

Key Takeaways

- Countywide occupancy rates decreased 70 basis points year-over-year to 97.0%.
- Asking rental rates continue to increase, reaching a countywide average of \$2,256/unit. This equated to year-over-year (YoY) increase of 7.9%.
- New deliveries totaled 5,320 units in the past twelve months. The South County market made up one-quarter of the units completed.
- San Diego County's vacancy rate is the 3rd lowest in the top 50 primary markets in the U.S.



Occupancy Rate
97.0%



Annual Rent Change
+7.9%



Units Delivered (YTD)
4,480



Overall Asking Monthly Rent
\$2,256



San Diego multifamily demand normalizes

San Diego's multifamily market has witnessed a cooling in demand after record highs in 2021 and early 2022. Despite decreasing demand, strong occupancy continues to push rent growth as rates increased 7.9% year-over-year (YoY). However, this equates to a deceleration in year-over-year rent growth after peaking above 13% at the beginning of the year. Overall demand remains healthy while several factors continue to drive demand. San Diego is undersupplied with housing and the need for units has outpaced new construction. To help meet this demand, the San Diego multifamily market delivered more than 5,320 units in the last 12 months and still has another 3,594 units in the pipeline delivering in the next four quarters. Market rents finished the quarter at \$2,256, a 0.52% quarter-over-quarter growth.

Market Indicators



4.66%
Unemployment Rate



-0.24%
Population % Change YoY (Sept '21)



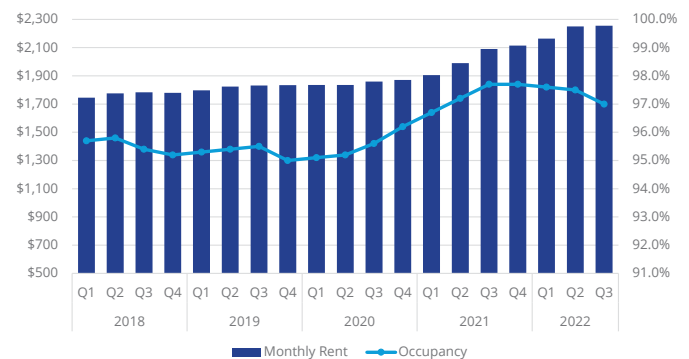
7.11%
Employment Growth % Change YoY

Historic Comparison

	21Q3	22Q2	22Q3
Total Inventory (Existing Units)	296,519	300,390	301,839
New Supply (Units Delivered)	1,159	1,670	1,449
Net Absorption (Units Absorbed)	2,757	1,150	108
Occupancy Rate	97.7%	97.5%	97.0%
Under Construction (Units)	4,860	8,907	7,534
Average Monthly Asking Rent	\$2,091	\$2,250	\$2,256

