

San Diego

Industrial | Q1 2024 Market Report

Quarterly Snapshot

↔ Average Rent
\$1.36/SF

↔ Vacancy
5.7%

↓ Net Absorption
-614,968 SF

Occupier's Perspective

Asking rents remain high on renewals. However, with proper leverage tactics in place, tenants can receive large savings as the market continues to change and availability and vacancy rises.

Spaces 2,000 to 10,000 square feet have robust demand and vacancy rates in this size range are expected to remain low. Therefore, tenants lack the leverage of larger occupiers and may not receive as many concessions.

Due to market uncertainty, landlords have been willing to be more flexible on lease terms and shorter terms have become more common.

San Diego's industrial market is grappling with prolonged negative absorption, reaching its fifth consecutive quarter, the longest streak since the height of the Great Recession. Notable vacancies from Amazon and biotech firms have propelled total vacancy rates. The industrial sector, particularly for spaces above 50,000 square feet, struggles to rebound, with leasing still below pre-pandemic levels. Landlords of large spaces are prioritizing cost control over leasing activity, contributing to rising availability rates. Multi-tenant, small-bay properties maintain low vacancy and high demand, particularly in North County incubator parks. Sublet space has surged to a 20-year high, notably in flex and lab buildings.

Construction activity in 2024 will add substantial flex and industrial space, primarily concentrated in South County near the port of entry. Demand-drivers in Otay Mesa remain strong, yet broader economic uncertainties may delay significant recovery until 2025.

Rent growth has moderated to long-term averages, mirroring the market's overall stabilization. San Diego's market dynamics are increasingly defined by the contrasting fortunes of small-bay properties versus large logistics facilities. Overall, the market is navigating a complex landscape shaped by evolving demand patterns and economic uncertainties.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Marketing.com	153,166 SF	Otay Mesa	New Lease	Industrial
Agorus	127,141 SF	Otay Mesa	New Lease	Industrial
JMC Global	91,753 SF	Otay Mesa	New Lease	Industrial
ATX	46,838 SF	Carlsbad	New Lease	Industrial
HJM International	43,316 SF	Otay Mesa	New Lease	Industrial

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
11.0%	◆	\$1.19	Otay Mesa
4.3%	◆	\$1.20	Oceanside
7.1%	◆	\$1.29	San Marcos
3.3%	◆	\$1.32	Vista
1.5%	◆	\$1.32	Escondido
10.6%	◆	\$1.32	Chula Vista
0.5%	◆	\$1.37	El Cajon
4.2%	◆	\$1.47	Carlsbad
4.9%	◆	\$1.62	Miramar
2.6%	◆	\$1.74	Rancho Bernardo
1.1%	◆	\$1.80	National City
2.4%	◆	\$1.90	Kearny Mesa