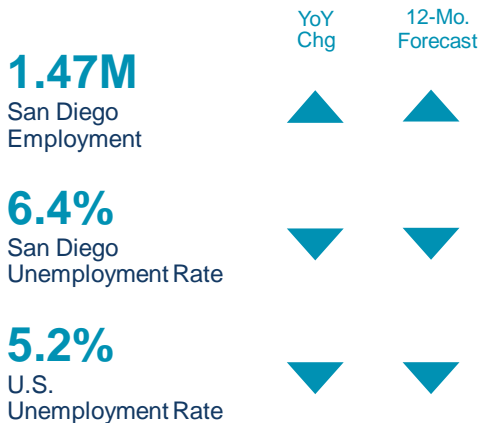


ECONOMIC INDICATORS Q3 2021



Source: BLS

ECONOMIC OVERVIEW: Employment Fundamentals Rebounding

The San Diego employment market has recovered more than half (57%) of the 248,000 jobs lost during the beginning of the pandemic between March and April of 2020. Nonfarm employment grew by 59,200 or +4.4% year-over-year (YOY) between August 2020 through August 2021, with the leisure and hospitality sector accounting for 31,000 jobs added (+23.2% YOY). During the same time, the monthly unemployment rate decreased from 10.8% last year to 6.6%. The current monthly rate is 930 basis points (bps) lower compared to the 15.9% high recorded in April of 2020 and 20 bps above the Q3 2021 quarterly average of 6.4%.¹ All employment sectors are expected to grow at a combined rate of 2.0% in 2021 and 4.5% in 2022. San Diego's economy of \$241.7 billion as measured by 2020 gross regional product is forecasted to return to growth of 7.9% in 2021 and 5.1% in 2022, above its 10-year average of 2.7%.²

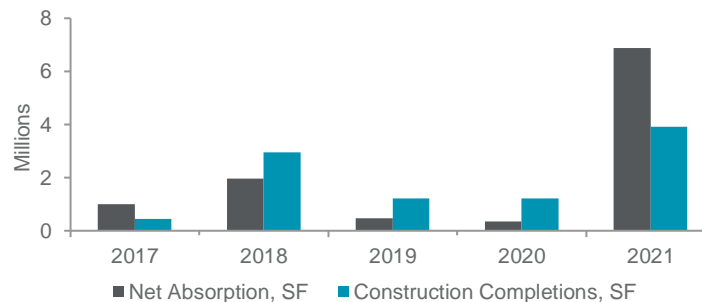
SUPPLY AND DEMAND: Massive BTS Breaks Records

At the end of Q3 2021, San Diego's direct industrial vacancy was 2.6%, a 30 bps decrease from last quarter and a 220 bps decrease from a year ago, marking the lowest vacancy rate ever recorded. Tenants absorbed 4.0 million square feet (msf) in Q3 2021, the highest level of absorption ever recorded as the result of a 3.4 msf build-to-suit (BTS) project in Otay Mesa occupied by a major e-commerce company. Excluding that project, the market absorbed 609,356 square feet (sf) across all submarkets. Almost half of occupancy gains were recorded in South County (331,142 sf) submarkets, with Otay Mesa (227,270 sf) and Chula Vista (84,704 sf) accounting for the highest occupancy gains. Large occupancies include Mendtronix (87,500 sf), the Salvation Army (85,500 sf), Codan USA (54,500 sf) in Otay Mesa, the University of Saint Katherine (33,800 sf) in San Marcos and Legacy Gymnastics (26,600 sf) in San Ysidro. Notable vacates include Alphatec Spine (77,000 sf) and Sound Elkin (57,000 sf) moving out of buildings in Carlsbad, Tru Grit Fitness vacating in Vista and Genuine Parts Company downsizing out of 34,000 sf in Kearny Mesa. New leasing activity, excluding renewals, totaled 1.1 msf (83 deals) in Q3 2021 compared to 3.2 msf (121 deals) in Q2 2021 and 2.0 msf (178 deals) in Q3 2020. Three submarkets combined accounted for 519,200 sf or 49% of space leased in Q3 2021: East County (19%), Miramar (15%) and Carlsbad (14%). Otay Mesa alone accounted for 1.6 msf or 25% of year-to-date new leasing in 2021.