Source: CoStar

Historical Market Trends



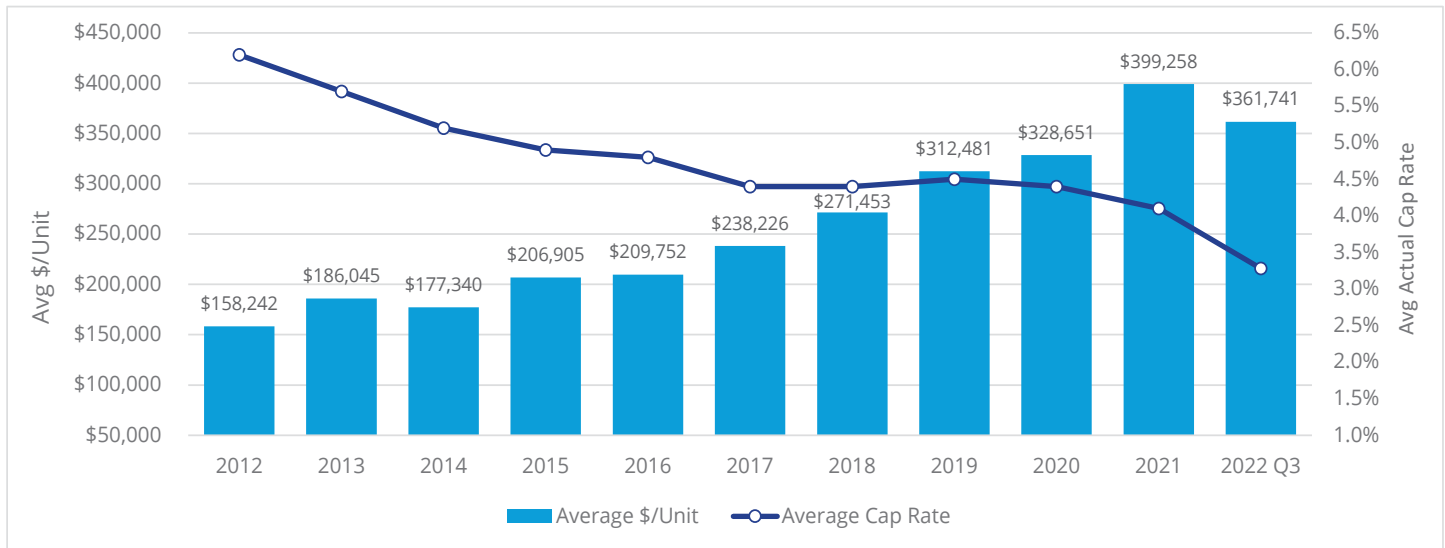
Source: CoStar

Over the past five years, average asking monthly rent increased 26.5%, from \$1,783 (Q3 2018) to \$2,256 (Q3 2022). Continued renter demand and limited supply pushed average market rents to a new high. The market saw average rents increase by 7.89% year-over-year. The overall occupancy rate has exceeded 97.0% for six consecutive quarters.

Multifamily Investment

Steady rent growth, strong demand, and new inventory have sustained investor interest and held average cap rates below 5% over the past 5 years, with Q3 decreasing to a record low of 3.28%. The average sales price per unit has been consistently trending upward but dipped in Q3 to stand at \$360,264/unit. This equates to a 3.76% decrease from the previous quarter (\$373,792/unit Q2 2022). For

the past several quarters, investment sales volume has reached historical numbers. 2021 had a record-breaking multifamily sales volume of nearly \$5 billion. But high-interest rates have begun impacting the region and transaction volume has dropped to levels last seen at the beginning of 2020.



Source: CoStar

Multifamily Sales Transactions

The Madison



1360 E Madison Ave | El Cajon
110 Units
\$34M | \$309K/Unit

Ollie North Park Lofts



4333 Illinois St | North Park
44 Units
\$27.5M | \$515K/Unit

Unit Type	Inventory (Units)	Avg SF/ Unit	Avg Asking Rate/Unit	Avg Asking Rate \$/SF	% Growth/ Yr	Occupancy Rate	Occupancy Rate Previous	Net Absorption Current	Units Delivered	Units Under Construction
San Diego County										
Studio	52,457	450	\$1,710	\$3.80	7.2%	97.4%	97.5%	4	109	4,307
1 Bedroom	99,873	685	\$2,038	\$2.98	8.1%	96.8%	97.1%	42	378	1,409
2 Bedroom	124,986	956	\$2,418	\$2.53	7.7%	97.3%	97.6%	-10	397	1,345
3 Bedroom	23,326	1204	\$2,684	\$2.23	8.3%	96.1%	98.1%	72	541	451
4+ Bedroom	1,197	1461	\$2,315	\$1.58	4.5%	97.0%	99.0%	0	24	22
Total Units	301,839	847	\$2,256	\$2.66	7.9%	97.0%	97.5%	108	1,449	7,534

