



## SAN DIEGO MSA | MULTIFAMILY | YE 2019 REPORT

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### 5+ UNIT PROPERTIES

YE 2019 INCREASE/DECREASE YE 2018

**Total Sales Volume** **\$2.71B** **+29.7%** **\$2.09B**

**Price/Unit** **\$266,865** **+9.3%** **\$244,212**

**Price/SF** **\$332.69** **+13.6%** **\$292.78**

**Year Built** **1970** **+2 Yrs** **1968**

**Average Rent** **\$1,861** **+3.2%** **\$1,803**

**Occupancy Rate** **95.0%** **+0.1%** **94.9%**

**Units Delivered** **3,925** **+9.7%** **3,578**

### ABI GEONEWS: SAN DIEGO MSA - SELECT NEWS

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San Diego Faces More Housing, Transportation and Infrastructure Problems



SD Home Prices Down Annually for 1st Time in Seven Years

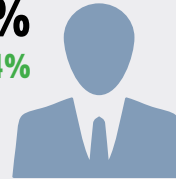


New TOC Project Addresses San Diego's Housing Crisis

**3,376,860**

**POPULATION**  
COSTAR

**3.1%**  
**+0.4%**



**UNEMPLOYMENT**  
Q-Q AS OF DEC 2019 - COSTAR

**2.3%**



**EMPLOYMENT GROWTH**  
Y-O-Y AS OF DEC 2019 - BLS

**\$82,692**



**MEDIAN HH INCOME**  
COSTAR

**\$34,350**



**PER CAPITA INCOME**  
CENSUS

**7,177**

Units (50+)



**UNDER CONSTRUCTION**  
COSTAR







**342,180**

Units (5+)



**TOTAL INVENTORY**  
AS OF DEC 2019 - COSTAR

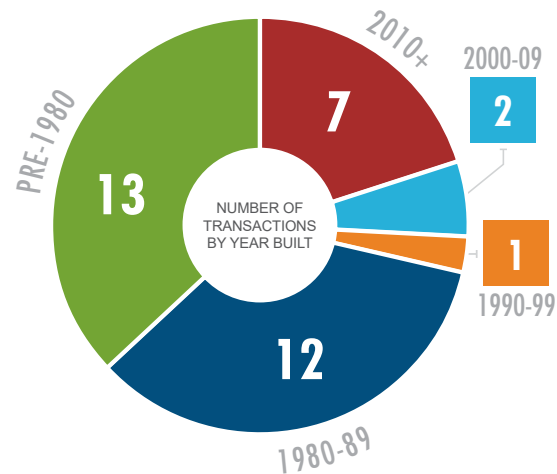
# SAN DIEGO MSA - PER CITY ANALYSIS

SAN DIEGO MSA QUICK STATS	UNEMPLOYMENT RATE	MEDIAN HH INCOME	PER CAPITA INCOME	50+	
				TOTAL INVENTORY	UNDER CONSTRUCTION
 San Diego MSA	3.1%	\$82,692	\$34,350	231,916	7,810
 North County Coastal	2.7%	\$101,000	\$31,777	27,530	0
 North County Inland	4.5%	\$78,100	\$26,535	37,936	433
 East County	5.2%	\$74,300	\$56,794	20,847	130
 South Bay	4.3%	\$63,800	\$28,602	33,697	135
 Metro San Diego	3.8%	\$86,400	\$23,496	97,311	6,409

