

NORTH SAN DIEGO COUNTY | INDUSTRIAL

Q1 2018

Market Overview

The North County San Diego industrial market is largely decentralized and comprised of five cities, including Carlsbad, Escondido, Oceanside, San Marcos, and Vista. Situated 35 miles north of downtown San Diego and 52 miles south of John Wayne Airport in Orange County, the coastal location is a major factor in the area's appeal to corporate users and its 885,084 residents.

Behind the Numbers

- Combined industrial/R&D vacancy stood at 5.2% at the end of Q1 2018. This is a 23 basis point increase from the prior quarter (4.97% in Q4 2017). Direct vacancy made up 4.82% of the inventory while sublease vacancy stood at 0.38%. All North County submarkets maintain vacancy rates below 8%.
- North County combined industrial/R&D net absorption was a positive 89,002 SF in Q1. Industrial buildings (manufacturing, warehouse, distribution and multi-tenant/incubator uses) posted positive net absorption of 144,085 SF, while R&D buildings (flex, wet lab and R&D uses) posted negative net absorption of 55,083 SF. Carlsbad ranked first in demand for North County and second in demand countywide behind Otay Mesa (+161,335 SF).
- Average asking rental rates in North County have remained flat over the past year. The average asking rental rate stood at \$0.90/SF NNN.
- 124,581 SF of new construction was completed in Q1 2018. This was comprised of the first of four buildings in Industrial Property Trust's Pacific Coast Collection located in Oceanside at 1319 Rocky Point Dr.
- There was 1,710,424 SF under construction in North County as of Q1 2018. This includes Techbilt Companies' 63,900 SF building in the Carlsbad Oaks East Business Park; Ryan Companies' 411,000 SF Pacific Vista Commerce Center projects in buildings A, B and C on Whiptail Loop; Hamann Construction's 128,402 SF building in Carlsbad Oaks North Business Park; RAF Pacifica's 172,655 SF vector project in Carlsbad Oaks North, the 83,000 SF build-to-suit project for San Diego Hat Company on lot 7 of Carlsbad Oaks North, the 277,351 SF dis-trib-ute projects in lots 12 and 15 in the Carlsbad Raceway Business Park and the 222,028 SF pro-duc-tion projects in San Marcos ; HM Electronics 140,000 SF build-to-suit in Carlsbad, and Exeter Property Group's 212,088 SF spec building in Escondido.

NORTH COUNTY INDUSTRIAL/R&D SUMMARY

Select Markets (Carlsbad, Escondido, Oceanside, San Marcos, Vista), Q1 2018

	Q1 2018	Q1 2017	YoY 2017
Overall Vacancy (incl. sublease)	5.20%	4.83%	↑
Net Absorption SF	89,002	198,145	↓
Under Construction SF	1,710,424	364,232	↑
Average Asking Rent (NNN)	\$0.90	\$0.91	↓

