

# NORTH SAN DIEGO COUNTY | INDUSTRIAL

## Q4 2019

### Behind the Numbers

- North County vacancy of 7.0% increased slightly in Q4.
- Nearly 1 million SF of construction was completed in 2019.
- North County average asking NNN rental rate remained at all time high of \$0.99/SF in Q4.

### Net Absorption

Industrial buildings (manufacturing, warehouse, distribution and multi-tenant/incubator uses) posted 28,622 SF of positive net absorption and R&D buildings (flex, wet lab and R&D uses) posted negative net absorption of 110,510 SF, for a combined industrial/R&D net absorption of negative 81,888 SF. Oceanside was the most active submarket (+56,129 SF) in Q4. Notable move-ins included Cubework (81,928 SF) and San Diego Food Bank (67,221 SF) in Vista and Wayfair (79,023 SF) in Oceanside. ShipCalm vacated 155,069 SF in Vista but relocated into 66,084 SF at RAF Pacifica Group's recently built (2018) vec•tor project in Carlsbad.

### Vacancy

North County combined industrial/R&D vacancy stood at 7.0%. This is a 15 basis point increase from the prior quarter (6.9% in Q3 2019). Direct vacancy made up 6.7% of the inventory, while sublease vacancy stood at 0.3%. Vacancy in the industrial inventory increased by 6 basis points to 6.5%, while the R&D vacancy rose 37 basis points to 7.5%.

### New Supply

No new construction was completed in Q4. However, 958,159 SF was completed in 2019. New construction for the year ranked third only to 2018's explosive year of 1,424,005 SF and 2007's banner year of 1,316,198 SF. There was 177,774 SF under construction in North County at the end of Q4 2019. These projects include Badiie Development's 50,150 SF project at Carlsbad Innovate located at 2810 Caribou Ct, Hamann Companies' 100,000 SF project at Ocean Ranch Corporate Center, a 18,624 SF project at Windy Point & Borden Rd in San Marcos, and Enstrom Mold and Engineering's 9,000 SF project on Trade St in San Marcos.

### Trends and Outlook

Over the past year, the vacancy rate has increased by nearly a percentage point due to increased construction completions of close to 1 million SF, while net absorption was just over 100,000 SF. Average asking rental rates for all product types combined in North County remained at \$0.99/SF/month on a triple net basis (NNN) – a \$0.01 year-over-year increase.

### NORTH COUNTY INDUSTRIAL/R&D SUMMARY

Select Markets (Carlsbad, Escondido, Oceanside, San Marcos, Vista), Q4 2019

	Q4 2019	Q4 2018	Change
Overall Vacancy (incl. sublease)	<b>7.00%</b>	6.07%	↑
Net Absorption (SF)	<b>(81,888)</b>	513,463	—
Under Construction (SF)	<b>177,774</b>	650,311	↓
Average Asking Rent (NNN)	<b>\$0.99</b>	\$0.96	↑

### AT A GLANCE

Market Size

56 Mil SF

Net Absorption  
YTD 2019  
 **105,667 SF**

Total Vacancy Rate  
All Product Types - YTD 2019  
 **7.00%**

Unemployment  
SD County - Nov. 2019  
 **2.9%**

Under Construction  
YTD 2019  
 **177,774 SF**

Avg. Asking Rate  
Q4 2019  
 **\$0.99 NNN PSF**

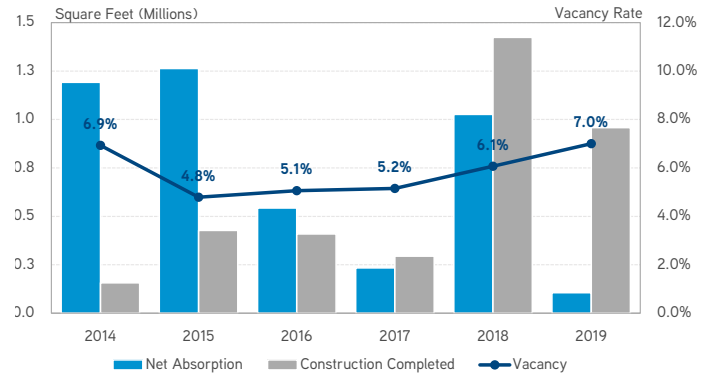
Avg. Sales Price  
Q4 2019  
 **\$203 PSF**

