



NAI San Diego

Q3'20 San Diego Industrial Market Report

12 Mo Deliveries in SF

1.3 M

12 Mo Net Absorption in SF

164 K

Vacancy Rate

6.0%

12 Mo Rent Growth

3.6%

San Diego's industrial footprint is supported by groundbreaking work in the biotech and life science industries in the UC San Diego area. Expanding defense contractors and tech firms add a further layer of demand for San Diego's existing product and new development along the I-805 and I-15 corridors. Those industries are likely to help support San Diego's industrial market as the region grapples with the coronavirus outbreak.

The industrial space markets may be best positioned to weather the storm from the spread of the coronavirus given the strength of the life science and logistics sectors. That steady demand, which held firm during 20Q3 as leasing volume kept pace with 20Q2, should prevent the vacancy rate from unraveling during the forecast. In fact, it may even fall amid that steady demand.

And while annual rent growth has moderated since 2019,

it remains firmly positive and supported by San Diego's core industries. Life science- and logistics-focused submarkets in the UC San Diego area and Otay Mesa have led the region in rent growth this year.

Construction starts skyrocketed after Amazon's 3.3 million-SF distribution center in Otay Mesa broke ground in 20Q2. That was one of several new leases for the e-commerce giant in San Diego. It leased the 530,000-SF speculative Vantage Point in Poway during 20Q2 and the spec RB Vista in Rancho Bernardo in 20Q3. In all, Amazon has leased more than 4 million SF across San Diego since 2019.

Institutional investors remain active here, attracted to the diverse tenant pool and strong rent growth. But although sales volume dipped in the past quarter, investors have remained more active purchasing industrial properties than they have other commercial asset.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	81,251,665	5.3%	\$1.15	8.7%	42,185	0	4,670,493
Specialized Industrial	66,634,398	4.4%	\$1.20	5.9%	(47,822)	0	105,146
Flex	50,447,109	9.3%	\$2.03	11.1%	(14,112)	0	124,302
Market	198,333,172	6.0%	\$1.38	8.4%	(19,749)	0	4,899,941

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.5%	7.4%	6.1%	11.1%	2010 Q3	4.4%	2018 Q3
Net Absorption SF	164 K	1,420,002	1,317,089	6,450,585	2000 Q2	(4,748,785)	2009 Q3
Deliveries SF	1.3 M	1,872,169	2,018,087	6,227,466	2000 Q2	74,750	2011 Q2
Rent Growth	3.6%	3.4%	3.1%	8.5%	2001 Q1	-5.9%	2009 Q4
Sales Volume	\$1.4 B	\$1.2B	N/A	\$2.2B	2019 Q3	\$346.4M	2009 Q3

San Diego is firmly established as one of the top life science markets in the country. The region's life science firms, many in the UC San Diego area and Sorrento Mesa, are also at the forefront of researching and developing a vaccine for the coronavirus. These firms, along with defense contractors that are spread along the I-805 and I-15 freeways, should support stability and continued demand, even after manufacturing has slowed from a disruption to global supply chains.

The vacancy rate ticked up to its highest point in five years during 20Q3, hitting 6%, after several tenants moved out of space this year. More than 300,000 SF went vacant in Chula Vista when a division of United Technologies relocated its operations out of state. That coincided with Imperial Toys moving out of 250,000 SF at the Viva Logistics Center in Otay Mesa after declaring bankruptcy, while Directed Electronics closed its 200,000-SF facility in the Vista Business Park in 20Q3.

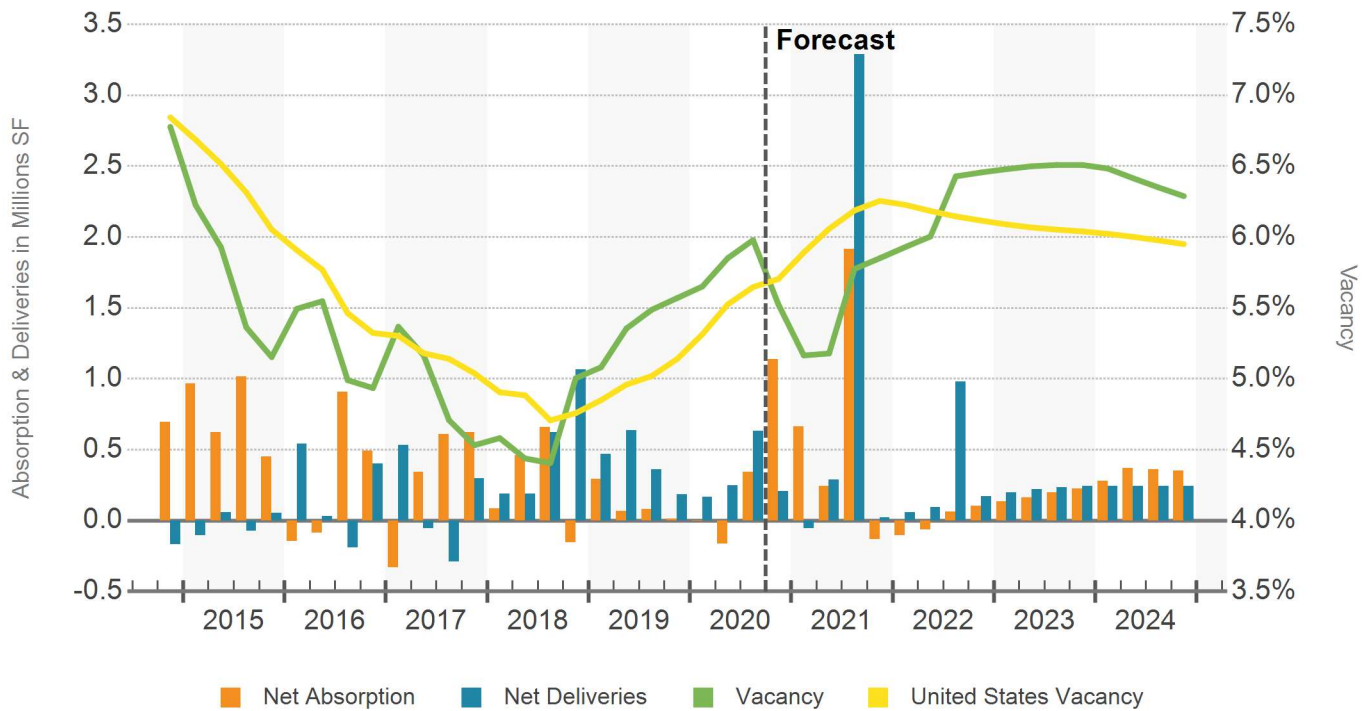
Amazon is one company that has taken advantage of economic dislocation as consumer preferences shift further to e-commerce and last-mile distribution becomes even more necessary. The e-commerce giant signed three of the biggest leases in San Diego since last year. It committed to a four-story, 3.3 million-SF distribution center in Otay Mesa near the border. It broke ground in 20Q2 with an expected delivery by mid-2021. Logistics firms in Otay Mesa can take advantage of the busiest land port-of-entry from Mexico in California. Data from 2019 showed 1.4 million northbound commercial trucks passed through east county land ports.

Amazon also signed a 220,000-SF lease at the Vista Business Park in 19Q3; a 530,000-SF lease for the speculative Vantage Point in Poway just two months ahead of its September 2020 delivery; a 72,000-SF lease in the Pacific Beach-Morena area in 20Q2; and 140,000 SF at the spec RB Vista in Rancho Bernardo a month after it delivered in June 2020. Amazon is reported to be on the hunt for even more space in the region, and not only for logistics space. They leased a 45,000-SF flex space at Campus Pointe in UTC during the summer as part of its strategy to establish a hub in San Diego.

