

CENTRAL SAN DIEGO COUNTY | INDUSTRIAL

Q1 2020

Market Overview

The Central County industrial market is comprised of all of the City of San Diego's various community planning areas (CPAs) excluding Otay Mesa and San Ysidro in the South County, Scripps Ranch and Rancho Bernardo in the I-15 Corridor. The population is estimated to be 1.13 million residents as of 2018.

Behind the Numbers

- At the close of Q1 2020, combined industrial/R&D vacancy stood at 5.8%. This was a 17 basis point decrease from the prior quarter (5.9% in Q4 2019). Direct vacancy made up 5.1% of the inventory while sublease vacancy stood at 0.7%. Nine of the ten Central County submarkets maintain vacancy rates below 10.0%; Sorrento Mesa (11.6%) has the highest rate, while Rose Canyon/Morena (0.3%) maintains the lowest vacancy rate.
- Central County combined industrial/R&D net absorption was a positive 141,061 SF in Q1 2020. Industrial buildings (manufacturing, warehouse, distribution and multi-tenant/incubator uses) posted negative net absorption of 16,974 SF and R&D buildings (flex, wet lab and R&D uses) posted positive net absorption of 158,035 SF. Torrey Pines posted the greatest net absorption (+175,108 SF). Campus Point/Eastgate was the second most active market (+69,179 SF) for a second quarter in a row.
- Average asking rental rates for all product types combined in Central County was \$1.89/SF on a triple net basis (NNN) compared to \$1.56/SF a year-ago (Q1 2019). This amounted to a 21% year-over-year increase in asking rents.
- Two buildings were completed in Q1 totaling 235,782, SF. This included the 98,282 SF Alexandria GradLabs developed by Alexandria Real Estate Equities in Campus Point and BioMed Realty's 137,500 SF Center for Novel Therapeutics in Torrey Pines. There was 202,418 SF under construction in the Central County. These projects include Healthpeak Properties', formerly known as HCP, Inc., three projects at The Boardwalk at Torrey Pines Science Center with a completion date estimated to be Q2 2021.
- As we publish this report, the U.S. and the world at large are facing a tremendous challenge, the scale of which is unprecedented in recent history. The spread of the novel coronavirus (COVID-19) is significantly altering day-to-day life, impacting society, the economy and, by extension, commercial real estate.**
- The extent, length and severity of this pandemic is unknown and continues to evolve at a rapid pace. The scale of the impact and its timing varies between locations. To better understand trends and emerging adjustments, please subscribe to [Colliers' COVID-19 Knowledge Leader page for resources and recent updates.](#)**
- While the COVID-19 pandemic will certainly affect all commercial real estate sectors, the industrial market will likely experience various outcomes based on the industry sectors within it. This is a period of uncertainty the likes of which have never been seen before and it will be at least several quarters until we have a hold on whether the industrial market we still be as strong – or potentially stronger – as it had been trending over the past eight years.

CENTRAL COUNTY INDUSTRIAL/R&D SUMMARY

Select Markets (Airport/Sports Arena, Campus Point/Eastgate, Central San Diego, Kearny Mesa, Miramar, Mission Gorge/Mission Valley, Rose Canyon/Morena, Sorrento Mesa, Sorrento Valley, Torrey Pines), Q1 2020

	Q1 2020	Q1 2019	Change
Overall Vacancy (incl. sublease)	5.80%	5.99%	↓
Net Absorption SF	141,061	(504,135)	+
Under Construction SF	202,418	389,970	↓
Average Asking Rent (NNN)	\$1.89	\$1.56	↑

