

# NORTH SAN DIEGO COUNTY | INDUSTRIAL

## Q2 2019

### 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

- At the end of Q2 2019, combined industrial/R&D vacancy stood at 7.27%. This is a 66 basis point increase from the prior quarter (6.61% in Q1 2019). Direct vacancy made up 6.9% of the inventory, while sublease vacancy stood at 0.3%. Carlsbad (10.5%) was the only North County submarket with double-digit vacancy rates. The initial increase in Carlsbad's vacancy occurred in Q1 and was driven by new construction that was completed that quarter, however the vacancy came down by 38 basis points in Q2.
- North County combined industrial/R&D posted negative net absorption (311,118 SF) during Q2 2019. Industrial buildings (manufacturing, warehouse, distribution and multi-tenant/incubator uses) posted negative net absorption of 273,060 SF; R&D buildings (flex, wet lab and R&D uses) posted negative net absorption of 60,058 SF. Vista posted the most negative net absorption (-428,645 SF) during the quarter. This activity was driven by a few large move-outs including Zodiac Pool Systems vacating 197,414 SF at 2620 Commerce Way to relocate to 2882 Whiptail Loop E. in Carlsbad (+106,122 SF). Denso Wireless vacated the 221,660 SF building at 3250 Business Park Dr while Newport Blue moved out of 42,260 SF at 2258 Rutherford Rd.
- Average asking rental rates for all product types combined in North County held at \$0.98/SF/month on a triple net basis (NNN) – a 5% year-over-year increase.
- After a particularly strong Q1 when 841,379 SF of new construction was completed, Q2 saw only 37,439 SF completed in one project, Hamann Construction's BTS project at 2842 Whiptail Loop.
- There was 86,725 SF under construction in North County at the end of Q2 2019. These projects include Badiiee Development's 77,725 SF two-building project at Keystone Innovation Industrial Park located on Keystone Way in Vista, and Enstrom Mold and Engineering's 9,000 SF project on Trade St in San Marcos.

### NORTH COUNTY INDUSTRIAL/R&D SUMMARY

Select Markets (Carlsbad, Escondido, Oceanside, San Marcos, Vista), Q2 2019

	Q2 2019	YTD 2019	Q2 2018	YE 2018
Overall Vacancy (incl sublease)	<b>7.27%</b>	7.27%	5.90%	6.07%
Net Absorption (SF)	<b>(333,118)</b>	(104,083)	(115,691)	1,025,764
Under Construction (SF)	<b>86,725</b>	86,725	1,684,258	650,311
Average Asking Rent (NNN)	<b>\$0.98</b>	\$0.98	\$0.93	\$0.98

