

FIGURES | SAN DIEGO INDUSTRIAL | Q4 2025

Leasing Activity and Net Absorption Continue to Drive Industrial

▼ 6.5%

Vacancy Rate

▼ 86,675

SF Net Absorption

▼ 61,999

SF Construction Delivered

▼ 871,790

SF Under Construction

▼ \$1.44

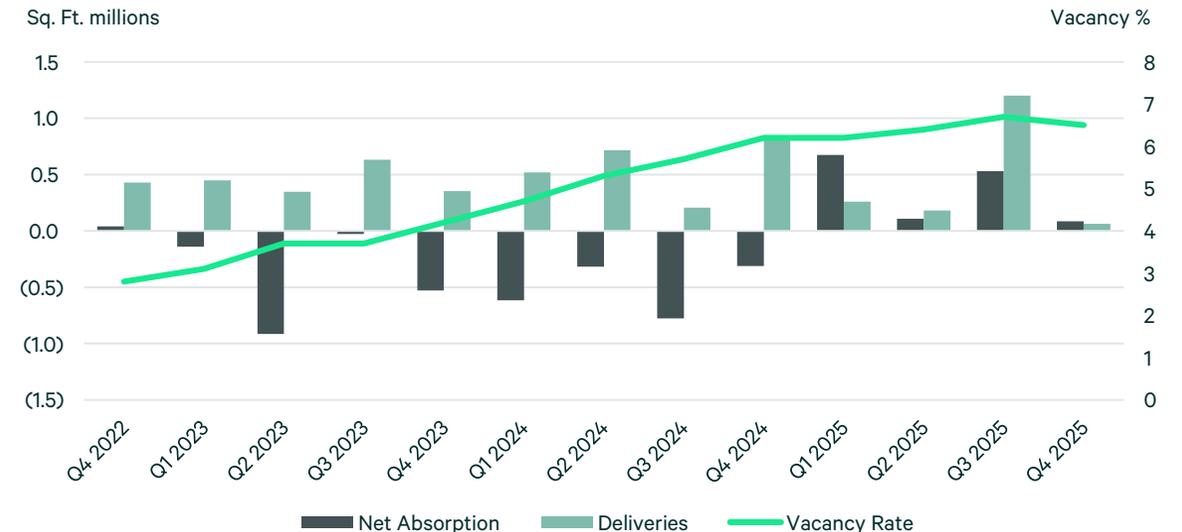
NNN/MTH Direct Lease Rate

Note: Arrows indicate change from previous quarter.

HIGHLIGHTS

- Overall leasing activity declined quarter-over-quarter (Q-o-Q) to 1,778,423 sq. ft. However, year-to-date (YTD) leasing activity of 11.8 million sq. ft. was the largest experienced in four years.
- The market experienced the fourth consecutive quarter of positive net absorption. YTD net absorption of 1.4 million sq. ft. was also impressive.
- Although average asking rents decreased \$0.05 (-3.4%) Q-o-Q, it remained only -6.5% lower than the all-time high of \$1.54 recorded in Q2 2024. It was \$0.72 (100%) greater than the previous cycle low of \$0.72 seen in Q1 2012.
- While the overall industrial availability rate saw no change Q-o-Q (9.2%), it remains the largest rate recorded in over 10 years.
- In Q4 2025, 61,999 sq. ft. of space was delivered. It was the lowest amount delivered in over three years.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q4 2025

Market Overview

The San Diego industrial market experienced a rare occurrence in Q4 2025, where both vacancy and leasing activity declined. However, overall market fundamentals remained healthy when compared to pre-pandemic historical averages. In the long-term that trend is likely to continue, as the market should benefit from a relatively finite supply of industrial product. Outside of San Diego, most areas have little land available for growth, which will stunt new construction and keep supply-driven pressure to a minimum.

The local industrial market appears to be well positioned for the future, and though vacancies could move higher in the near-term, modest inventory expansion and a growing economy should hold fundamentals in check.

