

# San Diego

Industrial | Q2 2024 Market Report

## Quarterly Snapshot

↔ Average Rent  
\$1.39/SF

↔ Vacancy  
6.0%

↓ Net Absorption  
-694,408 SF

## Occupier's Perspective

Asking rents are holding firm, however tenants are benefiting from Landlord concessions, particularly for large occupiers.

Spaces 2,000 to 10,000 square feet have continued demand, larger industrial buildings may look to divide spaces, to accommodate small-bay tenants.

Due to economic uncertainty, large occupiers have been concerned with controlling their costs and seeking efficiency. The general uncertainty has caused a delay in leasing decisions and stifled leasing activity for spaces above 50,000 square feet.

San Diego's industrial market bifurcation continued in the second quarter, with demand persisting in small-bay requirements. Vacancy rates in spaces under 10,000 square feet remain low, with these spaces often leased within 2 months. They have also accounted for 40 percent of new leasing volume in 2024. Small industrial spaces will likely continue to drive the industrial leasing market in the near term.

The overall market experienced negative absorption for the sixth consecutive quarter, the longest stretch since the Great Recession. Availability has risen across all size cohorts, particularly in logistics buildings between 100,000 and 250,000 square feet. Availability in Otay Mesa has doubled to around 16 percent since the end of 2022, partially attributed to unleased new developments. Despite increased development, with 3.1 million square feet set to deliver in 2024 and 2.7 million square feet in the pipeline, demand for spaces over 50,000 square feet remains weak. Four leases over 50,000 square feet were signed during the second quarter of 2024, well below the 2019-2023 average.

Investors are adapting by subdividing larger spaces to meet the strong demand for small-bay spaces. However, no new small-bay buildings are under construction. Otay Mesa's unique access to Mexico's labor force and transportation routes should drive future absorption, but macroeconomic concerns may delay demand recovery until late 2025.

## Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Liberty Packaging	129,910 SF	Poway	Renewal	Industrial
Blue Streak Electronics	58,852 SF	Otay Mesa	New Lease	Industrial
Solatube International	53,269 SF	Vista	Renewal	Industrial
Forward	50,407 SF	Mission Gorge	Renewal	Industrial
Daikin	43,725 SF	Oceanside	New Lease	Industrial

## Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
11.0%	◆	\$1.26	Otay Mesa
4.0%	◆	\$1.28	Oceanside
8.3%	▲	\$1.35	San Marcos
1.4%	◆	\$1.36	Escondido
0.9%	◆	\$1.36	El Cajon
4.3%	◆	\$1.37	Vista
10.9%	◆	\$1.37	Chula Vista
5.2%	◆	\$1.46	Carlsbad
5.1%	◆	\$1.66	Miramar
2.1%	◆	\$1.78	National City
2.9%	◆	\$1.80	Kearny Mesa
2.7%	◆	N/A	Rancho Bernardo