



SAN DIEGO MSA | MULTIFAMILY | YE 2021 REPORT

SAN DIEGO MSA OVERVIEW	01
SAN DIEGO MSA - PER CITY ANALYSIS	02
MULTIFAMILY PROPERTY ANALYSIS: 50+ & 5-49 UNITS	03
COMPLETED CONSTRUCTION & PLANNED PROJECTS	04
ABI GEONEWS: SAN DIEGO - SELECT NEWS	05
ABInsight® MONUMENTAL YEAR FOR MULTIFAMILY	06-08
ABI COMPARATIVE MARKET REVIEW: YE 2021	09

5+ UNIT PROPERTIES

YE 2021 INCREASE/DECREASE YE 2020

Total Sales Volume **\$5.85B** **+139.7%** **\$2.44B**

A
V
E
R
A
G
E

Price/Unit **\$312,772** **+10.4%** **\$283,241**

Price/SF **\$364.59** **+9.8%** **\$331.99**

Year Built **1968** **+1 Yr** **1967**

Average Rent **\$2,072** **+12.5%** **\$1,842**

Occupancy Rate **97.8%** **+1.6%** **96.3%**

Units Delivered (YTD) **5,681** **+69.8%** **3,346**

ABI GEONEWS: SAN DIEGO MSA - SELECT NEWS

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Court upholds density bonus law that exempts certain housing projects from local restrictions

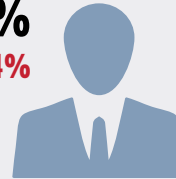


California Gov. Signs Landmark Duplex and Lot-Split Legislation into Law

3,301,573

POPULATION
COSTAR

4.2%
-1.4%



UNEMPLOYMENT
Q-Q AS OF DEC 2021 - BLS

8.0%



EMPLOYMENT GROWTH
Y-Q AS OF DEC 2021 - BLS

\$89,814



MEDIAN HH INCOME
COSTAR

\$34,103



PER CAPITA INCOME
2019 ACS 5-YEAR ESTIMATE

8,952
Units (5+)









UNDER CONSTRUCTION
COSTAR

355,476
Units (5+)



TOTAL INVENTORY
AS OF JAN 2021 - COSTAR

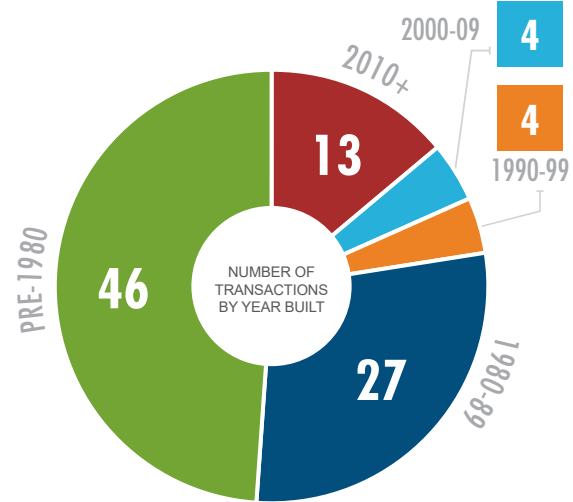
SAN DIEGO MSA - PER CITY ANALYSIS

SAN DIEGO MSA QUICK STATS		MEDIAN HH INCOME	5+ UNIT PROPERTIES	
			TOTAL INVENTORY	UNDER CONSTRUCTION
	San Diego MSA	\$89,184	355,476	8,952
	North County Coastal	\$118,000	37,632	114
	North County Inland	\$91,800	50,630	256
	East County	\$86,000	37,187	310
	South Bay	\$73,400	47,526	2,277
	Metro San Diego	\$99,300	170,375	5,990

