

A photograph of an industrial interior, likely a warehouse or factory. The ceiling is high and features a complex network of white structural beams and numerous long, rectangular fluorescent light fixtures. A large, vertical, corrugated metal duct runs down the right side of the frame. In the background, a person is crouching on the floor near a white door or partition. The overall lighting is bright and even.

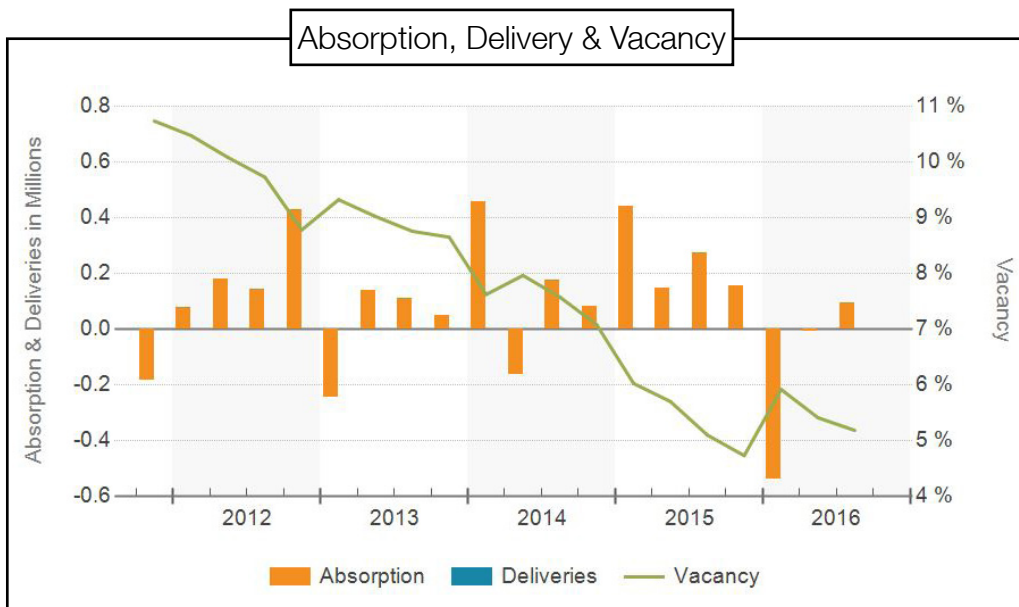
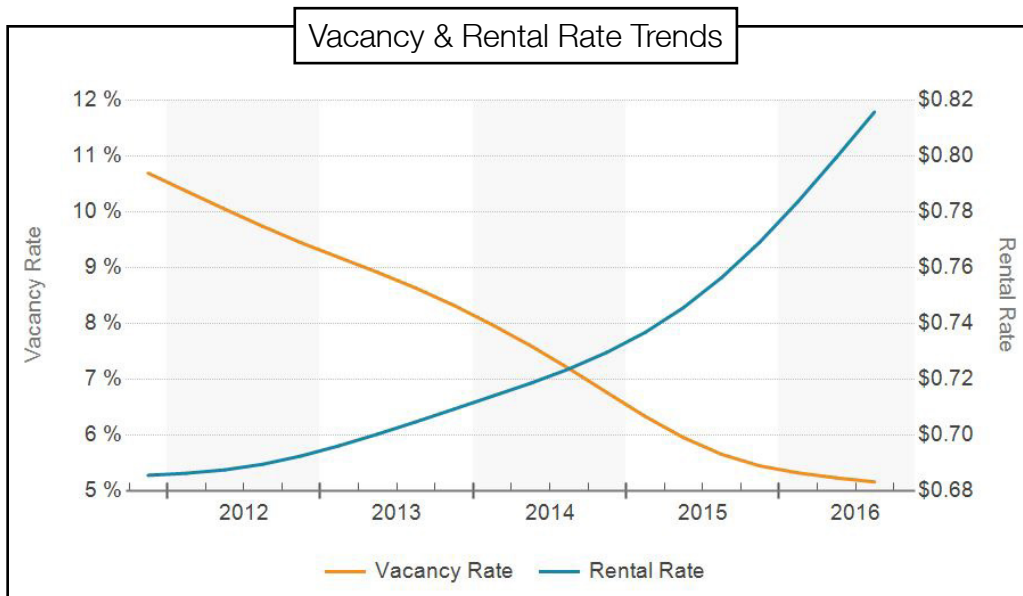
# 3Q'16

## Industrial Market Update

The San Diego Industrial market ended the third quarter 2016 with a vacancy rate of 5.11%, which was slightly increased over the previous quarter. The Industrial market had a net absorption totaling 848,662 square feet in the third quarter, with a positive total of 520,572 square feet (YTD). Vacant sublease space increased in the quarter, ending the quarter at 757,365 square feet.