## North County Industrial/R&D Overview

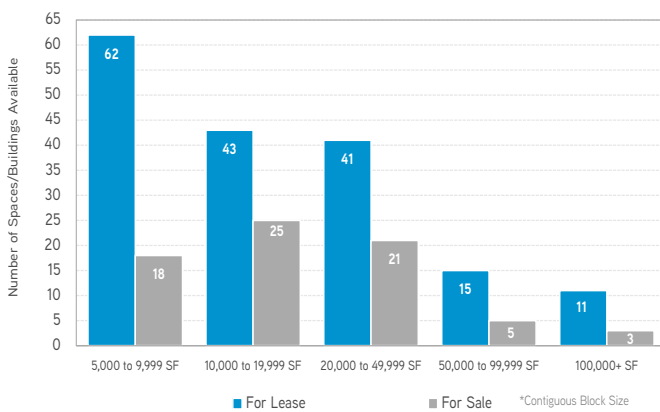
Q4 2019

	Bldgs	Total Inventory	Vacant SF	Vacancy (incl sublease)	YTD Absorption
Carlsbad	499	16,066,550	1,803,517	11.23%	222,472
Escondido	645	7,705,414	227,727	2.96%	(68,323)
Oceanside	407	9,403,841	378,373	4.02%	331,153
San Marcos	498	8,655,871	497,046	5.74%	(33,827)
Vista	537	14,228,318	1,015,881	7.14%	(345,808)
<b>TOTAL</b>	<b>2,586</b>	<b>56,059,994</b>	<b>3,922,544</b>	<b>7.00%</b>	<b>105,667</b>

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

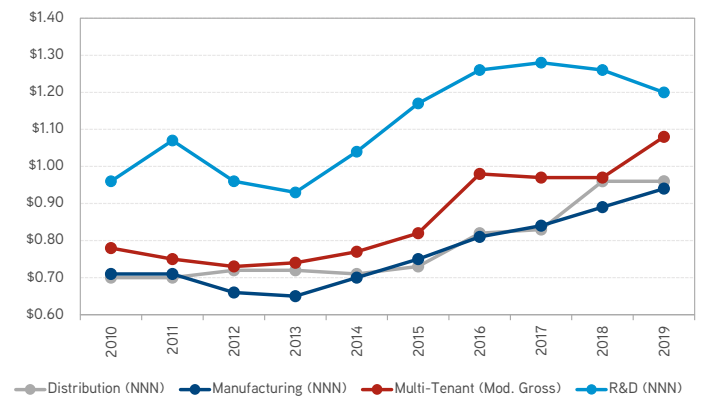


## North County Supply by Size (Industrial/R&D)



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

Average Asking Monthly Rate per SF, Triple Net



## Recent Industrial/R&D Activity - Q4 2019

### Leasing

Tenant	Submarket	Size (SF)	Deal Type
Palomar Health	Escondido	26,090	New lease.
LifeCORE Fitness	Carlsbad	21,753	New lease.
Marketing Genome Project LLC	Oceanside	19,161	New lease.
JetHead Development, Inc.	Carlsbad	17,776	Renewal.
Accu-Tech Laser Processing	San Marcos	12,493	New lease.