SAN DIEGO MSA - PER SUBMARKET ANALYSIS		North County Coastal	North County Inland	East County	South Bay	Metro San Diego
RENT & OCCUPANCY STATS	Average Rent (YE 2019)	\$1,881	\$1,605	\$1,544	\$1,581	\$1,903
	% Change (y-o-y)	+3.0%	+3.5%	+2.7%	+3.6%	+3.0%
	Occupancy Rate (YE 2019)	95.8%	95.6%	96.0%	95.7%	95.2%
	% Change (y-o-y)	+1.5%	+0.1%	-0.1%	-0.6%	+0.4%
	Units Delivered (YE 2019, 50+)	52	278	0	488	2,967
SALES DATA (50+)	Total Sales Volume (YE 2019, 50+)	\$251,418,182	\$80,900,000	\$229,075,666	\$212,400,000	\$883,381,092
	Total Sales Volume (YE 2018, 50+)	\$56,000,000	\$423,275,000	\$269,864,974	\$136,187,500	\$403,210,500
	% Change (y-o-y)	+349.0%	-80.9%	-15.1%	+56.0%	+119.1%
	Avg P/U (YE 2019, 50+)	\$296,484	\$181,390	\$250,356	\$214,329	\$304,195
	Avg P/U (YE 2018, 50+)	\$285,714	\$291,713	\$198,869	\$186,814	\$276,172
	% Change (y-o-y)	+3.8%	-37.8%	+25.9%	+14.7%	+10.1%
SALES DATA (5-49)	Total Sales Volume (YE 2019, 5-49)	\$83,824,500	\$110,382,648	\$135,640,499	\$84,085,661	\$642,643,185
	Total Sales Volume (YE 2018, 5-49)	\$59,140,000	\$68,249,009	\$103,567,009	\$58,599,408	\$514,067,889
	% Change (y-o-y)	+41.7%	+61.7%	+31.0%	+43.5%	+25.0%
	Avg P/U (YE 2019, 5-49)	\$331,322	\$223,900	\$208,999	\$206,599	\$283,978
	Avg P/U (YE 2018, 5-49)	\$288,488	\$171,050	\$204,678	\$194,038	\$262,012
	% Change (y-o-y)	+14.8%	+30.9%	+2.1%	+6.5%	+8.4%

## 50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	YE 2019	INCREASE/DECREASE	YE 2018
<b>Total Sales Volume</b>	<b>\$1.66B</b>	<b>+28.6%</b>	<b>\$1.29B</b>
<b>AVERAGE Price/Unit</b>	<b>\$271,490</b>	<b>+9.4%</b>	<b>\$248,130</b>
<b>AVERAGE Price/SF</b>	<b>\$326.62</b>	<b>+14.9%</b>	<b>\$284.15</b>
<b>AVERAGE Year Built</b>	<b>1987</b>	<b>+1 Yr</b>	<b>1986</b>



YE 2019 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
<b>2010+</b>	<b>7</b>	<b>\$363K</b>	<b>\$359</b>
<b>2000-09</b>	<b>2</b>	<b>\$258K</b>	<b>\$299</b>
<b>1990-99</b>	<b>1</b>	<b>\$425K</b>	<b>\$460</b>
<b>1980-89</b>	<b>12</b>	<b>\$272K</b>	<b>\$347</b>
<b>Pre-1980</b>	<b>13</b>	<b>\$196K</b>	<b>\$265</b>

### TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)



#### Broadstone North Park

San Diego, 118 Units | \$61,550,000  
\$521,610/Unit | \$410.33/SF | Built 2018



#### The Millennium Mission Valley

San Diego, 305 Units | \$140,000,000  
\$459,016/Unit | \$533.83/SF | Built 2018

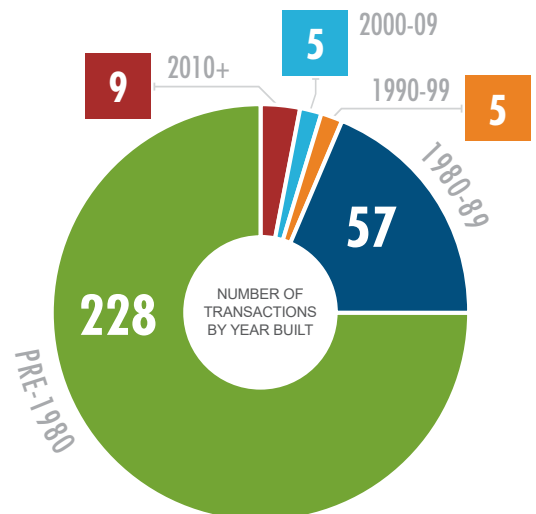


#### Regents La Jolla (333 of 574)

La Jolla, 333 Units | \$141,500,000  
\$424,925/Unit | \$459.72/SF | Built 1999

## 5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

	YE 2019	INCREASE/DECREASE	YE 2018
<b>Total Sales Volume</b>	<b>\$1.06B</b>	<b>+31.5%</b>	<b>\$804M</b>
<b>AVERAGE Price/Unit</b>	<b>\$259,920</b>	<b>+9.1%</b>	<b>\$238,181</b>
<b>AVERAGE Price/SF</b>	<b>\$342.58</b>	<b>+11.3%</b>	<b>\$307.76</b>
<b>AVERAGE Year Built</b>	<b>1968</b>	<b>+2 Yrs</b>	<b>1966</b>



