SD Q2 26

SECOND QUARTER 2026 MARKET REPORT

SAN DIEGO INDUSTRIAL

Voit REAL ESTATE SERVICES

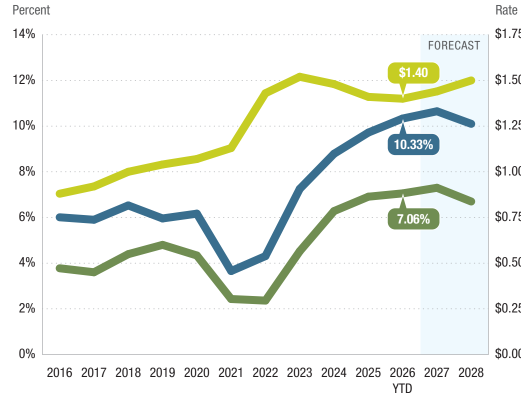
OVERVIEW. The San Diego industrial market has seen a dramatic change with the vacancy rate tripling over the past three years and asking rental rates pulling back from all-time highs. Steadily since the start of 2024, many landlords have taken a more aggressive approach in pursuing tenants via lowered rental rates and increased concessions. These trends all maintained their trajectory in the first half of 2026. This aggressive approach has produced some results with leasing activity trending higher over the past six quarters.

VACANCY & AVAILABILITY. Direct / sublease space (unoccupied) finished Q2 at 7.06%, an increase of 15 basis points from the previous quarter's vacancy rate of 6.91%. Available space being marketed (regardless of occupancy status) was 10.33% of the county's inventory at the end of Q2, an increase of 1.16 percentage points compared with Q2 2025's rate of 9.17%. The availability rate has now reached its highest level since Q1 2014. Sublease availability ticked up for the second consecutive quarter, finishing Q2 at 1.9M SF after two quarters of decreases to finish 2025. 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. With more space competing for a limited pool of tenants, occupiers have gained additional negotiating leverage, resulting in longer marketing times and continued pressure on landlords to offer competitive lease terms and concessions.

LEASE RATES. The average asking lease rate checked in at $1.40 per square foot per month, a one-cent decrease 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 since the start of 2024, the average asking rate has decreased by a total of 7.9%. This only reflects the movement of asking rates, while concessions such as free rent and introductory promotional rates have increased significantly over that span. Landlords are now going to such efforts as upgrading power, and in certain instances lowering requirements on tenant credit strength to fill vacancies. 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 local balance of negotiating leverage across the county varies depending on the submarket and building characteristics.

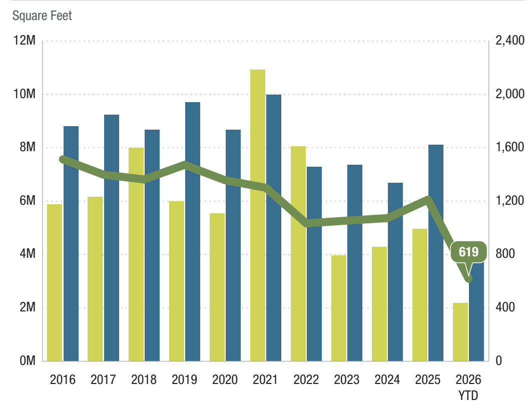
TRANSACTION ACTIVITY. There were 236 lease transactions recorded in Q2 totaling 1,991,651 SF. The market is on pace to surpass 1,000 lease transactions for the second consecutive year after falling short of that threshold each year between 2021–2024. Increased availability, coupled with more aggressive landlord concessions, has contributed to the recent increase in leasing activity. Sales volume totaled $214 million in Q2 2026, down from the $300 million quarterly average recorded over the past two years. One of the quarter's largest transactions involved Sorrento West Properties, the real estate holding company for General Atomics, as the buyer. The acquisition underscores the importance of San Diego's defense sector, which is generally less cyclical than many other industries and continues to provide a stable source of economic growth for the region.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



VACANCY: Total Vacant Space Divided by Total Existing Inventory
AVAILABILITY: Total Amount of Space that is Available whether Occupied, for Sublease, or Available at a Future Date
AVERAGE ASKING LEASE RATE: G / SF / Month

TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



SALES **LEASES** **NUMBER OF TRANSACTIONS**

Market Statistics

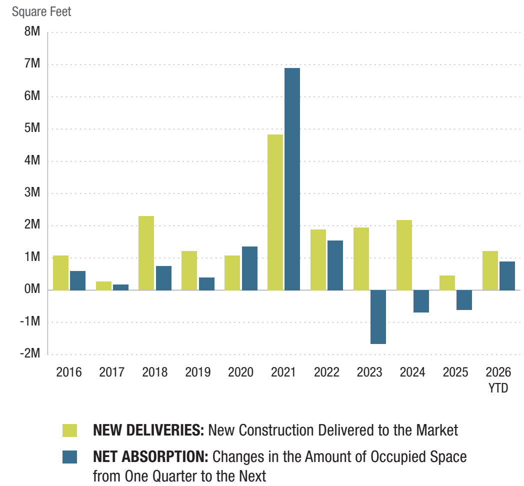
	Change Over Last Quarter		Q2 2026	Q1 2026	Q2 2025	% Change Over Last Year
Vacancy Rate	▲	UP	7.06%	6.91%	6.90%	2.25%
Availability Rate	▲	UP	10.33%	10.12%	9.17%	12.71%
Average Asking Lease Rate	▼	DOWN	$1.40	$1.41	$1.44	(2.78%)
Sale & Lease Transactions	▼	DOWN	2,923,645	3,763,667	3,455,706	(15.40%)
Gross Absorption	▼	DOWN	1,678,234	2,917,318	1,513,847	10.86%
Net Absorption	▼	NEGATIVE	(236,119)	1,129,686	(686,919)	N/A

ABSORPTION. There were 236,119 SF of negative net absorption in Q2, bringing the balance for the first half of the year to a positive 893,567 SF. This significant amount of positive net absorption was due to a 1.1M SF build-to-suit for Amazon coming to completion in Q1. Excluding that one building, the balance of the market saw a net decrease in the total industrial occupier footprint for the first half of the year. 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. 1.2M SF of new industrial projects were delivered in the first half of 2026, and 1.2M SF was under construction at the end of the quarter. The 1.1M SF Amazon fulfillment center in Otay Mesa accounted for most of the construction completion total. The majority of the construction in recent years has been speculative, with minimal pre-leasing. Of the 5.8M SF completed since the start of 2023, 2.1M SF remains available, while 92% of the space under construction at the end of Q2 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 12.5M SF that has been completed since 2020, and 64% of the 1.2M SF under construction at the end of Q2 2026.

EMPLOYMENT. The unemployment rate in San Diego County was 3.9% in May 2026, down from a revised 4.1% in April 2026 and below the year-ago estimate of 4.1%. This compares with an unadjusted unemployment rate of 4.7% for California and 4.1% for the nation during the same period. Over the 12-month period between May 2025 and May 2026, San Diego County employment increased by 13,400 jobs, an increase of 0.7%. With delays 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, the U.S. economy added 57,000 jobs in June, less than half the Dow Jones consensus forecast.

NEW DELIVERIES & NET ABSORPTION



Forecast

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
8320-8380 Camino Santa Fe	Miramar	172,504	$58,000,000	Schnitzer Properties	Hill Properties
2365 Oak Ridge Way	Vista	70,253	$21,700,000	Swarco	JBM Properties, LLC
6212 Corte Del Abeto	Carlsbad	70,224	$16,000,000	Staley Point Capital	Elion Partners
13400 Danielson St.	Poway	61,162	$15,742,500	Sorrento West Properties	UK Danielson, LLC
1755 La Costa Meadows Dr.	San Marcos	66,976	$14,500,000	1755 La Costa, LLC	SMD Victory, LLC; Et Al

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
1756 Weld Blvd.	El Cajon	222,293	May-2026	Undisclosed	Chesnut Properties
2055 Dublin Dr.	Otay Mesa	140,608	May-2026	Rock West Composites	STAG Industrial
3390 Heritage Rd.	Chula Vista	105,550	Apr-2026	Undisclosed	EQT Real Estate
2633 Progress St.	Vista	103,000	Jun-2026	Nordic Naturals	Wilco Investments, LLC
5260 Anna Ave.	Morena/Rose Canyon	73,756	Jun-2026	Undisclosed	New Pacific Realty Corp.

