

San Diego Multifamily

Market Forecast

Trends

Vacancy	↑
Unemployment	↓
Rental Rates	↑
New Construction	↑

Notable Transactions

Carmel Pacific Ridge
 Morena
 533 Units | \$232,000,000 | \$382,207/unit
 Buyer: American Assets Trust, Inc.
 Seller: Carmel Partners

Westview Village and Compass Pointe
 Mira Mesa
 350 Units | \$151,250,000 | \$432,143
 Buyer: Pacific Urban Residential
 Seller: Silicon Valley
 Community Foundation

Preserve at Melrose Apartments
 Vista
 410 Units | \$134,000,000 | \$326,829
 Buyer: MG Properties Group
 Seller: Trammell Crow
 Residential Company

Terraza Hills
 El Cajon
 200 Units | \$33,300,000 | \$166,500
 Buyer: Don and Beth Swanson
 Seller: Laurie Anne Victoria

Eastwood Village & South Anza
 El Cajon
 190 Units | \$31,850,000 | \$167,631
 Buyer: David L. Lysinger
 Seller: Laurie Anne Victoria

The San Diego apartment market continues to thrive thanks to a strong economic base sustained by science and research and some of the most desirable weather in the U.S., as rents steadily increase and vacancy hits a record low, despite swelling construction. Low vacancies have led to impressive rent gains over the past few years, both of which have led to a sustained development wave that should last for a few more years. Projects continue to break ground in nearly every submarket across the metro, which has so far shown no signs of applying downward pressure on fundamentals and rents. Ultimately, the market's strong supply barriers should keep vacancies and rent growth stable.

Rents continued to rise across the county in the second quarter of 2017, raising the year over year growth to 4.3%, and pushing average asking rent per unit across the county to \$1,572. The North Shore Cities and La Jolla/UTC submarket clusters continue to command the highest rents at \$2,336 and \$2,151 respectively. By contrast the lowest rents are found in National City/South Central at an average of \$1,141.

The market's overall vacancy is approaching an all-time low, ending the quarter at 3.7%. The previous record low vacancy was over 15 years ago in 2002 at 3.5%. Downtown continues to have one of the highest vacancy rates at 7.2% due to the highest volume of new construction in San Diego county and competition from submarkets with beach access. Meanwhile the most compacted submarket clusters are La Jolla/UTC at 3.0% and Chula Vista/Imperial Beach at 3.1%. Despite several new construction projects, vacancy is forecasted to continue to tighten as new residents quickly fill in the new space.

During the second quarter, the San Diego multifamily market recorded 123 transactions, totaling a record breaking \$1.03 billion in dollar volume, the highest volume since 2007. The biggest property to change hands this quarter was Carmel Pacific Ridge, bought by

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American Assets Trust, Inc. for an impressive \$232 million. The 1.11 million square foot multi-family community was built atop a bluff offering panoramic views of the Pacific Ocean, and features a unit mix including studios, one-, two- and three-bedroom units, with a plethora of amenities. The average price per unit in the second quarter was \$245,470 while the cap rate on average was 5.57%.

San Diego has been witnessing a surge in multifamily construction as developers try to cash in on the growing population. As of the second 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 close to 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	40,176	\$1,287	4.2%	3.6%	22	654	0
Chula Vista / Imperial Beach	40,379	\$1,473	5.7%	3.1%	63	1,128	0
Coronado / Point Loma	11,728	\$1,688	7.2%	4.4%	8	28	0
Downtown	22,828	\$1,836	5.1%	7.2%	292	4,088	205
East San Diego / El Cajon	68,435	\$1,306	4.6%	3.6%	179	126	13
La Jolla / UTC	21,073	\$2,151	5.3%	3.0%	122	1,239	0
Mission Valley / North Central	44,500	\$1,895	4.7%	4.0%	6	1,489	0
National City / South Central	27,544	\$1,141	3.0%	2.7%	224	180	199
North County	50,036	\$1,584	4.2%	3.6%	90	879	0
North I-15 Corridor	35,349	\$1,442	4.5%	3.7%	154	631	274
North Shore Cities	10,108	\$2,336	5.1%	4.1%	142	531	36
Outlying San Diego County	2,333	\$1,407	5.2%	3.4%	2	0	0
Poway / Santee / Ramona	8,979	\$1,308	4.9%	3.3%	(1)	0	0
South I-15 Corridor	12,902	\$1,896	2.7%	4.2%	9	350	0
San Diego Total	396,370	\$1,572	4.6%	3.7%	1,324	11,323	727