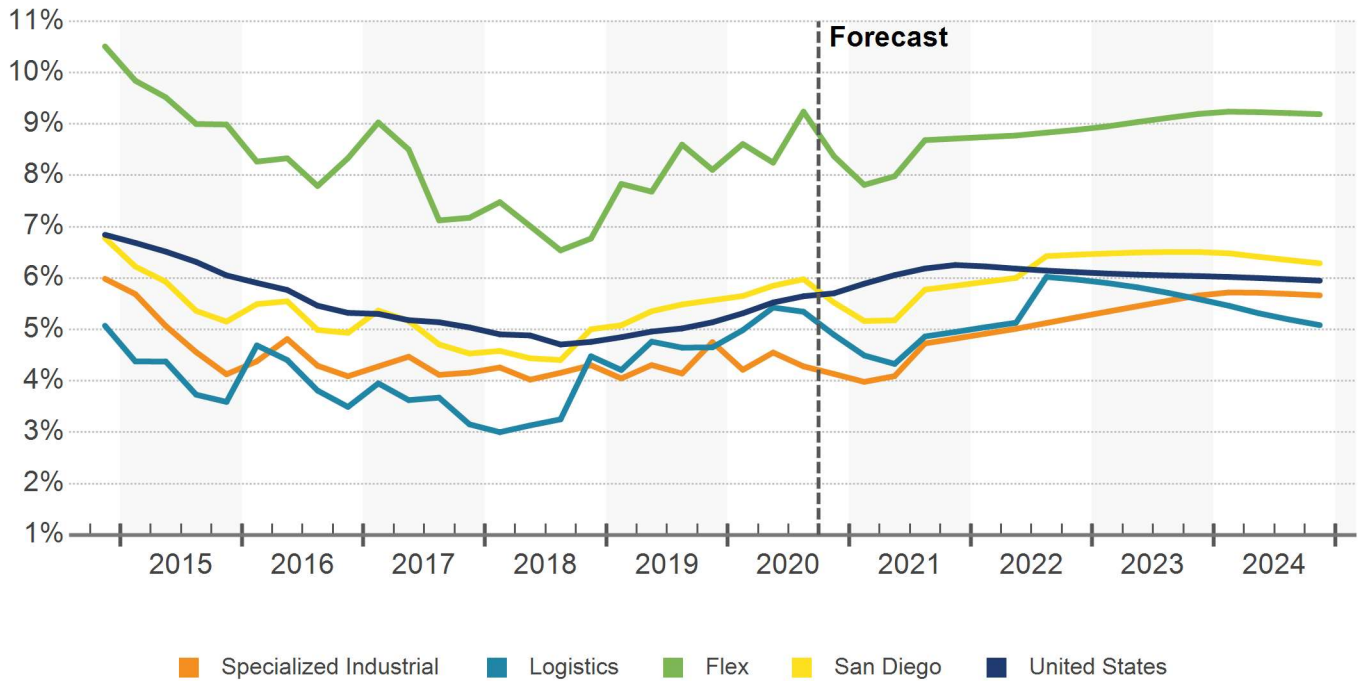
The second and third quarter's demand was off only slightly from historical quarterly averages for leasing volume. Carlsbad has been especially active. MilliporeSigma signed a 150,000-SF lease at the create building in 20Q2. That will be a significant expansion within the submarket for the tenant. Copan Diagnostics also leased nearly 40,000 SF at Carlsbad Crossroads in 20Q2, for an expansion from Murrieta. GenMark Diagnostics leased 73,000 SF at NorthPointe Tech Center to start 20Q3 for 10 years. GenMark also has a first right of refusal to lease two neighboring facilities from the landlord. Life science tenants can get a foothold here for half of what they might pay in the UC San Diego area.

And in Sorrento Mesa, Quidel leased more than 100,000 SF of expansion space during 20Q3. All of those deals have buttressed demand and have helped stabilized the market amid economic instability.

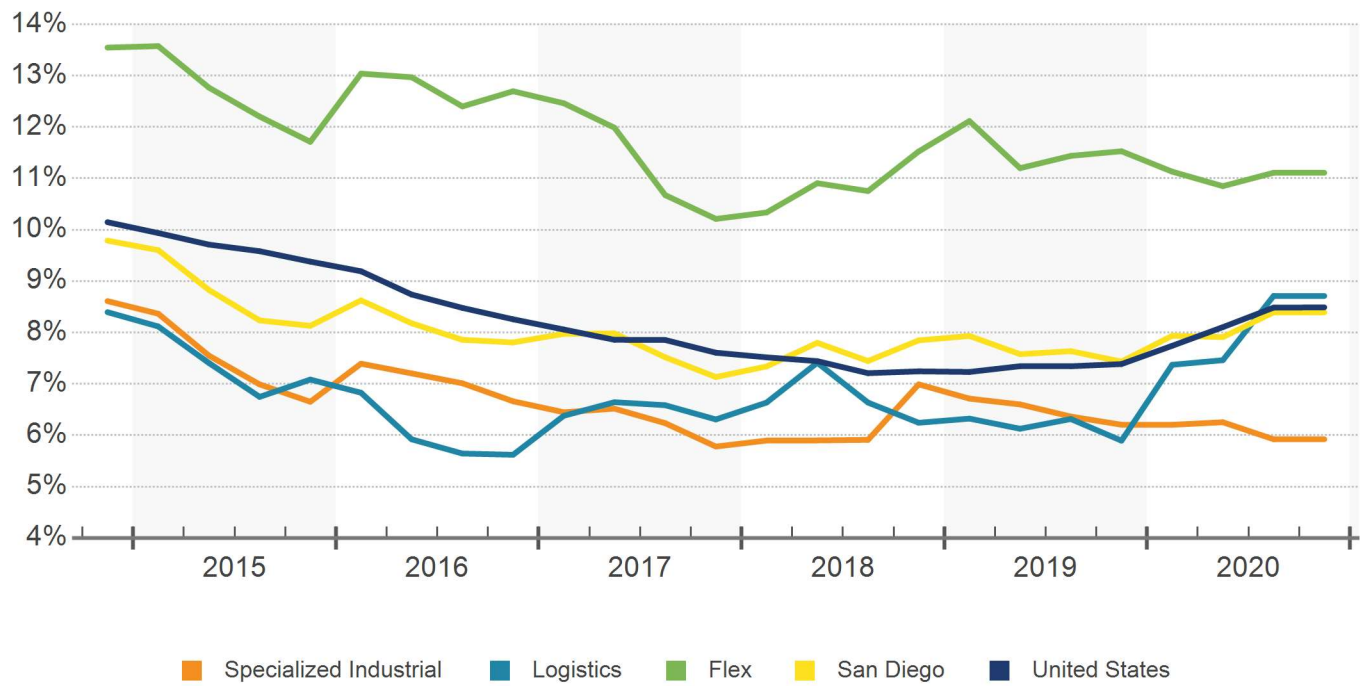
NET ABSORPTION, NET DELIVERIES & VACANCY



