SAN DIEGO, CA
MULTIFAMILY REPORT
2024 | MID-YEAR

Jobs Added / Lost*

LAST 12 MONTHS

13,300

0.9%

Unemployment*

JUNE 2024

4.5%

80 BPS YOY

**Seasonally Adjusted*

SAN DIEGO, CA

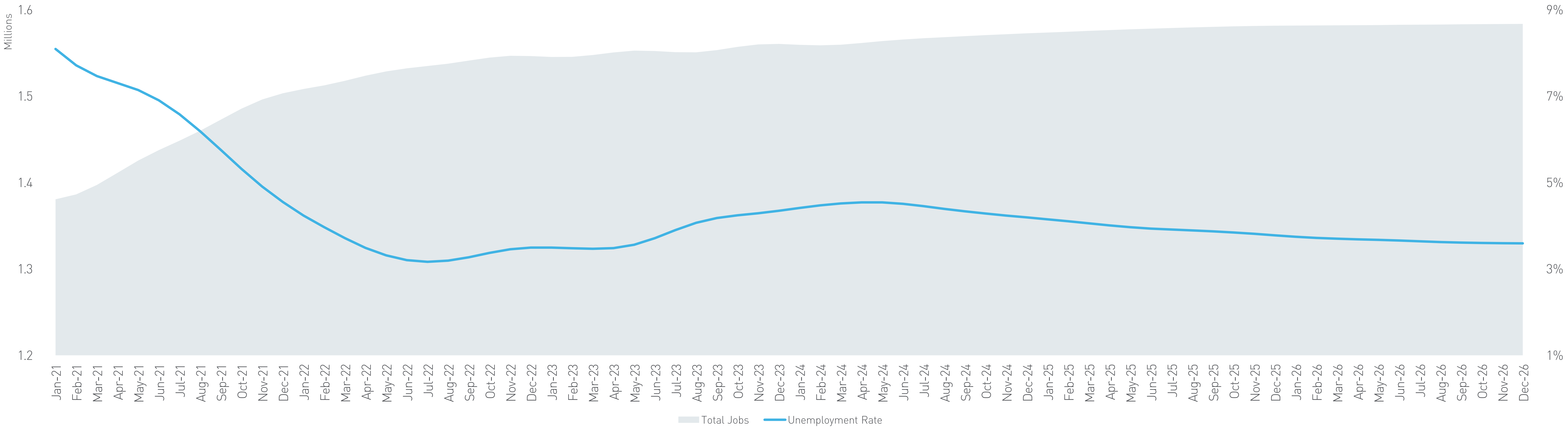
EMPLOYMENT

With an active labor force of 1.6 million workers, the highly educated, diverse, and growing San Diego metro area is one of the major population centers of Southern California. Metro San Diego employers added approximately 13,300 nonfarm jobs in the 12-month period ending in June 2024. The private education and health services sector led the region in the most recent jobs gains, with 12,800 net positions, followed by the leisure and hospitality sector, which expanded by 8,100 jobs as the summer tourist season heated up. Visitors to the area generated $23 billion in total economic impact last year. Tourism supports 208,000 local jobs. Numerous new hospitality developments are nearing completion, including the $1.2 billion Gaylord Pacific Resort & Convention Center slated to start operations in May 2025 along the bayfront in Chula Vista, with a need for nearly 3,000 employees. Spurring continued job creation in the healthcare industry will be Pfizer Inc., which announced it will soon expand its footprint into a 230,000-square-foot life science campus nearing completion northeast of La Jolla. Greater San Diego is a vital national defense asset and home to the largest concentration of military resources in the world. Government payrolls expanded by 4,700 positions and was the second-largest employment sector in the metro. According to the San Diego Military Advisory Council, the defense industry accounts for more than 350,000 jobs in the region.

