

FIGURES | SAN DIEGO INDUSTRIAL | Q3 2026

Leasing Momentum Continues While New Supply Slows



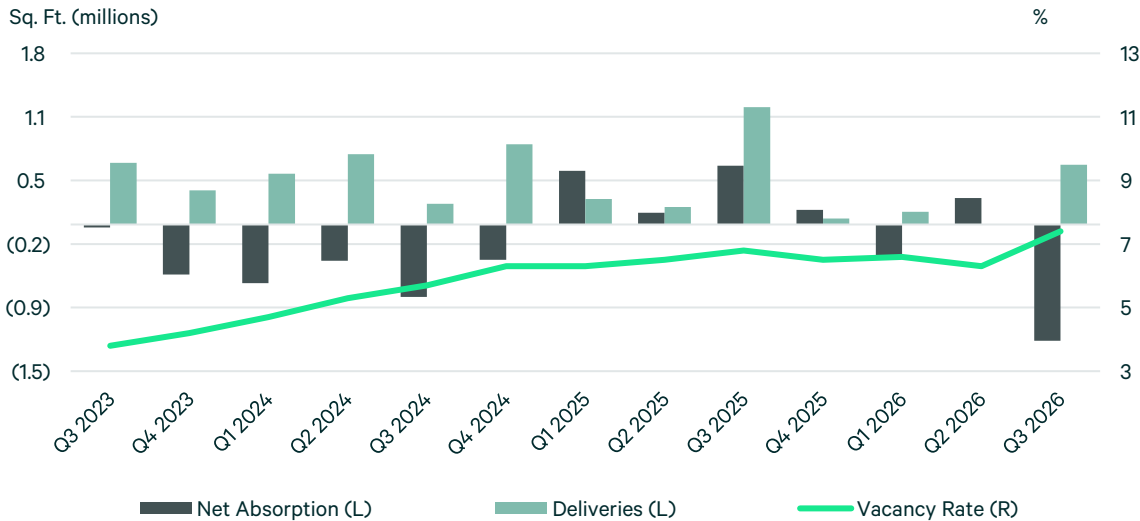
Note: Arrows indicate change from previous quarter.

Market Overview

Industrial leasing remained strong in Q3 2026, with tenants signing over 3 million sq. ft. and year-to-date (YTD) leasing exceeding 10 million sq. ft. Net absorption was negative 1.19 million sq. ft., with three buildings accounting for roughly 857,000 sq. ft. of the decline, while North County recorded positive absorption of 259,000 sq. ft. Vacancy rose 110 basis points (bps) quarter-over-quarter (Q-o-Q) to 7.4%, and availability increased to 10.0%. Average asking rent edged up 0.7% Q-o-Q to \$1.41 per sq. ft.

The development pipeline continued to tighten, with 482,000 sq. ft. under construction, down 48.9% Q-o-Q and 48.5% year-over-year (Y-o-Y). Deliveries totaled 612,000 sq. ft., down 49.1% from 1.2 million sq. ft. in Q3 2025, while sublease vacancy held at 0.7% Q-o-Q, but dropped 10 bps Y-o-Y. Compared with Q3 2025, overall vacancy was up 60+ bps, average asking rent was 5.4% lower than the \$1.49 per sq. ft. recorded a year ago, and leasing activity was 18.8% below last year's level.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



CBRE Research

Vacancy Rate

In Q3 2026, market vacancy continued a prevalent upward trend in recent years. Direct vacancy increased from 5.6% to 6.7% in Q2 2026, and overall vacancy rose from 6.3% to 7.4% over the same period. Compared with Q3 2025, overall vacancy (60+ bps) and direct vacancy (70+ bps) were both higher. Over the three-year period from Q3 2023 to Q3 2026, overall vacancy climbed from 3.8% to 7.4%, a 360-bps increase, and direct vacancy more than doubled from 3.0% to 6.7%, underscoring a sustained build-up in available space.