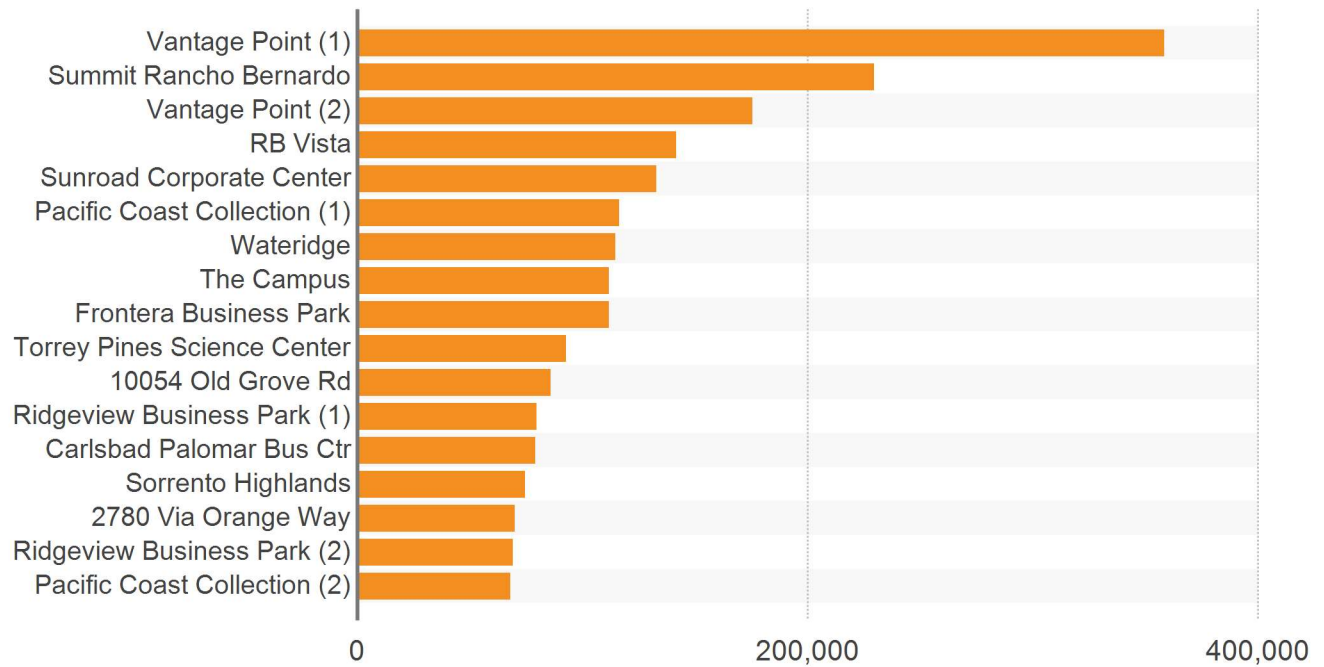
VACANCY RATE



AVAILABILITY RATE



12 MONTH NET ABSORPTION SF IN SELECTED BUILDINGS



Building Name/Address	Submarket	Bldg SF	Vacant SF	Net Absorption SF				
				1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	12 Month
Vantage Point (1)	Poway Ind	358,313	0	0	0	358,313	0	358,313
Summit Rancho Bernardo	Rancho Bernardo Ind	229,598	0	229,598	0	0	0	229,598
Vantage Point (2)	Poway Ind	175,637	0	0	0	175,637	0	175,637
RB Vista	Rancho Bernardo Ind	141,518	0	0	141,518	0	0	141,518
Sunroad Corporate Center	Otay Mesa Ind	601,417	0	132,864	0	0	0	132,864
Pacific Coast Collection (1)	Oceanside Ind	117,528	0	0	0	0	0	116,250
Wateridge	Sorrento Mesa Ind	183,565	60,279	0	20,694	0	0	114,661
The Campus	Otay Mesa Ind	137,000	25,163	0	0	346	111,491	111,837
Frontera Business Park	Otay Mesa Ind	111,644	0	111,644	0	0	0	111,644
Torrey Pines Science Center	Torrey Pines Ind	94,000	0	0	0	0	0	92,799
10054 Old Grove Rd	Scripps Ranch Ind	85,824	0	0	0	85,824	0	85,824
Ridgeview Business Park (1)	Poway Ind	80,500	0	0	0	0	0	79,624
Carlsbad Palomar Bus Ctr	Carlsbad Ind	148,987	0	0	0	0	0	79,130
Sorrento Highlands	Sorrento Mesa Ind	74,571	0	74,558	0	0	0	74,558
2780 Via Orange Way	La Mesa/Spring Vall...	70,000	0	0	22,700	47,300	0	70,000
Ridgeview Business Park (2)	Poway Ind	70,000	0	0	0	0	0	69,239
Pacific Coast Collection (2)	Oceanside Ind	109,163	41,250	0	0	67,913	0	67,913
Subtotal Primary Competitors		2,789,265	126,692	548,664	184,912	735,333	111,491	2,111,409
Remaining San Diego Market		195,543,907	11,749,756	(553,086)	(347,758)	(395,012)	(131,240)	(1,947,430)
Total San Diego Market		198,333,172	11,876,448	(4,422)	(162,846)	340,321	(19,749)	163,979

TOP INDUSTRIAL LEASES PAST 12 MONTHS

Building Name/Address	Submarket	Leased SF	Qtr	Tenant Name	Tenant Rep Company	Leasing Rep Company
14500 Kirkham Way	Poway	358,313	Q2 20	Amazon	Lee & Associates	Kidder Mathews
14400 Kirkham Way	Poway	175,637	Q2 20	Amazon	Lee & Associates	Kidder Mathews
9330 Balboa Ave	Kearny Mesa	150,000	Q4 19	Jack In The Box	-	-
16915 Via Del Campo	Rancho Bernardo	141,518	Q3 20	Amazon	Lee & Associates	JLL
2020 Piper Ranch Rd	Otay Mesa	132,864	Q4 19	QS Customs Brokers	Cushman & Wakefield	CBRE
2065 Sanyo Ave	Otay Mesa	111,491	Q3 20	Hillebrand	-	JLL
1345 Sycamore Ave *	Vista	108,758	Q1 20	Ernest Packaging Solutions	Lee & Associates	-
10015 Waples Ct	Sorrento Mesa	106,412	Q3 20	Quidel Corporation	-	Colliers International
10054 Old Grove Rd	Scripps Ranch	85,824	Q1 20	-	-	Cushman & Wakefield
4370 Jutland Dr	PB/Rose Canyon/Morena	72,716	Q2 20	Amazon	Lee & Associates	Kidder Mathews
6305 El Camino Real	Carlsbad	67,528	Q4 19	Palomar Technologies, Inc.	-	Cushman & Wakefield
2882 Whiptail Loop E	Carlsbad	66,084	Q4 19	ShipCalm	-	Cushman & Wakefield
528 E Mission Rd	San Marcos	64,287	Q2 20	TRI-M-CO	-	-
1224 Exposition Way	Otay Mesa	62,983	Q4 19	3PL Winner	-	CBRE
9269 Lightwave Ave	Kearny Mesa	62,572	Q3 20	-	-	Cushman & Wakefield;...
7130 Miramar Rd	Mira Mesa/Miramar	59,317	Q4 19	TForce Logistics	-	Cushman & Wakefield
2777 Loker Ave W	Carlsbad	59,215	Q1 20	-	-	Kidder Mathews
2611 Commerce Way	Vista	55,296	Q3 20	DIG	-	Kidder Mathews
6740-6760 Cobra Way	Sorrento Mesa	52,959	Q1 20	Sekisui Diagnostics	-	Kidder Mathews
7130 Miramar Rd	Mira Mesa/Miramar	50,922	Q2 20	-	-	Cushman & Wakefield
1491 Poinsettia Ave *	Vista	49,384	Q4 19	Plansee	-	Cushman & Wakefield
8123 Miralani Dr	Mira Mesa/Miramar	48,000	Q2 20	Cutwater Spirits	CBRE	Colliers International
6855 Calle De Linea	Otay Mesa	47,838	Q3 20	-	-	CBRE
2780 Via Orange Way	La Mesa/Spring Valley	47,300	Q2 20	Vey's Powersports	Inland Pacific	Inland Pacific
7550 Panasonic Way	Otay Mesa	46,830	Q4 19	Costco	-	Lee & Associates Com...
2580 Progress St	Vista	45,465	Q2 20	PDQ Pickup	Colliers International	Palomar Commercial
1690 Brandywine Ave	Chula Vista	45,183	Q4 19	Dynamex Operations Wes...	Colliers International	Cushman & Wakefield
740 Los Vallecitos Blvd	San Marcos	40,067	Q1 20	Western Pacific Wholesale	-	JLL
8991 Crestmar Pt	Mira Mesa/Miramar	40,000	Q4 19	-	-	Kidder Mathews
955 Gateway Center Way *	Southeast San Diego	39,777	Q1 20	RRD San Diego	-	Kidder Mathews
6060 Nancy Ridge Dr	Mira Mesa/Miramar	38,660	Q2 20	BlueNalu, Inc.	Cresa - San Diego	CBRE
1865 Ord Way	Oceanside	35,463	Q3 20	Paradox Foods	-	Kidder Mathews
1330 30th St *	San Ysidro/Imp Beach	35,038	Q2 20	Leidos Engineering & Sci...	JLL	Voit Real Estate Services
1445 Engineer St	Vista	35,000	Q4 19	Medco	-	CBRE
2954 Norman Strasse Rd	San Marcos	34,854	Q4 19	Abena North America, Inc.	-	Cushman & Wakefield
9649-9669 Distribution Ave *	Mira Mesa/Miramar	34,150	Q4 19	Northrop Grumman Innov...	CBRE	Voit Real Estate Services
6131 Innovation Way	Carlsbad	32,227	Q2 20	-	-	Voit Real Estate Services
1445 Engineer St	Vista	32,221	Q4 19	North County Food Bank	-	CBRE
2500 Sweetwater Springs Blvd	La Mesa/Spring Valley	31,800	Q2 20	Coastal Trading Ventures...	Inland Pacific	Voit Real Estate Services
1166-1168 Fesler St	El Cajon	29,783	Q3 20	Agorus	Cushman & Wakefie...	Inland Pacific

