



North County Industrial 22Q3

Key Takeaways

- North County average asking monthly rental rates increased in Q3 to \$1.34/SF triple-net (NNN); this equated to a 24% year-over-year (YoY) increase.
- Overall vacancy increased slightly by 27 basis points (BPS) to 2.33%. The increase was driven by the vacancy of 161,240 SF of sublease space by Amazon and multi-tenant move-outs at the COMMERCE in Carlsbad.
- Total vacancy increased slightly over last quarter's lowest rate on record.



Summary

North County industrial and flex property continued to see steady demand in Q3 2022, despite the move-out of Amazon (161,240 SF) at 3266 Lionshead Ave. Industrial and flex vacancies still remain at historically low rates of 2.25% and 2.62%, respectively. The tightening of vacancy has resulted in an average asking rental rate increase of 4.69% for the quarter and a year-over-year increase of over 24% to reach \$1.34/SF triple-net. Robust demand coupled with no new supply will continue to keep vacancies at tightening levels in 2022.

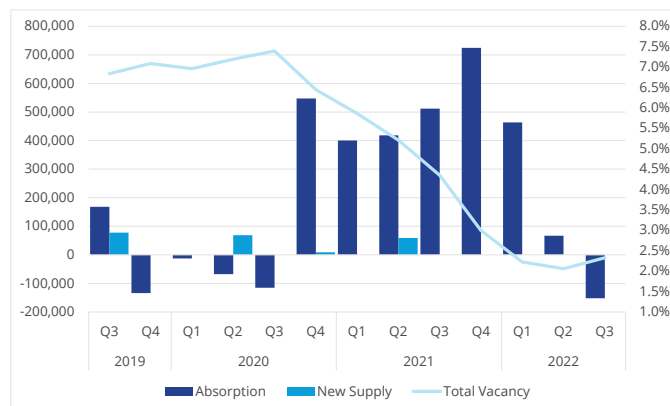
Market Indicators



Historic Comparison

	21Q3	22Q2	22Q3
Total Inventory (in Thousands of SF)	55,750.7	55,746.7	55,746.7
New Supply (in Thousands of SF)	0.0	0.0	0.0
Net Absorption (in Thousands of SF)	511.9	66.8	(151.6)
Overall Vacancy	4.35%	2.06%	2.33%
Under Construction (in Thousands of SF)	0.0	0.0	0.0
Overall Asking Lease Rates (NNN)	\$1.08	\$1.28	\$1.34

Historical Market Trends



North County recorded over 150,000 SF of negative net absorption in Q3 to bring net absorption to 378,530 SF year-to-date. Vacancy peaked at 7.39% in Q3 2020 during the initial COVID pandemic wave. In the subsequent seven quarters, the countywide vacancy has fallen by 533 basis points (BPS) to a Q2 rate of 2.06%. The increase in vacancy to 2.33% in Q3 was caused by the vacancy of 161,240 SF of sublease space by Amazon at 3266 Lionshead Avenue in addition to -56,107 SF of multi-tenant move-outs at the COMMERCE project on Avenida Encinas. Vista (+89,671 SF) recorded the most positive net absorption in North County and the second-highest countywide during Q3.