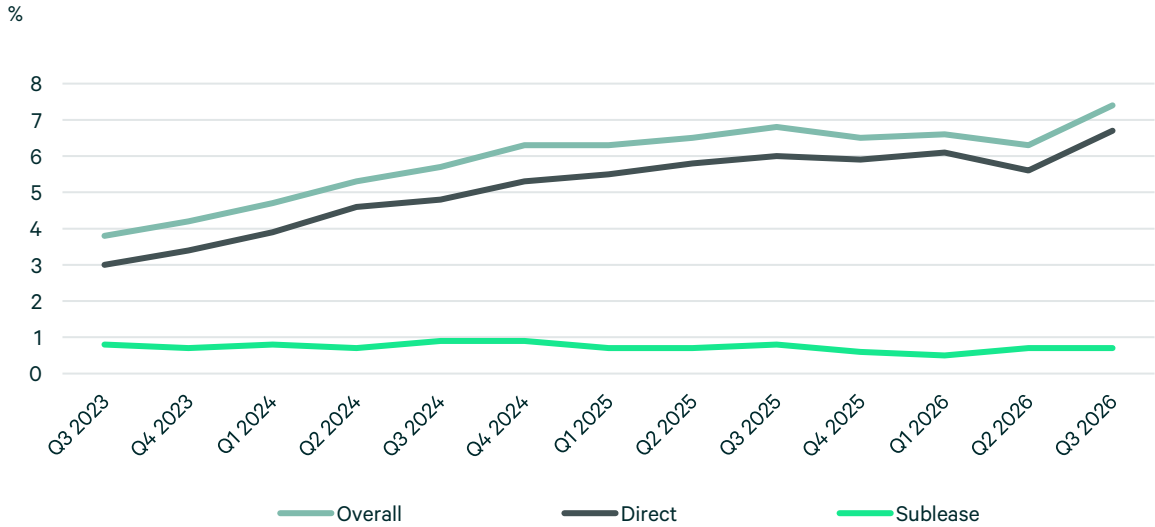
Vacancy rates varied widely across submarkets in Q3 2026, highlighting distinct local conditions within the region. East County recorded the lowest overall vacancy at 1.6%, followed by Southwest Riverside at 4.8%. At the other end of the spectrum, South San Diego posted the highest overall vacancy at 13.5%, double that of both Central San Diego at 6.1% and North County at 6.6%.

Asking Rent

In Q3 2026, the market’s average asking rent was \$1.41 per sq. ft., a slight increase of 0.7% Q-o-Q. However, it remained 5.4% lower than the \$1.49 per sq. ft. recorded in Q3 2025 and 8.4% below the recent peak of \$1.54 reached in Q2 2024. Between Q3 2023 and Q3 2026, average asking rents generally trended lower, with brief periods of firming in Q2 2024 and Q2 2025, followed by more consistent declines through late 2025 and early 2026.