### AT A GLANCE

Market Size **55.7 Mil SF**

Net Absorption  
YTD 2019

**(104,083) SF**

Total Vacancy Rate  
All Product Types - Q2 2019

**7.27%**

Unemployment  
SD County - May 2019

**2.8%**

Under Construction  
Q2 2019

**86,725 SF**

Avg. Asking Rate  
Q2 2019

**\$0.98 NNN PSF**

Avg. Sales Price  
Q2 2019

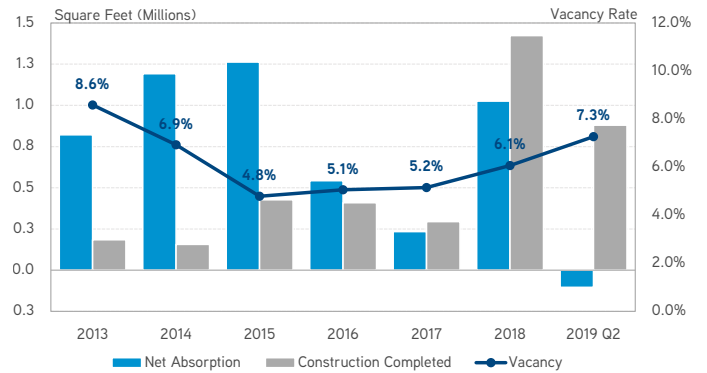
**\$181 PSF**

## North County Industrial/R&D Overview

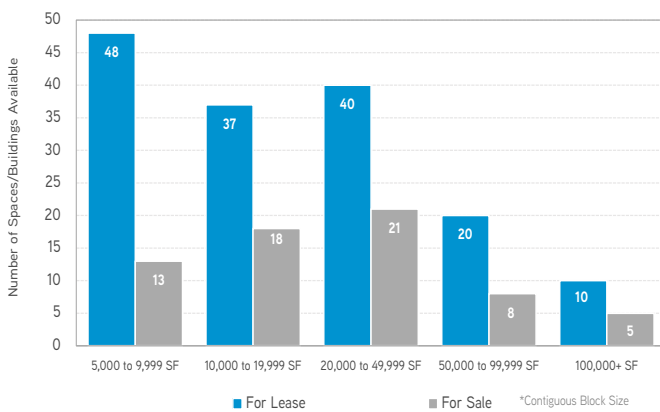
Q2 2019

	Bldgs	Total Inventory	Vacant SF	Vacancy (incl sublease)	YTD Absorption
Carlsbad	499	16,066,515	1,683,605	10.48%	340,768
Escondido	645	7,704,410	194,271	2.52%	(34,867)
Oceanside	407	9,403,841	583,494	6.20%	126,032
San Marcos	499	8,625,621	472,222	5.47%	(9,003)
Vista	534	13,946,274	1,119,361	8.03%	(527,013)
<b>TOTAL</b>	<b>2,584</b>	<b>55,746,661</b>	<b>4,052,953</b>	<b>7.27%</b>	<b>(104,083)</b>

## North County Historical Industrial/R&D Market Trends

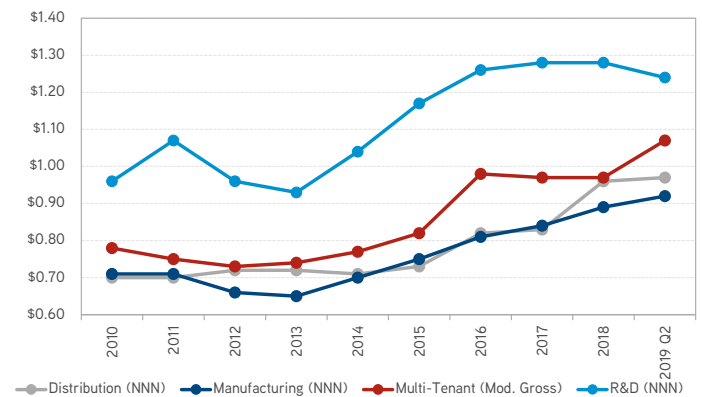


## North County Supply by Size (Industrial/R&D)



## North County Historical Industrial/R&D Rental Rates

Average Asking Monthly Rate per SF, Triple Net



## Recent Industrial/R&D Activity - Q2 2019

### Leasing

Tenant	Submarket	Size (SF)	Deal Type
Lunada Bay	Oceanside	28,303	Relocation with submarket.
J&L Eppig Brewing	Vista	16,202	Expansion into new submarket.
Ecowater Systems of San Diego	Vista	12,875	New lease.
Mathco Health Corporation	Carlsbad	12,492	New lease.
Abtech Systems, Inc.	Carlsbad	12,416	New lease.
Arrow Pipeline Repair Inc.	Vista	10,940	New lease.
PAR Electrical Contractors, Inc.	Escondido	8,000	Lease renewal.

### Sales

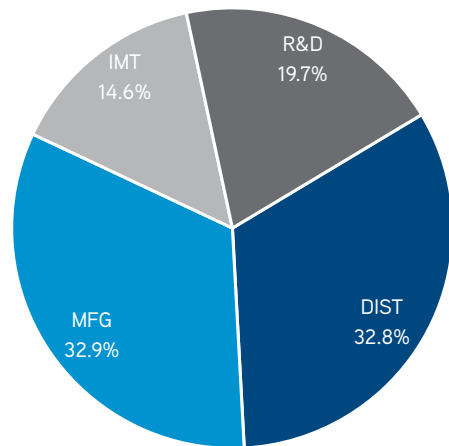
Property/Address	Submarket	Size (SF)	Sale Price	\$/SF	Buyer	Seller
1950 Camino Vida Roble	Carlsbad	121,541	\$20,200,000	\$166	RAF Pacifica Group	Buchanan Street Ptnrs.
3248 Lionshead Ave	Carlsbad	55,573	\$14,450,000	\$260	Sarah Street Everist	Badiee Development, Inc.
1125 Joshua Way	Vista	77,736	\$14,000,000	\$180	Steven Quill Evans	The Blackstone Group, LP
1339 Rocky Point Point Dr	Oceanside	51,102	\$8,942,850	\$175	Orange Circle Studio	Black Creek Group
Rexford Industrial Realty, Inc.	San Marcos	45,678	\$7,900,000	\$173	Rexford Industrial Realty, Inc.	Bert Hocking Jr.
649 Benet Rd	Oceanside	39,140	\$7,397,000	\$189	Craig Bacharach	Pacificia Foods LLC