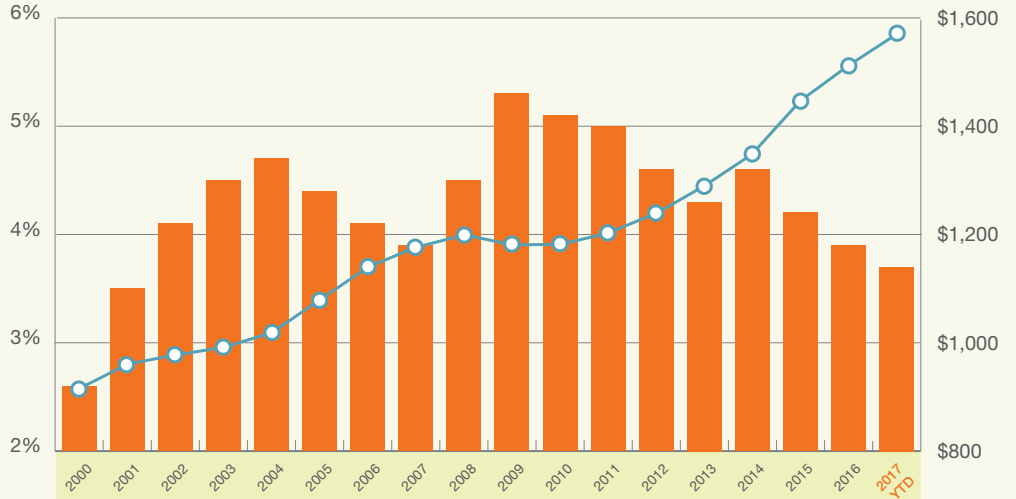
Notable Projects Under Construction

Property	Address	Submarket	# of Units	Owner	Expected Delivery Date
Mesa Nueva- East Campus	3745 Miramar Street	University City	1,100	UC San Diego	Jul-2017
Park 12	202 Park Boulevard	East Village	720	Ballpark Village LLC	Feb-2018
Centerpointe at Grantville	6160 Mission Gorge Road	Grantville	588	The Carlyle Group	Dec-2018
VIVE On the Park	8725 Ariva Court	Kearny Mesa	500	Sunroad Enterprises, Inc.	Jul-2017
Pinnacle on the Park - Phase II	424 15th Street	East Village	472	Pinnacle International	Apr-2019

2nd Quarter 2017 San Diego Multifamily Market Statistics

HISTORICAL ASKING RENT PER UNIT AND VACANCY RATE*

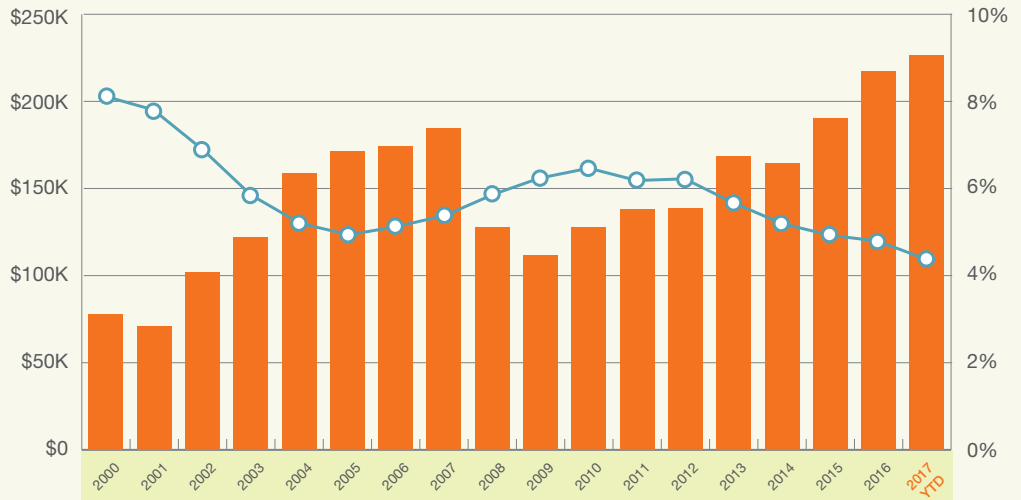
■ Vacancy Rate
● Asking Rate/Unit



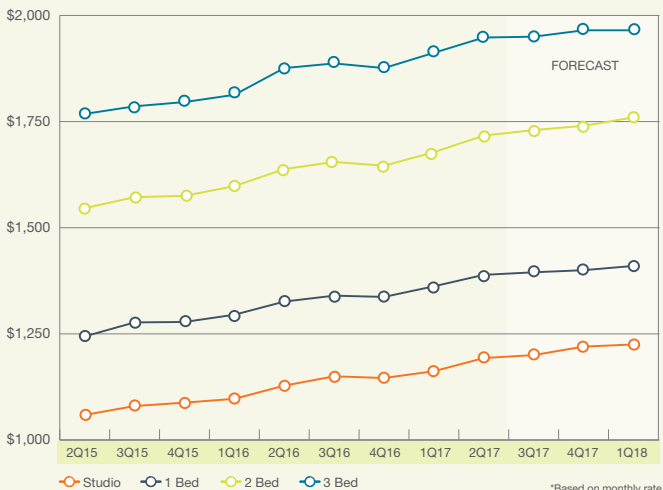
*Based on monthly rate

HISTORICAL SALES PRICE PER UNIT & CAP RATES

■ Sales Price/Unit
● Cap Rate



ASKING RENT*



NET ABSORPTION - QUARTERLY