AT A GLANCE

Market Size 53.5 Mil SF

Net Absorption
Q1 2018

89,002 SF

Total Vacancy Rate
All Product Types - Q1 2018

5.20%

Unemployment
SD County - Feb. 2018

3.5%

Under Construction
Q1 2018

1,710,424 SF

Avg. Asking Rate
Q1 2018

\$0.90 NNN PSF

Avg. Sales Price
Q1 2018

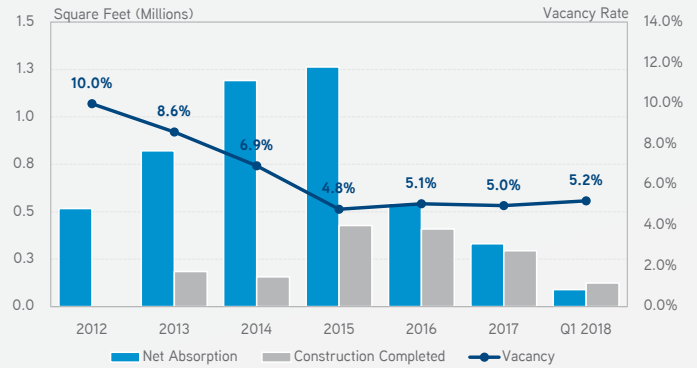
\$169 PSF

North County Industrial/R&D Overview

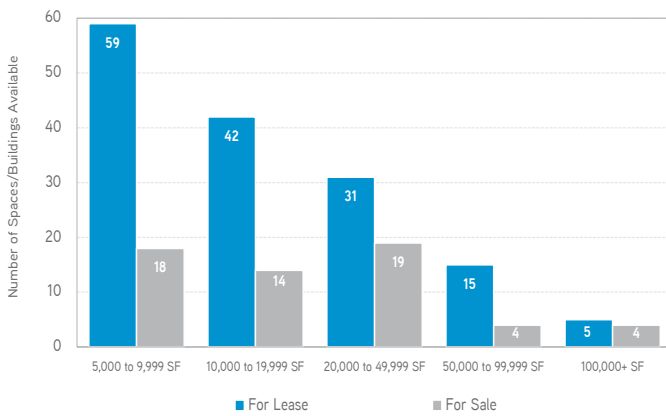
Q1 2018

	Bldgs	Total Inventory	Vacant SF	Vacancy Rate	YTD Absorption
Carlsbad	488	14,613,732	1,139,764	7.80%	143,463
Escondido	643	7,474,384	187,494	2.51%	(52,662)
Oceanside	404	9,117,648	468,789	5.14%	10,577
San Marcos	496	8,593,801	311,826	3.63%	65,739
Vista	533	13,794,809	680,576	4.93%	(78,115)
TOTAL	2,564	53,594,374	2,788,449	5.20%	89,002

North County Historical Industrial/R&D Market Trends

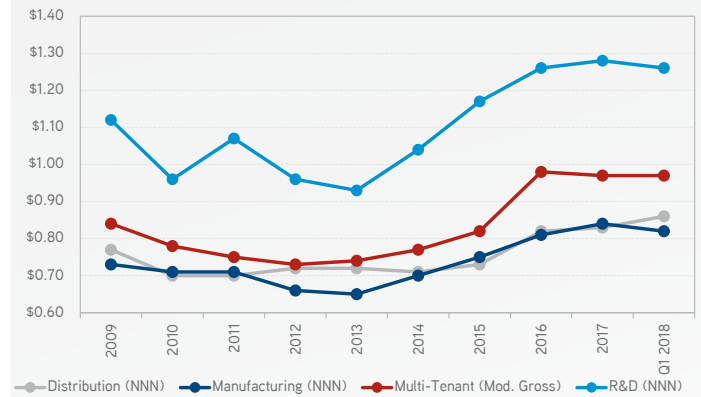


North County Supply by Size (Industrial/R&D)



North County Historical Industrial/R&D Rental Rates

Average Asking Monthly Rate per SF, Triple Net



Sample of Industrial/R&D Activity - Q1 2018

Leasing

Tenant	Submarket	Size (SF)	Deal Type
Acushnet Company	Carlsbad	166,310	Lease renewal.
PODS Enterprises LLC	Carlsbad	112,235	New lease in a building under construction.
Vista Industrial Products	Vista	67,476	New lease; relocation within submarket.
Nine2Five	Vista	24,473	New lease; relocation from Oceanside.
C. Enterprises, L.P.	Vista	24,014	Lease extension.
Astro Paper & Envelopes	Vista	21,120	New lease.
Piercan USA	San Marcos	16,509	Lease renewal.
KonaRed Corporation	Carlsbad	12,704	New lease.

Sales

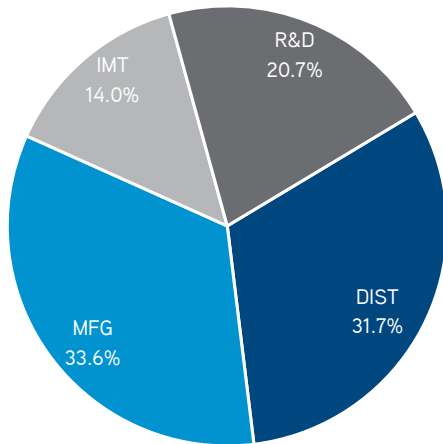
Property/Address	Submarket	Size (SF)	Sale Price	\$/SF	Buyer	Seller
2819 Loker Ave E	Carlsbad	166,310	\$40,000,000	\$241	BLT Enterprises	Hines Global REIT, Inc.
1319 Rocky Point Dr	Oceanside	124,581	\$19,932,960	\$160	NKL Paolone Family, LLC	IPT Pacific Coast BP IV LLC
1395 Park Center Dr	Vista	158,784	\$18,440,000	\$116	CapRock Partners	Vista Industrial Properties
Portfolio of 4 Industrial Properties	Oceanside	94,965	\$12,750,000	\$134	TriQuest Management Company	MAJ Investors LP
1205 Avenida Chelsea	Vista	22,707	\$3,565,500	\$157	CSI Capacitors, Inc.	Paul A. Elson
5607 Palmer Way	Carlsbad	16,532	\$3,305,000	\$200	Gary Kreitzer	Eagle Group LLC

