



MULTIFAMILY REPORT

# San Diego Rebalances

February 2025



**Rent Movement Mirrors National Trend**

**Investment Volume Up YoY**

**New Supply Consistent**

# SAN DIEGO MULTIFAMILY



## Rents Tick Down, Construction Levels Off

San Diego ended 2024 with overall balanced fundamentals, with most metrics falling back to historic levels. In line with seasonal trends, average advertised asking rents in the metro were down 0.1% on a trailing three-month basis through December, to \$2,744. Year-over-year, the rate was up 0.5%, 10 basis points below the national figure. Meanwhile, overall occupancy in stabilized assets remained healthy, down only 20 basis points year-over-year, to 96.1%, as of November. The rate was above the 94.7% U.S. average.

San Diego's unemployment rate was 4.6% in November last year, up 30 basis points year-over-year, according to preliminary data from the Bureau of Labor Statistics. The figure was above the 4.2% national rate, but significantly below California's 5.4%. In the 12 months ending in November, San Diego added 8,900 net jobs, with employment growth clocking in at 0.7%. Developers are still bullish on the metro's life science sector, with projects such as Alexandria Real Estate Equities' proposed 2.4 million-square-foot biotechnology campus on the horizon.

Developers completed 4,610 units last year, just roughly 500 units short of 2023's total and about 600 units more than the annual average recorded since 2017. Activity leveled off from 2023's outsize performance, with the pipeline including 10,457 units under construction in December, as well as an additional 45,000 units in the planning and permitting stages.

## Market Analysis | February 2025

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### Recent San Diego Transactions

#### Preserve at Melrose



City: Vista, Calif.  
Buyer: Mesirow Financial  
Purchase Price: \$185 MM  
Price per Unit: \$451,220

#### Skye



City: Vista, Calif.  
Buyer: MG Properties  
Purchase Price: \$126 MM  
Price per Unit: \$433,621

#### Market Street Village



City: San Diego  
Buyer: BDP Impact Real Estate  
Purchase Price: \$82 MM  
Price per Unit: \$358,952

#### AVA Balboa Park

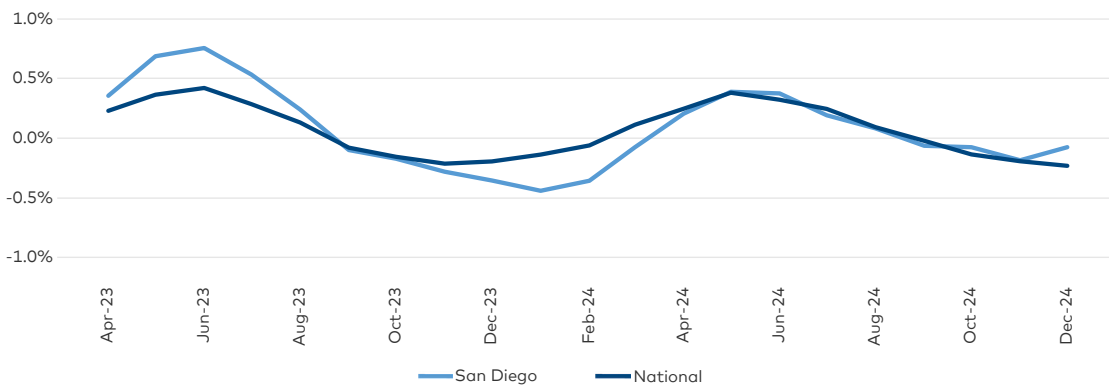


City: San Diego  
Buyer: AvalonBay Communities  
Purchase Price: \$51 MM  
Price per Unit: \$510,000

