

2Q'15

Industrial Market Update

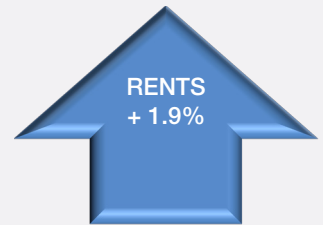


The San Diego Industrial market ended the second quarter 2015 with a vacancy rate of 6.0%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 614,728 square feet in the second quarter.

Vacant sublease space decreased in the quarter, ending the quarter at 509,852 square feet. Rental rates ended the second quarter at \$11.53, an increase over the previous quarter. Cap rates have been lower in 2015, averaging 6.07%, compared to the first three months of last year when they averaged 7.00%.

A total of one building delivered to the market in the quarter totaling 56,862 square feet, with 1,297,909 square feet still under construction at the end of the quarter.

Vacancy & Rental Rate Trends

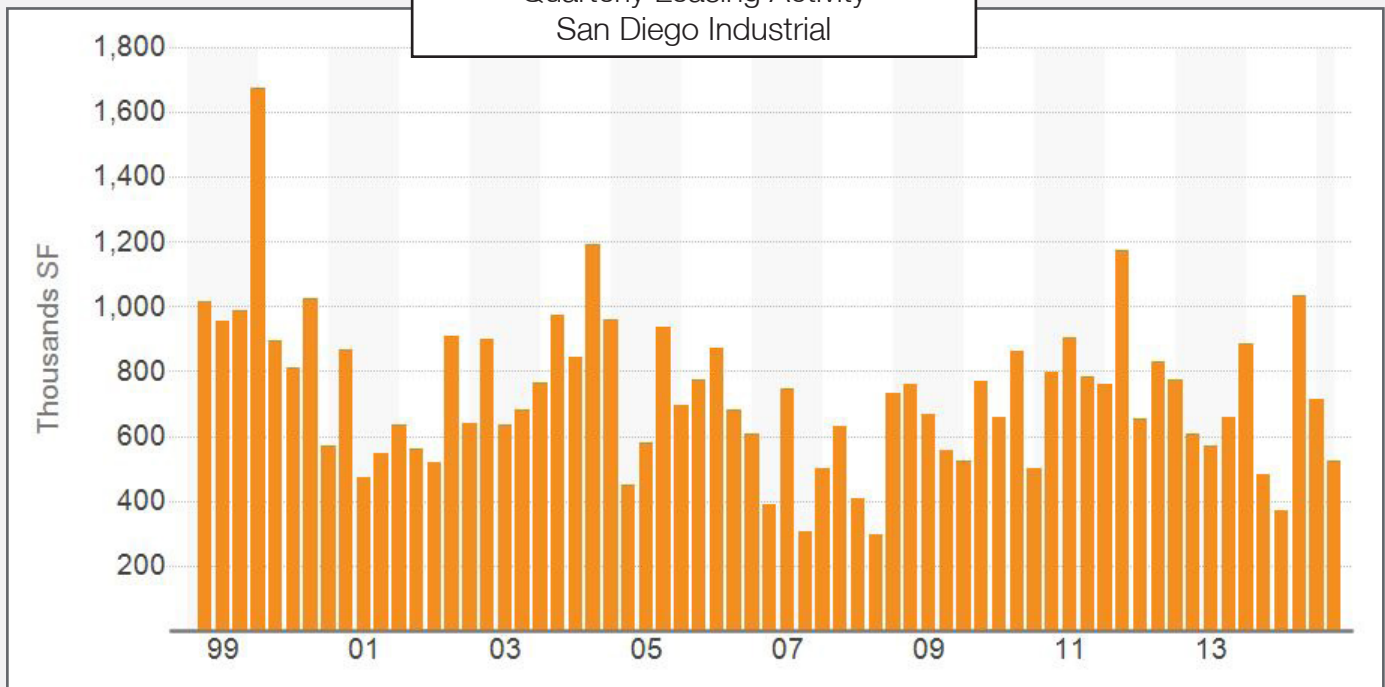


Absorption, Delivery & Vacancy



Market	Total SF	Direct Vacant SF	Sublease Vacant SF	Total Vacant SF	Vacancy Rate	YTD Net Absorption	Under Construction	Quoted Rent
North County	46,223,997	3,140,922	114,398	3,255,320	7.04%	513,366	623,722	\$0.84
Golden Triangle	19,046,019	1,557,686	307,350	1,865,036	9.79%	58,922	603,269	\$1.89
Central San Diego	43,204,306	1,720,349	35,118	1,755,467	4.06%	409,035	0	\$1.09
I-15 Corridor	26,322,625	1,523,071	18,785	1,541,856	5.86%	241,471	70,918	\$1.18
East County	24,030,422	746,918	5,980	752,898	3.13%	77,040	0	\$0.79
South Bay	31,051,596	2,223,912	28,221	2,252,133	7.25%	146,436	0	\$0.61
<b>Total - San Diego County</b>	<b>189,878,965</b>	<b>10,912,858</b>	<b>509,852</b>	<b>11,422,710</b>	<b>6.02%</b>	<b>1,446,270</b>	<b>1,297,909</b>	<b>\$1.05</b>

Quarterly Leasing Activity  
San Diego Industrial



**Methodology** The data used in the NAI San Diego Industrial Update is based on industrial and flex buildings of all sizes, in all classes (including owner-user buildings). We have divided San Diego County into six markets for industrial / flex properties: North County, Golden Triangle, Central San Diego, I-15 Corridor, South Bay and East County. Rental rates are based on quoted rents for available space on a monthly, per square foot, NNN basis. Average rents are weighted based on available square footage. The information contained in this report is sourced from NAI San Diego, CoStar, the California Employment Development Department and other sources deemed to be reliable, but no warranty is made as to the accuracy of the data nor its usefulness for any particular purpose.