YE 2019 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
<b>2010+</b>	<b>9</b>	<b>\$375K</b>	<b>\$389</b>
<b>2000-09</b>	<b>5</b>	<b>\$280K</b>	<b>\$330</b>
<b>1990-99</b>	<b>5</b>	<b>\$239K</b>	<b>\$280</b>
<b>1980-89</b>	<b>57</b>	<b>\$253K</b>	<b>\$306</b>
<b>Pre-1980</b>	<b>228</b>	<b>\$255K</b>	<b>\$355</b>

### TOP 3 TRANSACTIONS BY PRICE/UNIT (5-49)



#### 981 Coast Blvd

La Jolla, 9 Units | \$12,600,000  
\$1,400,000/Unit | \$1,939.06/SF | Built 1955



#### 6177 El Tordo

Rancho Santa Fe, 5 Units | \$5,100,000  
\$1,020,000/Unit | \$737.95/SF | Built 1989



#### 7299 - 7303 Draper Avenue

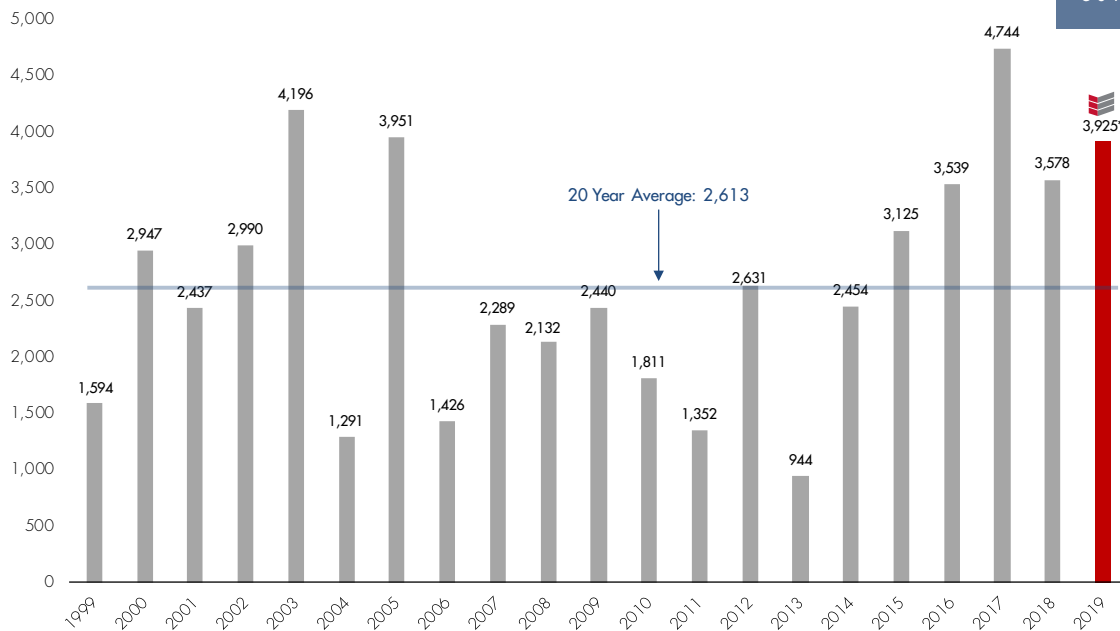
La Jolla, 5 Units | \$4,250,000  
\$850,000/Unit | \$531.25/SF | Built 1986



## COMPLETED CONSTRUCTION



# SAN DIEGO MULTIFAMILY CONSTRUCTION PIPELINE YEAR END 2019



\* Project Units Delivered. Project units delivered is based on when the total project is completed, not as individual buildings/units are delivered