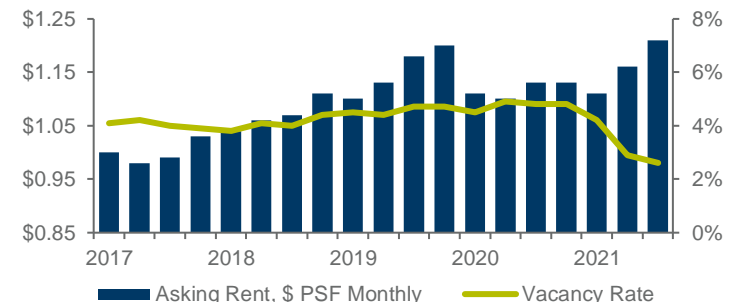
PRICING: Rents Begin to Rise

Countywide average asking rent for all product types combined was \$1.21 per square foot (psf) per month on a triple net basis, up \$0.05 (+4.3%) from the previous quarter and \$0.08 (+7.1%) from a year ago. Average asking rent for distribution space increased by 7.5% to \$1.00 psf, while average rent for R&D space increased by 6.0% to \$1.59 psf from a year ago. Average rent for manufacturing space increased by 4.7% to \$1.11 psf YOY, while average rent for IMT buildings increased 7.7% to \$1.40 psf.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY / ASKING RENT



Across the region, the market is the tightest for manufacturing space with direct vacancy at 2.4% in Q3 2021, 200 bps lower than a year ago. Vacancy for R&D space now stands at 2.9% countywide, 120 bps lower than a year ago. Vacancy for IMT space stands at 2.6%, 240 bps lower than to a year ago. Distribution space has a vacancy rate of 2.7% as of Q3 2021, a decrease of 300 bps since last year.

Direct vacancy for all product types combined is down significantly or 220 bps from a year ago while total availability, including sublease, also remains low at 4.1% in Q3 2021 compared to 7.2% in Q3 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. With record low vacancies and significant demand, the continued development of new inventory is expected.

FUTURE INVENTORY: Otay Mesa Development Seeks to Meet Rising Demand

In Q3 2021, five buildings were delivered, including the 3.4 msf e-commerce facility. Other deliveries include a 135,600-sf development in Otay Mesa that was sold vacant to Black Creek Group, an 85,500-sf BTS for the Salvation Army in Otay Mesa and two smaller buildings on Marathon Parkway in East County, totaling 32,000 sf.

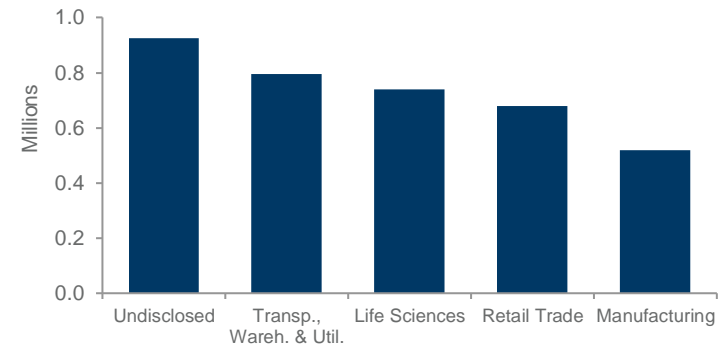
Of the 14 properties, totaling over 2.7 msf, currently under construction countywide, 785,000 sf (7 projects) are expected to be delivered by the end of 2021. The majority or 72% of inventory is being built as speculative (SPEC), with the remaining 28% as BTS. All of SPEC distribution space development (11 projects) is happening in Otay Mesa, including 846,000 sf at Landmark at Otay, 453,000 sf at California Crossings, 229,000 sf at Brown Field Technology Park and 151,000 sf at Otay II Commerce Center. The overall pre-leasing rate of current inventory under construction stands at 27.9%, with the remaining SPEC development available for lease. Additionally, there are 15 proposed projects, totaling 3.1 msf, across all classes.

Sources: ¹www.bls.gov ² GDP as of 2020. Moody's Analytics economy.com 9/2021.