Source: CoStar

Data includes all 5+ unit apartment properties in San Diego County

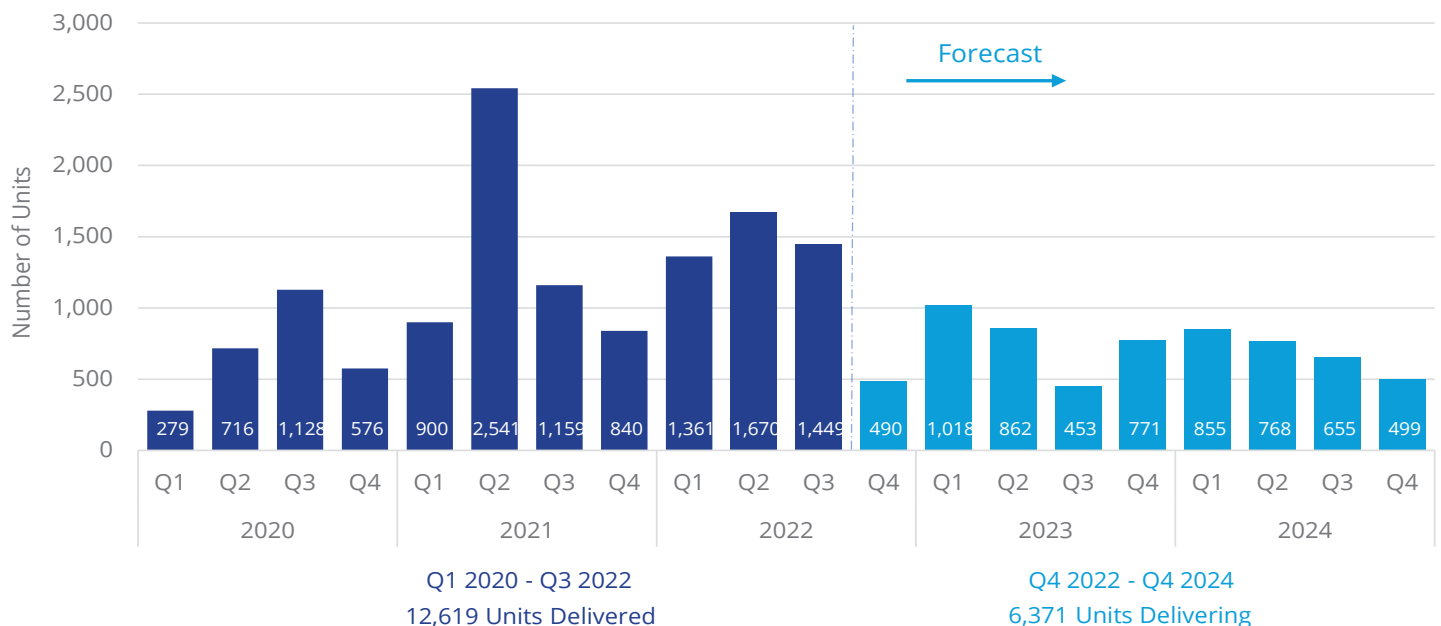
Supply and Demand

New construction continued to be robust in Q3 2022 with 1,449 units completed. New deliveries over the last 12 months totaled 5,320 units. At the end of Q3, there were 7,534 units under construction with the delivery of 3,594 units scheduled to be completed by the end of 2023. Though demand continues to outweigh new product, new deliveries are expected to drop nearly 50% in the next 2 years compared to the last 2 years.

Planned new deliveries in the coming year are concentrated in the Downtown market. Several large projects currently under construction estimated to be completed in 2023 include Simone at 1401 Union St with 395 units in Downtown, Little Italy, and Bevel Apartments in the Downtown, Midway District will deliver 405 units. Additionally, Winslow at 4353 Park Blvd in University Heights, Uptown East will deliver 379 units.

Development Pipeline

2020 - 2024 Actual and Projected Deliveries



Source: CoStar

FOR MORE INFORMATION

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