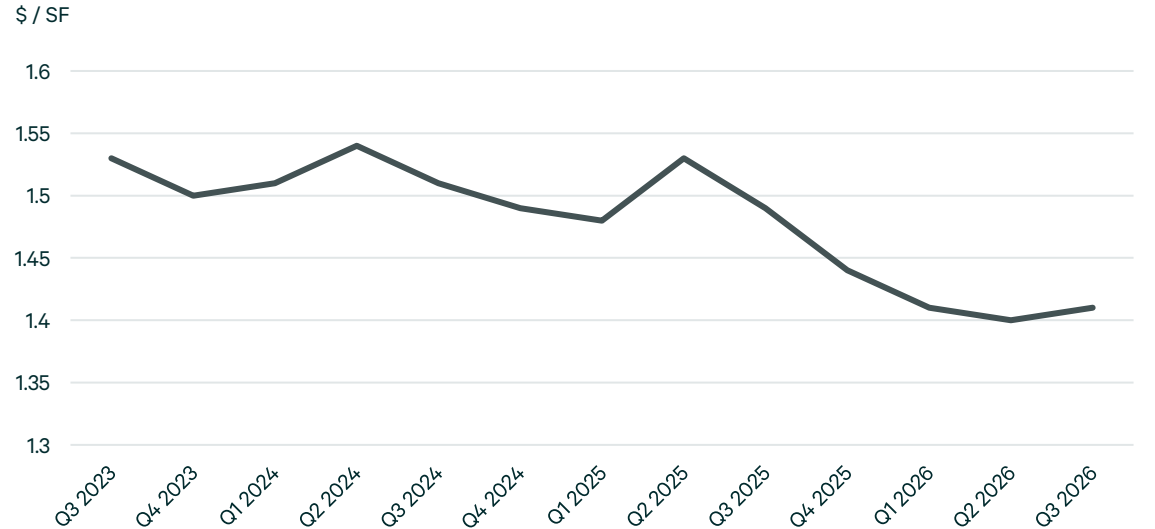
Across submarkets in Q3 2026, Central San Diego and East County posted the highest average asking rents at \$1.82 per sq. ft. and \$1.46 per sq. ft., respectively. North County (\$1.33), Southwest Riverside (\$1.24), and South San Diego (\$1.17) offered more moderate pricing, highlighting a clear spread in rental levels between core and outlying locations.

Figure 2: Vacancy Rate



CBRE Research

Figure 3: Average Direct Asking Rate



CBRE Research

Net Absorption

North County was the only submarket to record positive net absorption in Q3 2026, at 259,000 sq. ft. Market-wide net absorption totaled negative 1.19 million sq. ft., with three buildings accounting for roughly 857,000 sq. ft., or approximately 72% of that total. Excluding those three buildings, net absorption would have been roughly negative 337,000 sq. ft. For comparison, net absorption was positive 274,000 sq. ft. in Q2 2026 and positive 597,000 sq. ft. in Q3 2025.

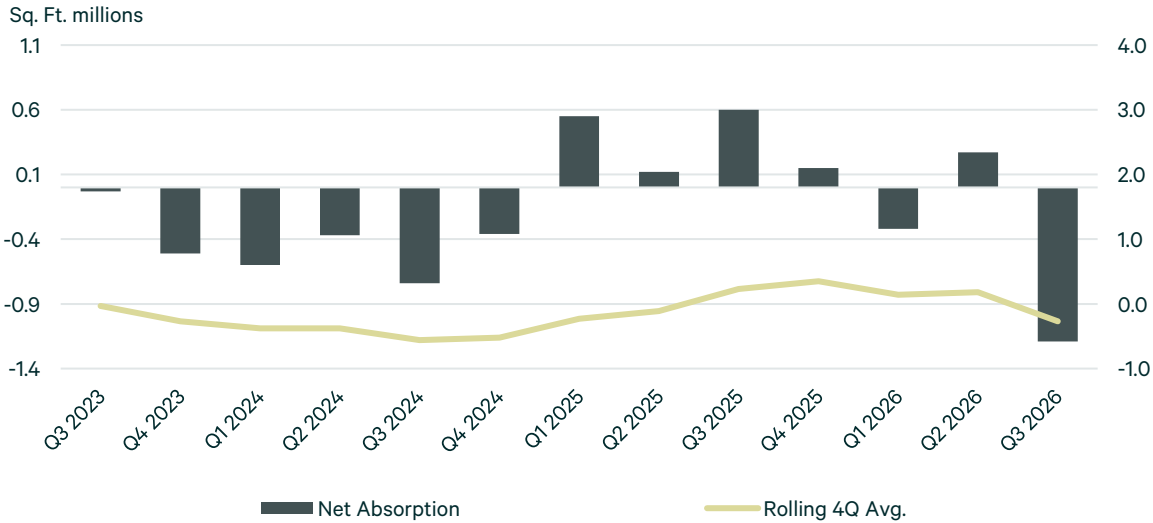
South San Diego and Central San Diego recorded the largest declines, at negative 848,000 sq. ft. and negative 538,000 sq. ft., respectively. East County (-39,000 sq. ft.) and Southwest Riverside (-29,000 sq. ft.) had smaller declines.

