

San Diego Multifamily

Market Forecast

Trends

Vacancy	↑
Unemployment	↓
Rental Rates	↑
New Construction	↑

Notable Transactions

La Mesa Palms Apartment Homes
 La Mesa
 80 Units | \$18,970,000 | \$237,125/unit
 Buyer: Vista Investment Group
 Seller: George Olsher

Structure Lofts
 Hillcrest
 25 Units | \$14,750,000 | \$590,000/unit
 Buyer: Structure LP
 Seller: Hammer Development, LLC

Grant Street Villas
 Downtown Oceanside
 84 Units | \$12,500,000 | \$148,809/unit
 Buyer: Ann Jaquelyn Schon
 Seller: Donald Swanson

In Eden
 Village
 17 Units | \$11,050,000 | \$650,000/unit
 Buyer: Sean Levi
 Seller: Tofigh Khodpanah

The Billboard Lofts
 Little Italy
 24 Units | \$8,575,000 | \$357,291
 Buyer: Robert Miller
 Seller: Sebastian Mariscal

The San Diego apartment market remains lucrative as rents continue to increase and vacancy decreases, despite surging construction. San Diego remains a top destination for relocating workers who seek good weather and proximity to the ocean, high wages and a low unemployment rate. The city’s diverse industries include biotech, manufacturing and the largest concentration of military in the world. The growing population and high cost of buying a home ensure that San Diego will remain a strong multifamily market.

Rents continued to rise across the county in the first quarter of 2017, raising the year over year growth to 4.8%, and pushing average asking rent per unit across the county to \$1,539. The North Shore Cities and La Jolla/UTC submarket clusters continue to command the highest rents at \$2,237 and \$2,022 respectively. By contrast the lowest rents are found in National City/South Central at an average of \$1,122.

The market’s overall vacancy experienced short-term relief ending the quarter at 4.0%, only 20 basis points over the record low of 3.8%. Downtown continues to have one of the highest vacancy rates at 8.3% due to ample new construction and competition from submarkets with beach access. Meanwhile the most compacted submarket clusters are Poway/ Santee/ Ramona at 3.1% and National City/ South Central at 3.2%. Despite several new construction projects, vacancy is forecasted to continue to tighten as new residents quickly fill in the new space.

During the first quarter, the San Diego multifamily market recorded 88 transactions, totaling over \$288 million in dollar volume. The biggest property to change hands this quarter was La Mesa Palms Apartment Homes, bought by Vista Investment Group, LLC for close to \$19 million. The average price per unit in the first quarter was \$193,000 while the cap rate on average was 4.4%.

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Offices

Seattle
206.296.9600

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760.430.1000

Reno
775.301.1300

Phoenix
602.513.5200

Contact

Mark Read
Executive VP, Brokerage
Southwest
858.509.1200
mread@kiddermathews.com

Designated Broker
Mark Read | LIC #00572743

San Diego has been witnessing a surge in multifamily construction as developers try to cash in on the growing population. As of the first quarter there were close to 12,000 units being built, which will do little to quell the demand. Downtown is undertaking the bulk of this development with over 4,100 units under development, followed by Mission Valley/ North

Central with close to 1,500 units. The largest projects being built include Mesa Nueva, new dormitories being undertaken by UC San Diego to house approximately 1,355 students, and Park 12, a mixed use project that will be approximately three million square feet, adjacent to Petco Park.

Data Source: CoStar

Submarket Statistics

Submarket	Inventory Units	Asking Rate/Unit	Asking Rent Growth/Year	Vacancy	Net Absorption Units	Under Construction Units	Delivered Units
Balboa Park	40,173	\$1,272	4.1%	3.5%	85	524	39
Chula Vista / Imperial Beach	40,384	\$1,437	4.1%	3.4%	(12)	1,149	0
Coronado / Point Loma	11,741	\$1,688	7.2%	4.4%	8	16	0
Downtown	22,339	\$1,811	4.1%	8.3%	91	4,113	478
East San Diego / El Cajon	69,198	\$1,300	5.1%	4.0%	165	139	300
La Jolla / UTC	21,055	\$2,022	4.6%	4.1%	191	1,239	150
Mission Valley / North Central	44,442	\$1,841	5.1%	4.2%	1	1,495	5
National City / South Central	27,240	\$1,122	3.3%	3.2%	100	221	179
North County	49,934	\$1,557	3.7%	3.8%	109	985	0
North I-15 Corridor	35,233	\$1,416	5.6%	3.7%	20	905	0
North Shore Cities	10,075	\$2,237	5.3%	5.4%	25	566	0
Outlying San Diego County	2,333	\$1,394	5.2%	3.5%	(3)	-	0
Poway / Santee / Ramona	8,979	\$1,285	5.4%	3.1%	19	-	0
South I-15 Corridor	12,902	\$1,889	5.2%	4.4%	(52)	350	0
San Diego Total	396,028	\$1,539	4.8%	4.0%	747	11,702	1,151