### Sales

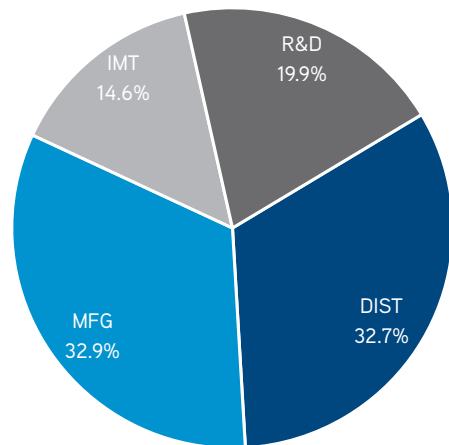
Property/Address	Submarket	Use	Size (SF)	Sale Price	\$/SF	Buyer	Seller
Pacific Coast Collection (2 bldgs + land)	Oceanside	Ind.	226,691	\$43,557,714	\$192	EastGroup Properties	Black Creek Industrial Property Trust
Element	Carlsbad	R&D	83,212	\$23,100,000	\$278	Nelli-Regen Three, LLC	Alvarez & Marsal Property Inv.
Copperwood Portfolio	Oceanside	Ind.	140,945	\$20,050,000	\$142	Kurt Bruggeman	Focus Real Estate LP
5928 Farnsworth Ct	Carlsbad	Ind.	54,154	\$9,200,000	\$170	Lincoln Property Company	Carlsbad Technology, Inc.
2251 Rutherford Rd	Carlsbad	R&D	34,304	\$9,170,000	\$267	Nexgen Pharma, Inc.	Pacific Realty Advisors

# NORTH COUNTY INDUSTRIAL MARKET OVERVIEW - Q4 2019

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

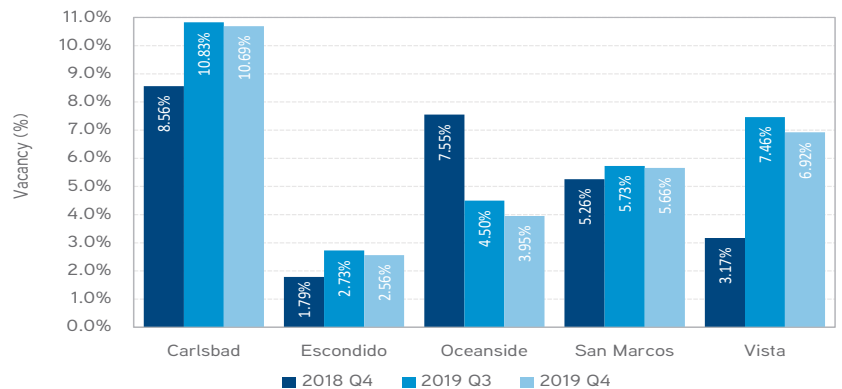
EXISTING INVENTORY (SF)		VACANCY (%)			NET ABSORPTION (SF)			NEW SUPPLY (SF)			Avg Asking Rate
Type/Submarket	Total Inventory	Direct	Sublet	Total	Prior Qtr	Current Qtr	YTD	Completed Current Qtr	Completed YTD	Under Construction	
<b>INDUSTRIAL</b> <span style="float: right;">Manufacturing, warehouse, distribution, and multi-tenant/incubator</span>											
Carlsbad	8,535,490	11.57%	0.14%	11.71%	12.42%	60,464	236,055	0	456,533	50,150	\$1.06
Escondido	7,360,978	2.68%	0.41%	3.09%	2.95%	(10,565)	(68,323)	0	0	0	\$0.97
Oceanside	8,432,506	3.99%	0.09%	4.08%	4.81%	73,177	359,453	0	277,793	100,000	\$0.88
San Marcos	7,990,454	5.73%	0.09%	5.82%	5.92%	9,636	(24,130)	0	0	27,624	\$0.94