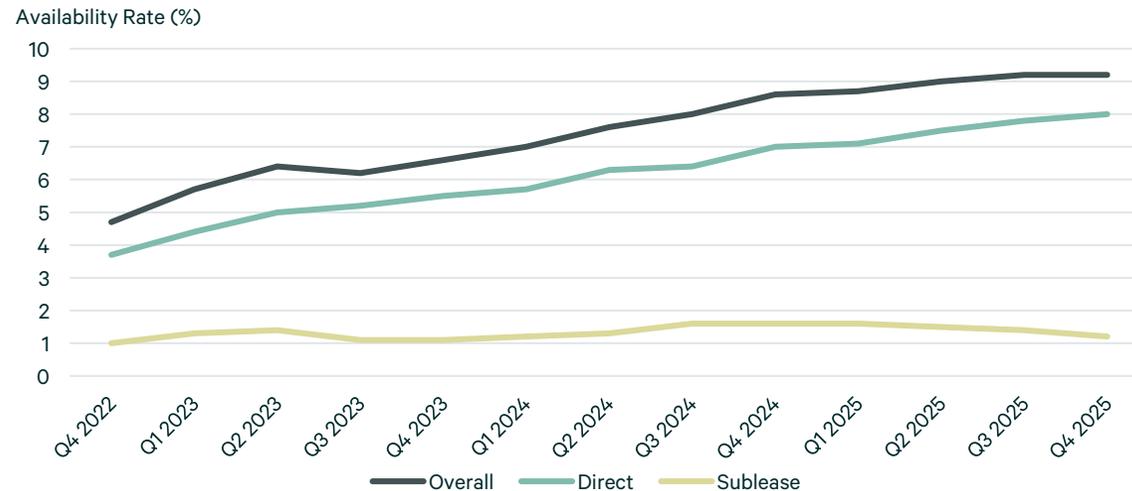
Availability Rate

In Q4 2025 the industrial market availability rate remained the same Q-o-Q (9.2%). This was the first time in over eight quarters that overall availability had not increased. However, it increased 60 basis points (bps) Y-o-Y, and 450 bps over the past three years. Direct availability also increased to 8.0%, up 20 bps Q-o-Q and 90 bps Y-o-Y, and 430 bps over the same 3-year period. Available sublease space decreased to 1.2% in Q4 2025, a decrease of 20 bps Q-o-Q and 40 bps Y-o-Y.

Asking Rent

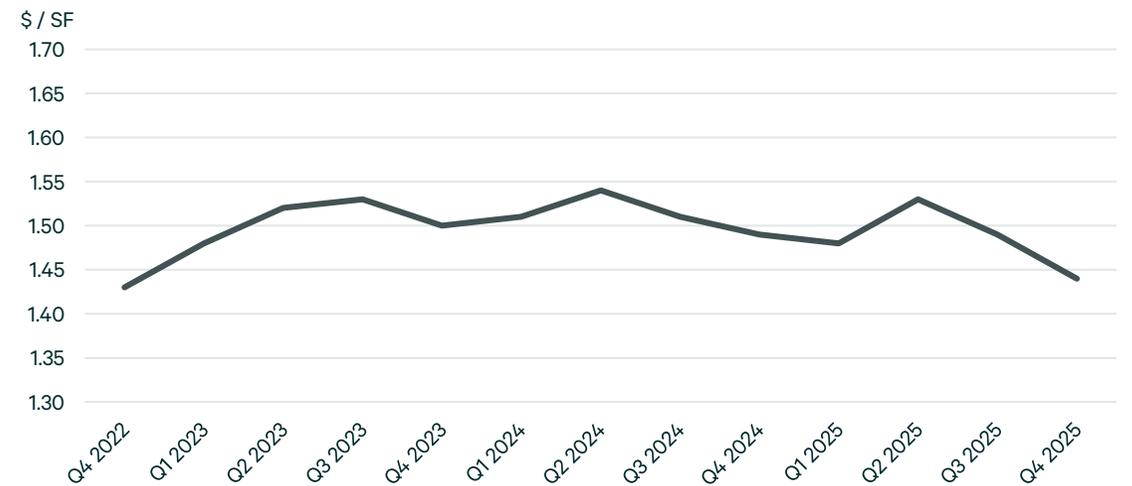
The average asking rent for the quarter was \$1.44 per sq. ft. (NNN/MTH), a decline of \$0.05 Q-o-Q. It was the third consecutive quarter that experienced a decrease. It was also \$0.05 lower Y-o-Y. Although, over the last three years, average asking rent increased by \$0.01 (0.7%). Central San Diego led the market with an average asking rent of \$1.78 per sq. ft., followed by East County (\$1.47) and North County (\$1.37).