## TOTAL UNIT INVENTORY

5+ UNIT PROPERTIES: 342,180

50+ UNIT PROPERTIES: **227,478**

## ABSORPTION PER MARKET

3,284 Units

## Under Construction

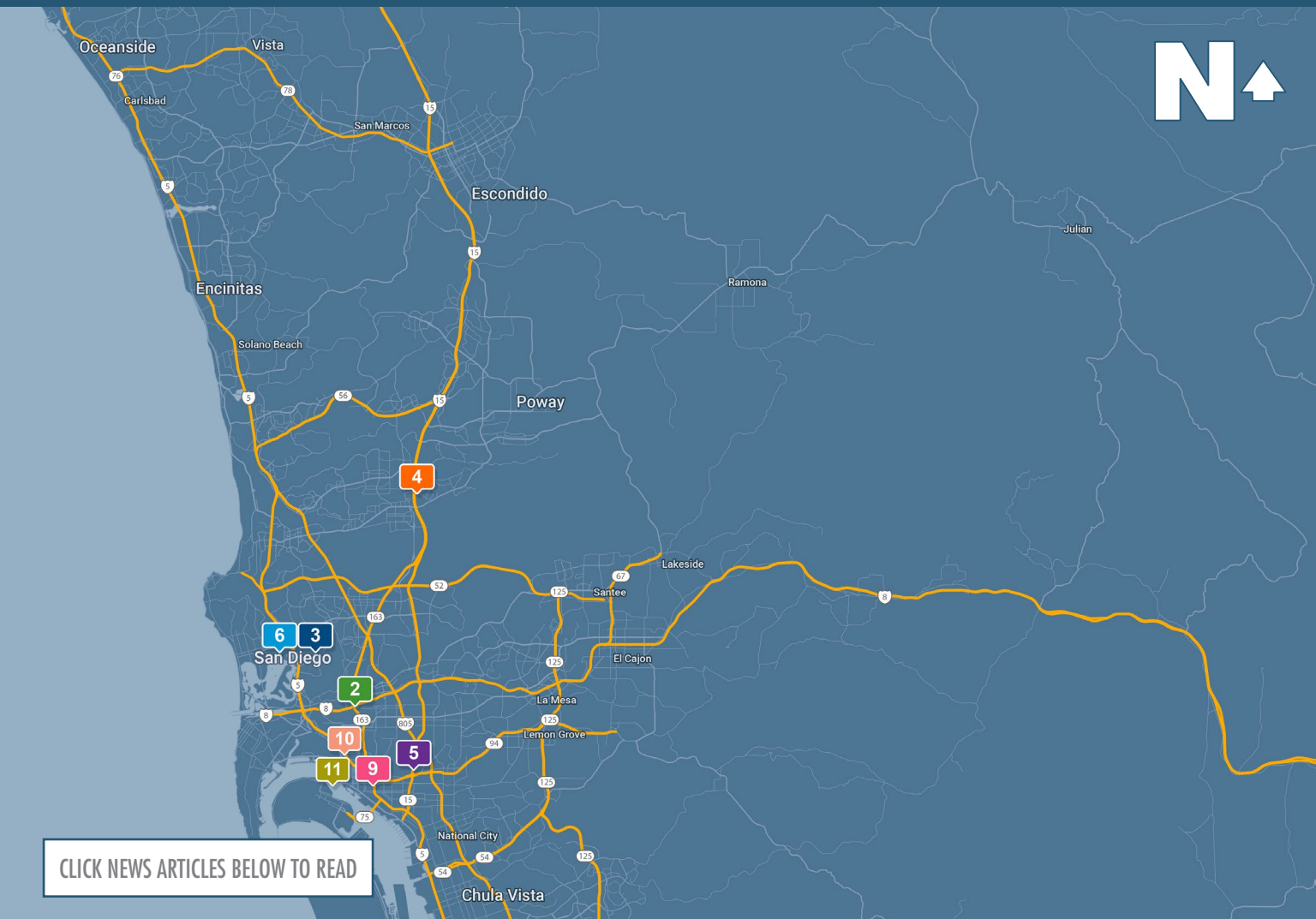
Total # of Units: 7,177

Total # of Properties: 28

## Planned

Total # of Units: 23,078

Total # of Properties: 81



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Regional

## San Diego

SD Home Prices Down Annually for 1st Time in Seven Years

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Can Mission Valley Handle 50,000 More Residents

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Regional

## City of San Diego

San Diego Faces More Housing, Transportation and Infrastructure Problems





BY: DREW RICCIARDI, RESEARCH MANAGER

With the year and decade coming to an end, where does the housing market stand in comparison to the horrific ending of the previous decade from the 2008 crash? Are we to expect another Roaring Twenties or an economic drought?

Across the major markets we cover, a vast pool of data reflects a healthy and thriving housing market at the end of 2019 and gives us a good idea of what is in store for the year to come.

## National Overview

2019 was a very strong economic year for the real estate industry. We saw low interest rates that seem to be sticking around, a healthy consumer saving rate, homeownership rate on the rise again, high employment growth, and vacancy rates reaching historic lows in all types of housing.

After the year concluded, many reputable sources started forecasting a similar trend for 2020, with a rather bright outlook for the immediate future -- the 2020 Fannie Mae Multifamily Forecast being one of them.

