



MULTIFAMILY REPORT

San Diego Tempers

November 2023

Construction Starts on Par With 2022

YoY Investment Volume Slides

Employment Growth Softens

SAN DIEGO MULTIFAMILY



Economic Slowdown Felt Across Market

San Diego's fundamentals recorded a slow pace in the third quarter, akin to most Western markets, while 2023's overall performance reflected mixed results for multifamily. A slower economy and a correction of supply pipelines led to most metrics slowing or turning negative. Rates were down 0.1% on a trailing three-month basis through September—on par with the U.S. figure—to an average of \$2,727. On a year-over-year basis, however, San Diego rents were up 1.9%, 110 basis points ahead of the national rate.

Unemployment in the metro reached 4.3% as of August, according to preliminary data from the Bureau of Labor Statistics, up 80 basis points year-over-year. Although much slower than the beginning of the year, economic growth maintained its momentum and stood ahead of the U.S. rate. San Diego's labor pool expanded by nearly 3.0% over the 12-month period ending in July, 40 basis points higher than national figures. The city added 39,300 jobs during this period, with gains led by education and health services (15,200 jobs) and leisure and hospitality (12,500 jobs).

Construction activity was diminished from previous years but was still in a healthy spot. San Diego had 11,894 units under construction, with an additional 37,800 in the planning and permitting stages. In line with national trends, transaction volume was down 68.9% year-over-year, to \$444 million for the first three quarters.

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Recent San Diego Transactions

Allina La Jolla



City: San Diego
Buyer: Pacific Urban Investors
Purchase Price: \$177 MM
Price per Unit: \$443,250

Veranda La Jolla



City: San Diego
Buyer: Pacific Urban Investors
Purchase Price: \$88 MM
Price per Unit: \$249,341