FIGURE 2: Availability Rates



Source: CBRE Research, Q4 2025

FIGURE 3: Avg. Direct Asking Rate (NNN/MTH)

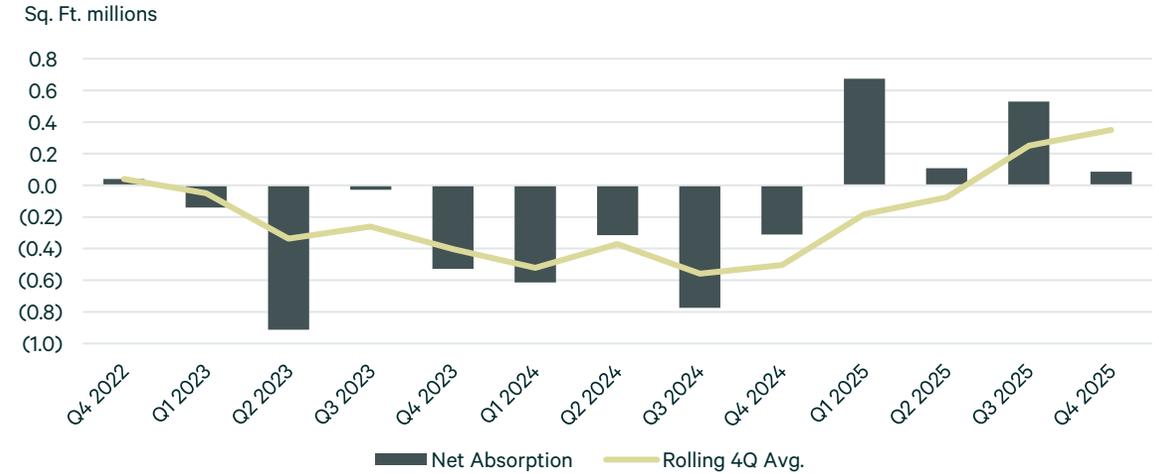


Source: CBRE Research, Q4 2025

Net Absorption

Net absorption in Q4 was positive for the fourth consecutive quarter (86,675 sq. ft.). While it was significantly lower than the 530,102 sq. ft reported in Q3, YTD net absorption was an impressive 1,418,666 sq. ft. Prior to 2025, the market had experienced eight consecutive quarters of negative net absorption with the average being -442,262 sq. ft.

FIGURE 4: Net Absorption Trend



Source: CBRE Research, Q4 2025

Construction Activity

In Q4 2025 there were seven projects underway, totaling 871,790 sq. ft. Over half of that was attributed to Elevation Land Company breaking ground on phase one of Otay Business Park in Otay Mesa. Under construction activity decreased Q-o-Q from 933,796 sq. ft to 871,790 sq. ft., remaining the lowest amount of Industrial space under construction since Q1 2020 (830,889 sq. ft.). One project with three buildings delivered in Q4 2025 totaling 61,999 sq. ft. Over the last year a total of 1.7 million sq. ft was delivered, and 6.2 million sq. ft. delivered over the last three.