In the News

- Gaylord Resort to start operations May 2025, hiring 3,000 employees
- Genentech plans $450M biologics mfg. facility, filling 150 operations jobs
- Pfizer signs San Diego's largest life sciences deal

Employment Trends



Source: Moody's Analytics

2024 YEAR TO DATE

DELIVERIES
2,682 UNITS

ABSORPTION
1,474 UNITS

2024 TOTAL*

DELIVERIES
5,571 UNITS

ABSORPTION
4,108 UNITS

**Projected*

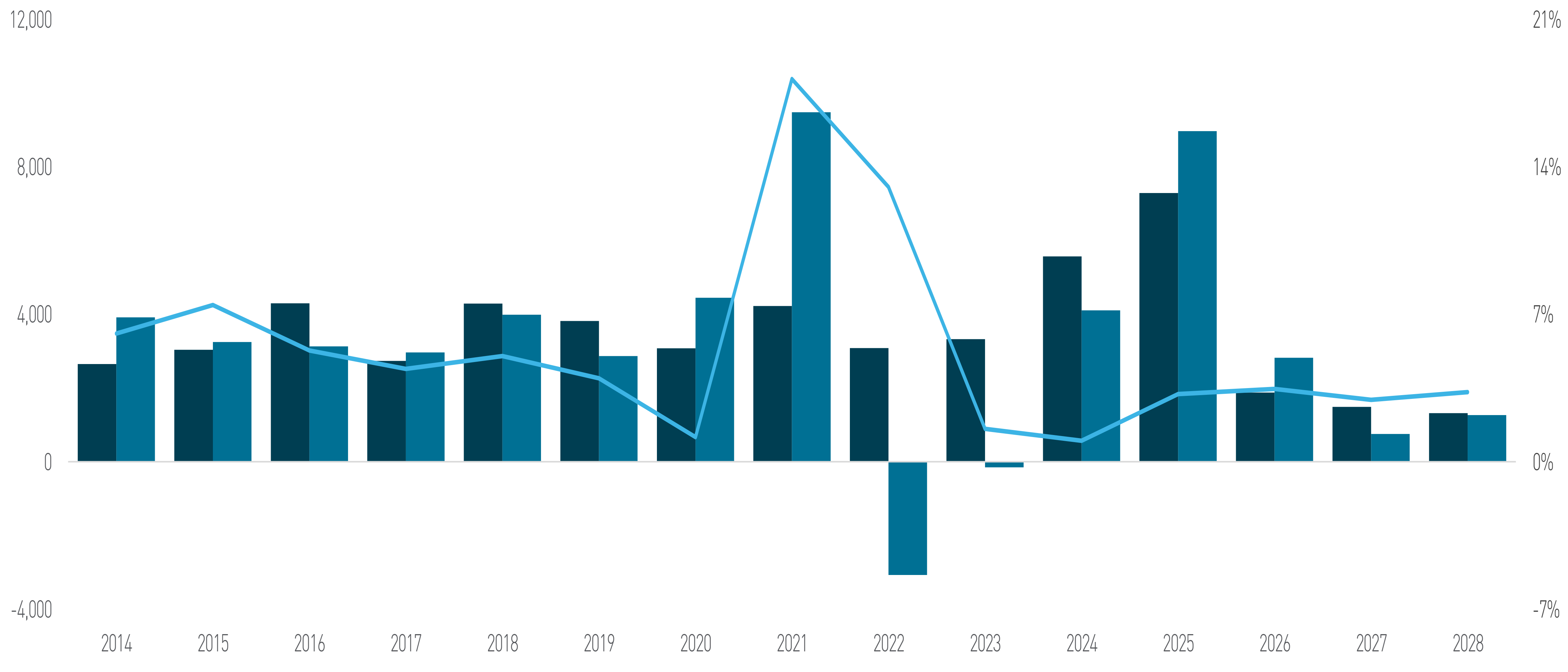
SAN DIEGO, CA

DELIVERIES & ABSORPTION

On average, the metro's inventory has grown by 3,507 units annually over the past five years. Apartment developers remained optimistic about the San Diego market, as construction was underway on 55 communities at the end of the second quarter of 2024, scheduled to bring about 12,800 units online over the next 2.5 years. These additions will follow 2,682 deliveries in the first half of 2024. On top of development hurdles specific to Southern California, high interest rates will likely continue to pressure the investment landscape. Coming out of the pandemic, apartment operators in Greater San Diego recorded a historic number of new leases in 2021. By year-end 2023, lease renewals dropped to nearly 51%.