AT A GLANCE

Market Size 73.9 Mil SF

Net Absorption
YTD 2020



141,061 SF

Total Vacancy Rate
All Product Types - YTD 2020



5.80%

Unemployment
SD County - Feb. 2020



3.2%

Under Construction
YTD 2020



202,418 SF

Avg. Asking Rate
Q1 2020



\$1.89 NNN PSF

Avg. Sales Price
Q1 2020



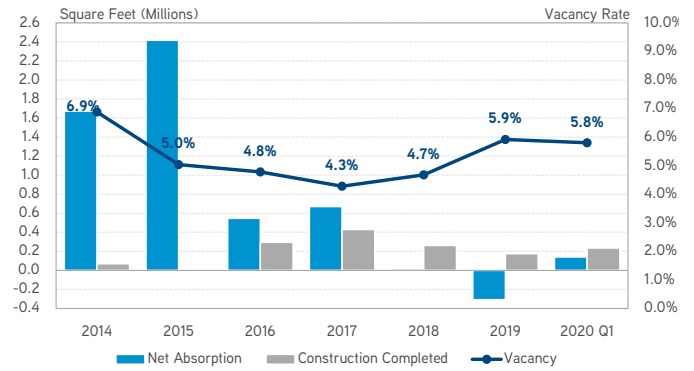
\$324 PSF

Central County Industrial/R&D Overview

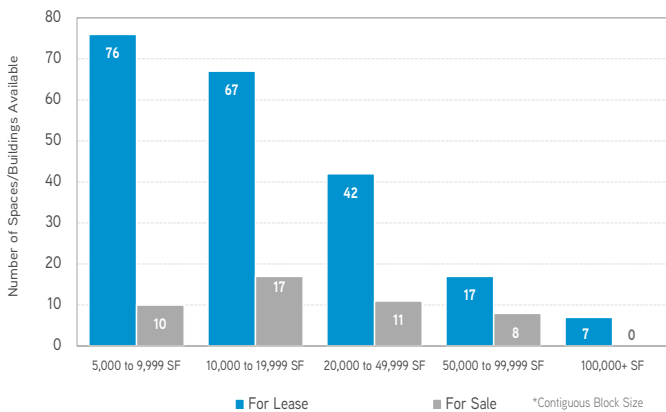
Q1 2020

	Bldgs	Total Inventory	Vacant SF	Vacancy Rate	YTD Absorption
Airport/ Sports Arena	75	1,901,222	38,362	2.02%	(18,160)
Campus Point/ Eastgate	53	4,688,896	326,731	6.97%	69,179
Central San Diego	432	9,020,530	284,475	3.15%	(23,505)
Kearny Mesa	624	16,547,365	654,221	3.95%	19,613
Miramar	583	14,017,023	555,953	3.97%	(23,803)
Mission Gorge/ Mission Valley	92	2,179,369	96,485	4.43%	11,187
Rose Canyon/ Morena	188	4,045,685	12,064	0.30%	7,821
Sorrento Mesa	275	12,669,867	1,468,476	11.59%	(49,654)
Sorrento Valley	108	3,441,461	320,294	9.31%	(26,725)
Torrey Pines	68	5,476,160	531,963	9.71%	175,108
TOTAL	2,498	73,987,578	4,289,024	5.80%	141,061

Central County Historical Industrial/R&D Market Trends

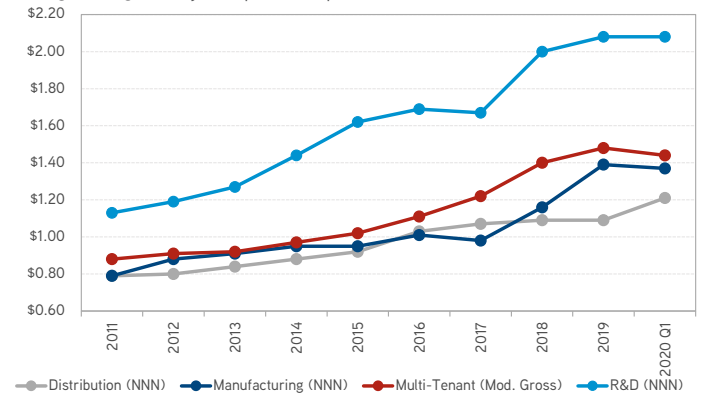


Central County Supply by Size (Industrial/R&D)



Central County Historical Industrial/R&D Rental Rates

Average Asking Monthly Rate per SF, Triple Net



Recent Industrial/R&D Activity - Q1 2020

Leasing

Tenant	Submarket	Size (SF)	Deal Type
Sekisui Diagnostics, LLC	Sorrento Mesa	52,959	New lease within the same submarket.
RRD San Diego	Central San Diego	39,777	Lease renewal.
BAE Systems	Kearny Mesa	36,125	Lease renewal.
Kirei USA	Miramar	27,510	New lease.
Veolia ES Technical Solutions	Kearny Mesa	16,719	New lease.
Mikkeller Brewing San Diego	Miramar	15,840	Lease renewal.

Sales

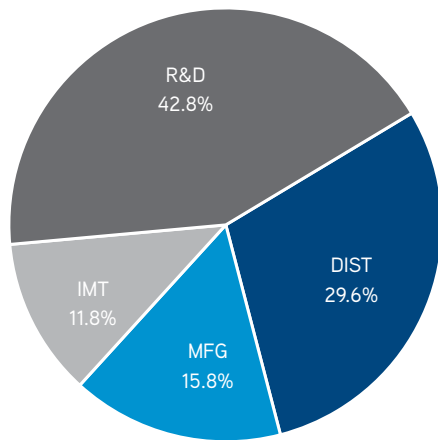
Property/Address	Submarket	Size (SF)	Sale Price	\$/SF	Buyer	Seller
9431 Dowdy Drive	Miramar	55,200	\$11,000,000	\$199	Fidelity Investments	Providence Capital Group
7630 Carroll Road	Miramar	42,261	\$6,800,000	\$161	University Vista LLC	Miramar Metroplex LP
8485 Production Ave	Miramar	28,973	\$5,495,000	\$189.66	Jackie Shemtov	California Commercial Properties
11495-11499 Sorrento Valley Rd	Sorrento Mesa	27,710	\$4,000,000	\$144.35	Victor Manneh	Rayotek Holdings LLC
4645 Ruffner St	Kearny Mesa	16,937	\$3,200,000	\$188.94	Corvette Shop	Peter Aardema

