwhelmingly in their favor throughout the initial post-Covid years. Of course, the balance of negotiating leverage across the county varies depending on the submarket and building characteristics.

TRANSACTION ACTIVITY. There were 264 lease transactions recorded in Q1, the highest quarterly tally since Q1 2025, and the second highest since 2021. This follows 8 MSF of leasing activity in 2025, which was the largest amount of leasing in a calendar year since 2021. Increased availability in the market and landlords getting more aggressive with concessions have led to an uptick in leasing activity. Sales volume in 1Q 2026 totaled \$247 million, a decrease from the \$300 million quarterly average of the past two years. The first quarter of the year typically sees a pullback in sales volume as often the sales volume is highest at year end. For example, 2025 finished with a flurry of activity, recording \$647 million of industrial building sales in Q4, the largest quarterly total of the past four years. The sales market showed signs of improvement over the past four quarters, as industrial real estate offers relative appeal versus alternative property types, with investors still believing in the long-term prospects of industrial real estate.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

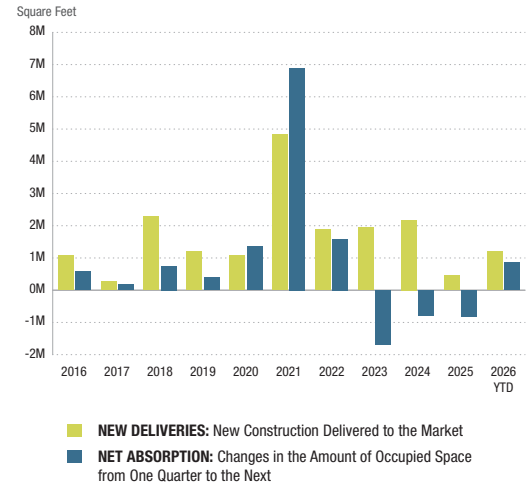
	Change Over Last Quarter	Q1 2026	Q4 2025	Q1 2025	% Change Over Last Year
Vacancy Rate	▲ UP	7.29%	7.12%	6.69%	8.89%
Availability Rate	▲ UP	10.10%	9.66%	8.80%	14.76%
Average Asking Lease Rate	▬ FLAT	\$1.41	\$1.41	\$1.45	(2.76%)
Sale & Lease Transactions	▼ DOWN	2,851,826	4,032,028	3,127,225	(8.81%)
Gross Absorption	▲ UP	2,891,318	1,613,614	1,830,381	57.96%
Net Absorption	▲ POSITIVE	863,148	369,241	(239,091)	N/A

ABSORPTION. There were 863,148 SF of positive net absorption in Q1. This significant amount of positive net absorption was due to a 1.1 MSF build-to-suit for Amazon coming to completion. Excluding that one building, the balance of the market saw a net decrease in the total industrial occupier footprint. Still, the headline positive absorption total in Q1 was a welcome change. The market recorded three consecutive years of negative net absorption in 2023–2025. The last time the San Diego market recorded even two consecutive years of negative net absorption was 2008–2009. The dramatic increase in rental rates in the initial post-Covid years has pushed some tenants to make do with less space than they would prefer, and this has contributed to the increase in the market vacancy rate.

CONSTRUCTION. 1.2 MSF of new industrial projects were delivered in Q1 2026, and 1 MSF was under construction at the end of the quarter. The 1.1 MSF Amazon fulfillment center in Otay Mesa accounted for most of the Q1 construction completion total. The majority of the construction in recent years has been speculative, with minimal pre-leasing. Of the 5.8 MSF completed since the start of 2023, 2.3 MSF remains available, while 96% of the space under construction at the end of Q1 2026 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 79% of the 1 MSF under construction at the end of Q1 2026.

EMPLOYMENT. The unemployment rate in San Diego County was 4.7% in January 2026, above the year-ago estimate of 4.5%. This compares with an unadjusted unemployment rate of 5.5% for California and 4.7% for the nation during the same period. Over the 12-month period between January 2025 and January 2026, San Diego County employment increased by 10,900 jobs, an increase of 0.7%. With delays in reporting from the California EDD, employment figures from February and March were unavailable at the time of publishing this report. For the nation as a whole, unemployment edged higher to 4.4% from the prior month's revised 4.3% rate. The U.S. economy has seen an average of 68,000 jobs added per month in 2026, compared to 15,000 in 2025, and 186,000 in 2024.

NEW DELIVERIES & NET ABSORPTION



Forecast

Supply augmented with 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. Leasing activity increased at the end of 2025 and into the start of 2026. But, the turmoil in the Persian Gulf and the ensuing supply chain effects will place inflationary pressure on the economy, potentially placing a damper on the recent increase in leasing activity.