Vista	12,585,273	7.49%	0.17%	7.66%	8.70%	(104,090)	(384,198)	0	77,725	0	\$0.93
<b>TOTAL</b>	<b>44,904,701</b>	<b>6.51%</b>	<b>0.17%</b>	<b>6.68%</b>	<b>6.75%</b>	<b>28,622</b>	<b>118,857</b>	<b>0</b>	<b>812,051</b>	<b>177,774</b>	<b>\$0.95</b>
<b>R&amp;D</b> <span style="float: right;">Flex, wet lab and R&amp;D</span>											
Carlsbad	7,531,060	9.70%	0.97%	10.67%	9.43%	(93,462)	(13,583)	0	146,108	0	\$1.24
Escondido	344,436	0.00%	0.00%	0.00%	0.00%	0	0	0	0	0	\$1.01
Oceanside	971,335	3.54%	0.00%	3.54%	1.82%	(17,048)	(28,300)	0	0	0	N/A
San Marcos	665,417	4.84%	0.00%	4.84%	4.84%	0	(9,697)	0	0	0	\$1.03
Vista	1,643,045	2.51%	0.62%	3.13%	3.56%	0	38,390	0	0	0	\$1.03
<b>TOTAL</b>	<b>11,155,293</b>	<b>7.52%</b>	<b>0.75%</b>	<b>8.26%</b>	<b>7.27%</b>	<b>(110,510)</b>	<b>(13,190)</b>	<b>0</b>	<b>146,108</b>	<b>0</b>	<b>\$1.20</b>
<b>NORTH COUNTY TOTAL (INDUSTRIAL + R&amp;D)</b>											
Carlsbad	16,066,550	10.69%	0.53%	11.23%	11.02%	(32,998)	222,472	0	602,641	50,150	\$1.12
Escondido	7,705,414	2.56%	0.39%	2.96%	2.82%	(10,565)	(68,323)	0	0	0	\$0.97
Oceanside	9,403,841	3.95%	0.08%	4.02%	4.62%	56,129	331,153	0	277,793	100,000	\$0.88
San Marcos	8,655,871	5.66%	0.08%	5.74%	5.85%	9,636	(33,827)	0	0	27,624	\$0.95
Vista	14,228,318	6.92%	0.22%	7.14%	6.41%	(104,090)	(345,808)	0	77,725	0	\$0.93
<b>TOTAL</b>	<b>56,059,994</b>	<b>6.71%</b>	<b>0.29%</b>	<b>7.00%</b>	<b>6.85%</b>	<b>(81,888)</b>	<b>105,667</b>	<b>0</b>	<b>958,159</b>	<b>177,774</b>	<b>\$0.99</b>

