

San Diego Multifamily

The San Diego apartment market continues to flourish thanks to a strong economic base buoyed by innovation, tourism, the military and some of the most desirable weather in the U.S. The average rent per unit in San Diego County reached a record high as vacancy hit 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 have so far shown no signs of applying downward pressure on fundamentals and rents. Investors remain active in San Diego, although activity has slowed in 2017 compared to last year, a similar trend across the nation.

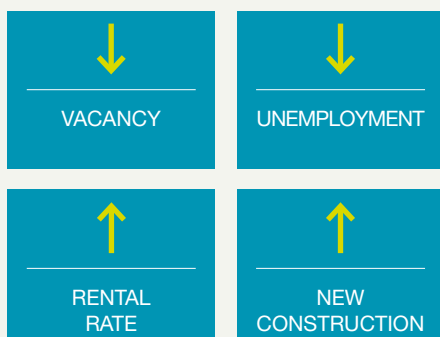
Rents continued to rise across the county in the third quarter of 2017, raising the year over year growth to 4.6%, with the biggest upward pressure in rent growth over the last two years. The average asking rent per unit across the county is pushed to an all-time record high of \$1,584 at the end of the third quarter, continuing more than eight years of rising rents in a tight housing market. The North Shore Cities and La Jolla/UTC submarket clusters continue to command the highest rents at \$2,347 and \$2,149 respectively. By contrast the lowest rents are found in National City/South Central at an average of \$1,183.

The market's overall vacancy recorded at an all-time low, ending the quarter at 3.5%. The previous record low vacancy was over

15 years ago in 2000 at 2.6%. Downtown continues to have one of the highest vacancy rates at 5.2% due to the largest volume of new construction in San Diego County, and due to competition from submarkets with beach access. Meanwhile the most compacted submarket clusters are National City/South Central at 2.4% and Chula Vista/Imperial Beach at 2.9%. Despite several new construction projects, vacancy is forecasted to continue to tighten as new residents quickly fill in the new space.

At the close of the third quarter, the San Diego multifamily market recorded 105 transactions, totaling approximately \$990M in dollar volume, slightly shy of second quarter's \$1.1 billion in dollar volume which was highest volume since 2007. The biggest

Market Forecast Trends



Notable Sale Transactions

Olympus Corsair
360 units in Sierra Mesa
\$136,500,000 (\$379,166/unit)

Solana at Grand
519 units in Midway
\$90,000,000 (\$173,410/unit)

Elan Pacifico Encinitas Heights
120 units in Encinitas
\$53,000,000 (\$441,666/unit)

Rancho Hills Apartments
147 units in Vista
\$35,438,000 (\$241,074/unit)

The Cove
134 units in La Mesa
\$33,950,000 (\$255,263/unit)

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

Los Angeles
213.880.5250

Commerce
323.727.1144

Long Beach
562.472.0071

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

Contact

Mark Read
Executive VP, Brokerage
Southwest
949.557.5000
mread@kiddermathews.com

Designated Broker
Mark Read | LIC #00572743

property to change hands this quarter was Broadstone Corsair, being renamed Olympus Corsair, bought by Olympus Property and Artemis Real Estate Partners, for a notable \$136.5 million. The 360-unit multi-family community features a plethora of high-end amenities, such as poolside cabanas inset with outdoor TVs, an indoor golf simulator room, and a two-story fitness center with parquet wood flooring among many other amenities. It is the only LEED Gold Certified market-rate apartment community in San Diego and features a unit mix including studios, one-, and two- bedroom units. The average price per unit in the third quarter was \$199,891 while the cap rate on average was 4.58%.

San Diego has been witnessing a surge in multifamily construction in the past couple years,

as vacancies continue to drop and developers try to cash in on the growing population. As of third quarter there were over to 12,500 units being built, which is the highest number San Diego has seen in history but will do little to quell the demand. Downtown is undertaking the bulk of this development with approximately 4,300 units under development most which are luxury units that command high rents, followed by Mission Valley/ North Central with close to 1,600 units. The largest projects being built include Centerpointe at Grantville, a multi-family development to include 58 of the 757 units to be affordable housing units, and Park 12, a mixed use project that will be approximately three million square feet, adjacent to Petco Park.

Submarket Statistics

Submarket	Inventory Units	Asking Rate/Unit	Asking Rent Growth/Year	Vacancy	Net Absorption Units	Under Construction Units	Delivered Units
Balboa Park	40,336	\$1,314	4.2%	3.6%	50	616	81
Chula Vista / Imperial Beach	40,491	\$1,478	5.1%	2.9%	26	990	150
Coronado / Point Loma	11,747	\$1,720	2.7%	4.4%	12	28	0
Downtown	22,815	\$1,853	5.5%	5.2%	264	4,305	63
East San Diego / El Cajon	68,481	\$1,319	4.2%	3.4%	129	0	0
La Jolla / UTC	20,987	\$2,149	1.4%	3.9%	(42)	1,239	0
Mission Valley / North Central	44,829	\$1,895	4.7%	3.9%	139	1,572	150
National City / South Central	27,722	\$1,183	3.6%	2.4%	58	299	0
North County	50,057	\$1,600	4.3%	3.6%	(6)	1,388	0
North I-15 Corridor	35,356	\$1,460	5.5%	3.4%	203	650	0
North Shore Cities	10,363	\$2,347	5.1%	4.3%	155	950	54
Outlying San Diego County	2,333	\$1,402	2.2%	4.3%	(10)	0	0
Poway / Santee / Ramona	8,962	\$1,316	3.8%	3.1%	27	0	0
South I-15 Corridor	12,902	\$1,881	2.0%	4.0%	(20)	550	0
San Diego County Total	397,381	\$1,584	4.6%	3.5%	985	12,587	498

Notable Projects Under Construction

Property	Address	Submarket	# of Units	Owner	Expected Delivery Date
Centerpointe at Grantville	4440 Twain Avenue	Grantville	757	The Carlyle Group	Jan-2018
Park 12	202 Park Boulevard	East Village	720	Ballpark Village LLC	Jan-2018
One Paseo	3289-3361 Del Mar Heights Road	Carmel Valley	608	Kilroy Realty Corporation	Dec-2019
Casa Mira View - Phase II & III	9800 Mira Lee Way	Mira Mesa	550	Garden Homes	Dec-2017
Pinnacle on the Park - Phase II	424 15th Street	East Village	472	Pinnacle International	Apr-2019

3rd Quarter 2017 San Diego Multifamily Market Statistics

