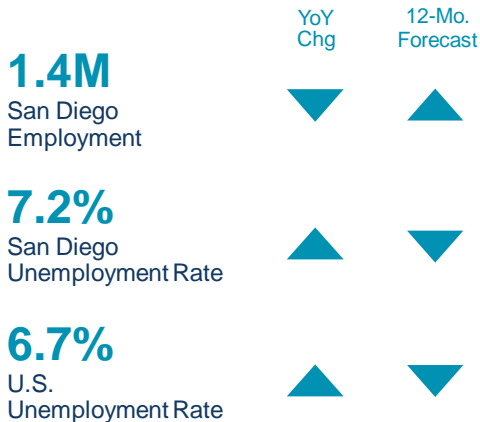


ECONOMIC INDICATORS Q1 2021



Source: BLS

ECONOMIC OVERVIEW: Unemployment Rates Decline

The San Diego employment market has recovered nearly half (47%) of the 248,000 jobs lost during the beginning of pandemic between March and April of 2020. Nonfarm employment fell by 131,700 or -8.7% year-over-year (YOY) through February 2021, with the leisure and hospitality sector accounting for 66,100 jobs lost. During the same time, the monthly unemployment rate increased from 3.2% last year to 7.2%. The current rate is 870 basis points (bps) lower compared to the 15.9% high recorded in April of 2020 and 60 bps below the Q1 2021 quarterly average of 7.8%.¹ All employment sectors are expected to grow at a combined rate of 2.1% in 2021 and 3.8% in 2022. Office employment is forecasted to grow 3.5% in 2021 and 3.0% in 2022. San Diego's economy of \$250.6 billion as measured by gross regional product is forecasted to return to growth of 4.8% in 2021 and 6.4% in 2022, above its 10-year average of 2.6%.²

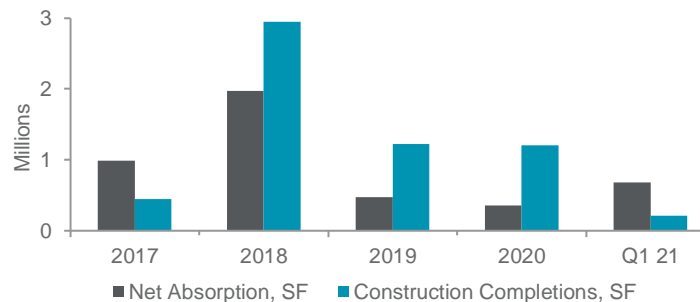
SUPPLY AND DEMAND: An Even Quarter to End the Year

At the end of Q1 2021, San Diego's direct industrial vacancy was 4.2%, a 60 bps decrease from last quarter and down 30 bps from a year ago. Tenants absorbed 683,508 square feet (sf) in Q1 2021, with occupancy increasing across all product types. The vast majority of occupancy gains were recorded in North County (534,152 sf) with 78% of the quarterly absorption total. Two submarkets drove this growth: Vista (321,945 sf) and Carlsbad (121,980 sf). Large occupancies include an e-commerce company moving into 222,000 sf in Vista, Satellite Logistics occupying 112,000 sf in Otay Mesa, and Quidel moving into 106,000 sf in Sorrento Mesa. However, large vacates including Triumph (111,000 sf) and Walmart (92,000 sf) in East County counteracted those gains. Absorption in Q1 2021 nearly doubled total positive absorption for the entire year of 2020. Leasing activity, including renewals, totaled 2.0 msf (108 deals) in Q1 2021 compared to 2.3 msf (162 deals) in Q4 2020 and 2.0 msf (204 deals) in Q1 2020. Five submarkets combined accounted for 1.5 msf or 73% of space leased in Q1 2021: Otay Mesa (27%), Carlsbad (24%), San Marcos (8%), Vista (6%) and Chula Vista (6%). In 2020, tenants leased 8.9 msf across 694 deals with the top five submarkets accounting for 5.1 msf or 58% of space leased: Carlsbad (13.8%), Otay Mesa (13.6%), Miramar (11.6%), Vista (11.3%) and Sorrento Mesa (7.3%).