## RENT TRENDS

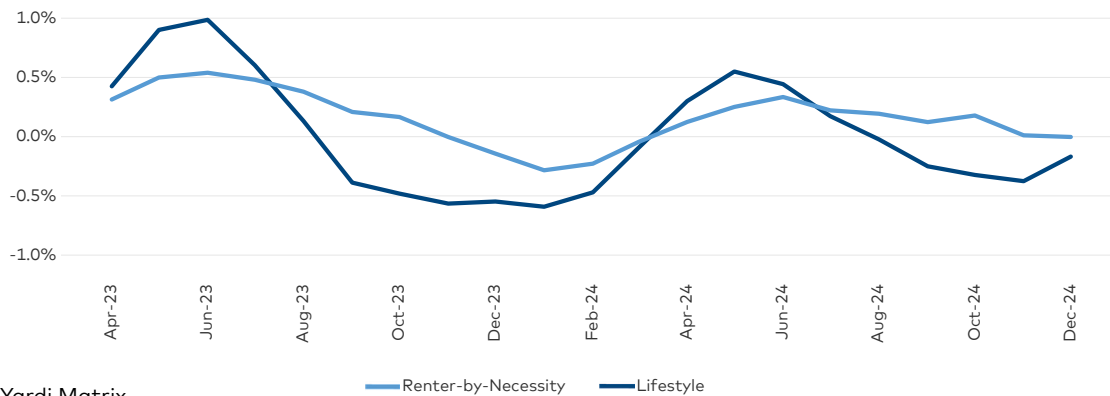
- ▶ San Diego advertised asking rents were down 0.1% on a trailing three-month (T3) basis through December—10 basis points ahead of the U.S. figure—to \$2,744. This was the fourth consecutive month of rate contractions in the metro, following the nationwide trend of tepid gains. San Diego rents were up 0.5% year-over-year, 10 basis points below the U.S.
- ▶ Advertised asking rents in the working-class Renter-by-Necessity segment stayed flat on a T3 basis through December, to \$2,391. Rates for the upscale Lifestyle segment contracted for the fourth month in a row, down 0.2%, to \$3,196. This evolution was mostly in line with other major metros, where Lifestyle figures were more affected by seasonal shifts, while RBN remained mostly positive throughout last year.
- ▶ Overall occupancy in stabilized assets across San Diego ticked down 20 basis points year-over-year, to 96.1%, as of November last year, but remained above the 94.7% national rate. Both Lifestyle and RBN occupancy figures were down 20 basis points, to 95.9% and 96.4%, respectively.
- ▶ The list of San Diego submarkets registering above-average rent growth in 2024 included Poway (4.1% to \$2,989), Santee (3.8% to \$2,560), Coastal (3.6% to \$3,165), Escondido (3.3% to \$2,424) and Southeast San Diego (3.3% to \$2,179). Del Mar remained the most expensive submarket, with the average advertised asking rent up 2.0%, to \$3,773.

**San Diego vs. National Rent Growth (Trailing 3 Months)**



Source: Yardi Matrix

**San Diego Rent Growth by Asset Class (Trailing 3 Months)**



Source: Yardi Matrix

## ECONOMIC SNAPSHOT

- San Diego's unemployment rate stood at 4.6% as of November, up 30 basis points year-over-year, according to preliminary data from the BLS. The rate didn't change much from January 2024, improving slightly in the first half of the year, while the second half saw it trend upward again. In November, the national figure stood at 4.2%, while California's rate was 5.4%.
- Employment across the metro expanded 0.7% as of November 2024, 60 basis points below the U.S. figure. The second half of 2024 saw employment momentum slow down nationwide, with San Diego following suit, as the rate was down 20 basis points from January.
- In the 12 months ending in November, San Diego added 8,900 net jobs. Education and health services led growth, with 11,800 positions gained. Meanwhile, manufacturing lost 4,500 jobs, followed by information, which was down 1,100 positions.
- Toward the end of last year, Alexandria Real Estate Equities proposed the construction of a 2.4 million-square-foot biotechnology campus in University City that could add several research buildings and more than 2,000 apartments. In 2025, UC San Diego Health will open the first phase of the McGrath Outpatient Pavilion redevelopment. The six-floor facility will encompass 250,000 square feet.

### San Diego Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	261.6	16.6%
15	Mining, Logging and Construction	93	5.9%
40	Trade, Transportation and Utilities	230.5	14.6%
70	Leisure and Hospitality	204.8	13.0%
90	Government	257	16.3%
55	Financial Activities	72.5	4.6%
60	Professional and Business Services	271.7	17.2%
80	Other Services	58	3.7%
50	Information	20.3	1.3%
30	Manufacturing	109.8	7.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- San Diego lost 6,616 residents in 2022, down 0.2% year-over-year. Population started trending downward three years prior, with the metro losing more than 26,000 people between 2019 and 2022.