Construction Activity

In Q3 2026, the industrial market registered 482,000 sq. ft. of properties under development. Overall construction volume waned 48.9% Q-o-Q and 48.5% Y-o-Y, underscoring a markedly smaller active development pipeline than in previous years. Central San Diego, East County and South San Diego had the highest under construction activity, with 178,000 sq. ft., 151,000 sq. ft. and 134,000 sq. ft. underway, respectively. Prior to this, South San Diego had dominated regional construction activity from Q2 2020 to Q2 2026, with a pipeline larger than all other submarkets combined.

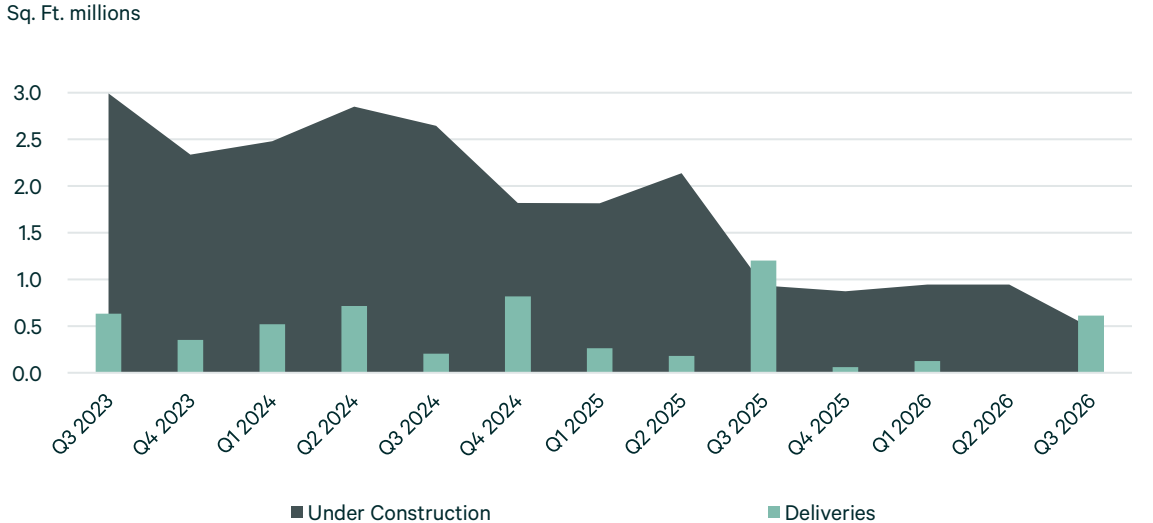
Newly completed developments in South San Diego boosted construction deliveries to 612,000 sq. ft. during the quarter. However, it remained 49.1% lower Y-o-Y than in Q3 2025, when 1.20 million sq. ft. was delivered. No industrial product was delivered in Q2 2026, ending a streak of quarterly deliveries that had persisted since Q1 2017.

Figure 4: Net Absorption Trend



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Figure 5: Construction Activity



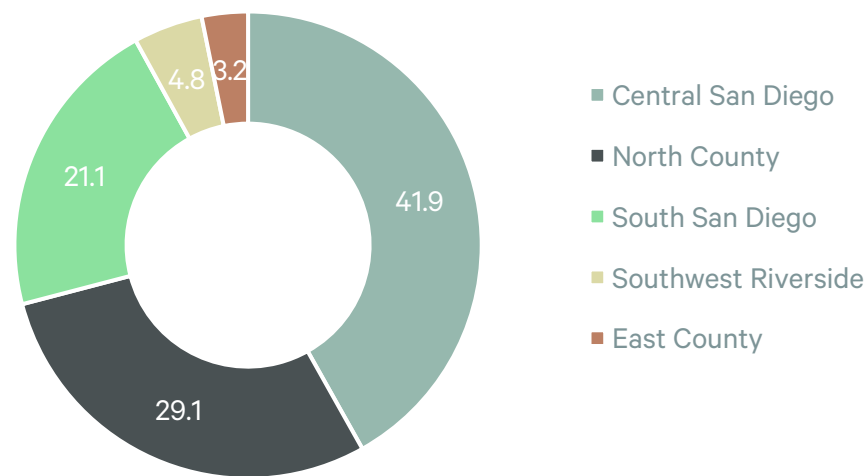
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Leasing Activity