CENTRAL COUNTY INDUSTRIAL MARKET OVERVIEW - Q1 2020

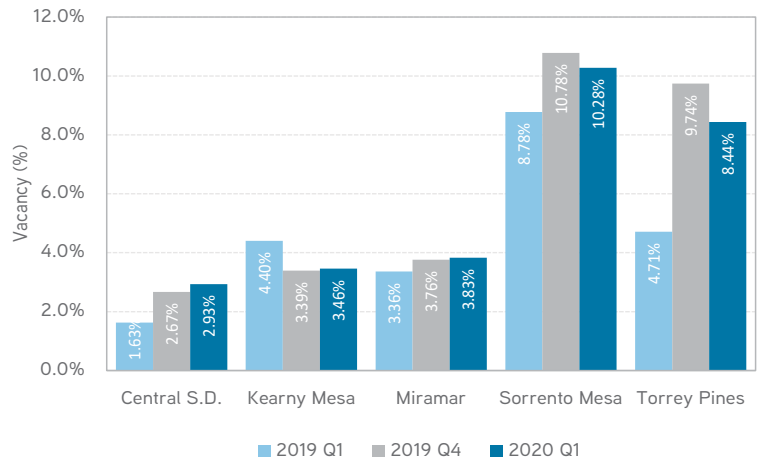
San Diego Central County Industrial/R&D by Product Type

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	255	11,824,120	269,819	2.28%	12,750	0.11%	282,569	2.39%	-5,832	-5,832	0	0	0	0.00%	759,000
Industrial	520	10,043,348	393,375	3.92%	19,218	0.19%	412,593	4.11%	-15,138	-15,138	0	0	0	0.00%	70,000
Manufacturing	495	11,698,563	179,895	1.54%	32,630	0.28%	212,525	1.82%	-31,178	-31,178	0	0	0	0.00%	0
Multi-Tenant	511	8,735,201	356,262	4.08%	36,471	0.42%	392,733	4.50%	35,174	35,174	0	0	0	0.00%	0
TOTAL	1,781	42,301,232	1,199,351	2.84%	101,069	0.24%	1,300,420	3.07%	-16,974	-16,974	0	0	0	0.00%	829,000
R&D															
R&D	477	17,108,802	1,266,832	7.40%	235,056	1.37%	1,501,888	8.78%	22,063	22,063	0	0	0	0.00%	1,331,841
Wet Lab	240	14,577,544	1,325,238	9.09%	161,478	1.11%	1,486,716	10.20%	135,972	135,972	235,782	235,782	202,418	100.00%	937,934
TOTAL	717	31,686,346	2,592,070	8.18%	396,534	1.25%	2,988,604	9.43%	158,035	158,035	235,782	235,782	202,418	100.00%	2,269,748
TOTAL	2,498	73,987,578	3,791,421	5.12%	497,603	0.67%	4,289,024	5.80%	141,061	141,061	235,782	235,782	202,418	100.00%	3,098,748

Central County Inventory Breakdown

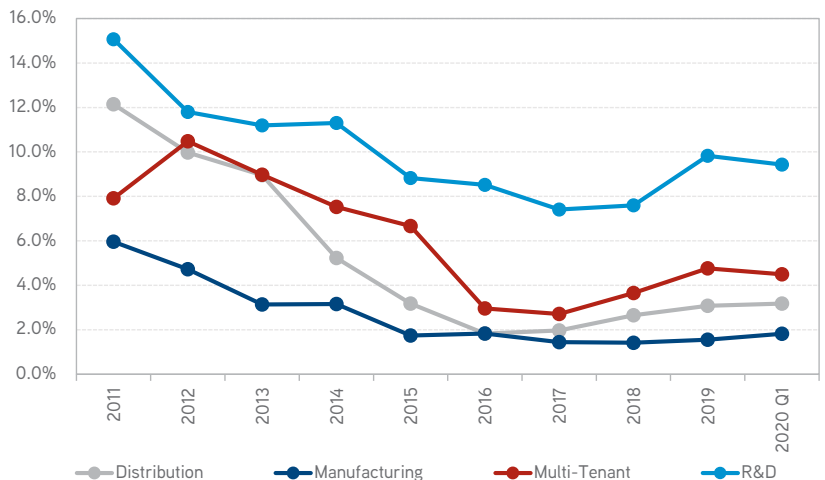


Central County Submarket Direct Vacancy



	Size (SF)
DIST	21,867,468
MFG	11,698,563
IMT	8,735,201
R&D	31,686,346
TOTAL	73,987,578
Under Construction	202,418
Proposed	3,098,748
Total Future Inventory	3,301,166

