

Yardi® Matrix

San Diego: Still In Expansion Mode

Multifamily Report Summer 2018

Development Accelerates

Rent Growth Outperforms US Average

Broad-Based Job Gains Continue to Fuel Demand

SAN DIEGO MULTIFAMILY

Yardi® Matrix

Market Analysis

Summer 2018

Contacts

Paul Fiorilla

Associate Director of Research

Paul.Fiorilla@Yardi.com

(800) 866-1124 x5764

Jack Kern

Director of Research and Publications

Jack.Kern@Yardi.com

(800) 866-1124 x2444

Author

Bogdan Odagescu

Senior Associate Editor

Deliveries Slated for Cycle Peak

Strong demand and a relatively slow pipeline keep San Diego as one of the country's most stable multifamily markets. Rent growth, at 4.1% year-over-year as of April, continued to heavily outperform the U.S. rate, while the metro struggles with ongoing affordability.

Anchored by the U.S. Navy, prestigious universities, biotechnology clusters and tourism, San Diego's economy continues to diversify. While the construction sector expanded at the fastest rate, with several large-scale developments underway across the metro, the next spate of mega-projects is already lined up: Hines is planning a \$2 billion repurposing of Riverwalk Golf Club in Mission Valley; the \$1.5 billion Seaport San Diego is slated to break ground in a couple of years; and SDCCU Stadium is getting closer to redevelopment.

San Diego had roughly 8,300 units under construction as of April, and the metro is expected to add more than 5,000 units throughout 2018. This would mark a strong cycle peak, surpassing the 3,800 units delivered in 2016. In line with nationwide trends, occupancy in stabilized properties dropped 110 basis points in 12 months, to 96.1% as of March. Even so, as San Diego's housing crisis deepens and rental demand is poised to remain strong, Yardi Matrix expects rents to advance by 3.5% in 2018.

Recent San Diego Transactions

Carmel Pacific Ridge



City: San Diego
 Buyer: American Assets
 Purchase Price: \$229 MM
 Price per Unit: \$429,747

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