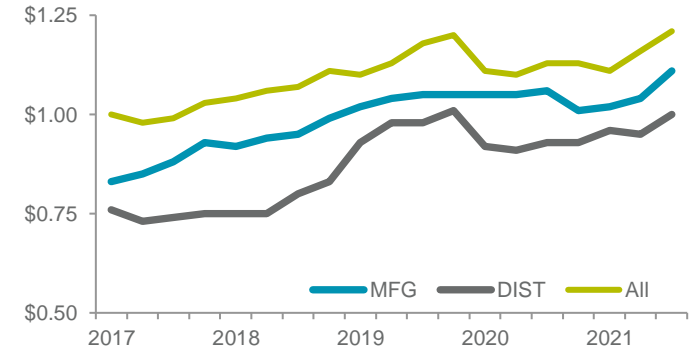
OUTLOOK

- 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 44% of total sf in lease obligations set to expire over the next 18 months.
- Active tenant requirements of all sizes remain robust at 4.4 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.

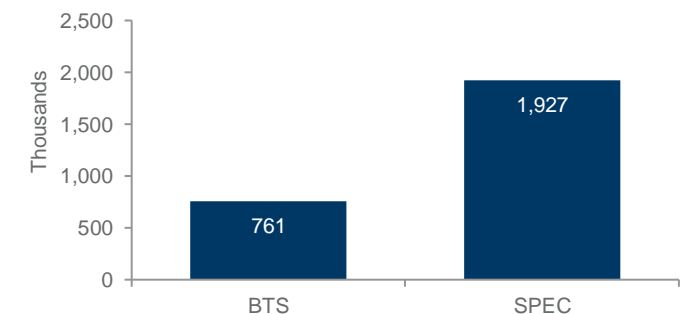
TENANT DEMAND BY INDUSTRY TYPE IN SF – TOP 5



AVERAGE MONTHLY ASKING RENT \$PSF MONTHLY NNN



UNDER CONSTRUCTION BY TYPE 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	53,488,652	235,369	1,770,064	3.3%	33,471	1,869,473	124,352	0	\$1.15	\$1.47	\$1.08
Central County	78,733,997	178,357	1,598,381	2.0%	244,743	537,642	80,740	60,714	\$1.45	\$1.71	\$1.30
South County	34,835,835	2,000	994,537	2.9%	3,731,142	4,461,043	3,716,627	2,627,122	\$0.92	\$0.95	\$0.84
R&D	30,889,493	53,717	906,119	2.9%	133,608	275,194	124,352	0	\$1.59		
MFG	63,869,164	252,037	1,515,413	2.4%	82,943	924,932	0	0	\$1.11		
IMT	20,613,446	28,356	543,508	2.6%	93,912	411,857	48,792	0	\$1.40		
DIST	51,686,381	81,616	1,397,942	2.7%	3,698,893	5,256,175	3,748,575	2,687,836	\$1.00		
SAN DIEGO TOTALS	167,058,484	415,726	4,362,982	2.6%	4,009,356	6,868,158	3,921,719	2,687,836	\$1.21		

*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 Q3 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1111 Pioneer Way	East County	Dynalectric	110,663	New
6955 Consolidated Way	Miramar	Granite Factory Direct	82,781	New
9255 Customhouse Pl.	Otay Mesa	Jonathan Louis International	68,827	Expansion
2950 Norman Strasse Rd.	San Marcos	Bestop Baja	37,627	New
2811 La Mirada Dr.	Vista	Tru Grit Fitness	37,344	New