After strong growth in the first half of 2026, leasing activity experienced a decline in Q3. Tenants signed leases totaling 3.14 million sq. ft., a 13.7% decline Q-o-Q and an 18.8% decline Y-o-Y. However, it remained the fourth largest amount recorded in three years, and year to date (YTD) leasing activity has exceeded 10 million sq. ft.

Central San Diego (1.32 million sq. ft.) and North County (915,000 sq. ft.) accounted for the highest levels of leasing activity among the submarkets. South San Diego, Southwest Riverside and East County also recorded 661,000 sq. ft., 149,000 sq. ft. and 99,000 sq. ft. of leased area, respectively. One 223,000 sq. ft. renewal in Central San Diego, and three individual transactions totaling 296,000 sq. ft. in North County made up a substantial portion of all leasing activity for the quarter.

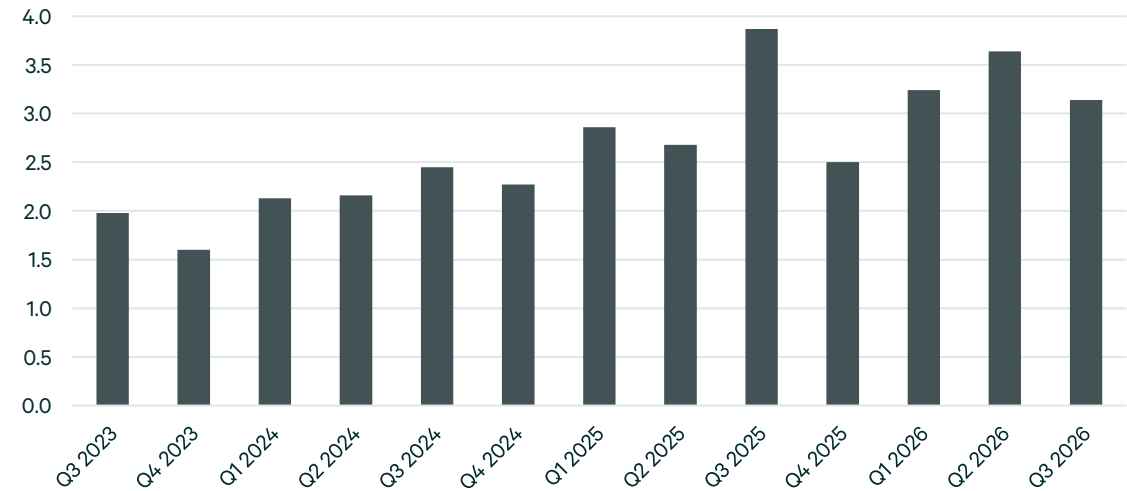
Figure 7: Leasing Activity by Submarket (% of Total Activity)



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Figure 6: Leasing Activity Trend

Sq. Ft. millions



CBRE Research

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Tenant	223,000	Renewal	16550 W Bernardo Dr	Central San Diego
On Trac	104,000	Renewal	2800 Whiptail Loop	North County
AO Reed	101,000	New Lease	2611 Business Park Dr	North County
Shiplab	91,000	New Lease	3055 Enterprise Ct	North County
Storage and Fulfillment	90,000	Renewal	1224 Exposition Way	South San Diego
Flux Power	63,000	Renewal	2685 S Melrose Dr	North County
Confidential Tenant	62,000	New Lease	12270-12316 World Trade Dr	Central San Diego
Hologic	61,000	Renewal	6060 Nancy Ridge Dr	Central San Diego