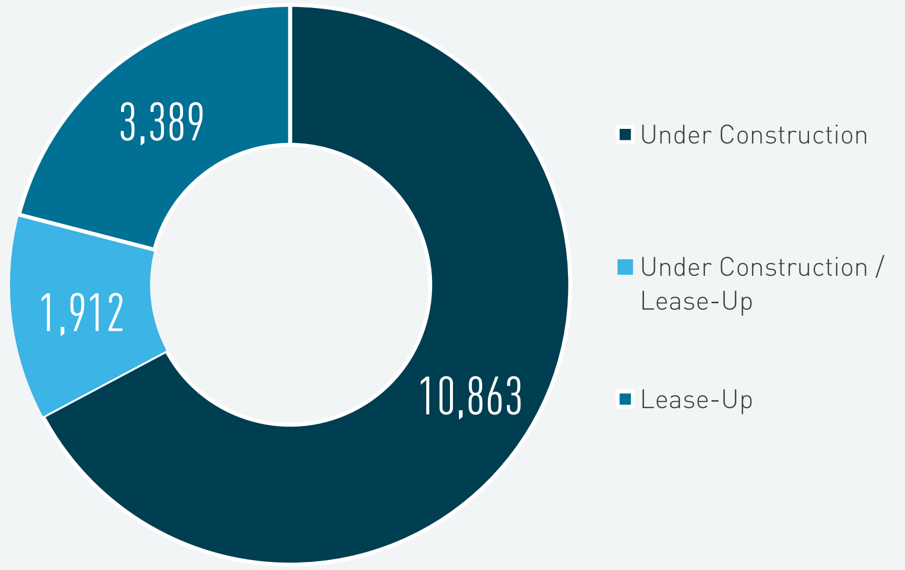
The trend reflected a national movement last year of many renters either moving in with roommates or family members. As a result, local apartment operators recorded negative net absorption of 3,073 units in 2022 and negative 150 units in 2023. Apartment demand rebounded in the first half of 2024, as 1,474 units were newly leased. Demand was skewed toward the Northwest San Diego and the Downtown San Diego/Coronado submarkets, where builders were most active. These submarkets combined to account for nearly 90% of the total units being absorbed in the first half of the year. Overall leasing activity is expected to heighten in the second half of the year to end 2024 at around 4,100 rentals absorbed during the year.