Doug Duncan, Fannie Mae's senior vice president & chief economist, forecasts a full-year 2020 economic growth at 2.1% and expects the Federal Reserve will not raise interest rates this year. Duncan also expects consumer demand will re-establish housing construction as a significant contributor to economic growth this year.

The Fannie Mae forecast states "rent appreciation and income growth rates have recently converged, implying that rental property markets are currently balanced, but we expect strength in multifamily construction to persist as solid job growth and demographic trends continue to boost demand, while low interest rates are likely to continue enabling corresponding increases in supply."

On the development front, demand is outpacing supply. Construction costs, such as labor and materials, remain high and

on the rise. Lower interest rates are helping mask the construction cost problem to some extent, but developers are still somewhat cautious to build.

The market is desperate for more affordable housing and less class A. Some experts believe 2020 could be a very active year for affordable housing development. The principal and managing director of capital markets at NRP, George Currall, said "affordability is an enormous concern for many renters and the industry is working hard to create the supply that will remedy demand-driven rent increases." Currall continued to say "more specifically, 2020 will be The NRP Group's biggest year yet for both our moderate and low-income product. Our goal is to continue meeting the needs of residents with incomes below their area median income."

## Multifamily: Best Investment During Eventual Slowdown

Investors and analysts are always trying to predict when, where, and why the next economic downturn will take place. While these questions are always subject to a fair amount of speculation and chance, one thing that industry experts seem to agree on is that the next recession will be nowhere near as dire or impactful as The Great Recession of 2008.

Still, a recession is a recession, and with the fear of storm clouds brewing on the horizon, many investors are left wondering which asset classes offer the best shelters in which to weather any upcoming storm. Some experts suggest multifamily is the safest bet going into a potential downturn.

Nat Kunes, SVP of investment management at AppFolio, said: "multifamily is a safe bet in the real estate investment ecosystem because, historically, it's always been an in-demand asset class." Kunes goes on to say "Unlike retail property, the value of which might shift dramatically depending on larger, economic factors,

multifamily is generally shielded from significant market swings. People need housing, and as a number of potential homebuyers continue to get priced out of the market, multifamily renting remains a top choice for many Americans.”

With fears of a market correction looming in the distance, multifamily development plans remain robust and apartment rents project to continue to surge in an upward trend. According to RealPage data, about 550,000 new apartment units are planned to be completed in the next 18 to 24 months nationwide. Despite that, leasing-up new class A developments may prove challenging in a slowdown.

## San Diego Market Metrics:

### *By the Numbers*

San Diego finished the year with healthy increases across the board. Rents saw minimal growth from 2018.

For 5-49 unit properties, 2019 saw a transaction volume of approximately \$1.06 Billion, which represented a 31.5% Year-over-Year increase from 2018. In the 50+ unit category, 2019 brought in \$1.66 Billion, up 28.6% from the 2018 volume.

Average Price-Per-Unit amounts were up in the 5-49 segment, rising 9.1% YoY to \$259,920, and up 9.4% to \$271,490 for 50+. These translated to an Average Price/SF of \$342.58 in 5-49 (up 11.3%) and \$326.62 (up 14.9%) in 50+.

Inventory age remained relatively consistent Year-over-Year, with Average Year Built for 5-49 being 1968, versus 1966 for last year. Average Year Built in 50+ was 1987, compared to 1986 in 2018.

The market's occupancy rate remained high. 2019 occupancy for 5+ units was 95.0%, up 0.1% Y-o-Y. Average rent was \$1,861, up \$58 (3.2%) from 2018.

San Diego MSA demographics continued their solid trends. The CoStar estimate of total population was 3,376,860. The unemployment rate finished the quarter at 3.1%, according to Bureau of Labor Statistics numbers.

Median Household Income was \$82,692 and Per Capita Income came in at \$34,350.

In the realm of new construction for 50+ unit properties, 3,925 units were delivered over 23 projects in 2019.

An estimated 23,078 units are in the Planning stages across 81 properties. A total of 7,177 units were listed as Under Construction in 28 properties.

The average absorption rate per market over 12 months, according to CoStar, is 3,284 units.

Total Unit Inventory for 5+ properties is 342,180, and 50+ came in at 227,478.

## California Rent Control

This year's new statewide rent control law, the California Tenant Protection Act, brought panic and outrage throughout the industry. The new law caps annual rent increases at either 5% plus the increase in the regional CPI (approx. 8%) or 10% of the lowest rent charged at any time during the 12 months before the increase throughout the state for properties built more than 15 years ago.