Source: CBRE Research, Q3 2026

Market Statistics by Product Type

Figure 9

Product Type	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Distribution/Logistics	66.13M	11.2	13.8	12.1	1.7	1.30	(865,000)	(565,000)	612,000	482,000
Manufacturing - General	65.49M	3.6	6.4	5.4	1.0	1.35	4,000	(78,000)	-	-
R&D/Flex	31.48M	8.5	11.4	9.1	2.3	1.69	(294,000)	(540,000)	-	-
Other Industrial	26.06M	6.0	7.5	6.8	0.8	1.52	(40,000)	(53,000)	-	-
Total	189.16M	7.4	10.0	8.6	1.4	1.41	(1.19M)	(1.24M)	612,000	482,000

Source: CBRE Research, Q3 2026

Market Statistics by Size

Figure 10

Size Range	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Below 50K SF	97.67M	4.9	7.0	6.1	0.9	1.56	(276,000)	(498,000)	-	20,000
50K-99,999 SF	34.69M	7.9	10.8	8.9	2.0	1.51	161,000	421,000	175,000	285,000
100K-249,999 SF	39.36M	12.7	16.9	14.9	2.1	1.27	(111,000)	(320,000)	437,000	178,000
250K-499,999 SF	10.52M	10.2	11.6	8.8	2.8	1.09	(698,000)	(476,000)	-	-
500K-749,999 SF	2.42M	16.7	16.7	16.7	-	0.95	(270,000)	(365,000)	-	-
750,000 SF +	4.51M	-	-	-	-	-	-	-	-	-
Total	189.16M	7.4	10.0	8.6	1.4	1.41	(1.19M)	(1.24M)	612,000	482,000

Source: CBRE Research, Q3 2026

Market Statistics by Class

Figure 11

Property Class	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	18.12M	18.2	21.6	18.9	2.7	1.12	(239,000)	56,000	378,000	178,000
Institutional	9.33M	21.9	26.2	22.6	3.6	1.05	(245,000)	22,000	203,000	-
Other Class A	8.79M	14.3	16.8	15.0	1.7	1.31	7,000	33,000	175,000	178,000
All Other Industrial	171.05M	6.3	8.8	7.5	1.3	1.47	(956,000)	(1.29M)	234,000	305,000
Total	189.16M	7.4	10.0	8.6	1.4	1.41	(1.19M)	(1.24M)	612,000	482,000

Source: CBRE Research, Q3 2026

Market Statistics by Submarket

Figure 12

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Central San Diego	64.52M	6.1	8.9	6.7	2.2	1.82	(538,000)	(488,000)	-	178,000
East County	15.91M	1.6	2.3	2.2	0.1	1.46	(39,000)	159,000	-	151,000
North County	51.03M	6.6	9.1	8.4	0.8	1.33	259,000	162,000	-	20,000
South San Diego	42.38M	13.5	16.5	15.1	1.5	1.17	(848,000)	(991,000)	612,000	134,000
Southwest Riverside	15.33M	4.8	7.1	5.6	1.6	1.24	(29,000)	(79,000)	-	-
Total	189.16M	7.4	10.0	8.6	1.4	1.41	(1.19M)	(1.24M)	612,000	482,000