Deliveries, Absorption, & Effective Rent Change

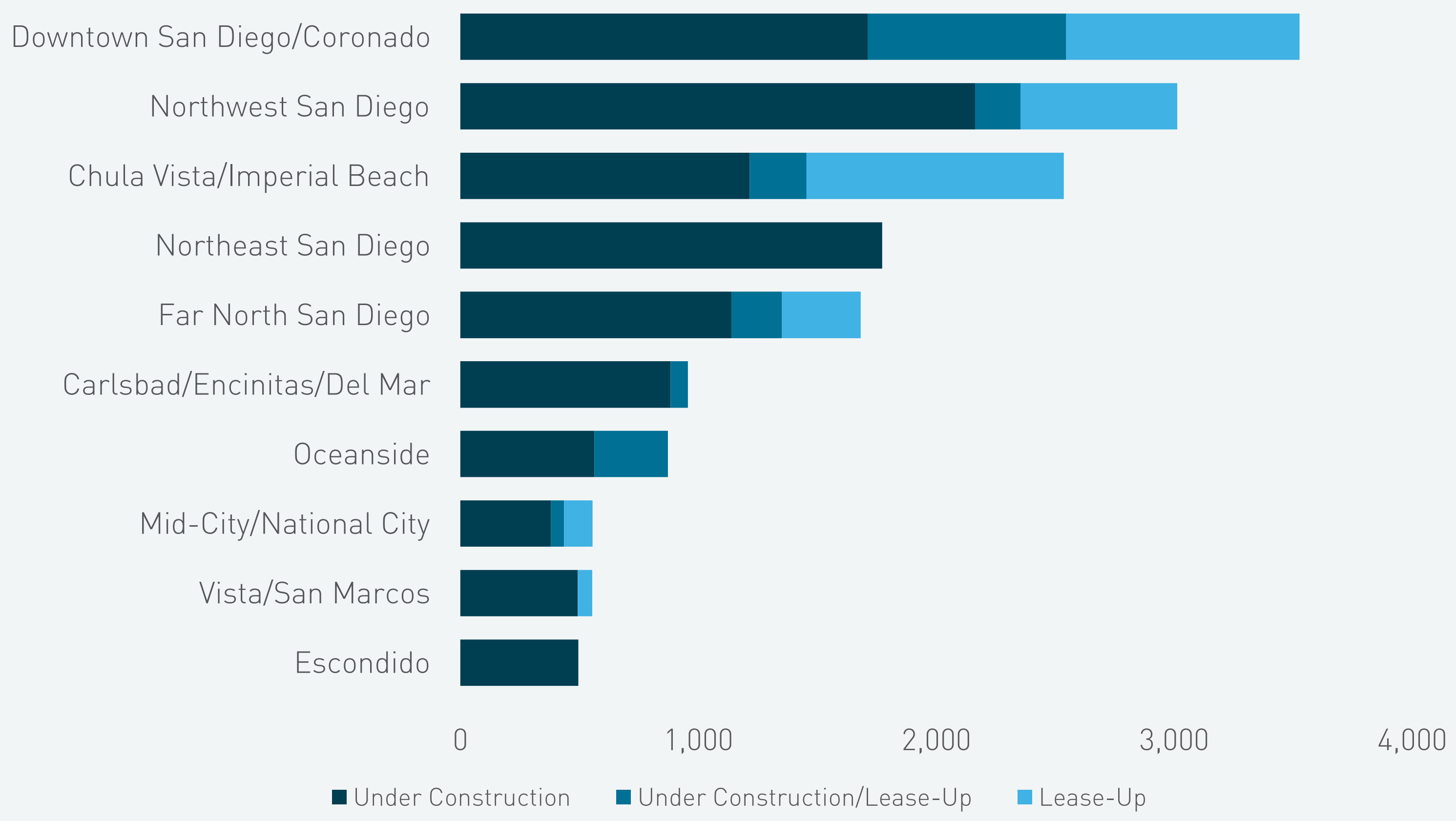


Source: RealPage

Market Pipeline



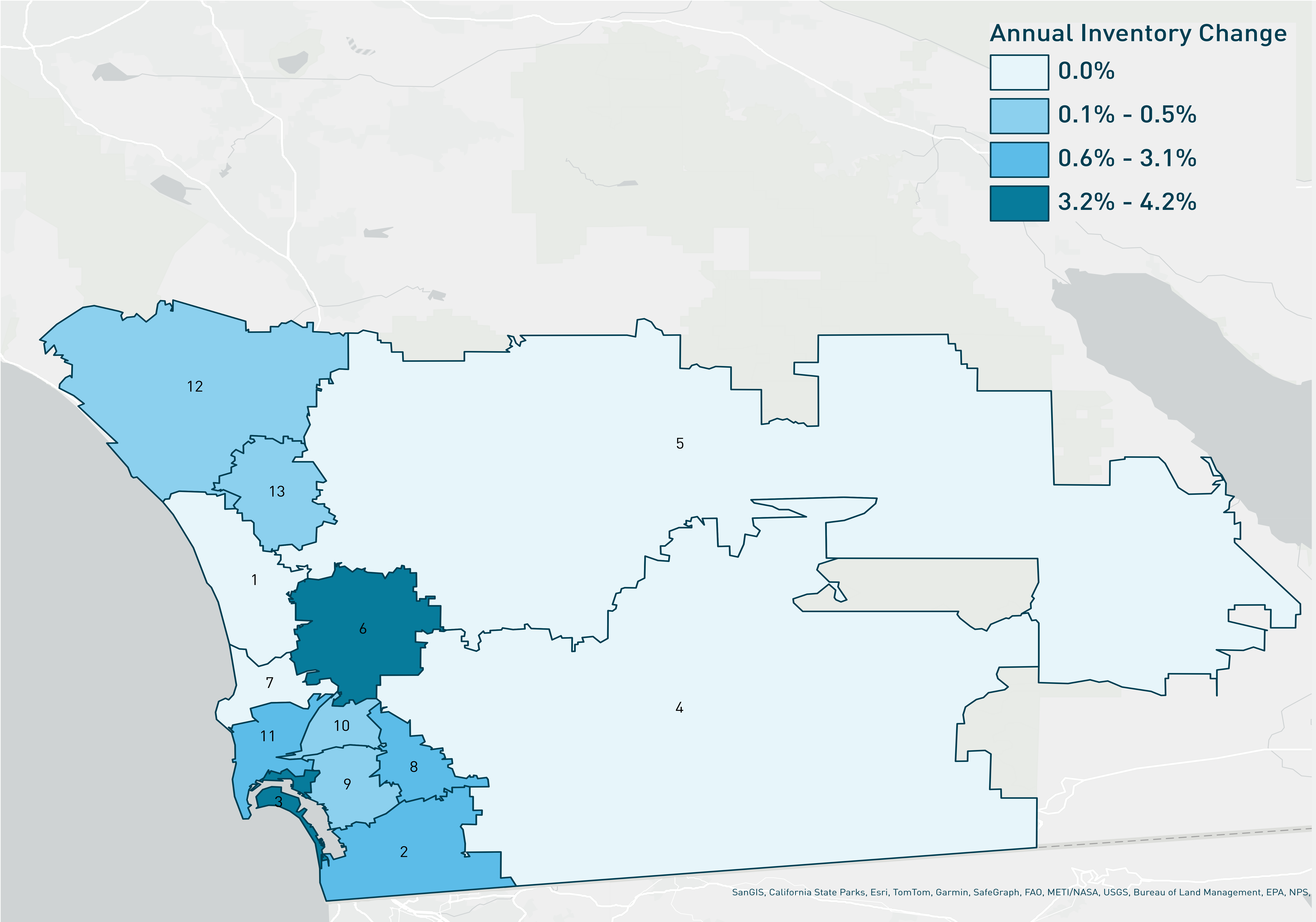
Top Submarket Pipelines



While new inventory came online in nine of the 13 submarkets, two major submarkets comprised nearly half of the development pipeline in the past year. The most active area for construction was the popular Northwest San Diego submarket where nearly 1,180 units were added across four lease-up properties. The area benefits from the proximity to downtown, the developed public transportation system, and more affordable rents than downtown. Development was also more pronounced in the Downtown San Diego/ Coronado area where about 1,080 units were added to submarket inventory. Boasting an abundance of amenities and attractions, people and investors have been flocking to the downtown area. Key downtown projects due for completion in the second half of 2024 include the 431-unit West; the 368-unit The Wyatt Makers Quarter in the upper East Village; and the 395-unit Simone, a 36-story tower in Little Italy.

SAN DIEGO, CA

SUBMARKET MID-YEAR 2024 ANNUAL INVENTORY CHANGE



SUBMARKET BOUNDARIES

1. Carlsbad / Encinitas / Del Mar
2. Chula Vista / Imperial Beach
3. Downtown San Diego / Coronado
4. El Cajon / Santee / Lakeside
5. Escondido
6. Far North San Diego
7. La Jolla / University City
8. La Mesa / Spring Valley
9. Mid-City / National City
10. Northeast San Diego
11. Northwest San Diego
12. Oceanside
13. Vista/San Marcos