These regulations have stalled the value-add market due to low ROI's if an investor wants to renovate a property in order to raise rents. Instead, multifamily investors are being pushed out of California. David Harrington, EVP and National Director of Multifamily at Mathews Real Estate Services, elaborated on the subject saying “many of the private investors expressed interest in issuing a 60-day notice to terminate tenancy to those units that are severely below market rents.”

“A new property being delivered to the market will not be subject to rent control, but keeping rents up with market pricing will be critical to ensure a drop off in rents does not occur over time that could create a delta between current and market that becomes greater than the maximum allowable rent increase” Harrington added. “This delta will certainly have an effect on the underwriting of the property and ultimately the value.”

Now, a new rent control measure is coming to this year's November ballot in California that would overwrite the California Costa-Hawkins Rental Housing Act of 1995. Costa-Hawkins was put in place in 1995 to ban local governments from enacting rent control on housing that became first occupied after 1995. Condos, townhouses, and single-family homes were also affected by this law.

The newest measure will be called the Rental Affordability Act and would enable local governments to pass their own rent control policies. The law is not a full repeal of Costa-Hawkins, it would only affect housing properties that are at least 15 years old, like the Tenant Protection Act, and would exempt single-family homes, condos, and homeowners that only own one or two homes.

Another factor under the Rental Affordability Act is a partial form of vacancy control. This would allow landlords to raise the rental increase cap to 15% over a three-year period after a tenant moves out from a unit.

Overall, rent control is having a dramatic affect for investors in the multifamily asset class in California. Only time will tell how impactful the fallout from current regulations and possible future regulations will be.



# ABI COMPARATIVE MARKET REVIEW: YE 2019



SAN DIEGO

PHOENIX

TUCSON

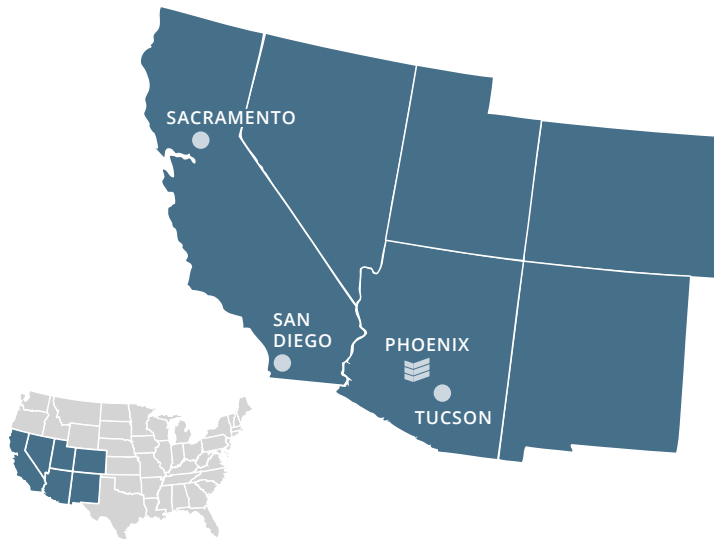
SACRAMENTO

DEMOGRAPHICS	Total Population	3,376,860	4,737,270	1,026,099	2,375,770
	Unemployment Rate (as of Dec 2019)	3.1%	3.7%	4.1%	3.6%
	Employment Growth (y-o-y)	2.3%	3.2%	1.7%	1.6%
	Median HH Income	\$82,692	\$57,935	\$48,676	\$75,921
	Per Capita Income	\$34,350	\$29,542	\$27,323	\$33,548
RENT/OCC/CONST (50+)	Rent (YE 2019)	\$1,861	\$1,185	\$920	\$1,406
	% Increase/Decrease	+3.2%	+9.0%	+8.4%	+3.4%
	Occupancy (YE 2019)	95.0%	95.3%	94.7%	94.9%
	% Increase/Decrease	+0.1%	+0.1%	+0.2%	+0.5%
	Total Inventory (50+)	227,478	310,213	67,202	143,277
	Total Under Construction (50+)	7,177	15,896	1,190	2,721
	Units Delivered (50+, YE 2019)	3,925	8,874	803	1,505
SALES (50+)	Total Sales Volume (YE 2019)	\$1.66B	\$7.88B	\$655M	\$1.12B
	y-o-y % Increase/Decrease	+28.6%	+26.5%	-27.1%	-30.7%
	Average P/U (YE 2019)	\$271,490	\$163,991	\$110,375	\$173,311
	y-o-y % Increase/Decrease	+9.4%	+11.4%	+20.6%	+0.1%



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