Market	Total SF	Direct Vacant SF	Sublease Vacant SF	Total Vacant SF	Vacancy Rate	YTD Net Absorption	Under Constr.	Quoted Rent
Carlsbad Ind	13,632,824	1,530,574	4,541	1,535,115	11.26%	2,800	80,392	\$0.98
North Beach Cities I.	498,932	0	0	0	0.00%	1,677	0	\$1.78
Oceanside Ind	9,036,440	542,260	2,500	544,760	6.03%	321,431	543,330	\$0.68
San Marcos Ind	9,284,960	537,474	3,508	540,982	5.83%	76,070	0	\$0.78
Vista Ind	13,770,841	530,614	103,849	634,463	4.61%	111,388	0	\$0.72
<b>Subtotal - North County</b>	<b>46,223,997</b>	<b>3,140,922</b>	<b>114,398</b>	<b>3,255,320</b>	<b>7.04%</b>	<b>513,366</b>	<b>623,722</b>	<b>\$0.84</b>
Sorrento Mesa Ind	10,367,248	855,293	139,378	994,671	9.59%	(38,463)	0	\$1.39
Sorrento Valley Ind	3,548,641	278,538	29,083	307,621	8.67%	(30,006)	0	\$1.78
Torrey Pines Ind	3,429,046	295,120	44,681	339,801	9.91%	70,391	0	\$3.53
UTC Ind	1,701,084	128,735	94,208	222,943	13.11%	57,000	603,269	\$1.81
<b>Subtotal - Golden Triangle</b>	<b>19,046,019</b>	<b>1,557,686</b>	<b>307,350</b>	<b>1,865,036</b>	<b>9.79%</b>	<b>58,922</b>	<b>603,269</b>	<b>\$1.89</b>
Central San Diego In.	2,729,016	104,262	0	104,262	3.82%	(2,265)	0	\$0.93
Kearny Mesa Ind	15,491,098	648,612	0	648,612	4.19%	163,608	0	\$1.28
Mira Mesa/Miramar In.	17,955,520	784,412	30,355	814,767	4.54%	292,460	0	\$0.98
PB/Rose Canyon/ Moren.	3,311,247	69,177	4,763	73,940	2.23%	(556)	0	\$1.10
Sports Arena/Airport.	3,717,425	113,886	0	113,886	3.06%	(44,212)	0	\$1.00
<b>Subtotal - Central San Diego</b>	<b>43,204,306</b>	<b>1,720,349</b>	<b>35,118</b>	<b>1,755,467</b>	<b>4.06%</b>	<b>409,035</b>	<b>0</b>	<b>\$1.09</b>
Escondido Ind	8,064,167	278,623	4,632	283,255	3.51%	(21,791)	0	\$0.80
Poway Ind	8,606,445	191,997	2,053	194,050	2.25%	141,214	70,918	\$0.88
Rancho Bernardo Ind	8,140,686	971,952	12,100	984,052	12.09%	59,971	0	\$1.35
Scripps Ranch Ind	1,511,327	80,499	0	80,499	5.33%	62,077	0	\$1.03
<b>Subtotal - I-15 Corridor</b>	<b>26,322,625</b>	<b>1,523,071</b>	<b>18,785</b>	<b>1,541,856</b>	<b>5.86%</b>	<b>241,471</b>	<b>70,918</b>	<b>\$1.18</b>
East City Ind	1,008,083	1,100	0	1,100	0.11%	0	0	\$0.00
El Cajon Ind	9,884,326	304,150	4,300	308,450	3.12%	(16,640)	0	\$0.80
La Mesa/Spring Valle.	3,015,262	156,943	0	156,943	5.20%	15,605	0	\$0.78
Mission Gorge Ind	2,126,517	75,766	0	75,766	3.56%	1,179	0	\$0.92
Santee Ind	4,248,782	83,875	0	83,875	1.97%	(1,048)	0	\$0.85
Southeast San Diego	3,747,452	125,084	1,680	126,764	3.38%	77,944	0	\$0.69
<b>Subtotal - East County</b>	<b>24,030,422</b>	<b>746,918</b>	<b>5,980</b>	<b>752,898</b>	<b>3.13%</b>	<b>77,040</b>	<b>0</b>	<b>\$0.79</b>
Chula Vista Ind	10,231,687	454,418	8,814	463,232	4.53%	68,759	0	\$0.80
National City Ind	3,801,394	114,133	0	114,133	3.00%	(13,536)	0	\$0.83
Otay Mesa Ind	15,408,513	1,571,579	19,407	1,590,986	10.33%	(19,117)	0	\$0.54
San Ysidro/Imp Beach.	1,610,002	83,782	0	83,782	5.20%	110,330	0	\$0.58
<b>Subtotal - South Bay</b>	<b>31,051,596</b>	<b>2,223,912</b>	<b>28,221</b>	<b>2,252,133</b>	<b>7.25%</b>	<b>146,436</b>	<b>0</b>	<b>\$0.61</b>
<b>Total - San Diego County</b>	<b>189,878,965</b>	<b>10,912,858</b>	<b>509,852</b>	<b>11,422,710</b>	<b>6.02%</b>	<b>1,446,270</b>	<b>1,297,909</b>	<b>\$1.05</b>

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## Industrial Market Update

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