### North County Inventory Breakdown

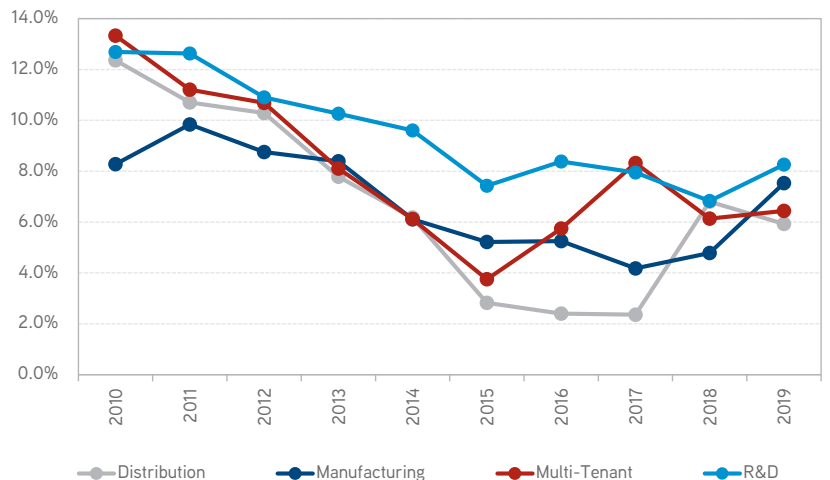


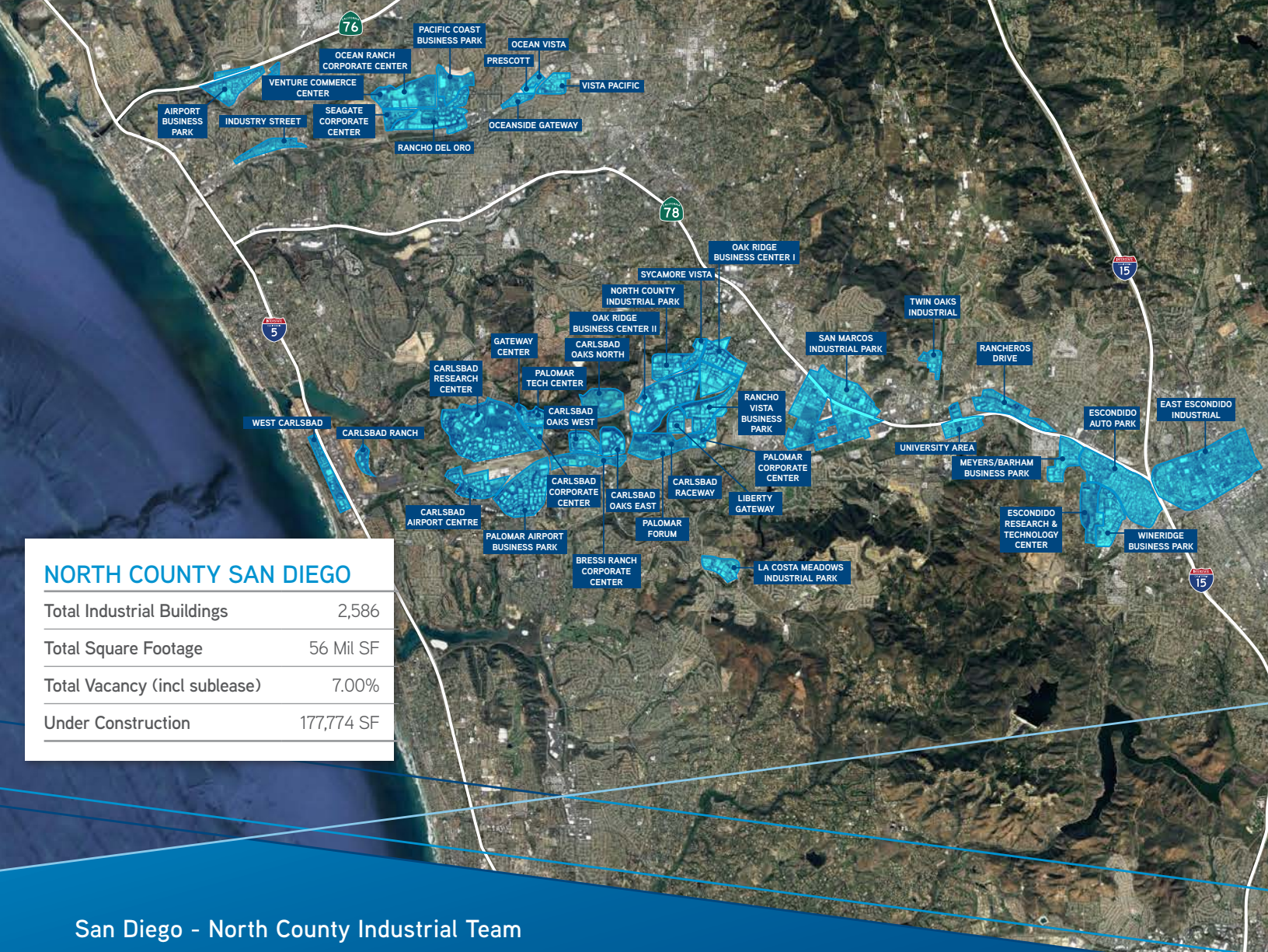
	Size (SF)
DIST	18,319,206
MFG	18,426,575
IMT	8,158,920
R&D	11,155,293
<b>TOTAL</b>	<b>56,059,994</b>
Under Construction	177,774
Proposed	170,190
<b>Total Future Inventory</b>	<b>347,964</b>

### North County Submarket Direct Vacancy



### North County Vacancy by Product Type





## NORTH COUNTY SAN DIEGO

Total Industrial Buildings	2,586
Total Square Footage	56 Mil SF
Total Vacancy (incl sublease)	7.00%
Under Construction	177,774 SF

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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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