NORTH COUNTY INDUSTRIAL MARKET OVERVIEW - Q1 2018

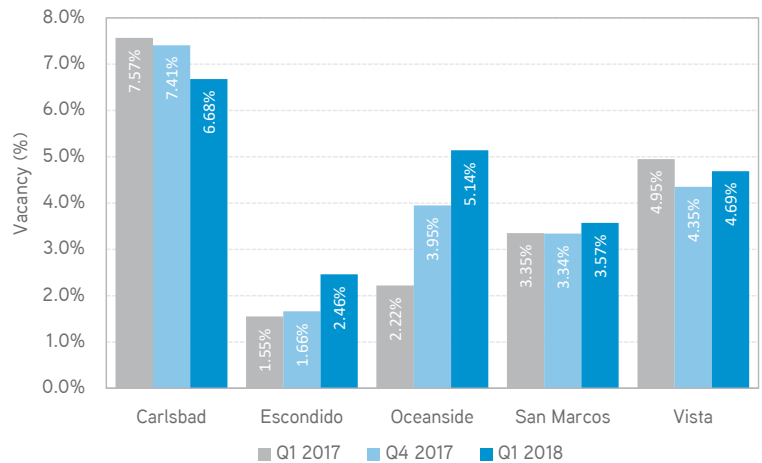
San Diego North County Industrial/R&D by Product Type

Type	Existing Properties								Net Absorption (SF)		New Supply (SF)		UC/Proposed		
	Bldgs	Total Inventory	Direct SF	Direct %	Sublet SF	Sublet %	Total SF	Total %	Qtr	YTD	Qtr	YTD	Under Constr. SF	UC Availability	Proposed SF
INDUSTRIAL															
Distribution	221	8,200,633	304,339	3.71%	20,831	0.25%	325,170	3.97%	629	629	124,581	124,581	1,265,396	83.21%	559,583
Industrial	672	8,775,320	216,794	2.47%	1,700	0.02%	218,494	2.49%	1,519	1,519	0	0	0	0.00%	36,690
Manufacturing	943	18,030,681	694,089	3.85%	0	0.00%	694,089	3.85%	102,129	102,129	0	0	445,028	49.89%	0
Multi-Tenant	392	7,512,693	550,281	7.32%	31,267	0.42%	581,548	7.74%	39,808	39,808	0	0	0	0.00%	0
TOTAL	2,228	42,519,327	1,765,503	4.15%	53,798	0.13%	1,819,301	4.28%	144,085	144,085	124,581	124,581	1,710,424	74.53%	596,273
R&D															
R&D	334	11,017,740	788,582	7.16%	152,312	1.38%	940,894	8.54%	-84,136	-84,136	0	0	0	0.00%	146,108
Wet Lab	2	57,307	28,254	4930%	0	0.00%	28,254	4930%	29,053	29,053	0	0	0	0.00%	0
TOTAL	336	11,075,047	816,836	7.38%	152,312	1.38%	969,148	8.75%	-55,083	-55,083	0	0	0	0.00%	146,108
TOTAL	2,564	53,594,374	2,582,339	4.82%	206,110	0.38%	2,788,449	5.20%	89,002	89,002	124,581	124,581	1,710,424	74.53%	742,381