Effective Rent

Q2 2024

$2,810

0.7% YOY

Occupancy

Q2 2024

95.4%

110 BPS YOY

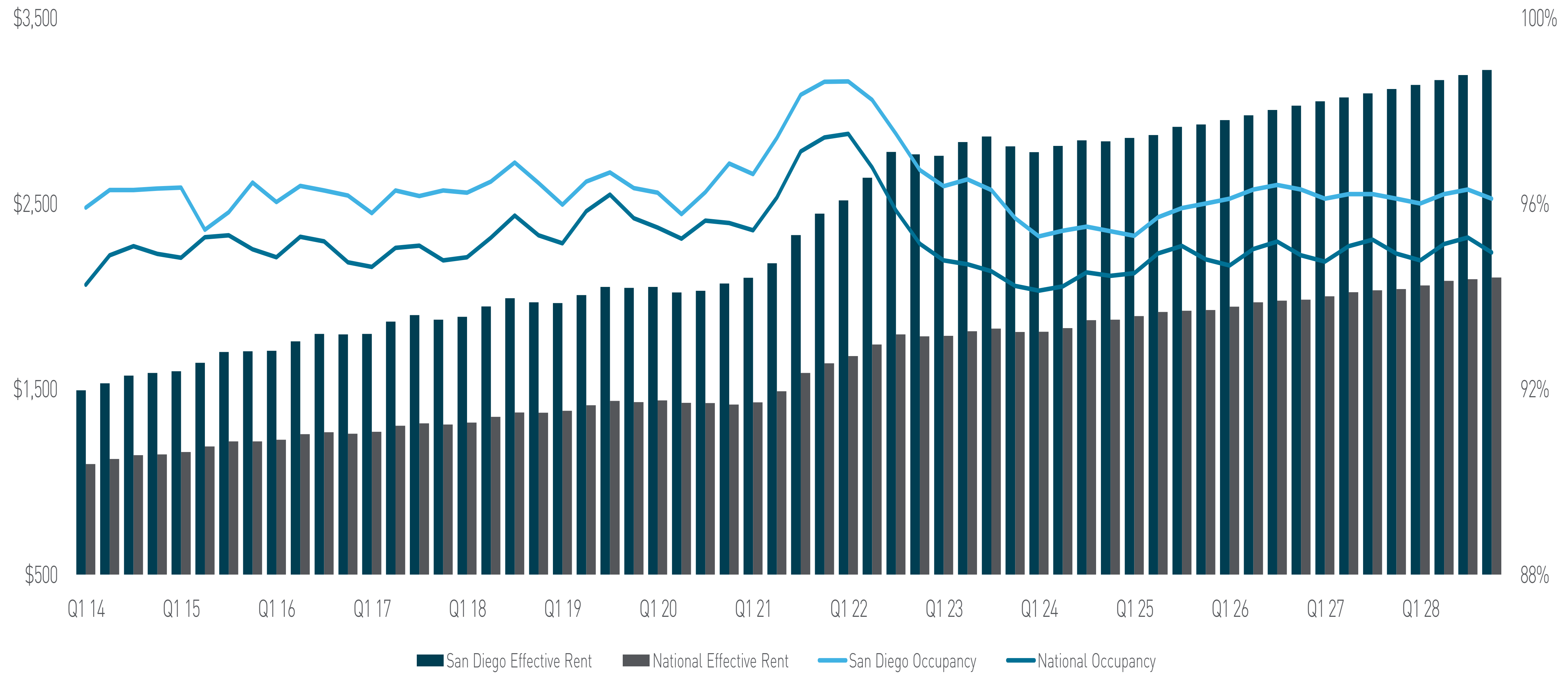
SAN DIEGO, CA

RENT & OCCUPANCY

While there was a moderate gain nationwide, more substantial rent growth in San Diego continues to be hindered by already high rents in Southern California. San Diego and Los Angeles were two of four most populous metro areas in California where landlords saw rent prices soften compared to a year ago. In the second quarter of 2024, San Diego experienced a 0.7%, year-over-year decline in effective rent growth and Los Angeles a 0.4% decline, compared to a 0.9% increase nationwide during the same time. Many renters' budgets were stretched when annual effective rents in San Diego surged by 21.1% in 2022 and by 7.3% in 2023. Oversupply in the metro area benefited renters, allowing them to secure concessions.