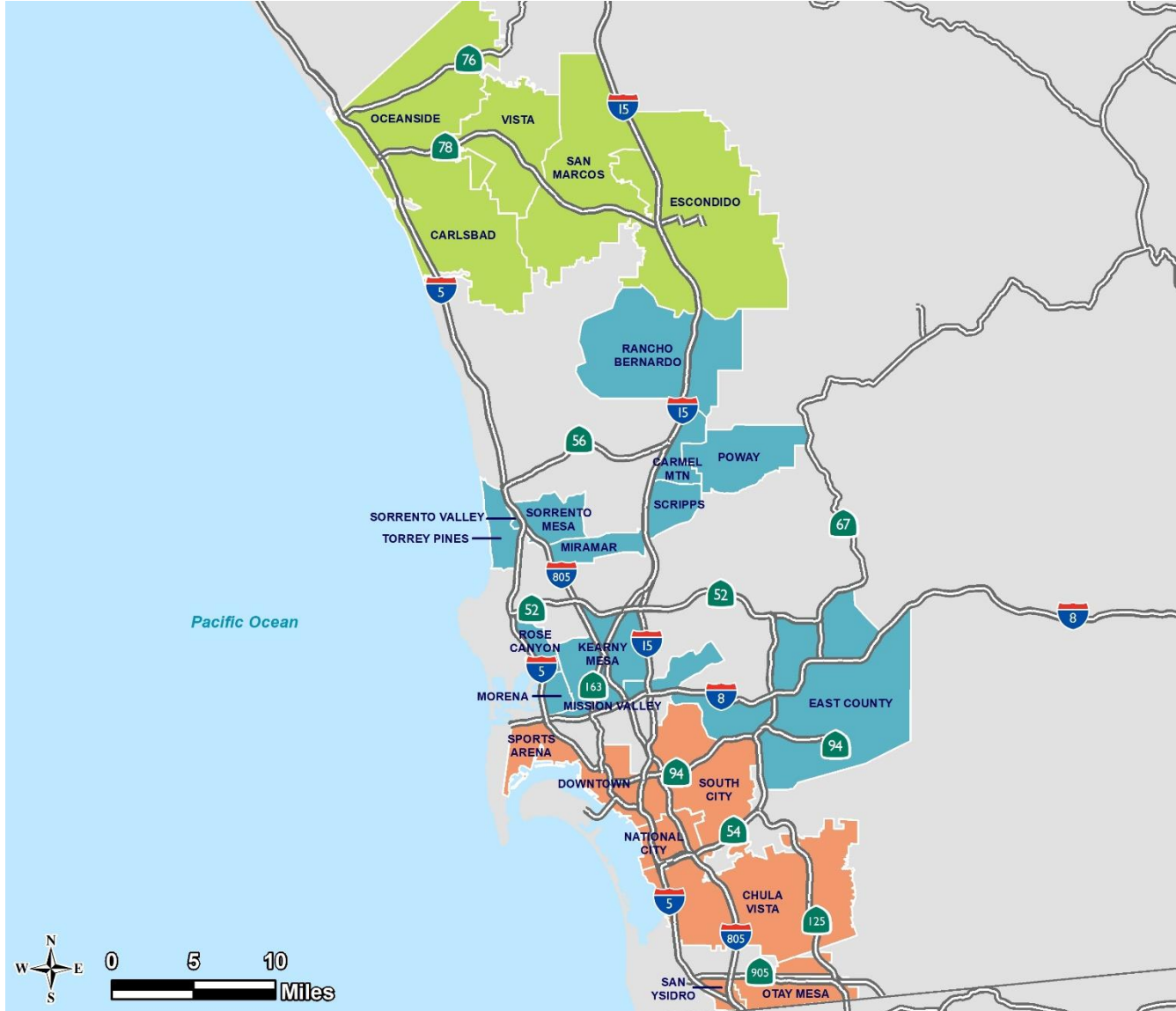
KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
North County Corporate Center	Vista	Barings / Black Creek Group	493,898	\$147.5M / \$299
1855 Dornoch Ct.	Otay Mesa	CapRock Partners / KKR	210,156	\$47.4M / \$225
4181 Ruffin Rd.	Kearny Mesa	IDS Real Estate Group / Rexford Industrial Realty	189,909	\$35.8M / \$188
13500 Danielson & 237 Via Vera Cruz	Poway / San Marcos	Bixby Land Company / JLL Income Property Trust	152,857	\$36.6M / \$240
8150 Airway Rd.	Otay Mesa	Rockefeller Group / Black Creek Group	135,623	\$23.9M / \$175

KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER
11 Otay Mesa Rd.	Otay Mesa	E-commerce Company	3,400,000	E-commerce Company
2890 & 2970 Faivre St.	Chula Vista	N/A	95,500	Sudberry Properties
2850 Gazelle Ct.	Carlsbad	Ionis Pharmaceuticals	69,000	Ionis Pharmaceuticals
5807 Van Allen Way	Carlsbad	SMAC	55,352	SMAC

INDUSTRIAL SUBMARKETS



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