	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 2026	Square Feet Available	Availability Rate Q2 2026	Average Asking Lease Rate	Net Absorption Q2 2026	Net Absorption 2026	Gross Absorption Q2 2026	Gross Absorption 2026
Central County													
Central City	79	1,631,944	0	0	22,268	1.36%	22,268	1.36%	$0.85	(22,268)	(22,268)	0	0
East City	57	565,814	0	0	0	0.00%	0	0.00%	$1.65	0	0	0	0
Southeast City	367	4,917,909	0	0	353,320	7.18%	234,552	4.77%	$1.25	(893)	(30,749)	17,107	31,113
Kearny Mesa	414	10,066,633	177,551	0	407,022	4.04%	600,385	5.86%	$1.95	(22,628)	(84,921)	84,018	114,618
Mission Gorge	106	1,793,799	0	0	107,705	6.00%	196,041	10.93%	$1.87	24,384	13,372	32,193	43,591
Rose Canyon/Morena	130	2,011,163	0	0	141,365	7.03%	152,132	7.56%	$1.64	75,036	69,343	77,012	79,482
Sports Arena/Airport	133	1,494,721	0	0	61,545	4.12%	110,685	7.41%	$1.46	3,200	(5,000)	7,200	7,200
Miramar	578	13,355,501	0	85,000	1,190,840	8.92%	1,381,065	10.34%	$1.71	80,915	(88,551)	316,052	495,640
Sorrento Mesa	66	3,137,710	0	0	229,794	7.32%	338,274	10.78%	$1.79	(10,387)	65,870	33,643	162,253
Sorrento Valley/UTC	39	858,626	0	0	13,540	1.58%	18,407	2.14%	$2.50	(1,840)	3,960	0	5,800
Central County Total	1,969	39,833,820	177,551	85,000	2,527,399	6.34%	3,053,809	7.63%	$1.72	125,519	(78,944)	567,225	939,697
East County													
El Cajon	447	9,535,680	0	0	264,501	2.77%	219,958	2.31%	$1.54	17,099	65,220	35,323	109,840
La Mesa/Spring Valley	303	2,815,852	0	0	64,821	2.30%	72,481	2.57%	$1.63	13,192	486	41,421	60,772
Santee/Lakeside	288	3,906,679	192,245	290,618	101,697	2.60%	313,051	7.64%	$1.37	(21,255)	(15,954)	19,990	60,853
Rural East County	92	999,587	0	0	13,000	1.30%	43,175	4.32%	$1.30	(9,000)	(3,200)	0	5,800
East County Total	1,130	17,257,798	192,245	290,618	444,019	2.57%	648,665	3.72%	$1.49	36	46,552	96,734	237,265
North County													
Escondido	640	8,125,133	0	0	338,466	4.17%	706,699	8.70%	$1.43	(47,617)	(18,599)	56,709	128,882
Oceanside	396	9,141,601	69,544	568,730	334,164	3.66%	433,009	4.70%	$1.27	(32,995)	(10,438)	105,050	205,395
San Marcos	484	8,256,822	0	223,175	803,692	9.73%	747,665	9.06%	$1.52	(4,578)	(18,179)	152,856	207,928
Vista	529	13,722,330	0	0	1,395,386	10.17%	1,987,254	14.48%	$1.26	(64,395)	(127,356)	146,595	270,487
Carlsbad	235	9,215,015	0	311,180	644,172	6.99%	1,165,013	12.64%	$1.38	(50,649)	(59,862)	73,970	235,244
North Beach Cities	37	269,886	0	0	980	0.36%	15,674	5.81%	$2.08	(980)	0	0	980
Rural North County	130	1,199,519	0	10,000	24,022	2.00%	122,173	10.19%	$1.74	(4,560)	(8,715)	0	2,405
North County Total	2,451	49,930,306	69,544	1,113,085	3,540,882	7.09%	5,177,487	10.36%	$1.35	(205,774)	(243,149)	535,180	1,051,321
I-15 Corridor													
Poway	188	7,661,120	0	0	235,003	3.07%	326,682	4.26%	$1.67	(42,988)	(24,196)	62,592	119,037
Rancho Bernardo	38	2,736,340	0	0	135,231	4.94%	156,651	5.72%	$1.50	(32,882)	(32,882)	14,219	14,219
Scripps Ranch	26	698,630	0	86,000	33,363	4.78%	76,526	10.95%	$1.40	(33,363)	26,971	0	60,334
I-15 Corridor Total	252	11,096,090	0	86,000	403,597	3.64%	559,859	5.05%	$1.62	(109,233)	(30,107)	76,811	193,590
South County													
Chula Vista	321	8,818,268	0	110,658	899,177	10.20%	733,591	8.32%	$1.27	17,873	216,980	97,942	339,458
National City	255	3,766,878	0	93,720	204,637	5.43%	378,385	10.05%	$1.69	(15,840)	(1,274)	9,049	67,249
Otay Mesa	394	26,498,278	789,173	2,976,673	3,068,642	11.58%	5,855,194	21.46%	$1.08	(43,674)	995,358	295,293	1,757,992
South San Diego	62	1,333,411	0	0	97,303	7.30%	99,235	7.44%	$1.40	(5,026)	(11,849)	0	8,980
South County Total	1,032	40,416,835	789,173	3,181,051	4,269,759	10.56%	7,066,405	17.15%	$1.17	(46,667)	1,199,215	402,284	2,173,679
San Diego County Total	**6,834**	**158,534,849**	**1,228,513**	**4,755,754**	**11,185,656**	**7.06%**	**16,506,225**	**10.33%**	**$1.40**	**(236,119)**	**893,567**	**1,678,234**	**4,595,552**
0-9,999	3,051	15,585,568	20,006	0	494,468	3.17%	656,969	4.21%	$1.63	(26,806)	(61,586)	172,112	333,931
10,000-19,999	1,783	25,275,766	0	10,000	1,067,754	4.22%	1,394,793	5.52%	$1.59	(76,438)	(128,125)	299,497	606,220
20,000-34,999	971	24,927,921	0	27,720	1,376,299	5.52%	2,038,653	8.18%	$1.46	(41,409)	(31,430)	372,836	716,065
35,000-49,999	379	15,647,567	92,538	41,900	920,277	5.88%	1,463,953	9.30%	$1.39	(86,755)	33,588	160,089	385,889
50,000-99,999	389	26,886,313	501,338	466,046	2,387,487	8.88%	3,955,999	14.44%	$1.36	87,365	118,828	308,021	696,759
100,000 Plus	261	50,211,714	614,631	4,210,088	4,939,371	9.84%	6,995,858	13.76%	$1.08	(92,076)	962,292	365,679	1,856,688
San Diego County Total	**6,834**	**158,534,849**	**1,228,513**	**4,755,754**	**11,185,656**	**7.06%**	**16,506,225**	**10.33%**	**$1.40**	**(236,119)**	**893,567**	**1,678,234**	**4,595,552**