Significant Transactions

Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
7263–7283 Engineer Rd.	Kearny Mesa	210,916	\$74,150,000	H.G. Fenton	CIM Group, LP
13100 Danielson St.	Poway	133,844	\$43,300,000	Realty Income Corp.	New York Life Investments
1111 Pioneer Way	El Cajon	110,663	\$22,500,000	Alchalel Children's Trust	Elion Partners
707 N. Andreasen Dr. & 215 E. Ivy St.	Escondido/Fallbrook	47,217	\$21,000,000	Ganahl Lumber Co.	Brouwer Trust
10637 Scripps Summit Ct.	Scripps Ranch	60,334	\$15,100,000	Satechi	Dye Precision

Leases

* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
2345 Britannia Blvd.	Otay Mesa	115,510	Mar-2026	Martin Home Furnishings	EQT Real Estate
5965 Santa Fe St.	Morena/Rose Canyon	63,165	Feb-2026	Seasats	Parallel Capital Partners
5807 Van Allen Way	Carlsbad	48,322	Mar-2026	SMAC (Renewal)	Harbor Associates
7550 Panasonic Way	Otay Mesa	46,830	Feb-2026	Bucher	10101 W. Jefferson, LLC
11661 Sorrento Valley Rd.	Sorrento Valley	34,000	Mar-2026	Parker Meggitt* (Renewal)	Cal-Sorrento, Ltd.

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q1 2026	Square Feet Available	Availability Rate Q1 2026	Average Asking Lease Rate	Net Absorption Q1 2026	Net Absorption 2026	Gross Absorption Q1 2026	Gross Absorption 2026
Central County													
Central City	79	1,640,589	0	0	0	0.00%	4,000	0.24%	\$0.85	0	0	0	0
East City	57	565,814	0	0	0	0.00%	0	0.00%	\$1.65	0	0	0	0
Southeast City	367	4,917,878	0	0	357,427	7.27%	251,709	5.12%	\$1.23	(34,856)	(34,856)	14,006	14,006
Kearny Mesa	414	10,103,117	0	0	390,687	3.87%	433,094	4.29%	\$1.97	(62,293)	(62,293)	30,600	30,600
Mission Gorge	106	1,793,799	0	0	132,089	7.36%	158,518	8.84%	\$1.93	(11,012)	(11,012)	11,398	11,398
Rose Canyon / Morena	130	2,004,910	0	0	216,401	10.79%	173,622	8.66%	\$1.59	(5,693)	(5,693)	2,470	2,470
Sports Arena / Airport	133	1,512,697	0	0	64,745	4.28%	99,780	6.60%	\$1.50	(8,200)	(8,200)	0	0
Miramar	578	13,351,652	0	85,000	1,279,024	9.58%	1,458,572	10.92%	\$1.69	(176,735)	(176,735)	179,588	179,588
Sorrento Mesa	66	3,137,710	0	0	219,407	6.99%	324,319	10.34%	\$1.78	76,257	76,257	128,610	128,610
Sorrento Valley/UTC	39	856,709	0	0	11,700	1.37%	11,700	1.37%	\$1.82	5,800	5,800	5,800	5,800
Central County Total	1,969	39,884,875	0	85,000	2,671,480	6.70%	2,915,314	7.31%	\$1.70	(216,732)	(216,732)	372,472	372,472
East County													
El Cajon	447	9,526,029	0	0	281,600	2.96%	454,986	4.78%	\$1.52	48,121	48,121	74,517	74,517
La Mesa / Spring Valley	300	2,806,280	0	0	78,013	2.78%	96,875	3.45%	\$1.57	(12,706)	(12,706)	19,351	19,351
Santee / Lakeside	287	3,888,900	192,245	290,618	80,718	2.08%	303,890	7.45%	\$1.51	5,301	5,301	40,863	40,863
Rural East County	91	997,794	0	0	4,000	0.40%	4,000	0.40%	\$1.36	5,800	5,800	5,800	5,800
East County Total	1,125	17,219,003	192,245	290,618	444,331	2.58%	859,751	4.94%	\$1.53	46,516	46,516	140,531	140,531
North County													
Escondido	639	7,772,736	0	0	316,849	4.08%	361,717	4.65%	\$1.41	3,018	3,018	46,173	46,173
Oceanside	396	9,141,517	20,006	618,268	339,284	3.71%	451,599	4.93%	\$1.28	(15,558)	(15,558)	100,345	100,345
San Marcos	484	8,254,641	0	223,175	799,114	9.68%	872,597	10.57%	\$1.52	(13,601)	(13,601)	55,072	55,072
Vista	528	13,733,211	0	0	1,330,991	9.69%	1,871,170	13.63%	\$1.26	(62,961)	(62,961)	123,892	123,892
Carlsbad	234	9,200,465	0	311,180	591,893	6.43%	1,141,380	12.41%	\$1.49	(7,583)	(7,583)	161,274	161,274
North Beach Cities	37	269,886	0	0	0	0.00%	0	0.00%	\$2.08	980	980	980	980
Rural North County	130	1,199,960	0	10,000	19,462	1.62%	126,613	10.55%	\$1.51	(4,155)	(4,155)	2,405	2,405
North County Total	2,448	49,572,416	20,006	1,162,623	3,397,593	6.85%	4,825,076	9.73%	\$1.36	(99,860)	(99,860)	490,141	490,141
I-15 Corridor													
Poway	189	7,691,156	0	0	187,928	2.44%	267,726	3.48%	\$1.71	18,792	18,792	56,445	56,445
Rancho Bernardo	38	2,736,340	0	0	102,349	3.74%	160,988	5.88%	\$1.50	0	0	0	0
Scripps Ranch	26	698,630	0	86,000	0	0.00%	46,331	6.63%	\$1.61	60,334	60,334	60,334	60,334
I-15 Corridor Total	253	11,126,126	0	86,000	290,277	2.61%	475,045	4.27%	\$1.65	79,126	79,126	116,779	116,779
South County													
Chula Vista	321	8,807,199	0	110,658	917,050	10.41%	955,795	10.85%	\$1.31	199,107	199,107	241,516	241,516
National City	253	3,759,927	0	93,720	183,997	4.89%	322,958	8.59%	\$1.69	14,566	14,566	58,200	58,200
Otay Mesa	393	26,462,110	789,173	2,976,673	3,524,729	13.32%	5,626,606	20.65%	\$1.09	847,248	847,248	1,462,699	1,462,699
South San Diego	62	1,284,874	0	0	92,277	7.18%	92,277	7.18%	\$1.40	(6,823)	(6,823)	8,980	8,980
South County Total	1,029	40,314,110	789,173	3,181,051	4,718,053	11.70%	6,997,636	17.02%	\$1.19	1,054,098	1,054,098	1,771,395	1,771,395
San Diego County Total	6,824	158,116,530	1,001,424	4,805,292	11,521,734	7.29%	16,072,822	10.10%	\$1.41	863,148	863,148	2,891,318	2,891,318
0-9,999	3,043	15,545,471	20,006	0	473,799	3.05%	698,795	4.49%	\$1.66	(43,116)	(43,116)	161,819	161,819
10,000-19,999	1,785	25,321,968	0	10,000	983,653	3.88%	1,346,630	5.32%	\$1.57	(58,857)	(58,857)	306,723	306,723
20,000-34,999	968	24,875,077	0	27,720	1,399,461	5.63%	1,988,938	8.00%	\$1.49	(16,021)	(16,021)	317,229	317,229
35,000-49,999	377	15,558,542	43,000	91,438	806,420	5.18%	1,151,846	7.38%	\$1.44	120,343	120,343	225,800	225,800
50,000-99,999	390	26,900,347	501,338	466,046	2,570,228	9.55%	3,861,399	14.09%	\$1.37	(60,668)	(60,668)	388,738	388,738
100,000 Plus	261	49,915,125	437,080	4,210,088	5,288,173	10.59%	7,025,214	13.95%	\$1.11	921,467	921,467	1,491,009	1,491,009
San Diego County Total	6,824	158,116,530	1,001,424	4,805,292	11,521,734	7.29%	16,072,822	10.10%	\$1.41	863,148	863,148	2,891,318	2,891,318