*Renewal

Strong demand for life science and lab space has buoyed annual rent growth. Even so, rent growth has cooled and stands at 3.6% compared to the five-year average of 5.9%. It is possible that rent growth outperforms the forecast amid continued disruption from the coronavirus.

The leaderboard consists of a familiar set of submarkets that are fortified by a base of life science and tech tenants. Sorrento Mesa, Sorrento Valley, the UC San Diego and Carlsbad all posted rent growth above their historical benchmarks and are expected to remain relatively stable amid the outbreak.

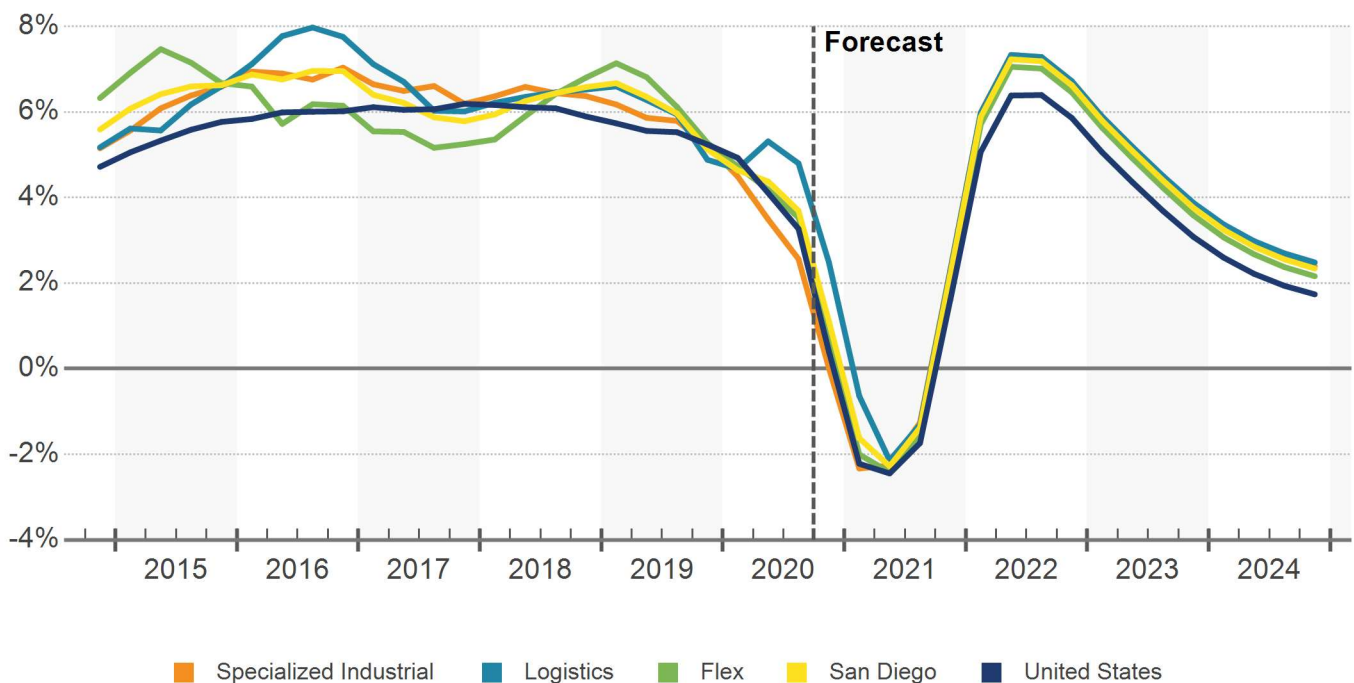
In Carlsbad, tenants can often find a considerable discount relative to the UC San Diego area. For instance, GenMark signed its 73,000-SF lease in Carlsbad at the beginning of 20Q3 with a starting rate below \$20/SF NNN. The 10-year lease included \$4.3 million in tenant improvements and 3% annual bumps.

Otay Mesa also headlined the region, as logistics space remains in high demand. This area may be best positioned to weather the spread of the coronavirus, as logistics space there is likely to continue to attract tenants during these uncertain times.

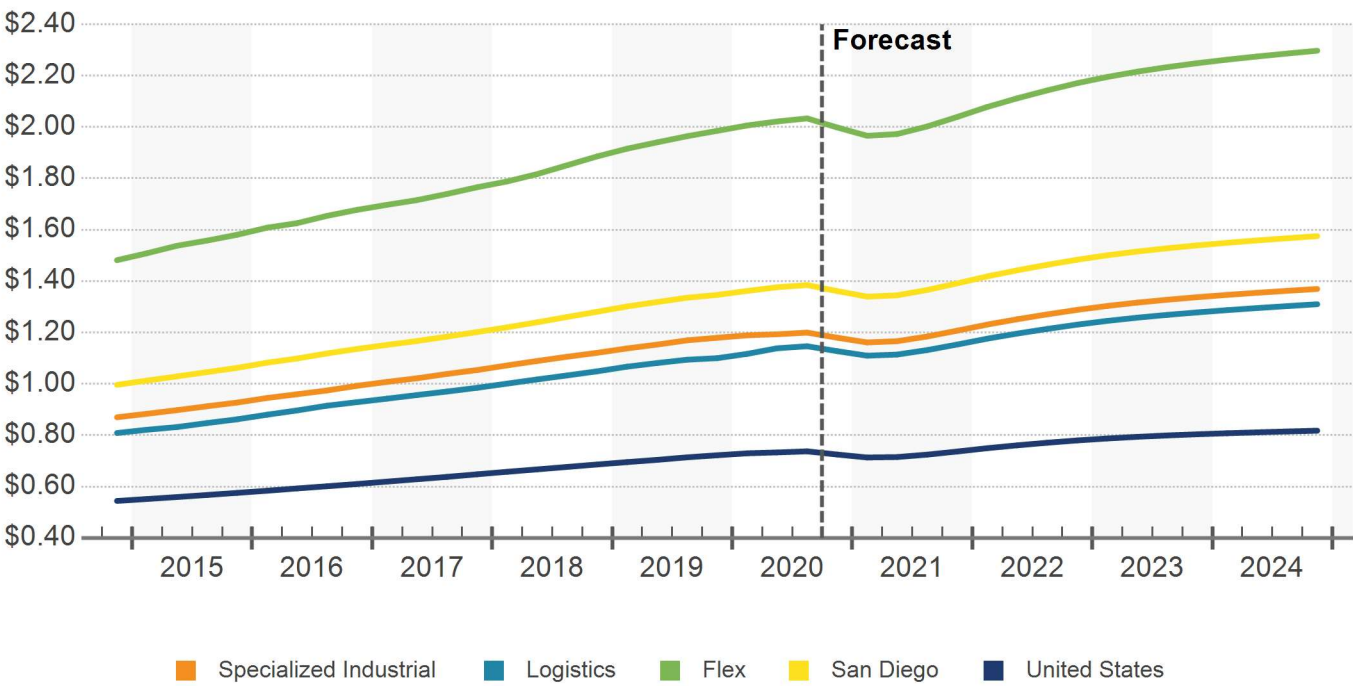
Otay Mesa, one of the metro's largest submarkets in terms of inventory, still has among the cheapest rents and is one of only a few submarkets in San Diego with average rents less than \$12/SF. Tenants commonly lease space here for less than \$6/SF and are frequently involved in the movement of products coming from Mexico. Asking rents for new space typically fall under \$12/SF.