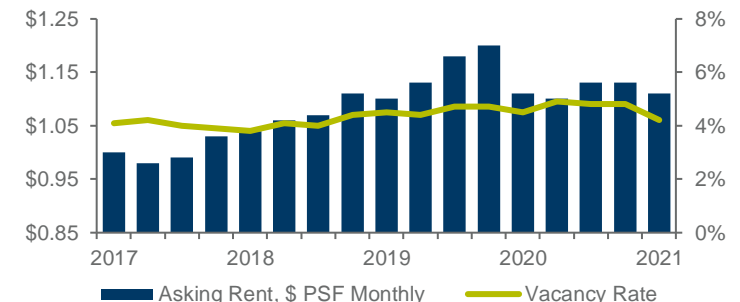
PRICING: Rents are Softening

Countywide average asking rent for all product types combined was \$1.11 per square foot (psf) per month on a triple net basis, down \$0.02 (-1.8%) from the previous quarter but unchanged from a year ago. Driven by the addition of over 2.6 msf of space to the market since 2019, average asking rent for distribution space increased by 4.3% to \$0.96 psf, while average rent for R&D space increased by 2.0% to \$1.51 psf from a year ago. Average rent for manufacturing space decreased by 2.9% to \$1.02 psf YOY, while average rent for IMT buildings increased 3.1% to \$1.35 psf.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY / ASKING RENT



Across the region, the market is the tightest for manufacturing space with direct vacancy at 3.5% in Q1 2021, 70 bps lower than a year ago. Vacancy for R&D space now stands at 3.6% countywide, 160 bps lower than a year ago. Vacancy for IMT space stands at 4.1%, unchanged compared to a year ago. Distribution space has the highest vacancy at 5.5% as of Q1 2021, an increase of 80 bps since last year. Direct vacancy for all product types combined is down slightly or 30 bps from a year ago while total availability, including sublease, also remains low at 6.3% in Q1 2021 compared to 6.6% in Q1 2020. Tenant demand continues to be strong from online retail and distribution tenants, especially as the COVID-19 pandemic continues to discourage in-person shopping. In addition, the continued growth of life sciences in central county submarkets will continue to affect inventory as landlords seek product to convert to lab space.

FUTURE INVENTORY: Developers Continue to Focus On Otay Mesa

In Q1 2021, four projects were delivered, totaling 213,292 sf, led by two distribution buildings at Otay River Business Park in Chula Vista totaling 95,500 sf. In Carlsbad, Ionis Pharmaceuticals occupied a new 69,000 sf R&D building. In East County, and 48,792 sf multi-tenant project delivered.

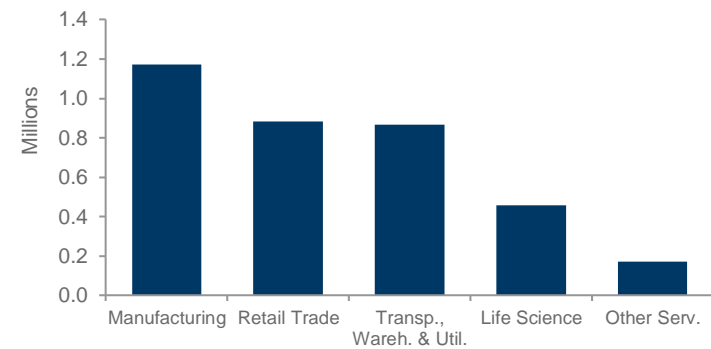
Of the 16 properties, totaling over 5.4 msf, currently under construction countywide, 3.9 msf (10 projects) are expected to be delivered by the end of 2021. The majority or 61% of inventory is build-to-suit (BTS) with the remaining 39% built as speculative (SPEC). Over 98% of SPEC distribution space development (11 of 13 projects) is happening in South County, including 846,000 sf at Landmark at Otay, 229,000 sf at Brown Field Technology Park, 136,000 sf at Airway Industrial Park and 453,000 sf at California Crossings, all located in Otay Mesa. There is BTS project currently under construction are in North County, totaling 55,352 sf. The most notable BTS project - a 3.2 msf development for an e-commerce giant - is in the South County's Otay Mesa submarket. Due to this project being 100% pre-leased, overall pre-leasing rate of current inventory under construction stands at 62% with the remaining SPEC development available for lease. Additionally, there are 18 proposed projects, totaling 4.1 msf, across all classes.

Sources: ¹www.bls.gov ² GDP as of 2020. Moody's Analytics economy.com 13/2021.