Lease rates are on an industrial-gross basis.



Uncertainty Certainty

by **Patrick Connors**

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The most notable trend in San Diego's industrial market is the growing availability of low-cost sublease space. Many companies are moving away from traditional three-to-seven-year lease structures and opting instead for more flexible, short-term subleases. Ongoing tariff fluctuations—and more recently, rising oil prices driven by the war in Iran—have created significant uncertainty around operating costs. As a result, businesses are prioritizing low-cost, short-term solutions over long-term price certainty. Many companies simply lack confidence in projecting their expenses 18, 12, or even 6 months ahead, which has contributed to shorter lease commitments overall.

Another challenge facing the market is the wave of new construction projects that were initiated and entitled during the post-COVID boom. Many of these developments are still moving forward, resulting in a growing inventory of large “big box” spaces—typically 100,000 square feet or more—that remain vacant, with additional supply on the way, particularly in Otay Mesa. In response, developers are increasingly subdividing these large buildings into smaller units ranging from 25,000 to 50,000 square feet. This shift has intensified competition, as older properties with similar-sized vacancies are now forced to compete with newer buildings offering modern features such as higher clear heights. Consequently, lease rates have declined, and concessions have become more common.

Despite these headwinds, the beginning of 2026 has brought a renewed sense of optimism following a sluggish 2024 and 2025 in the industrial sector. Leasing activity has picked up, and while tariffs remain a concern, businesses now appear better able to anticipate and plan for their impact—unlike the month-to-month uncertainty that characterized much of 2025. Tariffs continue to influence the global economy, and their effects are especially pronounced in Southern California, where the industrial market is closely tied to port operations and cross-border trade with Mexico.

At the same time, the war in Iran is expected to affect transportation and logistics, particularly through its impact on oil prices. If the conflict persists, it could trigger disruptions similar to those seen during the tariff volatility of 2025. However, there is hope that these pressures will be short-lived. On a more positive note, increased defense spending could drive additional leasing demand in the South Bay, where defense contractors play a significant role in the port and border economies.

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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