

# San Diego Multifamily

## Market Forecast

Trends

<b>Vacancy</b>	↓
<b>Unemployment</b>	↓
<b>Rental Rates</b>	↑
<b>New Construction</b>	↑

## Notable Transactions

- The Village Mission Valley**  
Grantville  
1,410 Units | \$360,000,000 | \$255,319/unit  
Buyer: The Irvine Company  
Seller: Equity Residential
- 
- Del Rio**  
Mission Valley East  
736 Units | \$241,408,000 | \$328,000/unit  
Buyer: Tishman Speyer  
Seller: Archstone
- 
- IMT Sorrento Valley**  
Mira Mesa  
752 Units | \$214,000,000 | \$284,574/unit  
Buyer: IMT Capital  
Seller: Gables Residential
- 
- Vantage Point Apartments**  
Downtown  
678 Units | \$200,000,000 | \$294,551/unit  
Buyer: Equity Residential  
Seller: Point of View Condominiums
- 
- Broadstone Coronado on the Bay**  
Coronado  
549 Units | \$161,583,888 | \$294,324/unit  
Buyer: PGIM Real Estate & Alliance Residential  
Seller: Coronado Commonwealth Apartments Inc.

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.

In 2016, rents continued to rise across the county, raising the year over year growth to 4.4%, and pushing average asking rent per unit across the county to \$1,510. The North Shore Cities and La Jolla/UTC submarket clusters continue to command the highest rents at \$2,167 and \$2,000 respectively. By contrast the lowest rents are found in National City/South Central at an average of \$1,120. In the current economy, rising rents are expected to continue outpacing wage growth.

The market's overall vacancy has continued to tighten with the year ending at 3.5%, a 20 basis point decrease from the fourth quarter of 2015. Downtown continues to have one of the highest vacancy rates at 4.9% due to ample new construction and competition from submarkets with beach access. Meanwhile the most compacted submarket clusters are National City / South Central and Outlying San Diego County, both at 2.7%. Despite several new construction projects, vacancy is forecasted to continue to tighten as new residents quickly fill in the new space.

During 2016, the San Diego multifamily market recorded 459 transactions, totaling over \$2.5 billion in dollar volume. The biggest properties to change hands this quarter were The Village Mission Valley in Grantville, Del Rio in Mission Valley East and IMT Sorrento Valley in Mira Mesa. The average price per unit in the fourth quarter was \$242,748, the highest on record. The cap rate on average was 4.5%.

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**Offices**

- Seattle  
206.296.9600
- Bellevue  
425.454.7040
- South Seattle  
206.248.7300
- Tacoma  
253.722.1400
- Olympia  
360.705.2800
- Portland  
503.221.9900
- San Francisco  
415.229.8888
- Redwood Shores  
650.769.3600
- Silicon Valley  
408.970.9400
- Sacramento  
916.970.9700
- Roseville  
916.751.3600
- Orange County  
949.557.5000
- Inland Empire  
909.764.6500
- San Diego  
858.509.1200
- Carlsbad  
760.430.1000
- Reno  
775.301.1300
- Phoenix  
602.513.5200

San Diego has been witnessing a surge in multifamily construction as developers try to cash in on the growing population. As of the fourth quarter there are over 9,400 units being built, which will do little to quell the demand. Downtown is undertaking the bulk of this development with close to 3,600 units under development, followed by La Jolla / UTC with 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 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	39,987	\$1,252	4.4%	3.3%	29	589	312
Chula Vista / Imperial Beach	39,474	\$1,413	5.0%	3.0%	11	612	126
Coronado / Point Loma	11,725	\$1,675	3.6%	3.9%	7	16	180
Downtown	21,657	\$1,760	2.5%	4.9%	(104)	3,592	203
East San Diego / El Cajon	68,659	\$1,271	4.5%	3.6%	49	379	198
La Jolla / UTC	20,709	\$2,000	1.9%	3.3%	(73)	1,492	206
Mission Valley / North Central	44,006	\$1,808	4.0%	4.0%	(48)	816	18
National City / South Central	27,091	\$1,120	2.9%	2.7%	15	308	83
North County	48,742	\$1,534	5.7%	4.0%	0	419	381
North I-15 Corridor	35,251	\$1,389	6.7%	3.4%	30	624	382
North Shore Cities	9,878	\$2,167	1.5%	4.0%	55	235	475
Outlying San Diego County	2,320	\$1,297	0.4%	2.7%	5	-	-
Poway / Santee / Ramona	8,976	\$1,261	4.6%	3.1%	5	-	-
South I-15 Corridor	12,401	\$1,844	5.3%	3.7%	26	350	30
<b>San Diego Total</b>	<b>390,876</b>	<b>\$1,510</b>	<b>4.4%</b>	<b>3.5%</b>	<b>7</b>	<b>9,432</b>	<b>2,594</b>

