

# San Diego Multifamily

## Market Forecast

Trends

Vacancy	↓
Unemployment	↓
Rental Rates	↑
New Construction	↑

## Notable Transactions

- Dylan Point Loma**  
 Coronado/Point Loma  
 180 Units  
 \$90,000,000 | \$500,000/unit  
 Buyer: JLL Income Property Trust, Inc.  
 Seller: Monarch Group
- 
- Capella at Rancho Del Oro**  
 North County  
 284 Units  
 \$84,000,000 | \$295,775/unit  
 Buyer: Fowler Property Acquisitions, LLC  
 Seller: Building & Land Technology
- 
- Mission Trails**  
 East San Diego/El Cajon  
 208 Units  
 \$56,900,000 | \$273,558/unit  
 Buyer: Sares-Regis Group  
 Seller: Jackson Square Properties
- 
- Centro Apartments**  
 National City/South Central  
 60 Units  
 \$15,800,000 | \$263,333/unit  
 Buyer: Lighthouse Partners Inc.  
 Seller: Pedcor Companies
- 
- Artesia El Cajon**  
 East San Diego / El Cajon  
 178 Units  
 \$14,575,000 | \$169,477/unit  
 Buyer: Don Swanson Real Estate  
 Seller: Wasatch-Borgata Development, LLC

The San Diego multifamily 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.

In the third quarter, rents continued to rise across the county, raising the year over year growth to 5.0%, and pushing average asking rent per unit across the county to \$1,517. The North Shore Cities and La Jolla/UTC submarket clusters continue to command the highest rents at \$2,216 and \$2,116 respectively. By contrast the lowest rents are found in National City/South Central. In the current economy, rising rents are expected to continue outpacing wage growth.

The market’s overall vacancy has continued to tighten with the third quarter ending at 2.6%, a 30 basis point decrease from the third quarter of 2015. Downtown continues to have one of the highest vacancy rates at 3.8% due to ample new construction and competition from submarkets with beach access. Meanwhile the most compacted submarket clusters are La Jolla/UTC at 1.8%, and Balboa Park and Poway/Santee/Ramona both at 2.1%. Despite several new construction projects, vacancy is forecasted to continue to tighten as new residents quickly fill in the new space.

In the third quarter, San Diego multifamily market recorded 97 transactions, totaling over \$477 million dollars. The biggest properties to change hands this quarter were Dylan Point Loma in Coronado/Point Loma, Capella at Rancho Del Oro in North County and Mission Trails in East San Diego/El Cajon. The average price per unit has increased for five consecutive quarters to \$232,899 in the third quarter. The cap rate on average was 4.6%.

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San Diego has been witnessing a surge in multifamily construction as developers try to cash in on the growing population. As of the third quarter there are over 8,800 units being built, which will do little to quell the demand. Downtown is undertaking the bulk of this development with 3,600 units under development, followed by La Jolla / UTC

with 1,400 units. The largest projects being built include Mesa Nueva, new dormitories being undertaken by UC San Diego to house approximately 1,355 students, and 202 Park Boulevard, 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	39,489	\$1,298	3.6%	2.1%	2	553	156
Chula Vista / Imperial Beach	43,121	\$1,417	5.5%	2.3%	124	228	126
Coronado / Point Loma	11,584	\$1,699	7.8%	4.1%	8	16	180
Downtown	21,773	\$1,676	-1.6%	3.8%	145	3,648	203
East San Diego / El Cajon	74,808	\$1,262	4.3%	2.2%	73	366	198
La Jolla / UTC	20,535	\$2,116	5.5%	1.8%	(36)	1,456	102
Mission Valley / North Central	45,728	\$1,817	5.5%	3.0%	105	826	-
National City / South Central	29,797	\$1,151	3.2%	2.5%	(34)	263	128
North County	47,656	\$1,531	6.3%	3.0%	101	193	305
North I-15 Corridor	34,225	\$1,354	4.6%	2.0%	(21)	656	184
North Shore Cities	10,120	\$2,216	6.2%	3.0%	231	235	475
Outlying San Diego County	1,826	\$1,311	2.3%	2.6%	(2)	-	-
Poway / Santee / Ramona	12,647	\$1,270	5.7%	2.1%	72	-	-
South I-15 Corridor	12,324	\$1,853	4.3%	3.0%	20	380	-
<b>San Diego Total</b>	<b>405,633</b>	<b>\$1,517</b>	<b>5.0%</b>	<b>2.6%</b>	<b>788</b>	<b>8,820</b>	<b>2,057</b>