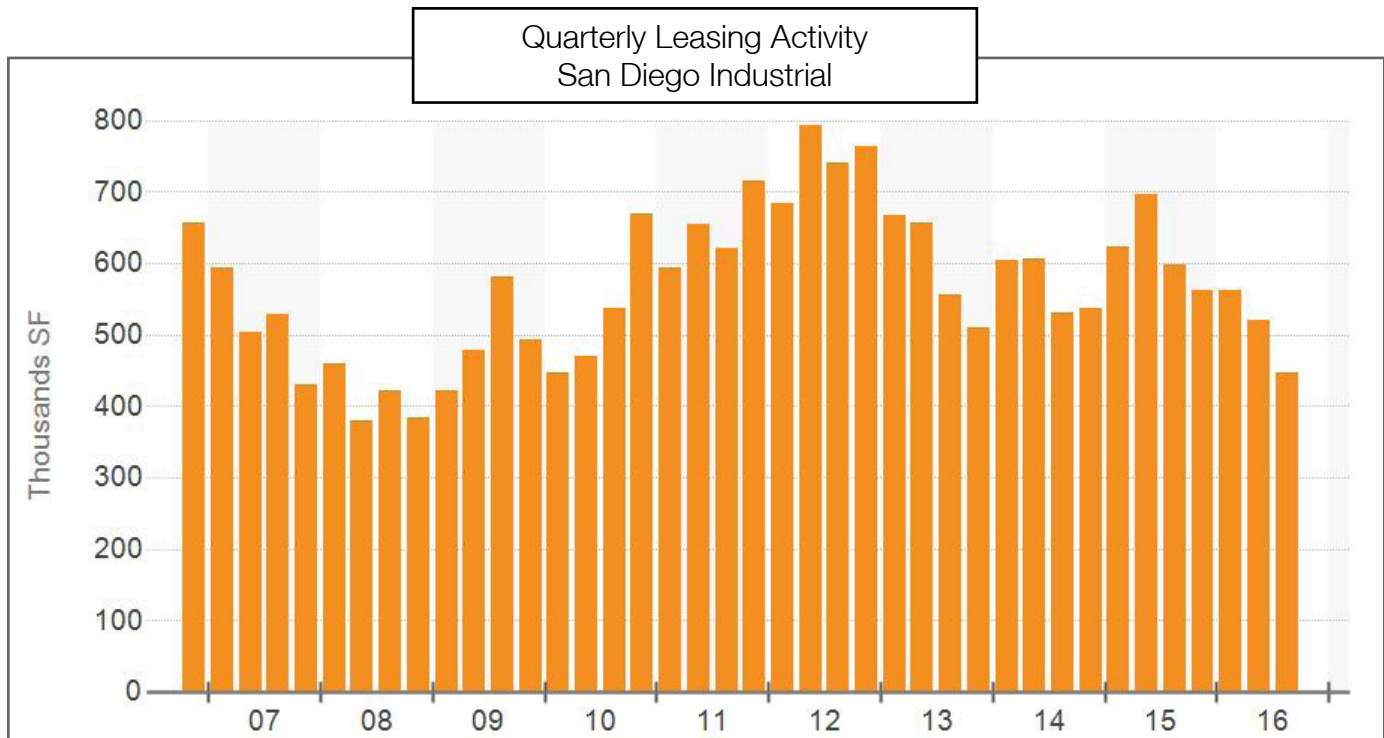
Rental rates ended the third quarter at \$1.01 per square foot per month. At the end of the third quarter, there were 1,579,455 square feet of Industrial space under construction.

According to the state of California's Employment Development Department and the United States Department of Labor's Bureau of Labor Statistics, San Diego County ended the third quarter with an unemployment rate of 4.7%, lower than the state's average unemployment rate of 5.0% and the national average of 4.9%.





Market	Total SF	Direct Vacant SF	Sublease Vacant SF	Total Vacant SF	Vacancy Rate	YTD Net Absorption	Under Construction	Quoted Rent
North County	54,663,376	2,589,705	158,708	2,748,413	5.03%	720,728	491,919	\$0.84
Central San Diego	55,752,701	2,476,144	388,888	2,865,032	5.14%	(436,010)	2,500	\$1.27
I-15 Corridor	18,294,508	1,198,846	4,875	1,203,721	6.58%	201,960	0	\$1.34
East County	24,080,243	540,154	10,382	550,536	2.29%	34,077	0	\$0.85
South Bay	31,095,062	1,920,155	100,448	2,020,603	6.50%	(183)	44,084	\$0.71
<b>Total - San Diego County</b>	<b>183,885,890</b>	<b>8,725,004</b>	<b>663,301</b>	<b>9,388,305</b>	<b>5.11%</b>	<b>520,572</b>	<b>538,503</b>	<b>\$1.01</b>