Central County Vacancy by Product Type





18,000+ professionals in
68 countries on
6 continents

\$3.5 billion in annual revenue
2.0 billion square feet managed
70,000 lease and sale transactions

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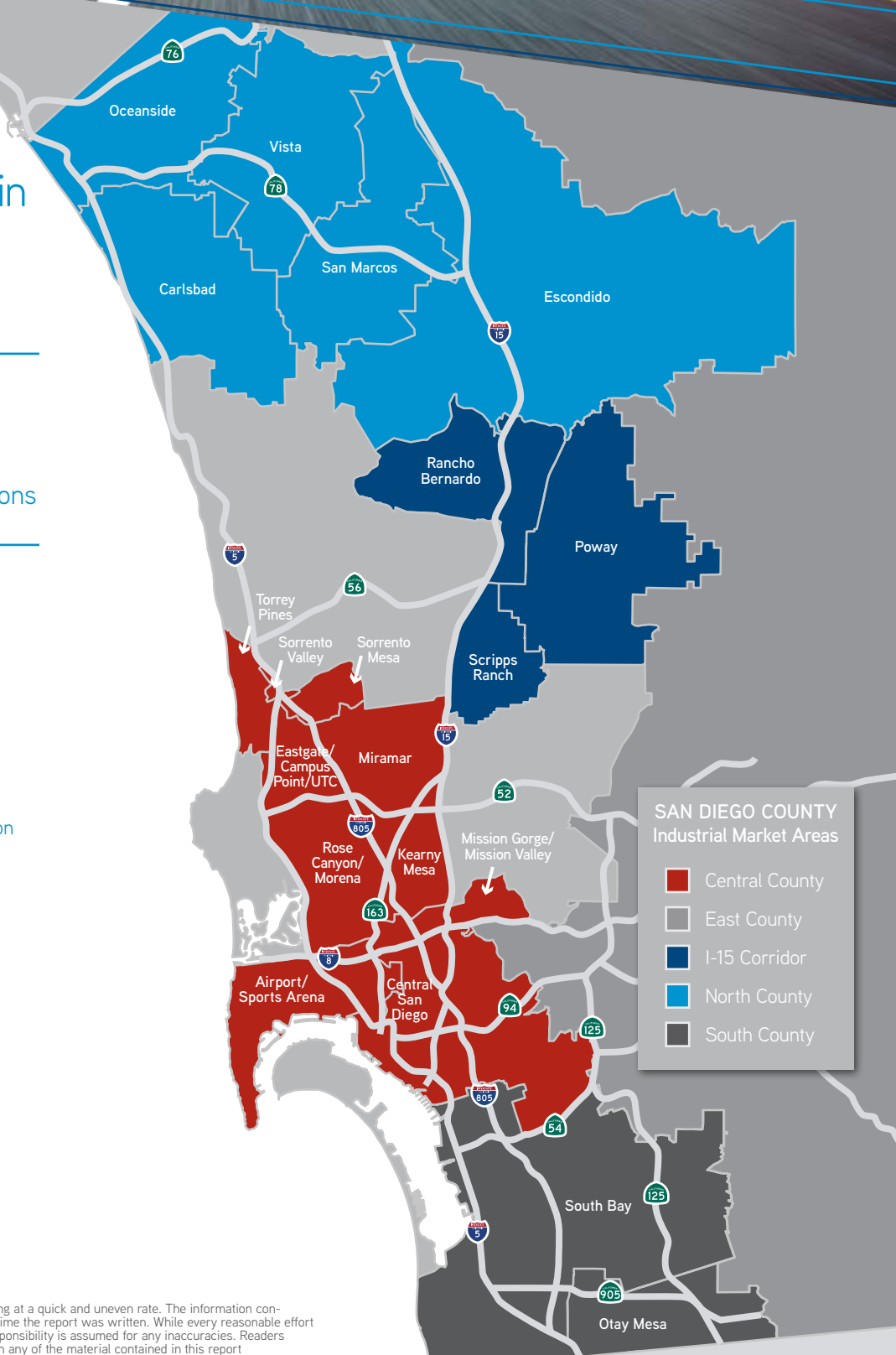
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In the midst of the COVID-19 outbreak, information and data is emerging at a quick and uneven rate. The information contained herein has been obtained from sources deemed reliable at the time the report was written. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report



SAN DIEGO COUNTY Industrial Market Areas

- Central County
- East County
- I-15 Corridor
- North County
- South County