INVESTMENT FORECAST

Industrial

San Diego

IPA INSTITUTIONAL PROPERTY ADVISORS

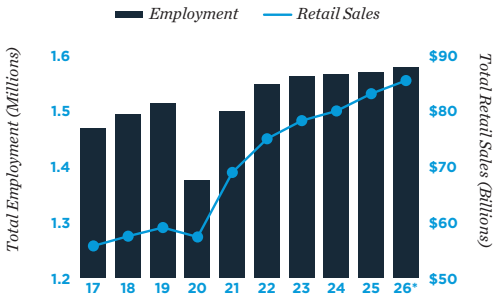
2026

Speculative Additions Remain a Hurdle; Investors Still Exhibit Confidence

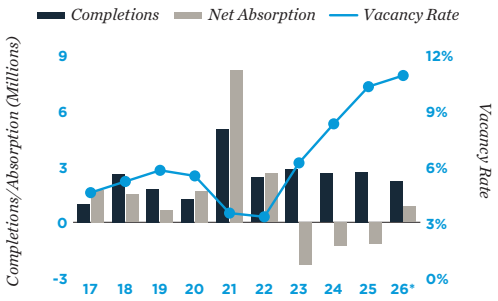
Local construction activity contrasts broader national trend. San Diego is grappling with mid-10 percent vacancy for the first time since 2012, yet there is reason for optimism. Tenants absorbed a net of 1.1 million square feet over the six months ending in March. Though this total is tied to an Amazon move-in of similar size near the U.S.-Mexico border, this period ended 11 quarters of net relinquishment. Additionally, leasing activity involving spaces smaller than 50,000 square feet matched the prior six-month span, pointing to consistent demand among smaller users. Headwinds are building, though. Unlike many other major markets, San Diego will not record a significant reduction in supply pressure during 2026. Instead, this year's delivery slate trails the prior four-year average by just 450,000 square feet, with nearly half the space scheduled for completion available as of April. This will likely moderately increase vacancy over the near term.

North County capturing a larger share of transactions. Despite recent volatility surrounding local fundamentals, San Diego registered the largest year-over-year improvement in deal flow among secondary markets during the 12 months ending in March. This activity reflects investor confidence in the metro's longtime industrial hubs of Mira Mesa-Miramar, Otay Mesa, and Kearny Mesa, as well as competition for warehouses and manufacturing facilities in the metro's northern reaches. In this area, which includes the cities of Vista, San Marcos, and Escondido, construction is minimal, and vacancy is well below the metrowide mean. These dynamics have recently caught the attention of international capital, institutional investors, and private buyers alike, a diverse pool of interested parties that may generate some sell-side activity.

Economic Trends



Supply and Demand



2026 MARKET FORECAST

+0.6%

Employment: Hiring velocity reaches a three-year high as employers add 10,000 roles. Mirroring 2025, the count of transportation and warehousing positions remains relatively consistent.

2.2 million *sq. ft.*

Construction: For a sixth straight year, inventory growth exceeds 1 percent. Available properties slated for addition are concentrated in Otay Mesa, and, to a lesser extent, Santee.

+60 bps

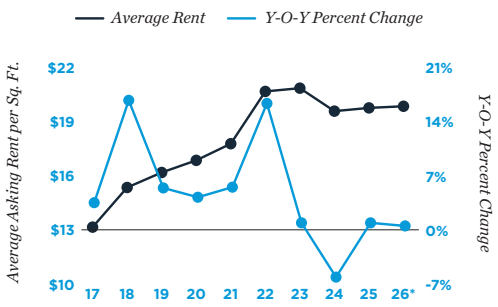
Vacancy: The metro registers its first positive net absorption in four years. However, speculative completions continue to increase vacancy, raising the local year-end rate to 10.9 percent.

+0.5%

Rent: Despite historically elevated vacancy, the metro notches marginal rent growth. At $19.80 per square foot, the mean marketed rate is 8 percent below the prior peak reached in mid-2023.

INVESTMENT: *East County is one of the West Coast's least-vacant submarkets, entering April with sub-3 percent vacancy. This, along with pricing below the metro mean, should steer investors to area listings.*

Rent Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Industrial

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2026. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at $1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

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