### San Diego vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
San Diego	3,316,073	3,323,970	3,296,317	3,289,701

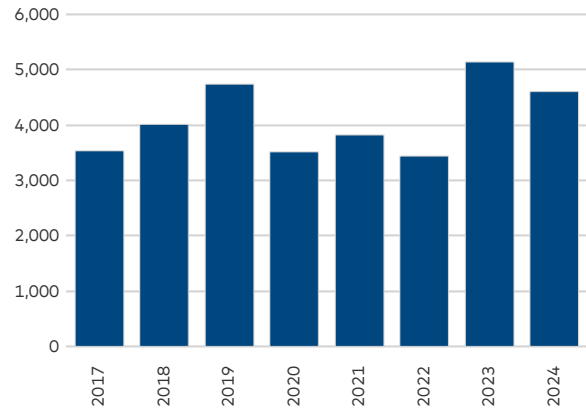
Source: U.S. Census

## SUPPLY

- ▶ San Diego developers completed 4,610 units last year, which was 2.2% of existing stock and 80 basis points below the national figure. Completions were roughly 500 units short of 2023's total and about 600 units more than the annual average recorded since 2017 (4,029 units). More than 70% of units completed were in Lifestyle assets.
- ▶ Developers in the metro had 10,457 units under construction as of December, as well as an additional 45,000 units in the planning and permitting stages. Nearly 70% of all units underway were in Lifestyle properties, while just under 30% were in fully affordable developments, with nearly no units in the RBN segment.
- ▶ Last year, construction starts totaled 3,342 units across 22 properties, in line with the national trend of slowing activity. Starts were down almost 25% from 2023, when 4,436 units broke ground across 22 projects.
- ▶ Kearny Mesa (2,346 units under construction) and Central San Diego (2,341 units) were the most active submarkets by far. No other submarket had more than 1,000 units underway. Mira Mesa (928 units), Escondido (883) and the South Bay (818) rounded out the top five.

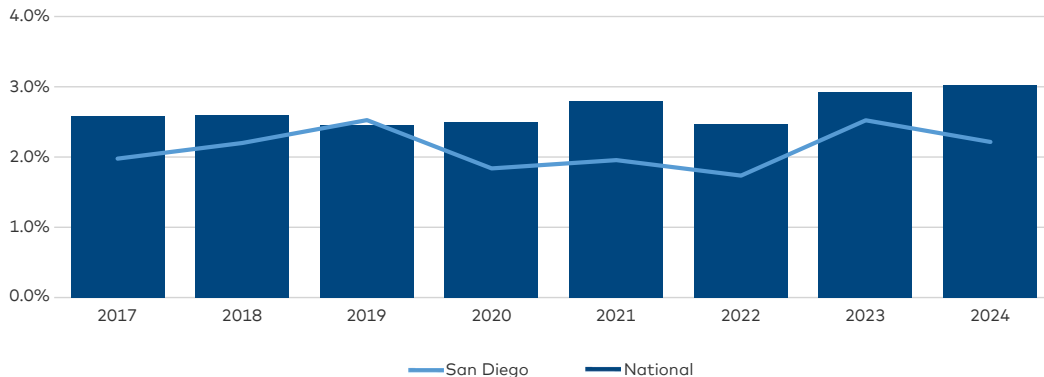
- ▶ Trammell Crow Residential had the largest multifamily project underway in San Diego at the end of last year. The company is developing ALX Camellia, a 531-unit, mixed-use development in Kearny Mesa that will include an affordable housing component. Wells Fargo provided a \$151 million construction loan for the development.