The use of concessions increased to 15.4% of newly leased units, up from 7.5% a year ago. By mid-2024, effective rent was $2,810 per month as property owners competed for tenants. Operators of Class C properties continued an upward trend for the past year, where rents rose 7.6% to $2,334 per month; compared to Class A, down 0.4% to $3,264 per month; and Class B, down 1.7% to $2,727 per month. New construction is affecting occupancy rates, as projects initiated during the pandemic are now being completed, nearing a record high. By mid-2024, the overall occupancy rate had settled at 95.4%. Occupancy was highest among the most affordable Class C properties, 140 basis points above the market average.

San Diego vs. National Effective Rent & Occupancy



Source: RealPage

Note: Effective rent and occupancy reflect stabilized properties and does not include preleased units or properties in lease-up. A newly constructed property is considered stabilized once it becomes 85% occupied.

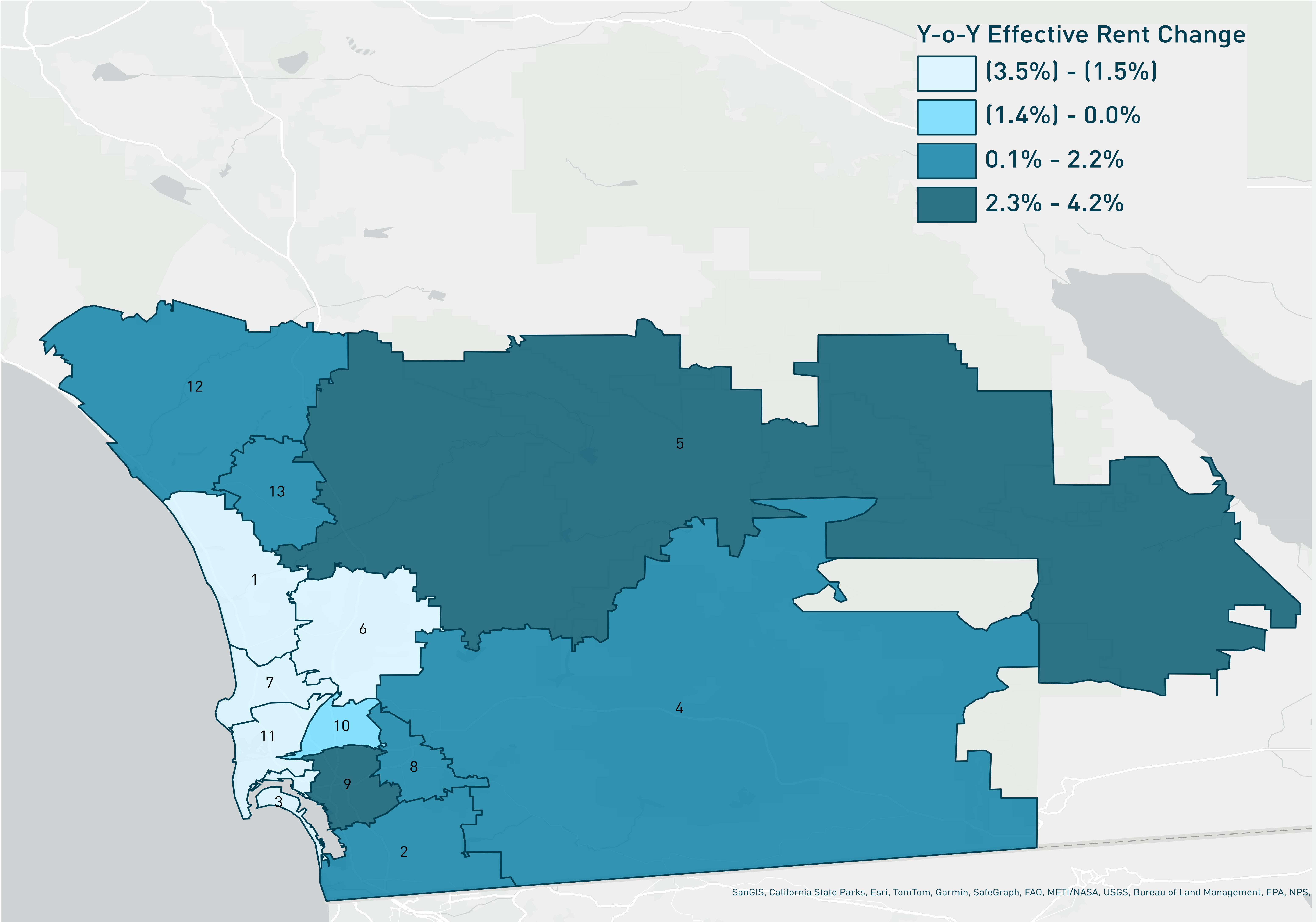
Submarket Performance

SUBMARKET NAME	Q2 2024 OCCUPANCY	YOY (BPS)	Q2 2024 EFFECTIVE RENT	YOY
Carlsbad/Encinitas/Del Mar	96.0%	-90	$3,439	-1.6%
Chula Vista/Imperial Beach	95.5%	-110	$2,706	1.6%
Downtown San Diego/Coronado	92.6%	-170	$3,018	-3.5%
El Cajon/Santee/Lakeside	96.2%	-30	$2,280	1.2%
Escondido	96.1%	-110	$2,399	3.1%
Far North San Diego	95.7%	-150	$2,889	-2.6%
La Jolla/University City	95.7%	-60	$3,298	-2.6%
La Mesa/Spring Valley	96.2%	-100	$2,501	0.3%
Mid-City/National City	96.6%	-50	$2,383	4.2%
Northeast San Diego	95.0%	-130	$3,020	-0.7%
Northwest San Diego	95.5%	-120	$2,716	-3.4%
Oceanside	95.3%	-150	$2,549	0.1%