Recent Transactions



Lease
2057 Aldergrove Ave
Escondido | 42K SF



Lease
2811 La Mirada Dr
Vista | 41K SF



Lease
3275 Corporate View
Vista | 39K SF



Sale
1395 Park Center Dr
Vista | \$282/SF



Sale
6350 Palomar Oaks Ct
Carlsbad | \$260/SF



Sale
2776 Loker Ave W
Carlsbad | \$307/SF

North County | 22Q3 | Industrial | Market Statistics

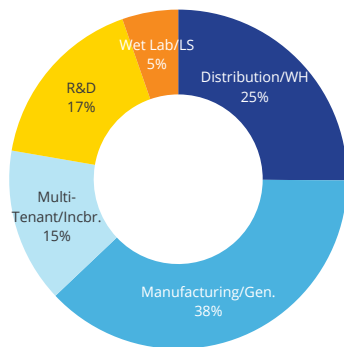
Submarkets - Industrial & Flex



Submarket/Class	Total Inventory SF	Direct Vacancy Rate	Sublease Vacancy Rate	Total Vacancy Rate	Vacancy Rate Previous	Net Absorption Current	Net Absorption YTD	Under Construction	Deliveries YTD	Avg Direct Asking Rate (NNN)
Carlsbad										
Industrial	8,053,556	2.35%	2.47%	4.81%	1.51%	(266,189)	(135,254)	0	0	\$1.52
Flex	8,010,049	2.72%	0.12%	2.85%	2.72%	(9,870)	17,021	0	0	\$1.55
TOTAL	16,063,605	2.54%	1.30%	3.83%	2.11%	(276,059)	(118,233)	0	0	\$1.54
Escondido										
Industrial	7,064,326	1.82%	0.12%	1.94%	2.33%	27,033	(14,548)	0	0	\$1.24
Flex	350,261	1.14%	0.00%	1.14%	0.41%	(2,560)	7,229	0	0	\$1.30
TOTAL	7,414,587	1.79%	0.12%	1.91%	2.24%	24,473	(7,319)	0	0	\$1.24
Oceanside										
Industrial	8,097,886	1.00%	0.00%	1.00%	1.12%	9,691	40,032	0	0	\$1.30
Flex	1,857,242	0.07%	0.00%	0.07%	0.21%	2,655	21,310	0	0	\$1.40
TOTAL	9,955,128	0.82%	0.00%	0.82%	0.95%	12,346	61,342	0	0	\$1.30
San Marcos										
Industrial	7,792,481	0.73%	0.02%	0.74%	0.69%	(3,465)	65,143	0	0	\$1.32
Flex	627,803	0.00%	0.00%	0.00%	0.23%	1,450	18,950	0	0	N/Av
TOTAL	8,420,284	0.67%	0.01%	0.69%	0.66%	(2,015)	84,093	0	0	\$1.32
Vista										
Industrial	12,311,336	2.40%	0.13%	2.52%	2.00%	(85,696)	232,260	0	0	\$1.18
Flex	1,581,728	5.82%	0.00%	5.82%	18.32%	175,367	126,387	0	0	\$1.91
TOTAL	13,893,064	2.79%	0.11%	2.90%	3.89%	89,671	358,647	0	0	\$1.23
North County										
Industrial	43,319,585	1.73%	0.52%	2.25%	1.56%	(318,626)	187,633	0	0	\$1.25
Flex	12,427,083	2.54%	0.08%	2.62%	4.17%	167,042	190,897	0	0	\$1.66
TOTAL	55,746,668	1.91%	0.42%	2.33%	2.14%	-151,584	378,530	0	0	\$1.34

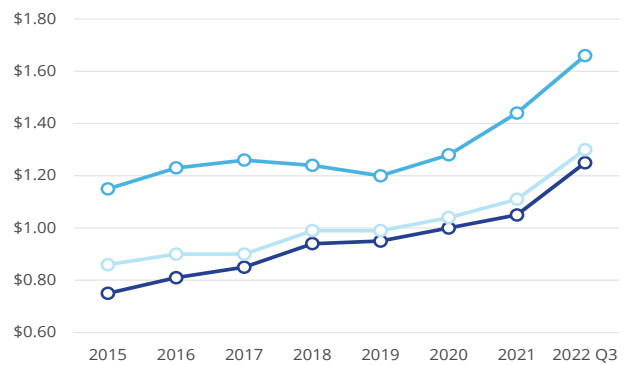
Inventory Breakdown

	Size (SF)
Distribution/WH	13,997,092
Manufacturing/Gen.	21,092,182
Multi-Tenant/Incr.	8,230,311
R&D	9,440,191
Wet Lab/LS	2,986,892
TOTAL	55,746,668
Under Construction	0
Proposed for Future Construction	807,727
Total Future Inventory	807,727



Historical Industrial/Flex Rental Rates

Average Asking Monthly Rental Rate per SF, Triple Net



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