North County Inventory Breakdown

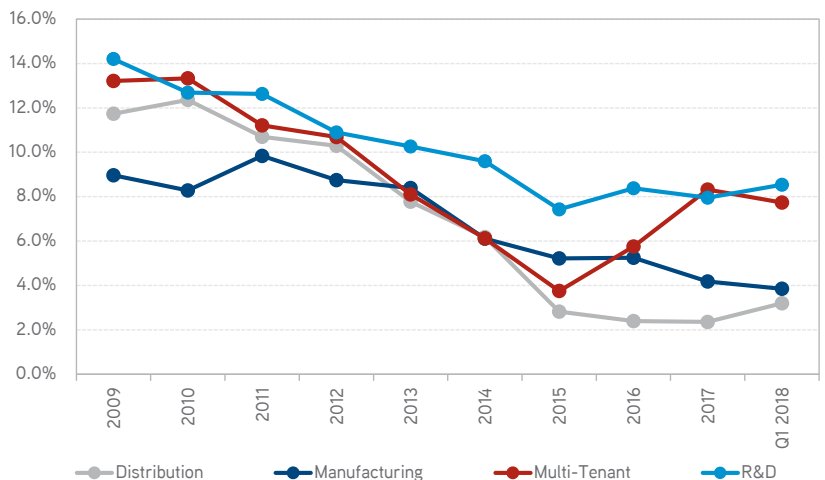


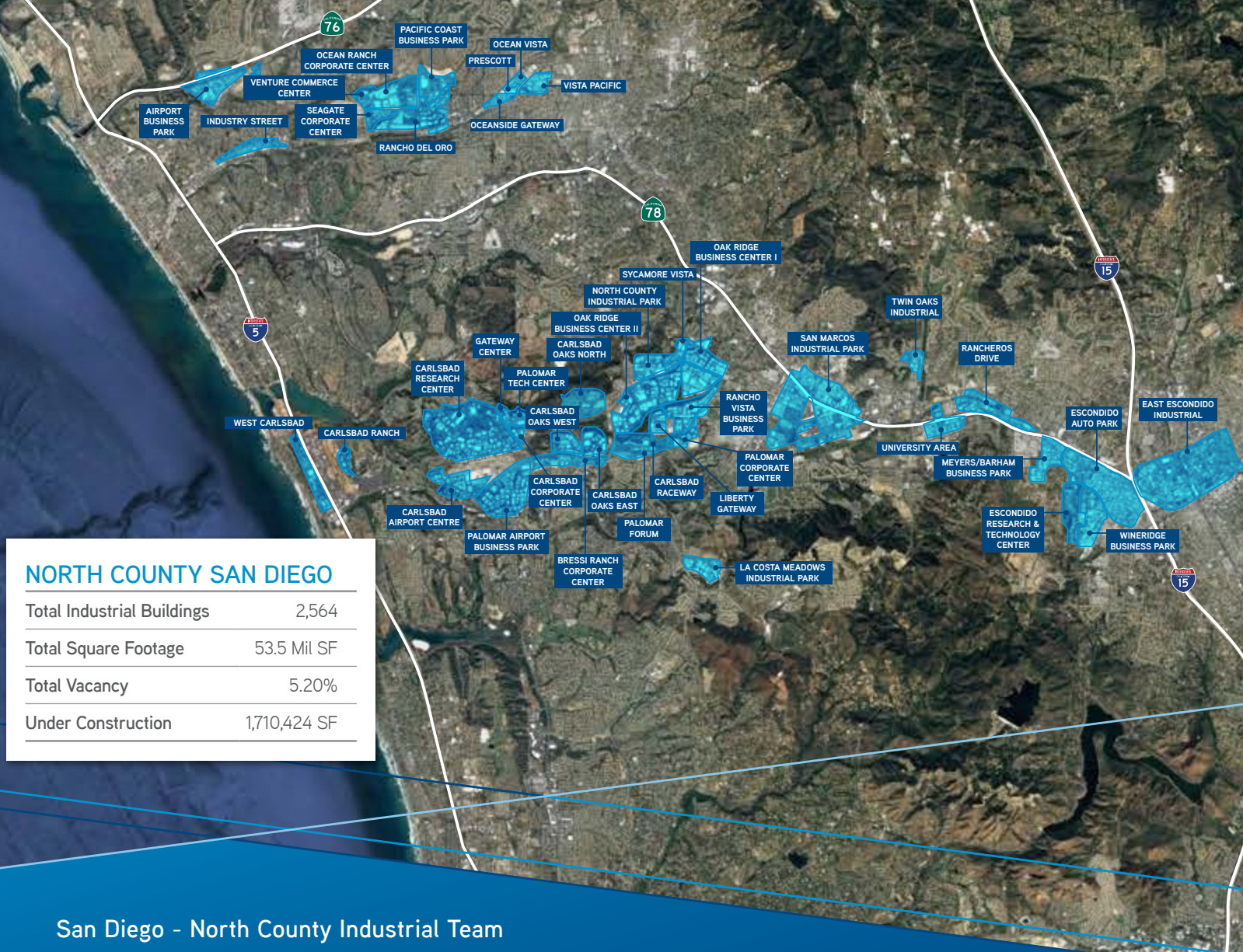
Submarket Direct Vacancy



	Size (SF)
DIST	16,975,953
MFG	18,030,681
IMT	7,512,693
R&D	11,075,047
TOTAL	53,594,374
Under Construction	1,710,424
Proposed	742,381
Total Future Inventory	2,452,805

Vacancy by Product Type





NORTH COUNTY SAN DIEGO

Total Industrial Buildings	2,564
Total Square Footage	53.5 Mil SF
Total Vacancy	5.20%
Under Construction	1,710,424 SF

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15,400 professionals in
69 countries on
6 continents

\$2.7 billion in annual revenue

2.0 billion square feet managed

68,000 lease and sale transactions



Accelerating success.

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