# NORTH COUNTY INDUSTRIAL MARKET OVERVIEW - Q2 2019

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

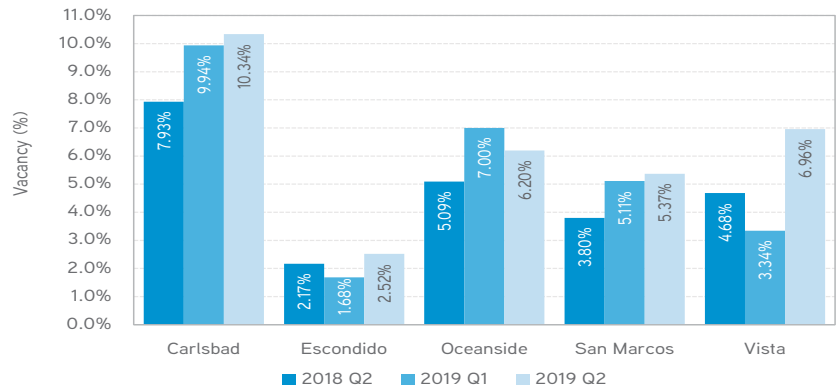
Type	Existing Properties								Net Absorption (SF)		New Supply (SF)		UC/Proposed		
	Bldgs	Total Inventory	Direct SF	Direct %	Sublet SF	Sublet %	Total SF Vacant	Total %	Qtr	YTD	Qtr	YTD	Under Constr. SF	UC Availability	Proposed SF
<b>INDUSTRIAL</b>															
Distribution	235	9,797,531	1,261,902	12.88%	0	0.00%	1,261,902	12.88%	98,733	160,626	37,439	734,326	86,725	54.43%	254,650
Industrial	656	8,462,969	142,330	1.68%	2,200	0.03%	144,530	1.71%	32,072	95,010	0	0	0	0.00%	36,690
Manufacturing	939	18,323,245	1,194,088	6.52%	149,175	0.81%	1,343,263	7.33%	(402,893)	(465,610)	0	0	0	0.00%	0
Multi-Tenant	430	8,158,920	477,184	5.85%	14,758	0.18%	491,942	6.03%	(972)	8,787	0	0	0	0.00%	0
<b>TOTAL</b>	<b>2,260</b>	<b>44,742,665</b>	<b>3,075,504</b>	<b>6.87%</b>	<b>166,133</b>	<b>0.37%</b>	<b>3,241,637</b>	<b>7.25%</b>	<b>(273,060)</b>	<b>(201,187)</b>	<b>37,439</b>	<b>734,326</b>	<b>86,725</b>	<b>54.43%</b>	<b>291,340</b>
<b>R&amp;D</b>															
R&D	302	9,919,084	781,495	7.88%	14,024	0.14%	795,519	8.02%	(78,558)	14,696	0	146,108	0	0.00%	0
Wet Lab	22	1,084,912	15,797	1.46%	0	0.00%	15,797	1.46%	18,500	82,408	0	0	0	0.00%	0
<b>TOTAL</b>	<b>324</b>	<b>11,003,996</b>	<b>797,292</b>	<b>7.25%</b>	<b>14,024</b>	<b>0.13%</b>	<b>811,316</b>	<b>7.37%</b>	<b>(60,058)</b>	<b>97,104</b>	<b>0</b>	<b>146,108</b>	<b>0</b>	<b>0.00%</b>	<b>0</b>
<b>TOTAL</b>	<b>2,584</b>	<b>55,746,661</b>	<b>3,872,796</b>	<b>6.95%</b>	<b>180,157</b>	<b>0.32%</b>	<b>4,052,953</b>	<b>7.27%</b>	<b>(333,118)</b>	<b>(104,083)</b>	<b>37,439</b>	<b>880,434</b>	<b>86,725</b>	<b>54.43%</b>	<b>291,340</b>

