

YARDI[®] Matrix

San Diego: SoCal's Surge

Multifamily Winter Report 2017

**Millennial Influx
Boosts Rents**

**Biotech Accelerates
Hiring Pace**

**Supply Favors
Transit Adjacency**

SAN DIEGO MULTIFAMILY

YARDI® Matrix

Market Analysis

Winter 2017

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Rising Economic Tide Lifts Real Estate

Displaying solid job gains and above-average population growth, San Diego continues to offer healthy multifamily fundamentals, although it is suffering from an affordability crisis due to a prolonged housing shortage. With above-trend rent growth—220 basis points over the U.S. average—and outsize demand, the city continues to offer good prospects for both value-add investors and developers.

Benefiting from a deep talent pool and a major network of universities, colleges and research facilities, San Diego boasts not only the title of biotech capital of the West but also a reputation as a more affordable alternative to Silicon Valley. At the same time, the city's job market relies on several large and stable employers, including naval facilities, defense contractors, health-care providers, iconic tourist destinations and higher-education and research clusters. The \$2 billion trolley expansion project, which recently covered half of its cost through federal funding, is ready to reshape San Diego's multifamily market. Developers have already taken note, with construction heating up along the Interstate 5 corridor between Old Town and University. Other major projects include the \$1.3 billion Manchester Pacific Gateway and the \$1.2 billion Seaport Village redevelopment project.

With rents growing 6.6% in one year to an average of nearly \$1,700, multifamily supply in San Diego is barely keeping up with demand. The current pipeline of 30,800 units, coupled with a solid investment volume—roughly \$3 billion in the last two years—is rounding out San Diego's image as a dynamic and safe secondary market.

Recent San Diego Transactions

IMT Sorrento Valley



City: San Diego
Buyer: IMT Capital
Purchase Price: \$214 MM
Price per Unit: \$284,575

eaves Rancho San Diego



City: El Cajon, Calif.
Buyer: R&V Management
Purchase Price: \$158 MM
Price per Unit: \$233,728

Form 15



City: San Diego
Buyer: Essex Property Trust
Purchase Price: \$98 MM
Price per Unit: \$403,504

Pulse Millenia



City: Chula Vista, Calif.
Buyer: Northwestern Mutual RE Investors
Purchase Price: \$94 MM
Price per Unit: \$343,590