Vista/San Marcos	95.8%	-80	$2,608	0.7%

Seven of 13 submarkets recorded positive year-over-year rent increases in the second quarter of 2024, although increases in the most expensive submarkets slowed. Gains were led by The Mid-City/National City submarket with a 4.2% year-over-year increase to $2,383. One year ago, the submarket was the second lowest-rent area, with a high occupancy of 97.1% and limited new supply, which combined to provide headroom for landlords to increase rent. It was followed by Escondido, up 3.1% to $2,399 and Chula Vista/Imperial Beach, up 1.6% to $2,706. Several of San Diego's most expensive submarkets along the coast and near primary job nodes such as University Town Center and downtown saw rents fall year over year. As the costliest of San Diego's apartment submarkets, rent decelerated 2.6% annually in the La Jolla/University City area and was down 3.5% in the Downtown San Diego/Coronado neighborhood.

SAN DIEGO, CA

SUBMARKET MID-YEAR 2024 ANNUAL RENT CHANGE



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SAN DIEGO, CA

SALES

2024 Year to Date*

VOLUME
$413.3M

PRICE PER UNIT (AVG)
$414,848

TRANSACTIONS
4

CAP RATE (AVG)
5.4%

Top Buyers*

BUYER	LOCATION
KKR	New York
MG Properties	San Diego
Pacific Urban Investors	San Francisco

What's Trading?*

UNITS (AVG)
251

YEAR BUILT (AVG)
2000s

BUILDINGS (AVG)
8

ACRES (AVG)
10.24

Top Sellers*

SELLER	LOCATION
Lennar Corp.	Miami
Northwestern Mutual	Milwaukee
Jackson Square	San Francisco

Source: MSCI Real Capital Analytics
**$50m+*

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Sources: RealPage; Moody's Analytics; Real Capital Analytics