Lease rates are on an industrial-gross basis.

SECOND QUARTER 2026 MARKET REPORT

SAN DIEGO INDUSTRIAL

Voit
REAL ESTATE SERVICES

A Correction, Not a Collapse

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San Diego's industrial market continues to move through a correction phase, but the story is more complex than a simple decline in fundamentals. The market is no longer operating with the urgency and pricing power that defined the post-pandemic years, yet it remains one of the more durable commercial real estate sectors in the region. For owners, investors, and occupiers, the second half of 2026 will likely be defined by selectivity, patience, and a clearer separation between highly functional industrial buildings and properties that require more aggressive positioning.

The first half of the year showed that tenant demand still exists, but tenants are taking longer to make decisions and are using increased availability to their advantage. Businesses that were once forced to move quickly and accept aggressive terms now have more options. That shift has placed pressure on landlords, particularly those with older buildings, limited loading, lower clear heights, inadequate power, or vacancies in larger blocks of space. In many cases, the quoted asking rate tells only part of the story. The more meaningful adjustment is occurring through concessions, free rent, tenant improvement dollars, and flexibility in lease structure.

The industrial market is also being influenced by a broader business climate that remains difficult to predict. Interest rates, inflation concerns, tariffs, fuel costs, and geopolitical uncertainty continue to affect operating decisions. Companies tied to distribution, manufacturing, cross-border trade, and logistics are still active, but many are trying to avoid overcommitting until they have better visibility into future costs. This has created a market where activity can appear healthy in certain submarkets while feeling sluggish in others.

Otay Mesa remains one of the most important submarkets to watch. New supply and larger blocks of available space continue to shape the countywide statistics, especially in the big-box segment. At the same time, Central County and smaller-bay industrial product remain more protected because replacement supply is limited and users often have fewer realistic alternatives. Kearny Mesa, Miramar, Poway, the I-15 Corridor, and other established industrial hubs should continue to outperform when buildings offer modern functionality.

Looking ahead to the third and fourth quarters, the market is expected to remain competitive but not distressed. Well-capitalized tenants should continue to find increased negotiating leverage, especially on larger vacancies. Owners who adjust early, improve building conditions, and price realistically will be in the best position to capture demand. Those who rely on yesterday's rental assumptions may sit longer than expected.

The long-term case for San Diego industrial real estate remains intact and positive. The county has limited land, a diverse economy, cross-border trade, defense activity, advanced manufacturing, and a multitude of service-industrial users. The market is correcting from an overheated period but is not falling apart. In the second half of 2026, success will come down to discipline—realistic pricing from owners, careful underwriting from investors, and smart timing from tenants.

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

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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

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