**Contact**

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

Designated Broker  
Mark Read | LIC #00572743

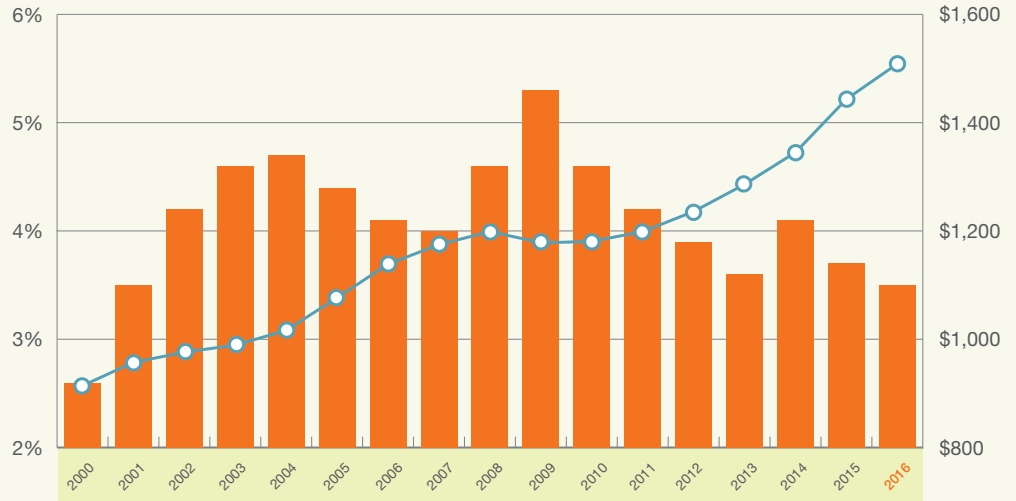
**Notable Projects Under Construction**

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.	Apr-2017
The Rey	801 A St	Downtown	475	Berkshire Group / Wood Partners	Jan-2017
Pinnacle on the Park - Phase II	424 15th St	East Village	472	Pinnacle International	Sep-2018

# 4th Quarter 2016 San Diego Multifamily Market Statistics

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

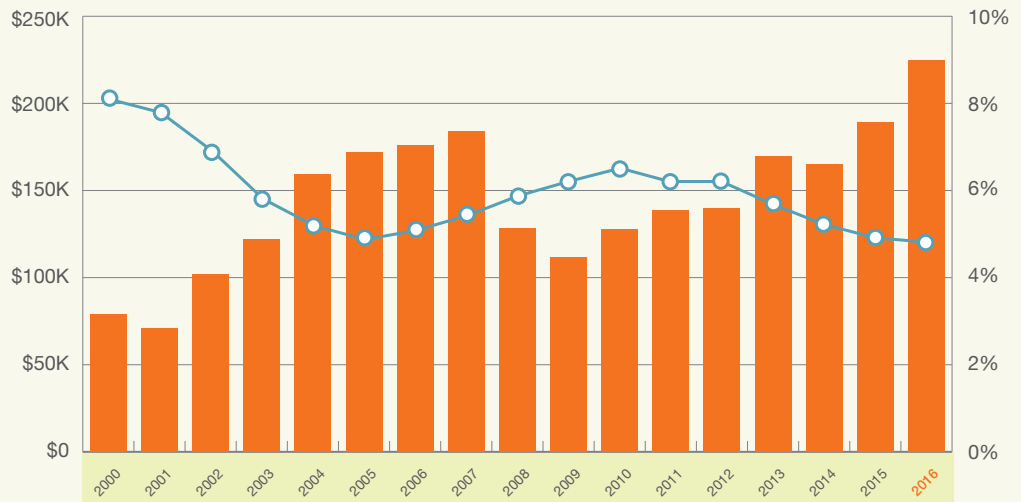
■ Vacancy Rate  
○ Asking Rate/Unit



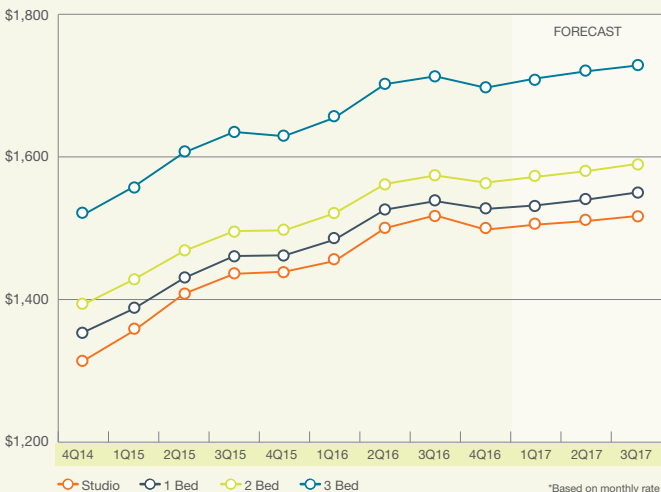
\*Based on monthly rate

## HISTORICAL SALES PRICE PER UNIT & CAP RATES

■ Sales Price/Unit  
○ Cap Rate



## ASKING RENT\*



\*Based on monthly rate

## NET ABSORPTION - QUARTERLY