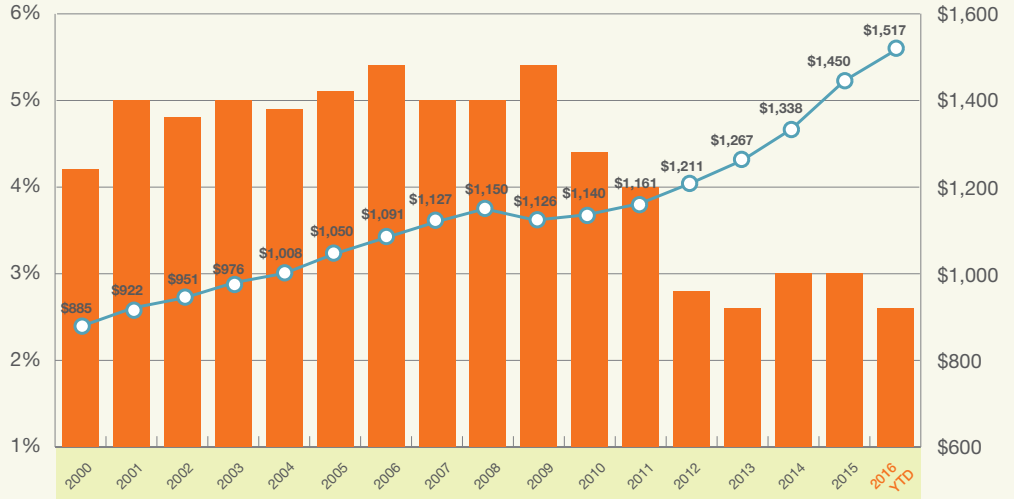
### Notable Projects Under Construction

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	Oct-2017
Ariva IV	4855 Ariva Way	Kearny Mesa	500	Sunroad Enterprises, Inc.	Mar-2017
The Rey	1250 9th Ave	Core-Columbia	475	Berkshire Group / Wood Partners	Feb-2017
Pinnacle on the Park - Phase II	424 15th St	East Village	472	Pinnacle International	Sep-2018

# 3rd Quarter 2016 San Diego Multifamily Market Statistics

## HISTORICAL ASKING RENT PER UNIT AND VACANCY RATE\*

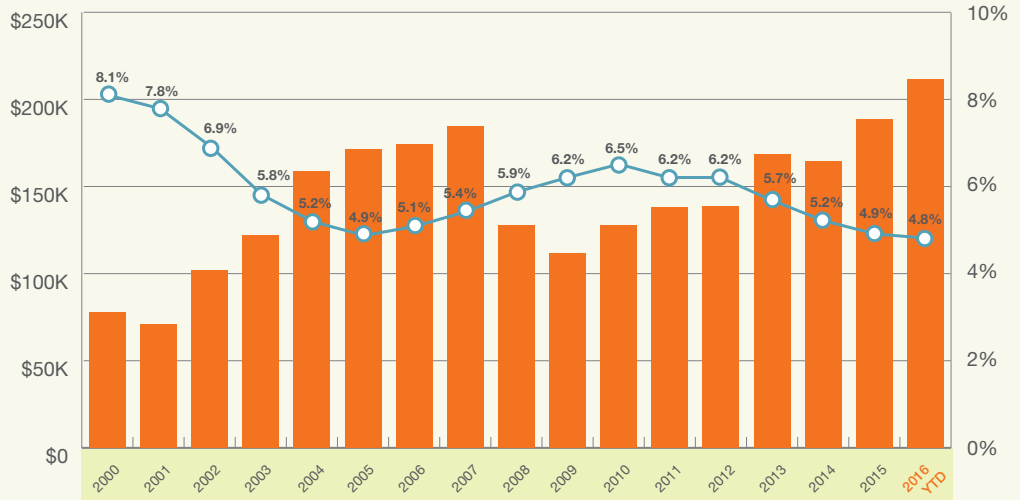
■ Vacancy Rate  
● Asking Rate/Unit



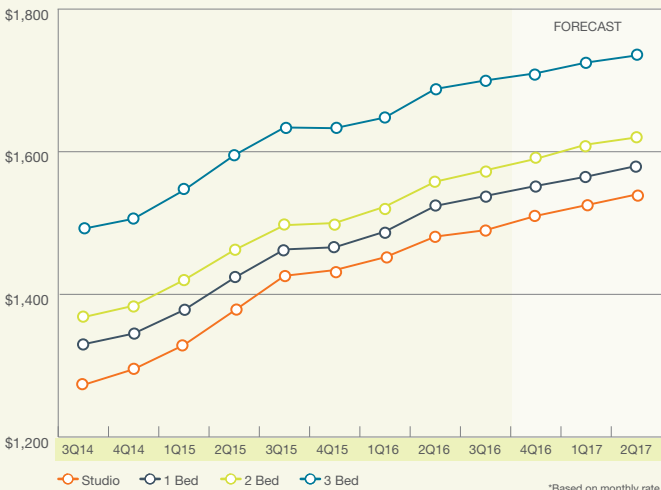
\*Based on monthly rate

## HISTORICAL SALES PRICE PER UNIT & CAP RATES

■ Sales Price/Unit  
● Cap Rate



## ASKING RENT\*



\*Based on monthly rate

## NET ABSORPTION - QUARTERLY

