



MULTIFAMILY REPORT

San Diego's Rebalancing

February 2023



Rents Contract Slightly

Job Market Regains Footing

Construction Activity Slows Down

SAN DIEGO MULTIFAMILY



Market Stabilizes After Strong Growth Period

Toward the end of the year, San Diego's fundamentals began moderating, as the metro entered the winter season. After a strong first half of the year, rent growth ended 2022 with a 0.3% contraction on a trailing three-month (T3) basis through December, to an average of \$2,658. Occupancy also followed this trend but remained elevated, with the rate dropping 60 basis points year-over-year, to 97.2%.

The job market regained its footing, with San Diego unemployment falling to 3.3% as of November, according to preliminary data from the Bureau of Labor Statistics. The metro outperformed both the California and national rates, showing strong performance. In the 12 months ending in October, the workforce expanded by 4.4%, with 44,500 positions added. The long-delayed plan to redevelop 331 acres at San Diego's Brown Field Municipal Airport gained traction—Industrial Realty Group entered a joint venture with Belzberg & Co. for the Metropolitan Airpark project in the Olay Mesa submarket. The 20-year development is estimated to cost \$1 billion and will include more than 1 million square feet of retail, industrial space and a hotel.

Completions totaled 2,862 units, representing a 1.4% expansion of stock—30 basis points lower than 2021's figure and 70 basis points lower than the U.S. rate. Sales totaled \$2.3 billion in 2022, cooling off after the \$3.8 billion cycle-peak of the previous year.

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Recent San Diego Transactions

Domain San Diego



City: San Diego
Buyer: MG Properties
Purchase Price: \$185 MM
Price per Unit: \$487,071

Veranda La Mesa



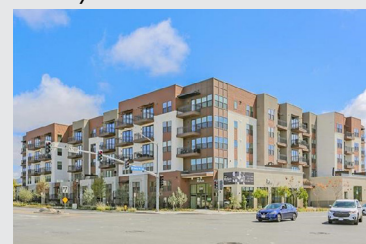
City: La Mesa
Buyer: Waterton
Purchase Price: \$141 MM
Price per Unit: \$347,291

The Residences at Escaya



City: Chula Vista
Buyer: Olympus Property
Purchase Price: \$123 MM
Price per Unit: \$450,368

The Rylan



City: Vista
Buyer: Rockwood Capital
Purchase Price: \$73 MM
Price per Unit: \$575,700