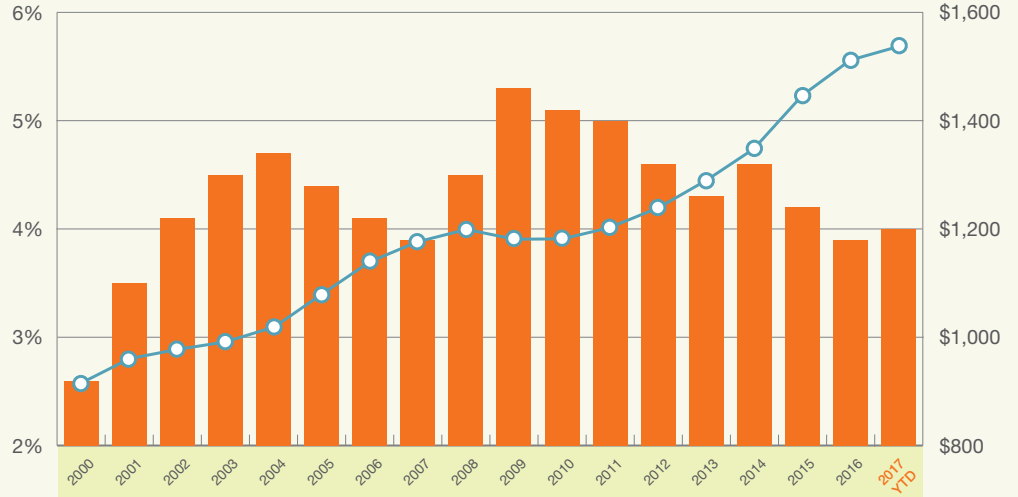
Notable Projects Under Construction

Property	Address	Submarket	# of Units	Owner	Expected Delivery Date
Mesa Nueva - East Campus	3745 Miramar St	University City	1,100	UC San Diego	Apr-2017
Park 12	202 Park Blvd	East Village	720	Ballpark Village LLC	Feb-2018
Centerpointe at Grantville	6160 Mission Gorge Rd	Grantville	588	The Carlyle Group	Dec-2018
VIVE On the Park	8725 Ariva Ct	Kearny Mesa	577	Sunroad Enterprises, Inc.	May-2017
Pinnacle on the Park - Phase II	424 15th St	East Village	472	Pinnacle International	Apr-2019

1st Quarter 2017 San Diego Multifamily Market Statistics

HISTORICAL ASKING RENT PER UNIT AND VACANCY RATE*

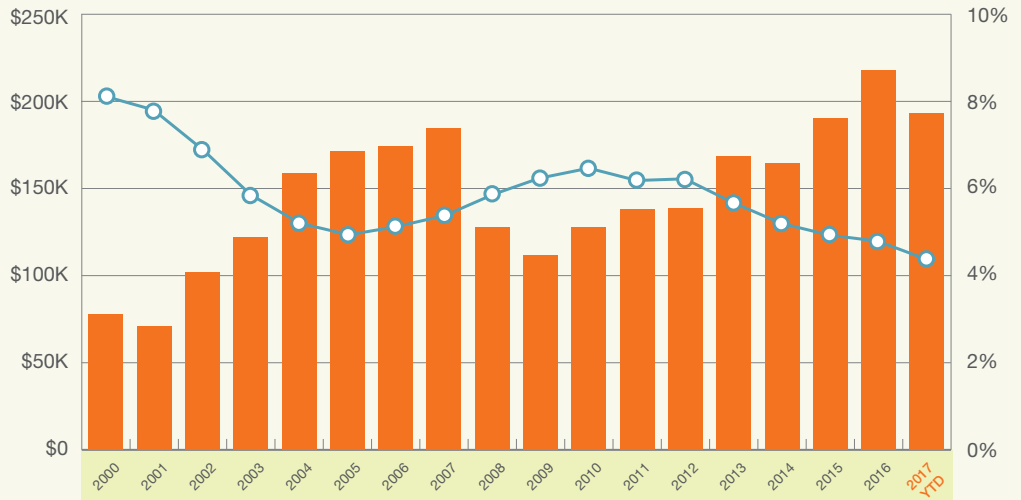
■ Vacancy Rate
○ Asking Rate/Unit



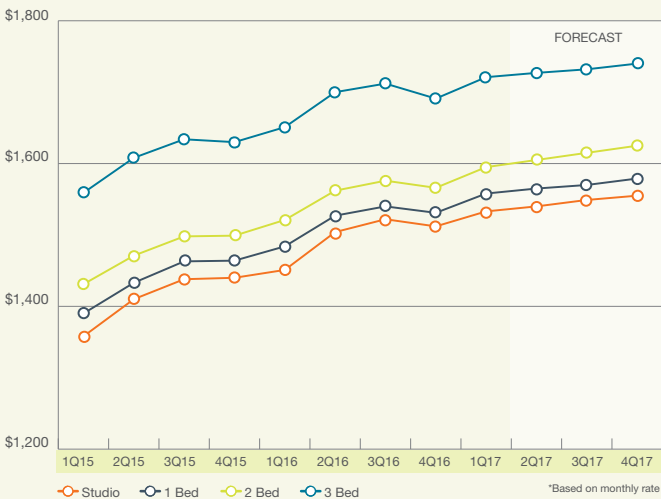
*Based on monthly rate

HISTORICAL SALES PRICE PER UNIT & CAP RATES

■ Sales Price/Unit
○ Cap Rate



ASKING RENT*



*Based on monthly rate

NET ABSORPTION - QUARTERLY