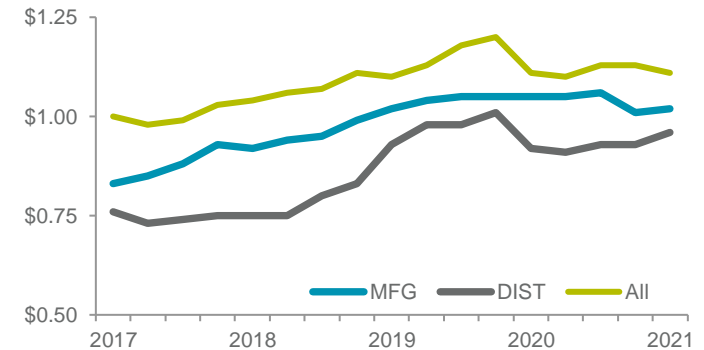
OUTLOOK

- Expanding COVID-19 vaccine eligibility in California and throughout the country will result in increased activity through the year. However, tenants are reassessing their real estate footprint based on work-from-home policies as well as assessing both short and long-term needs working through and after the pandemic. Leasing within the 10,000 to 50,000 sf range will continue to be the main driver of activity, accounting for 47% of total sf in lease obligations set to expire over the next 18 months.
- Active tenant requirements of all sizes remain robust at 3.8 msf over the next 24 months countywide. While many of these tenants paused their plans due to COVID-19, most of them have returned to exploring the market, have sent out proposals and are in the intermediate stages of their search. While not all of the current tenants in the market will transact in the short term, these levels provide a barometer to leasing activity in quarters to follow.

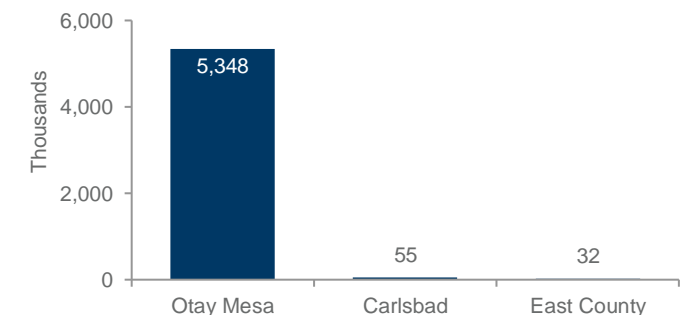
TENANT DEMAND BY INDUSTRY TYPE IN SF – TOP 5



AVERAGE MONTHLY ASKING RENT \$PSF MONTHLY NNN



UNDER CONSTRUCTION BY SUBMARKET IN SF



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	CURRENT DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	YTD CONSTR COMPLETIONS (SF)	UNDER CNSTR (SF)	AVERAGE ASKING DIRECT RENT (ALL TYPES)*	AVERAGE ASKING DIRECT RENT (R&D)	AVERAGE ASKING DIRECT RENT (DIST)
North County	53,379,882	487,401	3,070,923	5.8%	534,152	534,152	69,000	55,352	\$1.05	\$1.41	\$1.02
Central County	78,693,243	501,174	215,562	2.6%	34,033	34,033	48,792	31,948	\$1.32	\$1.62	\$1.12
South County	31,229,944	26,348	1,742,049	5.6%	115,323	115,323	95,500	5,348,249	\$0.88	\$0.91	\$0.83
R&D	31,043,087	233,304	1,123,237	3.6%	56,291	56,291	69,000	55,352	\$1.51		
MFG	63,795,813	279,615	2,232,540	3.5%	226,270	226,270	0	0	\$1.02		
IMT	20,572,409	64,971	846,206	4.1%	112,824	112,824	48,792	0	\$1.35		
DIST	47,891,760	151,421	2,652,338	5.5%	288,123	288,123	95,500	5,380,197	\$0.96		
SAN DIEGO TOTALS	163,303,069	729,311	6,854,321	4.2%	683,508	683,508	213,292	5,435,549	\$1.11		

*Rental rates reflect weighted triple net asking \$psf/month.

R&D = R&D/Flex, MFG = Manufacturing, IMT = Incubator Multi-Tenant, DIST = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2285 Rutherford Rd.	Carlsbad	Quidel	128,745	New
505 S. Pacific St.	San Marcos	Stone Distributing Company	113,500	New
2800 Whiptail Loop	Carlsbad	OnTrac	103,984	New
9440 Carroll Park Dr.	Sorrento Mesa	Life Technologies	97,162	New
655 Gateway Center Way	Downtown	DHL	86,254	New