**San Diego Completions** (as of December 2024)



Source: Yardi Matrix

**San Diego vs. National Completions as a Percentage of Total Stock** (as of December 2024)

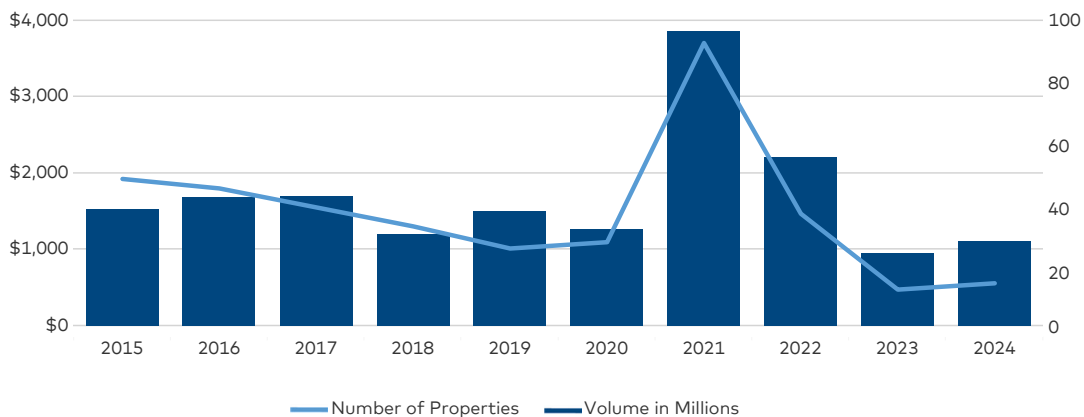


Source: Yardi Matrix

## TRANSACTIONS

- ▶ San Diego investors traded \$1.1 billion in 2024 across 17 single-asset multifamily transactions. Although this was a \$150 million improvement over the 2023 volume, the total still lagged pre-pandemic figures, with the 2015-2019 average at \$1.5 billion. Investors leaned toward upscale assets, as 10 Lifestyle properties changed hands, along with seven RBN communities.
- ▶ Despite the overall volume still being below historic figures, the average price per unit rose more than 25% year-over-year in 2024, to \$405,970. Meanwhile, the U.S. figure saw a 3.3% uptick, to \$193,187. Lifestyle prices grew 21.7%, to \$438,132, while RBN figures fell 4.3%, to \$298,726.
- ▶ The largest transaction of 2024 was Mesirow Financial's \$185 million acquisition of Preserve at Melrose, a 410-unit property in the Oceanside submarket. MG Properties sold it for \$451,219 per unit.

### San Diego Sales Volume and Number of Properties Sold (as of December 2024)



Source: Yardi Matrix

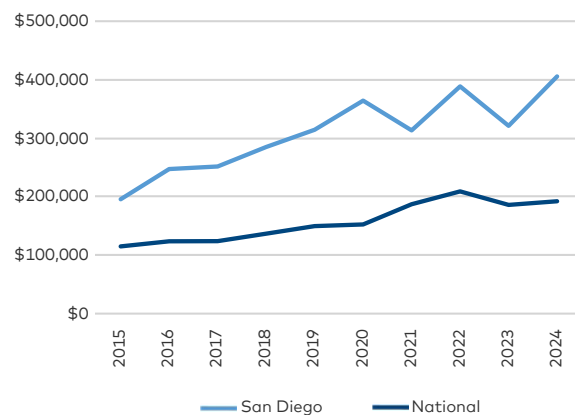
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Oceanside	311
Central San Diego	270
Sweetwater	198
North San Diego	167
Vista	68
South Bay	41
San Dieguito	29