FIGURE 5: Construction Activity

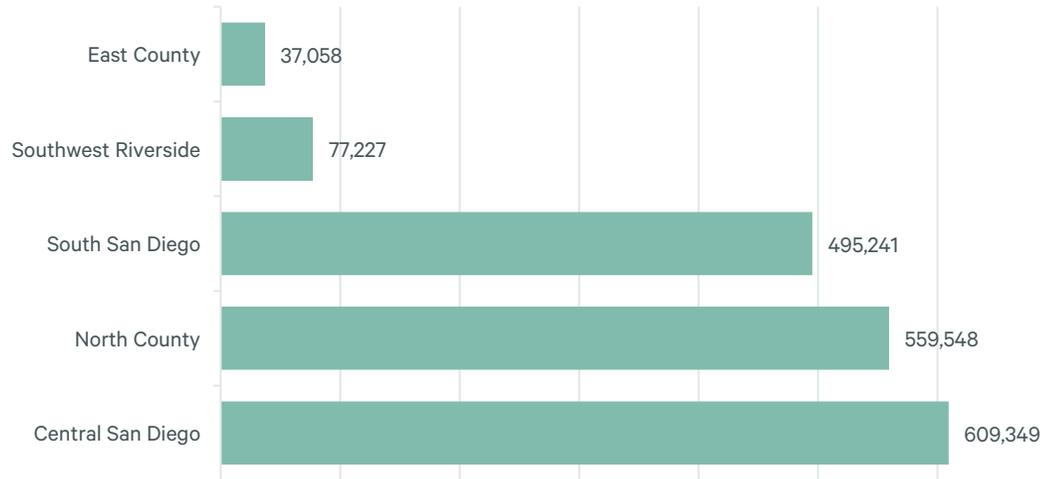


Source: CBRE Research, Q4 2025

Leasing Activity

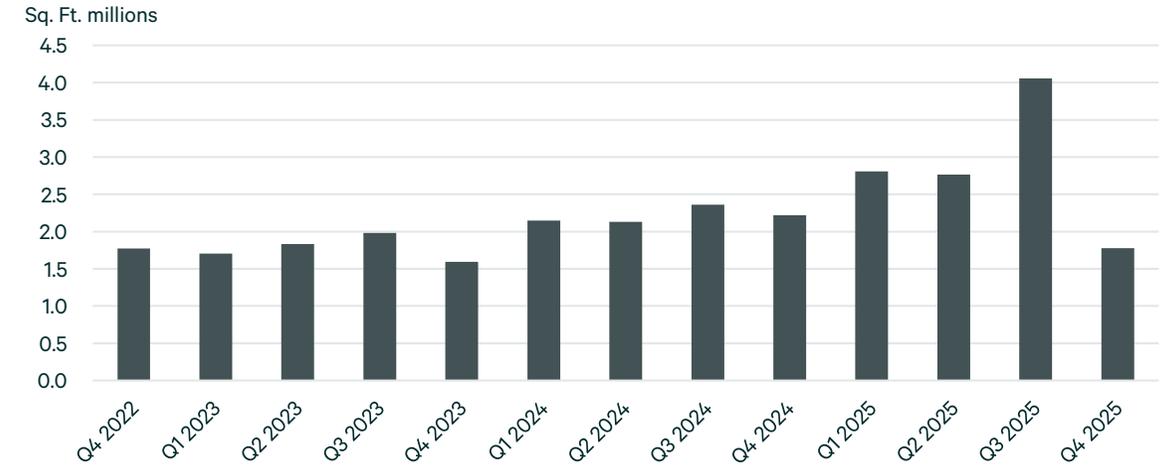
In Q4 2025, there were over 220 leases totaling 1,778,423 sq. ft. of leasing activity. Of those leases, five were over 50,000 sq. ft. and 11 were over 40,000 sq. ft. Although leasing activity in Q4 was significantly less than the previous quarter’s 3.8 million sq. ft., YTD leasing activity (11,789,541 sq. ft.) was the largest amount registered in four years. Quarterly leasing activity remained 6.8% less than the 3-year quarterly average of 2.2 million sq. ft.