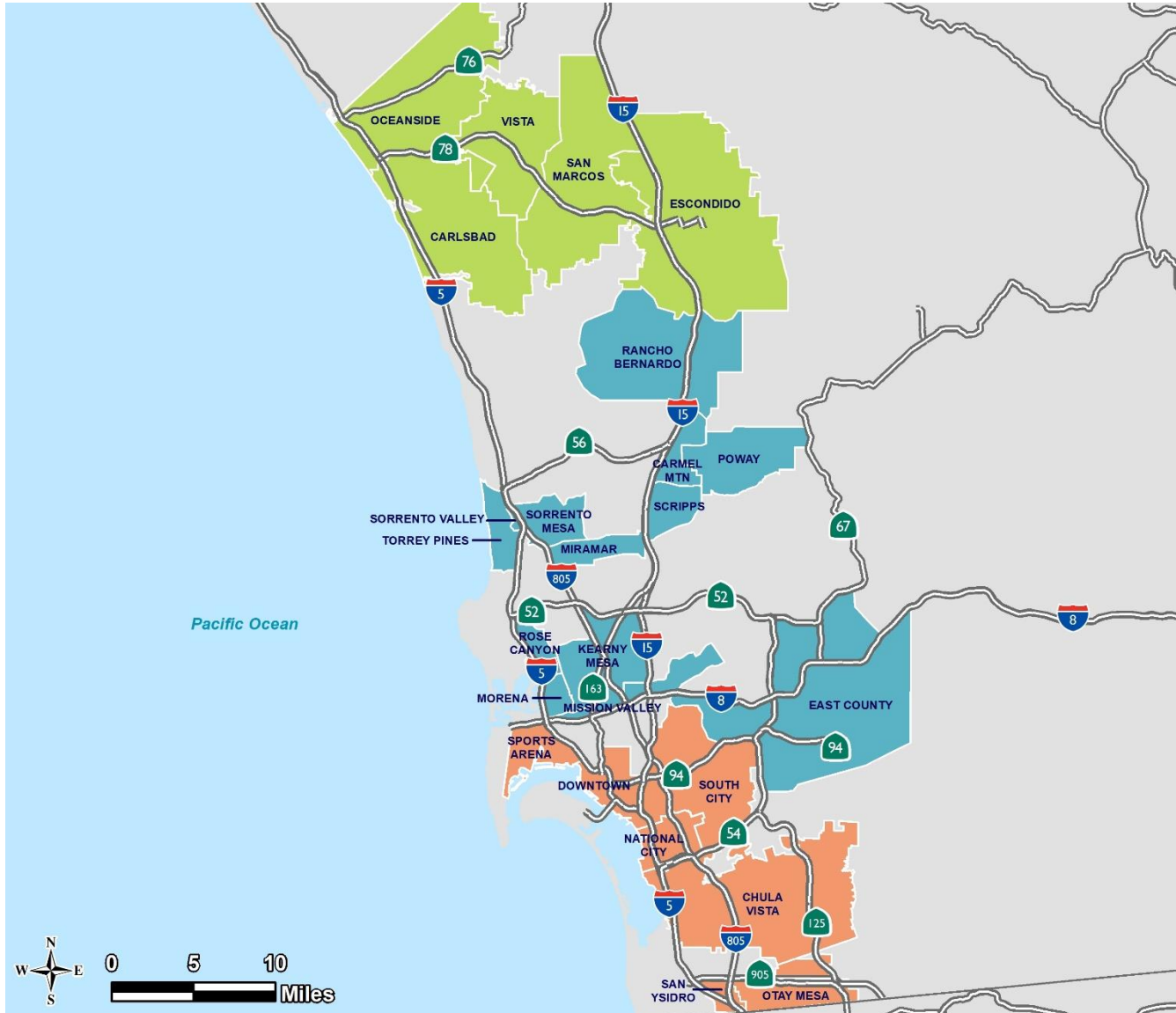
KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
Three Piper Ranch	Otay Mesa	Zurich Alternative Asset Management / KKR	333,436	\$57.8M / \$173
1 Viper Way	Vista	Stock Bridge Capital Group / RAF Pacifica Group & CenterSquare	202,844	\$26.1M / \$129
RB Vista	Rancho Bernardo	The Greystone Group / SENTRE, Inc.	141,518	\$50.0M / \$353
2285 Rutherford Rd.	Carlsbad	Link Logistics Real Estate / Alexandria Real Estate Equities	128,745	\$25.8M / \$200
3209 Lionshead Ave.	Carlsbad	Graymark Capital / EverWest Real Estate Investors	74,774	\$25.3M / \$338

KEY CONSTRUCTION COMPLETIONS 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER
2890 & 2970 Faivre St.	Chula Vista	N/A	95,500	Sudberry Properties
2850 Gazelle Ct.	Carlsbad	Ionis Pharmaceuticals	69,000	Ionis Pharmaceuticals
10050 Marathon Pkwy.	East County	Undisclosed	48,792	Hamann Companies

INDUSTRIAL SUBMARKETS



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