And while the pandemic has led many tenants to increasingly expect discounts on rent or hefty concession packages, landlords have yet to drop their values given the relative stability in the market thus far.

MARKET RENT GROWTH (YOY)



MARKET RENT PER SQUARE FEET



New supply has added some pressure to the vacancy rate. Almost 25% of space that delivered since 2018 was still available for lease, totaling 1.2 million SF. Additionally, excluding Amazon's project, well more than half of space under development was available for lease. That totals more than 2.5 million SF of available new space. That space is also competing with renovations as landlords from Sorrento Mesa to Kearny Mesa increasingly reposition their dated industrial facilities with lower clear heights into lab space.

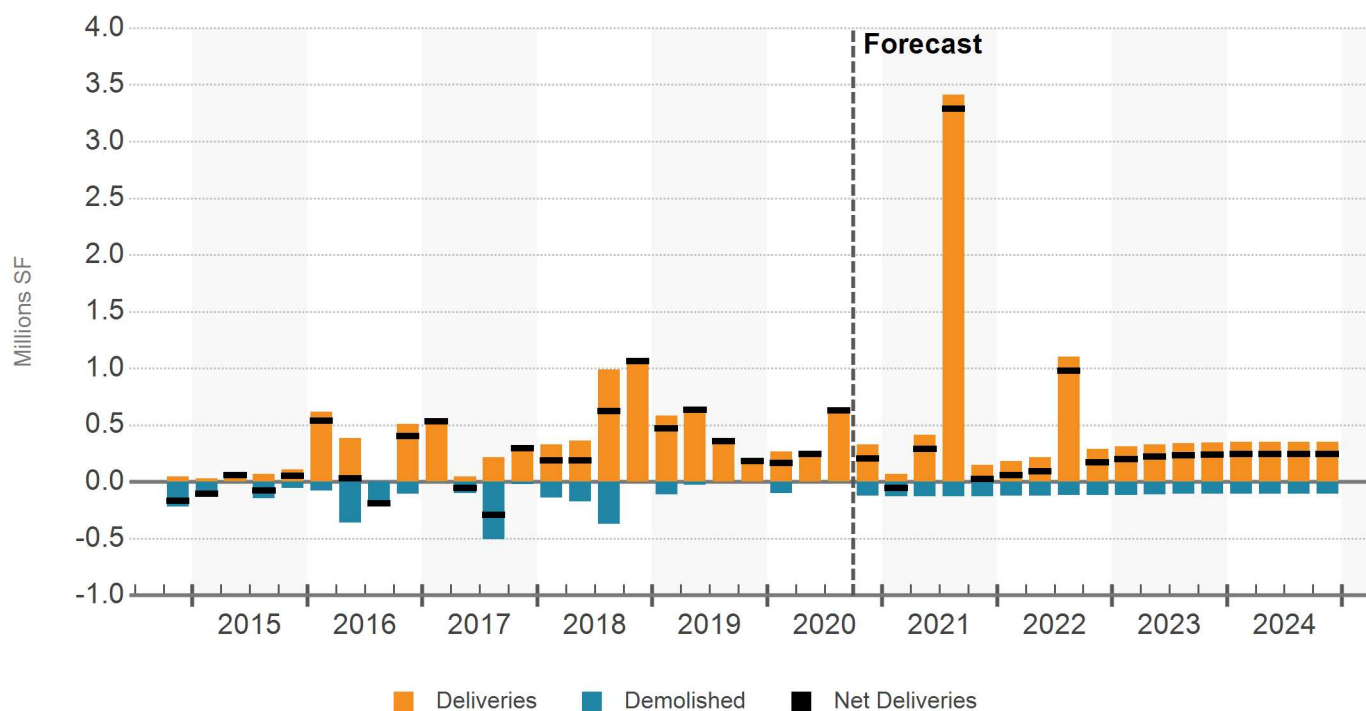
In Poway, Amazon took possession of its biggest footprint to date in the region at Vantage Point. The 530,000-SF project was one of San Diego's largest spec developments in years when it broke ground and has 36-foot minimum clear heights and more than 100 dock high positions. Amazon signed the lease at the end of 20Q2.

Otay Mesa has the most available land in the county at

some of the lowest prices. Developers can often acquire land for under \$15/SF, and there are fewer obstacles to building than in most other parts of the region. The entrenched blue-collar demographic provides a pipeline of employees for logistics users in the area. This is where Amazon will also open a four-story, 3.3 million-SF distribution center. The 65 acres that Atlanta-based Seefried Properties is building Amazon's distribution center on sold for about \$8/SF in 2019. Amazon then purchased the property in 2020 and broke ground in 20Q2.

That was followed by more than 1 million SF breaking ground at Majestic Sunroad Logistics Center and Brown Field Technology Park in Otay Mesa in 20Q3. The state-of-the-art speculative buildings will have 32-foot clear heights and dozens of dock highs and are anticipated to deliver before the end of 2021.

DELIVERIES & DEMOLITIONS



SUBMARKET CONSTRUCTION

No.	Submarket	Under Construction Inventory					Average Building Size		
		Bldgs	SF (000)	Pre-Leased SF (000)	Pre-Leased %	Rank	All Existing	Under Constr	Rank
1	Otay Mesa	9	4,602	3,300	71.7%	2	47,418	511,351	1
2	Torrey Pines	2	124	7	5.3%	3	79,328	62,151	2
3	Chula Vista	2	96	0	0%	4	25,193	47,750	3
4	Santee	2	69	0	0%	4	12,759	34,491	4
5	San Marcos	1	9	9	100%	1	16,943	9,000	5
6	Carlsbad	0	-	-	-	-	31,753	-	-
7	Central San Diego	0	-	-	-	-	17,220	-	-
8	East City	0	-	-	-	-	15,769	-	-
9	El Cajon	0	-	-	-	-	18,996	-	-
10	Escondido	0	-	-	-	-	11,713	-	-
	All Other	0	-	-	-		22,636	-	
Totals		16	4,900	3,316	67.7%		22,623	306,246	

San Diego's industrial sector has performed better than the other property types since the outbreak, even if sales volume during 20Q3 fell off of 20Q2's level. However buyer and lender uncertainty surrounding valuations still hangs over the region as it grapples with the pandemic amid a new economic environment. But San Diego also has a deep well of life science properties occupied by seemingly recession-proof tenants. That has helped buoy the investment market since the pandemic spread to San Diego.