Source: CBRE Research, Q3 2026

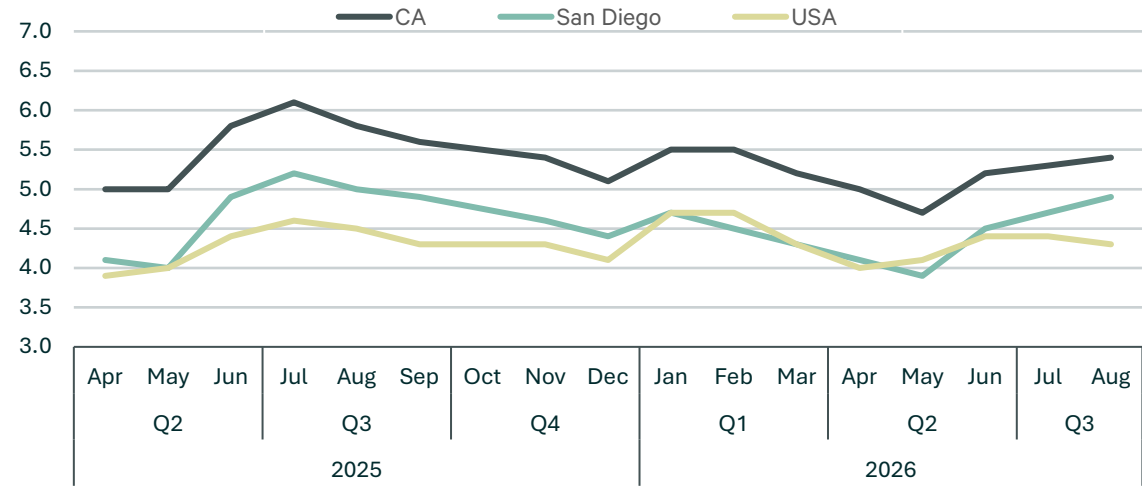
Economic Overview

Notable challenges persist, from elevated energy costs and interest rates to lingering geopolitical and technological uncertainties. Despite these concerns, the U.S. economy appears to be on track to increase by over 2% during 2026, supported by impressive AI-driven business investment. Also, a generally stable labor market continues to underpin consumer activity, providing a cushion against other risks.

The final months of 2026 could prove pivotal. While economic growth supports healthy CRE occupier market fundamentals, the investment side of the market must contend with 5% Treasury yields. Signals from the Federal Reserve, inflation data, and global fixed-income markets suggest rates will remain elevated for the foreseeable future. A key upside catalyst would be a de-escalation in the U.S./Iran conflict, which could ease inflation and provide the Fed with more flexibility.

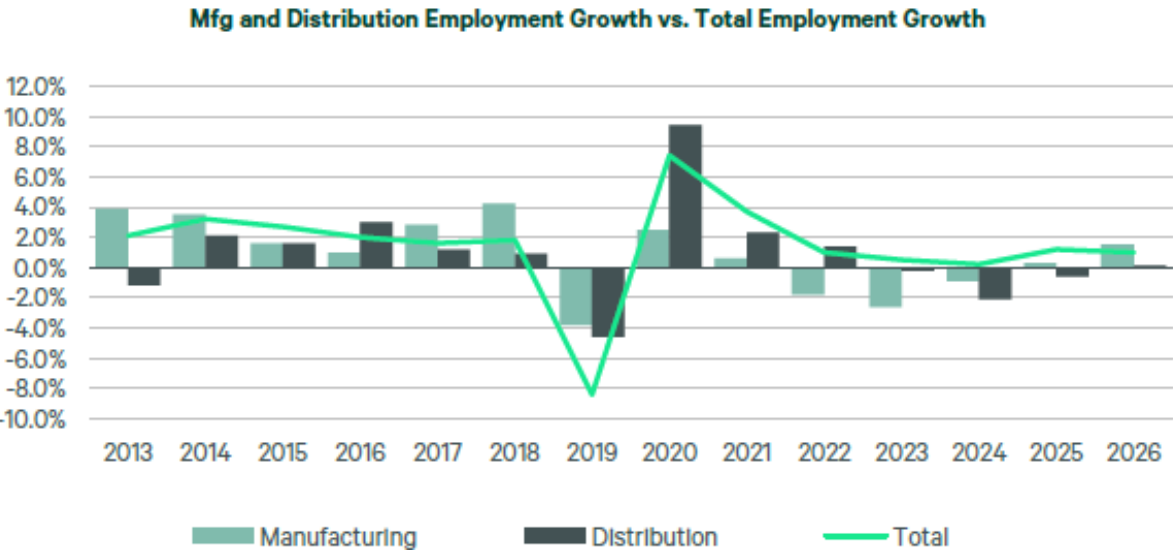
Distribution and manufacturing employment are the primary determinants of demand. Distribution Employment is defined as all the wholesale trade sector plus transportation (trucking and warehousing). The latest estimates of distribution and manufacturing employment for San Diego are 82,300 workers and 110,600 workers, respectively. Over the last five years San Diego’s distribution employment has grown by 1.4% while manufacturing employment decreased 0.7%. Over the last 12 months, both distribution and manufacturing employment declined by 0.5% and 0.1%, respectively.

