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Industrial Demand Drives Up-to-Date Digs

PROPERTY: North County Sites Go Fast in Tight Market

By [Ray Huard](#)

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The \$30 million Vector at Whiptail Loop and Faraday Avenue in Carlsbad is one of several North County projects by RAF Pacifica Group. The two-story structure is under construction as developers move to fill a growing demand for industrial space. Photo by [Jamie Scott Lytle](#).

San Diego — Go north is the solution for a growing number of companies looking for industrial space to expand in San Diego County.

North County is undergoing a boom in industrial construction, much of it an offshoot of e-commerce as companies seek warehouse space to collect and distribute their products.

The reason is simple — North County has land to build what companies want and central San Diego does not. Developers have responded, putting up new industrial and commercial structures throughout North County.

“It’s really hard to even put a price on what properties are worth because they’re moving so quickly,” said Mike Cully, CEO of the San Diego North Economic Development Council.

“As they come to market, they’re flying off the market. People are willing to pay top dollar for these,” Cully said. “The market is super-heated and it’s not slowing down.”

Escondido Economic Development Manager Michelle Geller said the vacancy rate for industrial buildings in her city hovers between 3 percent and 4 percent.

“The stuff that’s out there is getting snatched up pretty quick,” Geller said.

In Vista, the vacancy rate is about 4 percent, said Economic Development Director Kevin Ham.

“We have inquiries daily about potential locations for companies to move in,” Ham said. “We have many folks looking to find an existing building where they can move their operations into them.”

In Carlsbad, “There’s lots of movement going on,” said Economic Developer Manager Christie Marcella. “We do have a lot of new inventory coming on line that gives people a lot of options with a lot of amenities,” Marcella said.

“Flight to function,” is what CBRE Vice President Sean Williams called it in a recent report, and North County is a main beneficiary.

Tenants “are prioritizing newer, higher image and contemporary product,” Williams said.

Essentially, tenants want buildings with high ceilings so they can stack whatever they’re storing vertically instead of spreading it out horizontally — eating up expensive floor space.

With rents rising, higher ceilings mean tenants can get more storage space for their money, Williams said.

Cargo Friendly

Tenants also look for buildings with multiple docking bays and big roll-up doors to accommodate faster loading and unloading, and they want plenty of room for big trucks to turn around and park while waiting to pick up and drop off cargo.

“In Central San Diego, a lot of the facilities existing are older, they weren’t built to these standards,” Williams said.

continued — The older buildings tend to have lower ceiling heights — 20 feet or so — compared with more than 30 feet in newer buildings. They also have a smaller truck turning radius, which wasn’t designed to handle the 53-foot long semis used to deliver goods to warehouse for distribution by smaller trucks.

“They’re just not as functional from an actual usability standpoint as newer construction,” Williams said.

While some companies may prefer a central San Diego location initially, they turn north after failing to find what they need.

“What we’re seeing is a lot of those companies say, ‘Hey, let’s see what’s in North County,’” Williams said.

Developers have been eager to accommodate the push to North County.

Badiee Development and RAF Pacifica have several large projects throughout North County.

North County is attractive not only because there is so little land available in Central San Diego County, but the area is at a transportation hub with Interstate 5 and 15 and state Route 78, said Badiee founder and CEO Ben Badiee. He said the region also has a ready pool of educated and talented workers from which to draw.

With North County’s low vacancy rates, it also means that developers have little trouble finding tenants for new buildings, said Badiee, whose company builds industrial space on speculation without tenants lined up in advance.

His company has projects in Escondido and Carlsbad.

Meeting Industrial, Distribution Needs

“Given that the cost of construction is going higher every day, and given that there is ample demand in the market, developers like us take chances in anticipation of attracting tenants,” Badiie said. “In the past several years, the expansion of online retailing has expanded the demand and need for industrial and distribution space. As a result, a lot of developers are seeking to build buildings to meet that need.”

RAF Pacifica Group has more than 1 million square feet of construction projects under way in North County, including projects in Carlsbad and San Marcos, said founder and President Adam Robinson.

“Most of our projects are built on spec. This is because demand throughout North County is greatly outpacing supply, especially for newer, creative products such as the projects we have in development,” Robinson said.

Among other things, he said tenants want properties “that allow them to house their industrial operations and corporate headquarters all in one location.”

Like Cully from the Economic Development Council and city officials from across North County, Robinson said the region has been growing rapidly.

“We’ve seen this growth intensify over the course of last year,” Robinson said. “North County is experiencing explosive job, population and economic growth, positioning it to perform over the long term.

“We anticipate that we will see an increase in demand over the next several years.”