Market cap rates have largely held firm at 5.5%, a lower yield than the office sector, while market pricing sits at roughly \$240/SF. That is substantially higher than LA's market pricing given the breadth of high-end facilities here, while cap rates are also considerably higher than other coastal markets in Southern California. CoStar also expects cap rates to face upward pressure amid restrained credit conditions and softening price pressures.

Life science properties will continue to attract investors, even amid the coronavirus outbreak. At the beginning of 20Q2, Chicago-based equity fund Harrison Street Capital purchased Wateridge in Sorrento Mesa, a life science campus, from Bioscience Properties for \$158.5 million. One building just finished a \$20 million renovation in 2019 and secured Maravai Lifesciences as a tenant in 95,000 SF. The seller purchased the

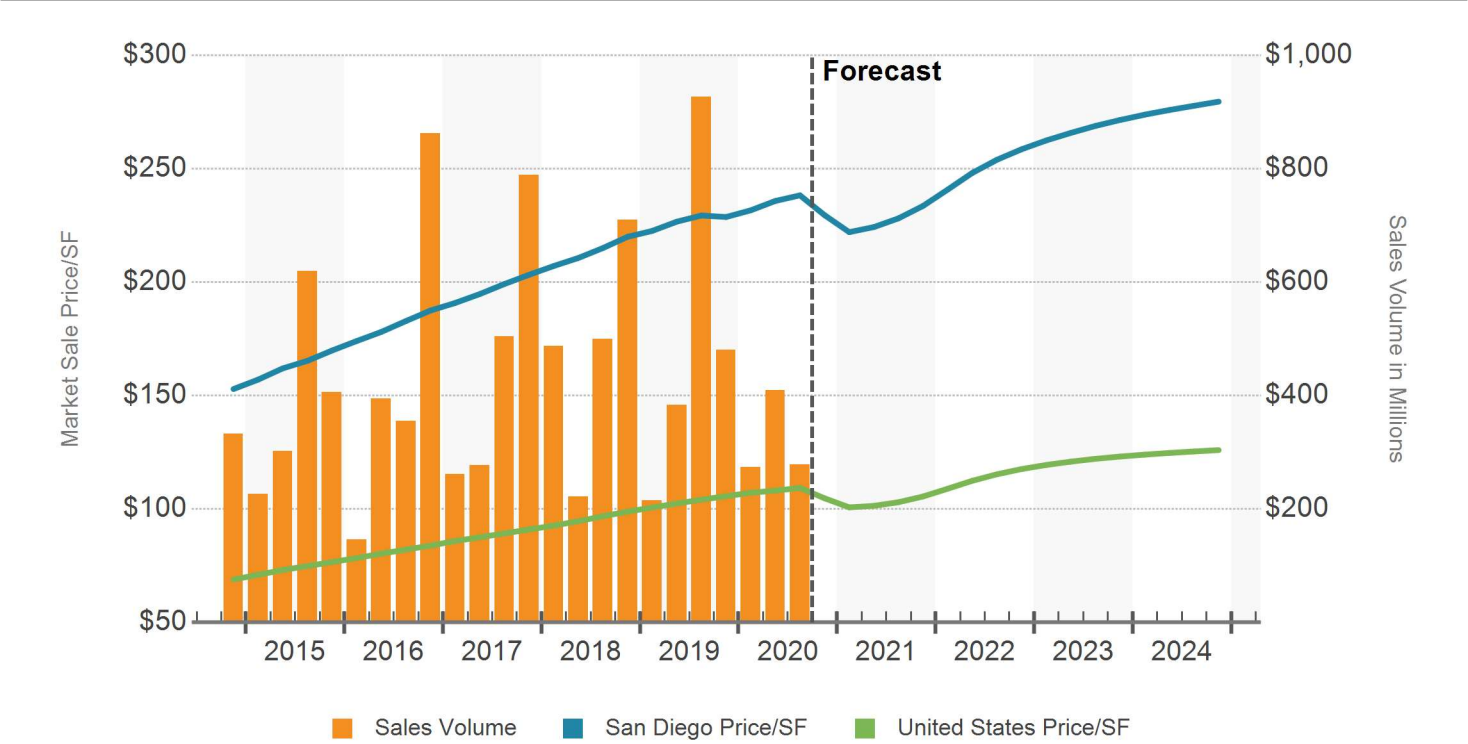
buildings in 2017 and 2018 for almost \$40 million.

Alexandria Real Estate Equities has been one of the most active investors in San Diego since last year. It accounted for several of the largest industrial deals in the region from UTC to Sorrento Mesa, and it has continued that momentum in 2020. In June, Alexandria purchased 9877 Waples St. in Sorrento Mesa for \$17 million from LPC West. LPC West purchased the property in September 2019 for \$10.4 and embarked on converting the R&D property into bio-tech space. It was halfway through the conversion when it sold. Alexandria intends to complete the conversion.

Longfellow Real Estate Partners out of the life science hub of Boston purchased Creekside in Sorrento Valley in September for \$42.75 million. The vacant half of the 3-building, 120,000 SF campus will undergo an immediate overhaul into high-end lab space. That is a common refrain in the area, where investors target value-add opportunities and convert office buildings or outdated industrial facilities into lab space.

The campus was Longfellow's second purchase in San Diego this year and brings their local portfolio to nearly 700,000 SF. It acquired the Sorrento Tech Center in Sorrento Mesa in May for \$39 million. That is part of the firm's strategy that started at the end of 2018 to invest in more than 2 million SF in San Diego.