Source: Yardi Matrix

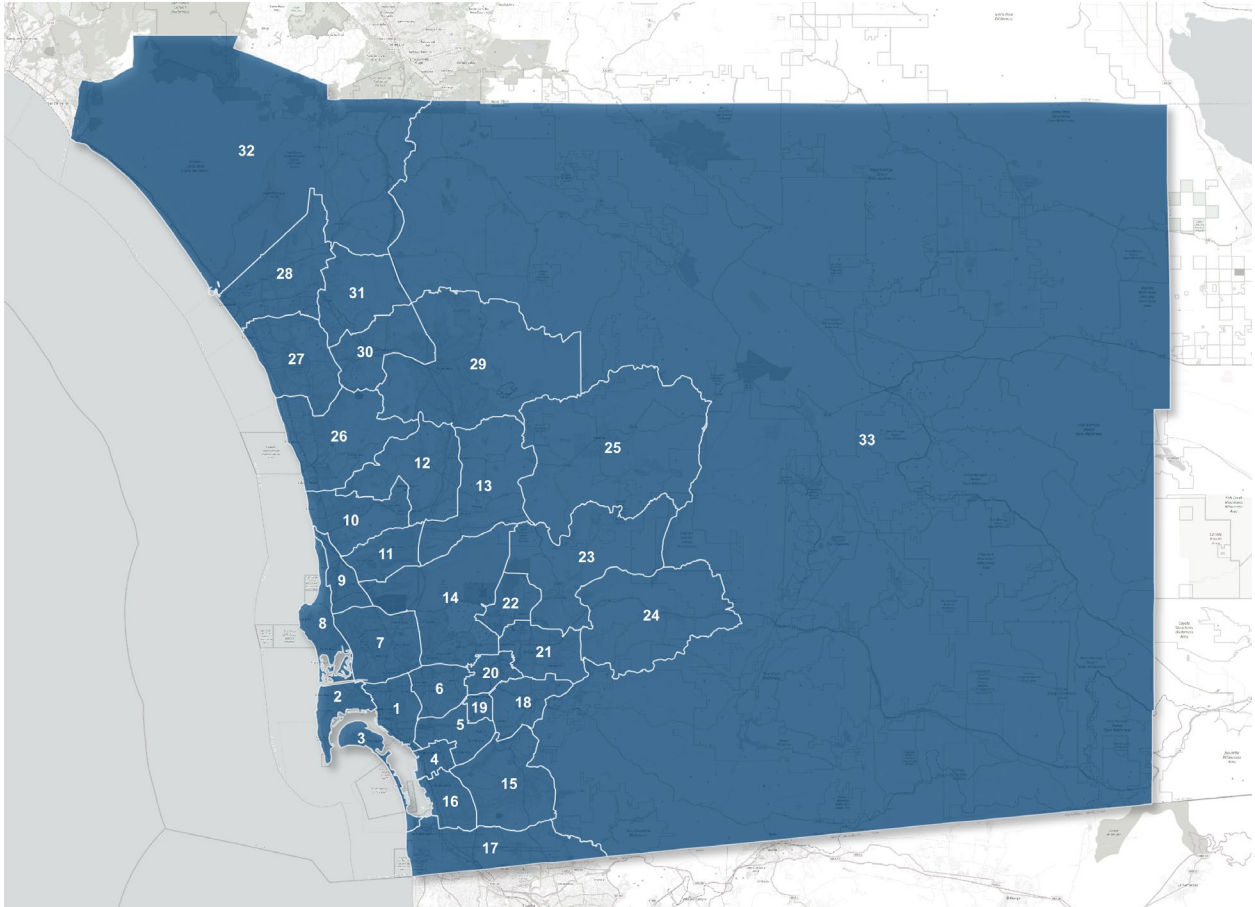
<sup>1</sup> From January 2024 to December 2024

### San Diego vs. National Sales Price per Unit



Source: Yardi Matrix

# SAN DIEGO SUBMARKETS



Area No.	Submarket
1	Central San Diego
2	Peninsula
3	Coronado
4	National City
5	Southeast San Diego
6	Mid-City
7	Kearny Mesa
8	Coastal
9	University
10	Del Mar
11	Mira Mesa
12	North San Diego
13	Poway
14	Elliot-Navajo
15	Sweetwater
16	Chula Vista
17	South Bay

Area No.	Submarket
18	Spring Valley
19	Lemon Grove
20	La Mesa
21	El Cajon
22	Santee
23	Lakeside
24	Alpine
25	Ramona
26	San Dieguito
27	Carlsbad
28	Oceanside
29	Escondido
30	San Marcos
31	Vista
32	Fallbrook
33	Outlying San Diego County

## DEFINITIONS

**Lifestyle households (renters by choice)** have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

**Renter-by-Necessity households** span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit [www.yardimatrix.com](http://www.yardimatrix.com) or call Ron Brock, Jr., at 480-663-1149 x14006.



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