FIGURE 13: Unemployment Rate



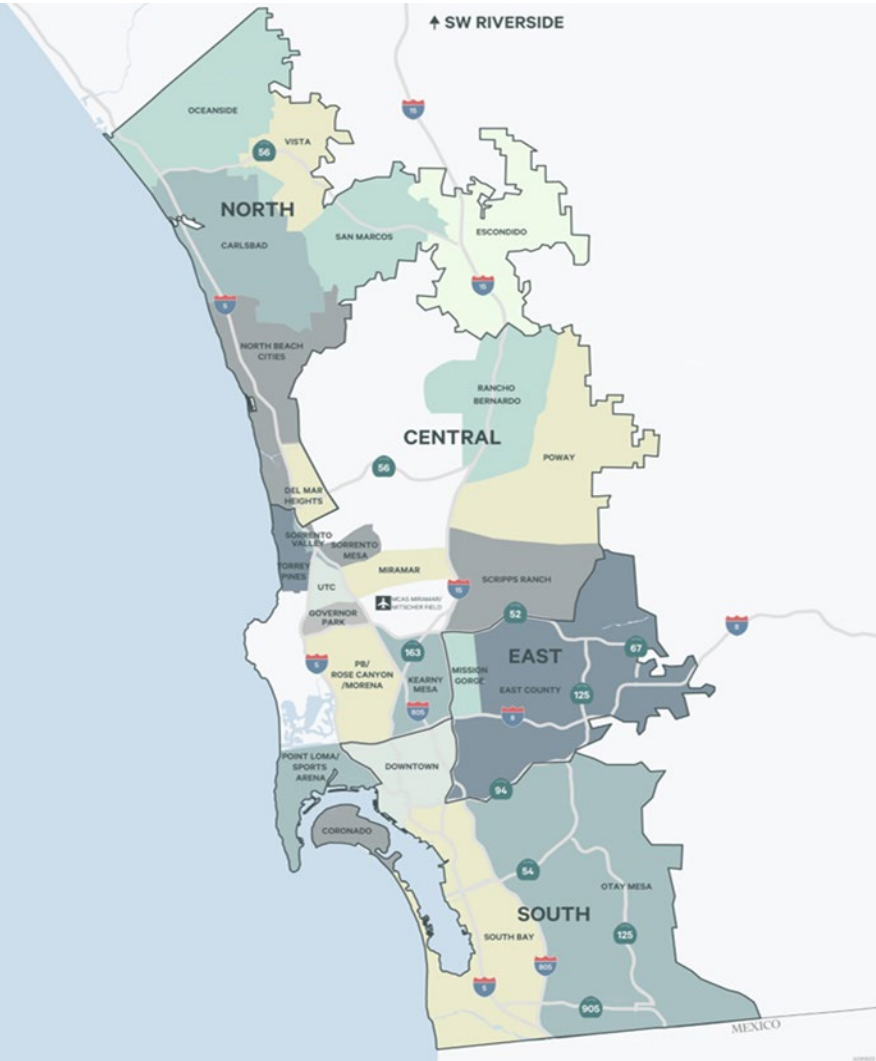
Source: U.S. Bureau of Labor Statistics, Q3 2026

FIGURE 14: Mfg. and Distribution Employment vs. Total Employment



Source: CBRE Econometric Advisors, Q2 2026

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

Survey Criteria

Effective Q1 2022, Lab space has been removed from the Industrial inventory and will be reported as a separate property type. Lab space has been removed from historical data so figures reported previously may have changed.

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