

Yardi® Matrix

San Diego Powers Through

Multifamily Report Winter 2018

**Investors Remain
Bullish**

**Lifestyle Rent
Growth Rebounds**

**New Development
Targets City Core**



SAN DIEGO MULTIFAMILY

Yardi® Matrix

Market Analysis

Winter 2018

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SoCal Remains a Landlord's Market

Demand continues to be healthy in San Diego, sustained by demographic expansion and a sluggish pipeline. Rent growth ended 2017 at 4.6%, nearly double the U.S. average. Although the city's housing shortage issues are ongoing, the market remains a more affordable living alternative to Los Angeles and San Francisco, especially for young, highly skilled professionals.

The metro is adding jobs across the board as its economy continues to diversify, with education and health services (4,300 jobs) leading growth. With the \$2.1 billion trolley expansion slated for completion in 2021 and the \$1.5 billion Seaport San Diego set to kick off the same year, other large projects are underway. Berkadia is working on closing a \$650 million loan for Manchester Financial's 2.8 million-square-foot Manchester Pacific Gateway. Meanwhile, Westfield is investing \$600 million in the upgrade of Westfield UTC retail center, and Hines is planning a \$2 billion conversion of Riverwalk Golf Club into a mixed-use destination.

Some \$1.6 billion in San Diego assets traded in 2017, continuing a three-year bull run. There were 8,700 units underway as of December, with development bound to accelerate due to continued demand. Although occupancy in stabilized properties dropped 80 basis points year-over-year to 96.5% as of November, the rate remains one of the highest among major U.S. metros. As demand should remain healthy, we expect rents to appreciate by 3.5% in 2018.

Recent San Diego Transactions

Avion at Spectrum



City: San Diego
Buyer: Prime Group
Purchase Price: \$140 MM
Price per Unit: \$312,567

Olympus Corsair



City: San Diego
Buyer: Olympus Property
Purchase Price: \$137 MM
Price per Unit: \$379,167

Waterleaf



City: Vista, Calif.
Buyer: MG Properties Group
Purchase Price: \$118 MM
Price per Unit: \$257,675

Ocean Air



City: San Diego
Buyer: R & V Management
Purchase Price: \$55 MM
Price per Unit: \$550,000

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