FIGURE 6: Leasing Activity by Submarket – Leases 1,000 sq. ft. and up



Source: CBRE Research, Q4 2025

FIGURE 6: Leasing Activity Trend – Leases 1,000 sq. ft. and up



Source: CBRE Research, Q4 2025

FIGURE 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Enterprise Rental Car	128,248	New Lease	1770 Thor St	South San Diego
Spectrum Assembly	78,173	Renewal	6300 Yarrow Dr	North County
Norman Krieger	76,991	New Lease	1910 Landmark Rd	South San Diego
Pods	68,353	Renewal	7385 Mission Gorge Rd	Central San Diego
Invetech	52,959	New Lease	6740-6760 Cobra Way	Central San Diego
DOMO Manufacturing and Contracting	50,000	Renewal	1490 Air Wing Rd	South San Diego
Confidential Tenant	48,849	New Lease	2855 Faivre St	South San Diego
CutWater Spirits	48,000	Renewal	8123 Miralani Dr	Central San Diego
Zest Anchors	44,983	Renewal	2875 Loker Ave E	North County
Delta Group Electronics	44,033	Renewal	10180 Scripps Ranch Blvd	Central San Diego

Source: CBRE Research, Q4 2025

Market Statistics by Submarket

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/MTH)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Central San Diego	64,464,667	5.5	8.2	6.5	1.7	1.78	(39,200)	(525,207)	0	0
East County	15,833,845	2.8	3.9	3.7	0.2	1.48	(11,408)	63,522	0	0
North County	51,110,878	6.1	9.2	8.0	1.2	1.37	228,657	118,934	61,999	123,705
South San Diego	42,218,728	10.6	14.0	12.9	1.2	1.23	(43,631)	1,504,086	0	748,085
Southwest Riverside	15,312,925	4.4	6.3	5.4	0.8	1.24	(47,743)	257,331	0	0
Total	188,941,043	6.5	9.2	8.0	1.2	1.44	86,675	1,418,666	61,999	871,790

Market Statistics by Product Type

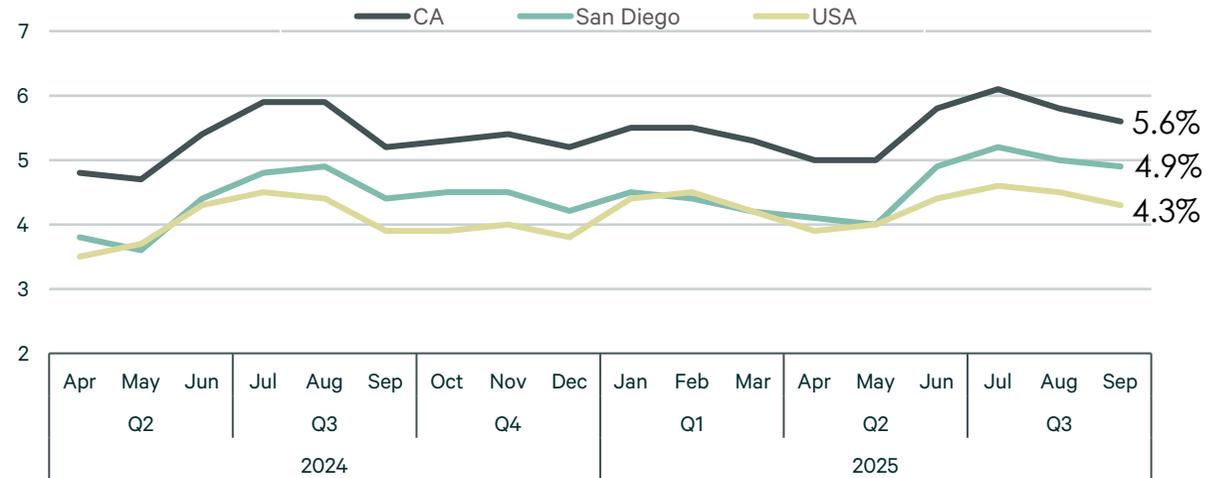
	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/MTH)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Distribution / Logistics	65,101,624	9.5	12.4	11.1	1.3	1.31	33,026	2,013,266	0	871,790
Manufacturing	66,801,561	3.6	5.9	4.9	1.0	1.43	101,289	185,484	0	0
R&D / Flex	30,953,612	6.3	10.3	8.5	1.8	1.77	4,031	(375,147)	61,999	0
Other Industrial	26,084,246	6.3	8.6	7.6	1.0	1.45	(51,671)	(404,937)	0	0
Total	188,941,043	6.5	9.2	8.0	1.2	1.44	86,675	1,418,666	61,999	871,790