SALES VOLUME & MARKET SALE PRICE PER SF



Sales Past 12 Months

San Diego Industrial

Sale Comparables

365

Avg. Cap Rate

5.9%

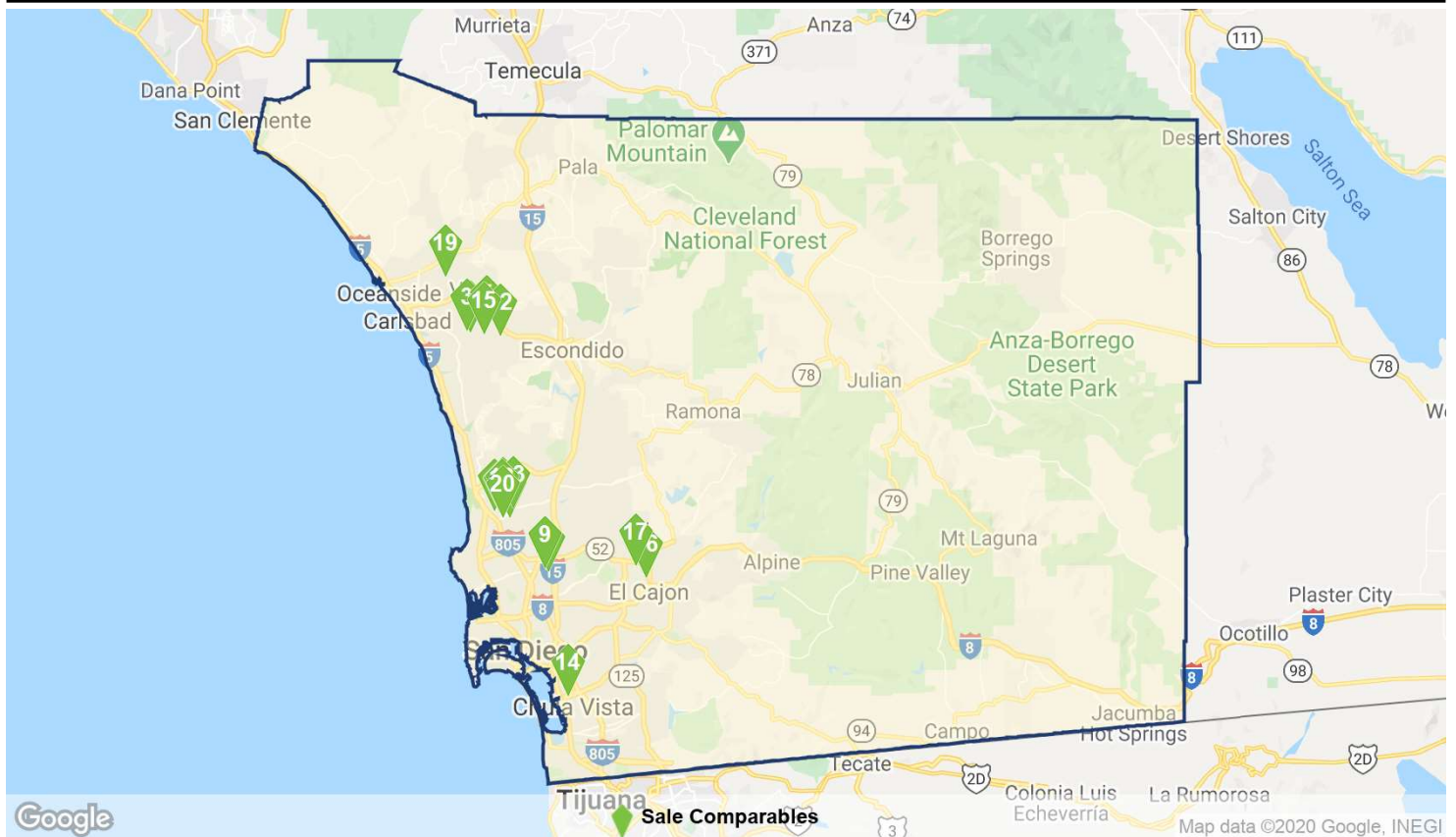
Avg. Price/SF

\$235

Avg. Vacancy At Sale

18.9%

SALE COMPARABLE LOCATIONS



SALE COMPARABLES SUMMARY STATISTICS

Sales Attributes	Low	Average	Median	High
Sale Price	\$100,000	\$5,240,729	\$2,536,795	\$135,900,000
Price/SF	\$42	\$235	\$200	\$2,712
Cap Rate	4.0%	5.9%	5.8%	8.1%
Time Since Sale in Months	0.0	6.8	7.6	12.0
Property Attributes	Low	Average	Median	High
Building SF	800	21,309	12,000	197,104
Ceiling Height	8'	18'9"	17'6"	35'
Docks	0	1	0	29
Vacancy Rate At Sale	0%	18.9%	0%	100%
Year Built	1900	1982	1983	2020
Star Rating	★ ★ ★ ★ ★	★ ★ ★ ★ ★ 2.1	★ ★ ★ ★ ★	★ ★ ★ ★ ★

Sales Past 12 Months

San Diego Industrial

RECENT SIGNIFICANT SALES

Property Name - Address	Property				Sale			
	Rating	Yr Built	Bldg SF	Vacancy	Sale Date	Price	Price/SF	Cap Rate
1 TEN770 10770 Wateridge Cir	★★★★★	1990	183,565	32.8%	4/1/2020	\$135,900,000	\$740	-
2 vec.tor 2882 Whiptail Loop E	★★★★★	2019	169,825	0%	6/8/2020	\$44,000,000	\$259	-
3 Create 2827 Whiptail Loop W	★★★★★	2019	146,108	100%	6/30/2020	\$40,450,000	\$277	-
4 Bldg 4 9805 Scranton Rd	★★★★★	1981	111,084	100%	10/31/2019	\$30,932,118	\$557	-
5 2620 Commerce Way	★★★★★	1999	197,104	100%	1/8/2020	\$26,400,000	\$134	-
6 Bldg 5 9855 Scranton Rd	★★★★★	1984	71,987	66.4%	10/31/2019	\$24,481,842	\$680	-
7 4181 Ruffin Rd	★★★★★	1981	189,909	15.5%	12/16/2019	\$23,750,000	\$125	7.2%
8 6325 Lusk Blvd	★★★★★	1988	50,005	0%	4/1/2020	\$22,600,000	\$452	-
9 9330 Balboa Ave	★★★★★	1969	150,000	0%	12/20/2019	\$21,500,000	\$143	-
10 6059 Cornerstone Ct W	★★★★★	1987	51,690	0%	8/25/2020	\$20,600,000	\$399	6.6%
11 6166 Nancy Ridge Dr	★★★★★	1996	37,583	0%	10/11/2019	\$19,323,000	\$514	-
12 505 S Pacific St	★★★★★	1981	113,500	100%	4/16/2020	\$18,900,000	\$167	-
13 9877 Waples St	★★★★★	1990	62,392	100%	6/15/2020	\$17,000,000	\$272	-
14 491 C St	★★★★★	1975	112,000	0%	7/24/2020	\$17,000,000	\$152	-
15 Bldg A 1491 Poinsettia Ave	★★★★★	1999	77,748	0%	2/3/2020	\$16,389,656	\$211	-
16 1111 Pioneer Way	★★★★★	1977	110,663	100%	9/10/2020	\$16,250,000	\$147	5.4%
17 Bldg 14 2025 Gillespie Way	★★★★★	1999	150,159	27.1%	1/17/2020	\$15,900,000	\$106	4.2%
18 Sorrento Tech II 10180 Barnes Canyon Rd	★★★★★	1985	37,944	0%	5/19/2020	\$15,821,494	\$417	-
19 Phase 2 1291 Rocky Point Dr	★★★★★	2019	117,528	0%	12/24/2019	\$15,386,208	\$131	-
20 Bldg 2 5601 Oberlin Dr	★★★★★	1984	36,785	0%	10/29/2019	\$14,524,043	\$395	-

San Diego's unemployment rate fell to 9.9% in August, down from a revised 12.4% in July, with teachers heading back to school leading the way for job growth during the month.

Overall, the San Diego region added 20,500 people to payrolls, bringing nonfarm employment up to 1.37 million.

However, the economic shock from the pandemic has still caused considerable disruption to the labor and commercial property markets. Demand for commercial space has fallen most heavily on the office and retail sectors, with social distancing protocols impacting revenue, leasing decisions, and space requirements.

It is amid this environment that employment fell 400 jobs month-over-month in the leisure and hospitality sector. The sector continues to feel the pain brought by a closed convention center and hotel occupancies below 50%. Many of these workers have been moved from temporary layoffs to permanent ones.

Schools were back in session in August, virtually at least, which led to the government sector adding 6,800 back to payrolls, with government education services up 4,300. That was followed by the professional and business services sector adding 5,300 to payrolls, with 2,100 of those in the professional, scientific and technical fields.

Although San Diego added more than 20,000 to payrolls since July, overall nonfarm employment is still down 135,000 jobs since last August. Every sector reported job cuts in the past year with the exception of mining and logging, which was unchanged.

Leisure and hospitality is down 60,100 jobs with accommodation and food services accounting for more than 40,000 of those losses. That was followed by trade,

transportation and utilities, with a retail trade shedding more than 11,000 in the past year.

And while the falling unemployment rate is a sign that the employment picture may be turning a corner, some of the jobs lost during this recession may not return, and capturing those final positions that remain on the sidelines could prove elusive in the near term.

Heading into the pandemic, San Diego's job market was sturdy. More than 80 research institutes are located in San Diego, from Scripps Research Institute to Salk Institute for Biological Studies, in addition to five universities. This cluster of research in the Golden Triangle has created one of the strongest life science cores in the United States, and many of these companies and institutes are researching a vaccine for the coronavirus. It is these positions in the scientific and technical fields that have driven recent job growth and the region and account for nearly 150,000 jobs. Furthermore, Scripps Health has five campuses across the metro and announced that it is spending \$2.6 billion on upgrades to its facilities, further bolstering San Diego as a destination for "medical tourism."