### North County Inventory Breakdown

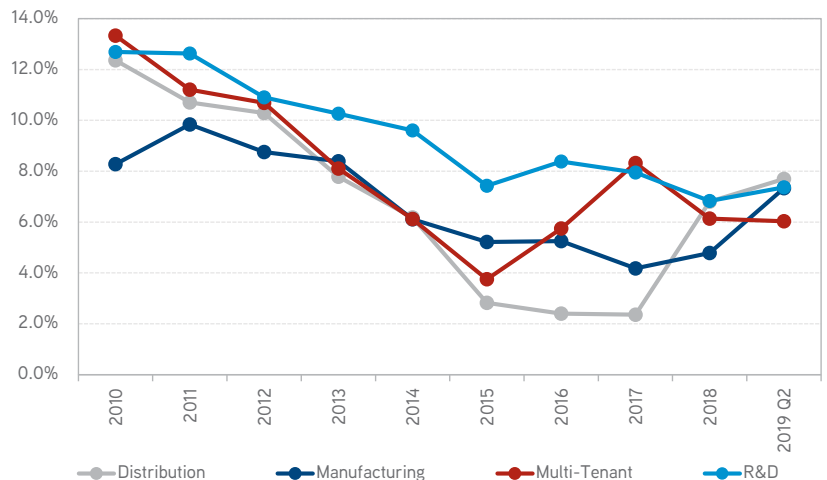


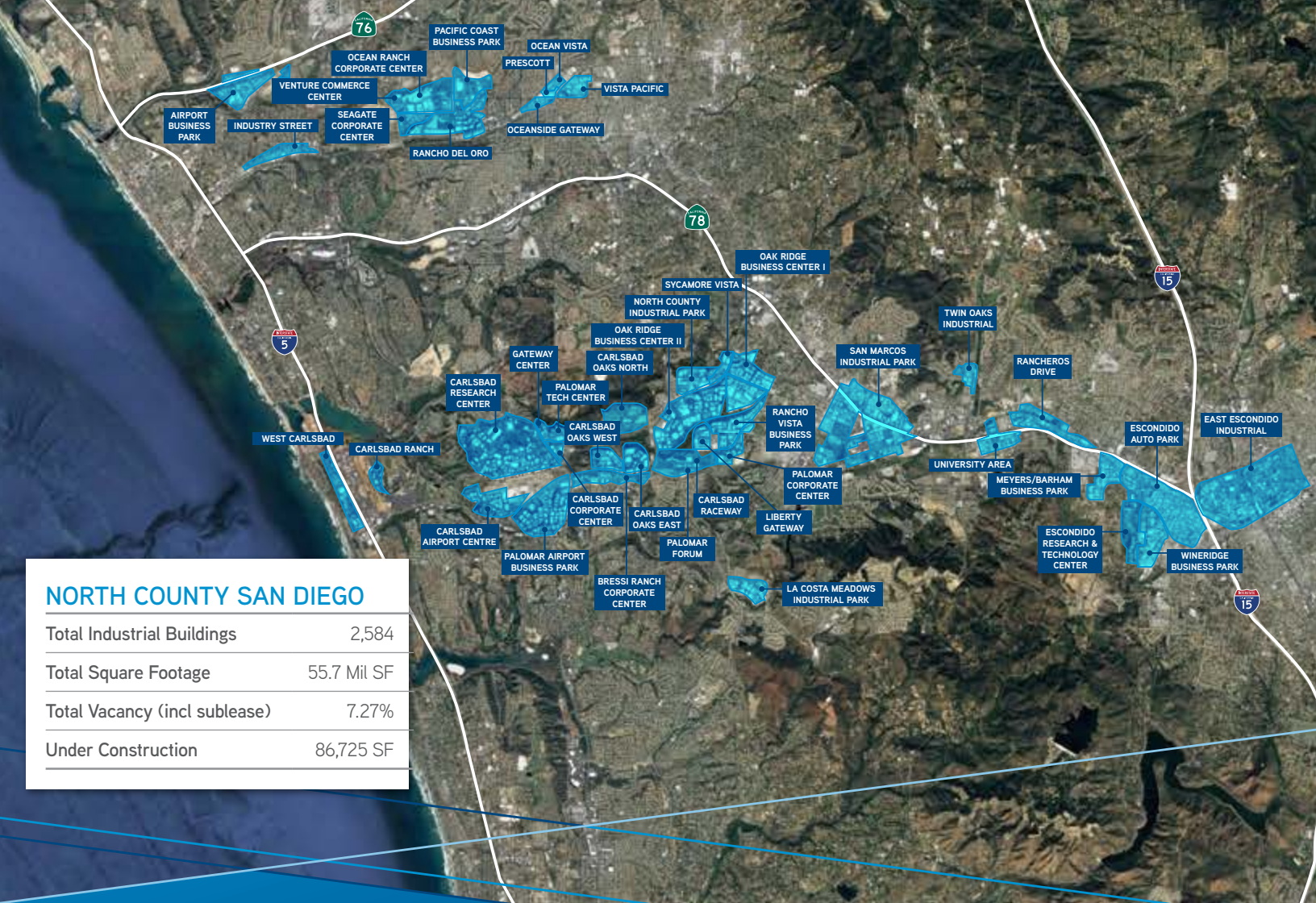
	Size (SF)
DIST	18,260,500
MFG	18,323,245
IMT	8,158,920
R&D	11,003,996
<b>TOTAL</b>	<b>55,746,661</b>
Under Construction	86,725
Proposed	291,340
<b>Total Future Inventory</b>	<b>378,065</b>

### North County Submarket Direct Vacancy



### North County Vacancy by Product Type





## NORTH COUNTY SAN DIEGO

Total Industrial Buildings	2,584
Total Square Footage	55.7 Mil SF
Total Vacancy (incl sublease)	7.27%
Under Construction	86,725 SF

### San Diego - North County Industrial Team

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**17,000+** professionals in  
**68** countries on  
**6** continents

**\$3.3** billion in annual revenue

**2.0** billion square feet managed

**69,000** lease and sale transactions



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