Economic Overview

While the U.S. economy appears to be sending mixed signals, many financial markets are focused on the upside, particularly AI's sizable contribution to growth in recent quarters. Some indicators of business activity, such as capital goods orders, are improving, and strengthening credit markets are helping to usher real estate into a new cycle.

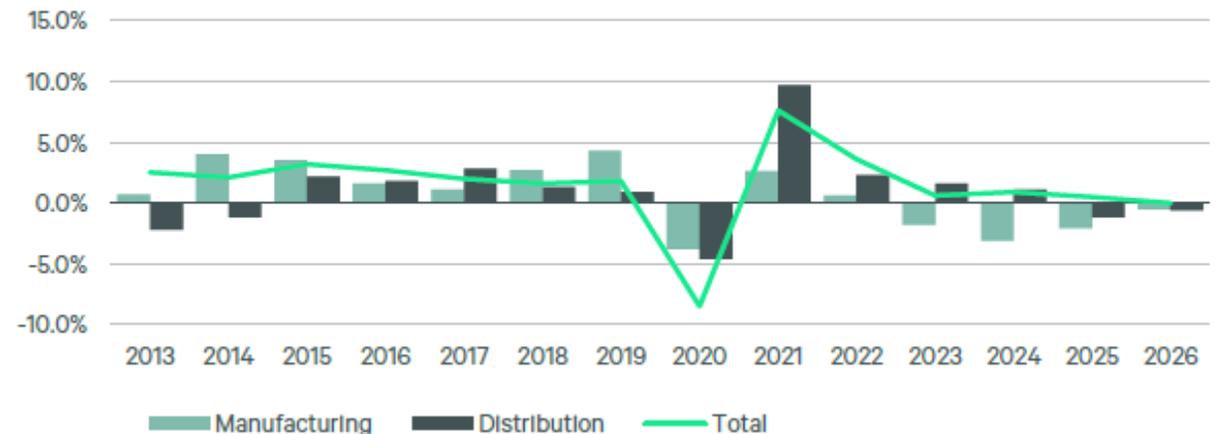
The picture is somewhat murkier when looking at households. Consumer confidence remains weak, with spending reportedly driven by a smaller segment of affluent households. This mosaic of data suggests that annual average GDP growth will be steady in 2026, at 2%, but a touch softer than in 2025. A key catalyst is a softer labor market, as companies are 'slow to hire, slow to fire'—a trend that is likely to last a few quarters. A consequence of this outlook is softer inflation and long-term bond yields trending just below 4% by H2 2026.

Distribution and manufacturing employment are the primary determinants of demand. Distribution Employment is defined as all the wholesale trade sector plus transportation (trucking and warehousing). The latest estimates of distribution and manufacturing employment for San Diego are 84,800 workers and 109,500 workers, respectively. Over the last five years San Diego's distribution employment has grown by 3.2% while manufacturing employment has declined by 0.6%. Over the last 12 months distribution employment has grown by 0.1% and manufacturing employment has declined by 2.8%.



Source: U.S. Bureau of Labor Statistics, Q4 2025

Mfg and Distribution Employment Growth vs. Total Employment Growth



Source: CBRE Econometric Advisors, Q4 2025