San Diego is also home to more than 143,000 active duty and civilian military employees. And the defense industry accounts for 22% of jobs in the region according to the San Diego Economic Development Corp. It also contributes about 20% to the gross regional product. And the Navy's renewed focus on the Pacific theater of operation will result in a 60/40 split between the Pacific and Atlantic fleets, further solidifying San Diego's status as a major Navy hub.

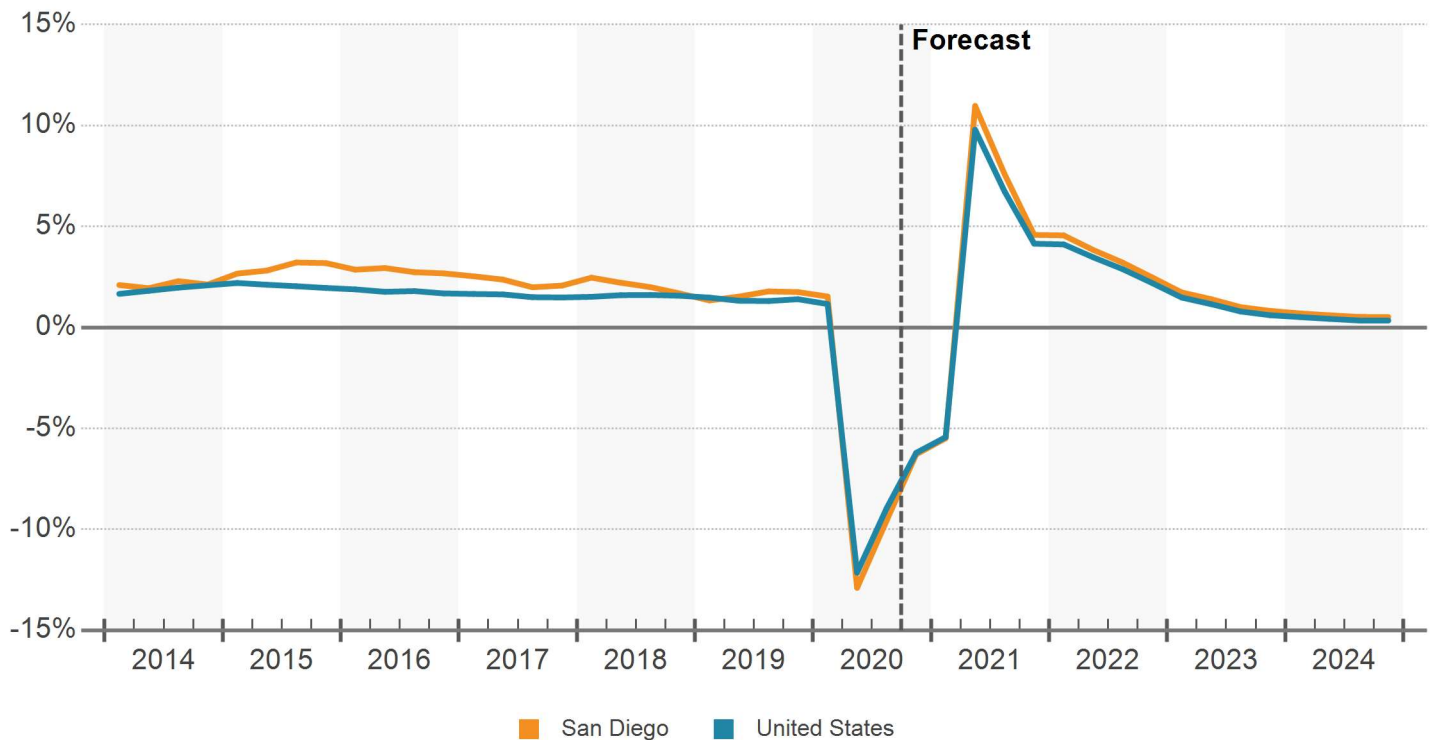
It is also why San Diego has one of the largest concentrations of millennials in the country, accounting for 25% of the population.

SAN DIEGO EMPLOYMENT BY INDUSTRY IN THOUSANDS

NAICS Industry	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
	Jobs	LQ	Market	US	Market	US	Market	US
Manufacturing	112	0.9	-3.01%	-6.32%	1.59%	0.41%	0.96%	0.78%
Trade, Transportation and Utilities	199	0.8	-11.15%	-7.55%	0.03%	0.41%	2.28%	1.47%
Retail Trade	128	0.9	-12.14%	-9.12%	-0.16%	-0.19%	2.69%	1.81%
Financial Activities	75	0.9	-3.13%	-1.28%	1.05%	1.20%	0.78%	0.69%
Government	239	1.1	-3.26%	-3.17%	0.31%	-0.23%	0.73%	0.61%
Natural Resources, Mining and Construction	82	1.1	-4.15%	-5.10%	4.02%	2.31%	0.99%	1.35%
Education and Health Services	209	0.9	-4.48%	-4.98%	2.46%	1.43%	2.80%	2.24%
Professional and Business Services	254	1.3	-1.68%	-7.27%	2.20%	1.65%	1.19%	2.27%
Information	21	0.8	-8.47%	-3.21%	-1.56%	0.26%	2.84%	1.38%
Leisure and Hospitality	132	1.2	-34.97%	-33.62%	-1.46%	-1.72%	9.21%	8.53%
Other Services	43	0.9	-24.88%	-15.48%	-1.00%	-0.65%	5.22%	3.16%
Total Employment	1,367	1.0	-9.53%	-8.93%	0.96%	0.54%	2.51%	2.17%

Source: Oxford Economics
LQ = Location Quotient

YEAR OVER YEAR JOB GROWTH



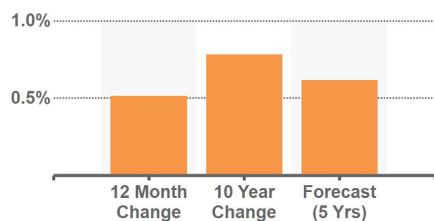
Source: Oxford Economics

DEMOGRAPHIC TRENDS

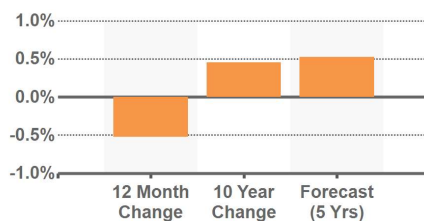
Demographic Category	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
	Metro	U.S.	Metro	U.S.	Metro	U.S.	Metro	U.S.
Population	3,357,354	330,022,906	0.5%	0.5%	0.8%	0.6%	0.6%	0.5%
Households	1,136,840	122,514,563	0.4%	0.4%	0.7%	0.7%	0.6%	0.4%
Median Household Income	\$82,600	\$64,506	0.7%	1.3%	3.3%	2.6%	3.2%	2.8%
Labor Force	1,586,083	159,355,594	-0.5%	-2.7%	0.5%	0.3%	0.5%	1.0%
Unemployment	13.8%	13.4%	10.7%	9.8%	0.3%	0.4%	-	-

Source: Oxford Economics

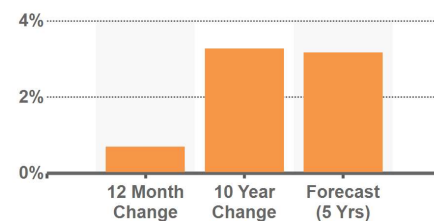
POPULATION GROWTH



LABOR FORCE GROWTH



INCOME GROWTH



Source: Oxford Economics