

MARKET HIGHLIGHT: SAN DIEGO

INDUSTRIAL, R&D DEVELOPMENT RETURNS TO SAN DIEGO IN FULL FORCE



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After a decade of scarce industrial development in San Diego County, 2016 marked its strong return. About 1.3 million square feet of industrial/R&D space was completed, which is more than what was delivered between 2013 and 2015 combined. This year is expected to be an even more active year for industrial/R&D speculative and build-to-suit development with an additional 1.4 million square feet currently under construction.

North County San Diego has become the concentrated hotspot for



Badiee Development recently broke ground on the 55,573-square-foot Carlsbad Victory Industrial Park inside the Carlsbad Raceway Industrial Park.

both speculative and build-to-suit industrial development. Nearly two-thirds of all new industrial/R&D

development completed in 2016 was in North County, including about 233,227 square feet of speculative construction.

This new wave of development was triggered by 16 consecutive quarters of rental rate increases and last year's record-low vacancy rate of 4.7 percent for combined industrial/R&D properties countywide. Average asking rental rates are increasing quicker in North County than anywhere else in San Diego. North County's average asking rental rates have increased by 5.9 percent since the end of 2015, whereas the countywide rate increased by only 3 percent in the same period. Vacancy will likely fluctuate between 4 percent and 5 percent throughout 2017 as net absorption keeps pace with new construction.

Many organizations are making the move to North County as there is minimal industrial/R&D space avail-

able across the county. Users from the life sciences, action sports, technology and distribution industries are typically drawn to this market because the newer space provides access to a diverse workforce and features highly functional, appealing amenities.

A few extremely active developers are capitalizing on these trends, concentrating on Carlsbad and its surrounding markets like Vista, Oceanside, San Marcos and Escondido. These developers are delivering product that features 28- to 32-foot clear heights, multiple dock-high doors, mezzanine space, collaborative office spaces, extensive glass lines with ample natural lighting, and well-appointed outdoor amenities and meeting areas.

Most of North County's new development pipeline is in Techbilt's Carlsbad Oaks North, a 150-acre master-planned corporate business park. There are currently two projects under construction: RAF Pacifica's Elevate, a 147,000-square-foot speculative creative industrial project, and Hamann Companies' 140,000-square-foot build-to-suit project for HM Electronics. An additional 1 million square feet of industrial/R&D space will break ground in the first half of 2017 at Carlsbad Oaks North. This includes projects from Techbilt, Hamann Companies, Ryan Companies, RAF Pacifica and Badiee Development, among others.

RAF Pacifica is planning two separate projects just a few miles from Carlsbad Oaks North in San Marcos and the Carlsbad Raceway Industrial Park that total 489,000 square feet. Badiee Development also recently broke ground on the 55,573-square-foot Carlsbad Victory Industrial Park inside the Carlsbad Raceway Industrial Park. The firm has planned an additional 77,850-square-foot, two-building project in Vista, as well as two separate projects totaling 177,000 square feet in Escondido.



RAF Pacifica's Elevate, a 147,000-square-foot speculative creative industrial project, is currently under construction in North County.

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