**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, 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	13,469,984	981,054	131,201	1,112,255	8.26%	234,793	390,204	\$1.07
Escondido Ind	8,085,968	168,267	4,632	172,899	2.14%	(19,878)	0	\$0.89
North Beach Cities I.	433,657	3,730	0	3,730	0.86%	8,288	0	\$2.43
Oceanside Ind	9,633,364	548,014	0	548,014	5.69%	453,810	101,715	\$0.73
San Marcos Ind	9,062,582	425,620	4,495	430,115	4.75%	77,859	0	\$0.76
Vista Ind	13,977,821	463,020	18,380	481,400	3.44%	(34,144)	0	\$0.80
<b>Subtotal - North County</b>	<b>54,663,376</b>	<b>2,589,705</b>	<b>158,708</b>	<b>2,748,413</b>	<b>5.03%</b>	<b>720,728</b>	<b>491,919</b>	<b>\$0.84</b>
Central San Diego In.	2,684,181	53,386	0	53,386	1.99%	(4,107)	0	\$1.26
Kearny Mesa Ind	15,431,158	452,499	31,014	483,513	3.13%	72,685	0	\$1.28
Mira Mesa/Miramar In.	17,950,979	813,791	210,555	1,024,346	5.71%	(408,632)	0	\$1.15
PB/Rose Canyon/Moren.	3,381,104	197,423	4,350	201,773	5.97%	(155,004)	0	\$0.94
Sorrento Mesa Ind	9,906,833	747,644	138,904	886,548	8.95%	47,030	0	\$1.37
Sorrento Valley Ind	3,416,856	150,146	4,065	154,211	4.51%	31,711	0	\$1.84
Sports Arena/Airport.	2,981,590	61,255	0	61,255	2.05%	(19,693)	2,500	\$1.24
<b>Subtotal - Central San Diego</b>	<b>55,752,701</b>	<b>2,476,144</b>	<b>388,888</b>	<b>2,865,032</b>	<b>5.14%</b>	<b>(436,010)</b>	<b>2,500</b>	<b>\$1.27</b>
Poway Ind	8,683,061	178,064	0	178,064	2.05%	213,457	0	\$0.91
Rancho Bernardo Ind	8,153,065	761,093	0	761,093	9.34%	8,097	0	\$1.35
Scripps Ranch Ind	1,458,382	259,689	4,875	264,564	18.14%	(19,594)	0	\$1.03
<b>Subtotal - I-15 Corridor</b>	<b>18,294,508</b>	<b>1,198,846</b>	<b>4,875</b>	<b>1,203,721</b>	<b>6.58%</b>	<b>201,960</b>	<b>0</b>	<b>\$1.34</b>
East City Ind	1,008,583	0	0	0	0.00%	1,100	0	\$0.00
El Cajon Ind	9,944,713	313,205	0	313,205	3.15%	(59,867)	0	\$0.83
La Mesa/Spring Valle.	3,024,916	91,970	2,066	94,036	3.11%	35,507	0	\$0.83
Mission Gorge Ind	2,121,929	24,471	8,316	32,787	1.55%	(8,552)	0	\$1.12
Santee Ind	4,244,391	67,988	0	67,988	1.60%	(16,324)	0	\$0.91
Southeast San Diego .	3,735,711	42,520	0	42,520	1.14%	82,213	0	\$0.72
<b>Subtotal - East County</b>	<b>24,080,243</b>	<b>540,154</b>	<b>10,382</b>	<b>550,536</b>	<b>2.29%</b>	<b>34,077</b>	<b>0</b>	<b>\$0.85</b>
Chula Vista Ind	10,199,322	559,191	26,000	585,191	5.74%	68,292	0	\$0.85
National City Ind	3,821,689	58,475	0	58,475	1.53%	47,127	0	\$0.96
Otay Mesa Ind	15,537,507	1,204,892	74,448	1,279,340	8.23%	(93,548)	44,084	\$0.63
San Ysidro/Imp Beach.	1,536,544	97,597	0	97,597	6.35%	(22,054)	0	\$0.65
<b>Subtotal - South Bay</b>	<b>31,095,062</b>	<b>1,920,155</b>	<b>100,448</b>	<b>2,020,603</b>	<b>6.50%</b>	<b>(183)</b>	<b>44,084</b>	<b>\$0.71</b>
<b>Total - San Diego County</b>	<b>183,885,890</b>	<b>8,725,004</b>	<b>663,301</b>	<b>9,388,305</b>	<b>5.11%</b>	<b>520,572</b>	<b>538,503</b>	<b>\$1.01</b>

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## Industrial Market Update

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