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 2021)	\$2,313	\$1,857	\$1,752	\$1,859	\$2,249
	% Change (y-o-y)	+9.7%	+11.3%	+8.6%	+10.1%	+15.0%
	Occupancy Rate (YE 2021)	98.0%	98.3%	98.4%	98.8%	97.3%
	% Change (y-o-y)	+0.3%	+1.2%	+0.9%	+2.0%	+1.9%
	Units Delivered (YTD, 5+)	409	447	319	297	4,209
SALES DATA (50+)	Total Sales Volume (YE 2021, 50+)	\$388,750,000	\$1,033,281,000	\$799,060,002	\$261,369,500	\$1,530,505,335
	Total Sales Volume (YE 2020, 50+)	\$40,800,000	\$176,670,351	\$78,857,500	\$42,837,500	\$1,165,485,590
	% Change (y-o-y)	+852.8%	+484.9%	+913.3%	+510.1%	+31.3%
	Avg P/U (YE 2021, 50+)	\$404,948	\$331,925	\$248,541	\$237,393	\$382,914
	Avg P/U (YE 2020, 50+)	\$400,000	\$179,361	\$162,929	\$152,991	\$369,995
	% Change (y-o-y)	+1.2%	+85.1%	+52.5%	+55.2%	+3.5%
SALES DATA (5-49)	Total Sales Volume (YE 2021, 5-49)	\$79,345,021	\$138,054,407	\$372,081,272	\$204,172,000	\$1,044,102,327
	Total Sales Volume (YE 2020, 5-49)	\$50,265,000	\$100,950,265	\$114,845,250	\$73,808,500	\$595,886,805
	% Change (y-o-y)	+57.9%	+36.8%	+224.0%	+176.6%	+75.2%
	Avg P/U (YE 2021, 5-49)	\$383,309	\$261,467	\$242,398	\$245,990	\$324,255
	Avg P/U (YE 2020, 5-49)	\$366,898	\$218,507	\$194,653	\$228,509	\$283,351
	% Change (y-o-y)	+4.5%	+19.7%	+24.5%	+7.7%	+14.4%

50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	YE 2021	INCREASE/DECREASE	YE 2020
Total Sales Volume	\$4.01B	+166.7%	\$1.50B
AVERAGE Price/Unit	\$323,992	+7.7%	\$300,870
AVERAGE Price/SF	\$362.21	+10.3%	\$328.40
AVERAGE Year Built	1984	No Change	1984



YE 2021 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	13	\$487K	\$493
2000-09	4	\$406K	\$387
1990-99	4	\$378K	\$474
1980-89	27	\$261K	\$300
Pre-1980	46	\$280K	\$328

TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)



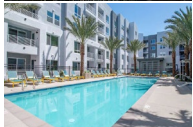
Eighteen Ten State

San Diego, 99 Units | \$64,400,000
\$650,505/Unit | \$715.56/SF | Built 2017



The Merian

San Diego, 426 Units | \$236,624,500
\$555,457/Unit | \$497.68/SF | Built 2020

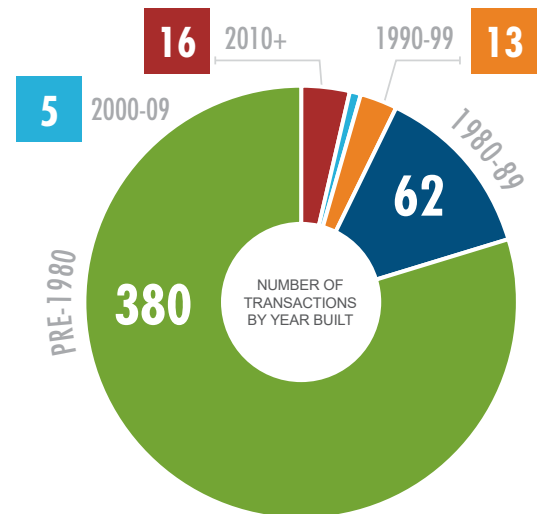


Gravity

San Diego, 325 Units | \$177,500,000
\$546,154/Unit | \$546.15/SF | Built 2021

5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

	YE 2021	INCREASE/DECREASE	YE 2020
Total Sales Volume	\$1.84B	+96.4%	\$936M
AVERAGE Price/Unit	\$290,784	+12.3%	\$258,854
AVERAGE Price/SF	\$369.90	+9.5%	\$337.93
AVERAGE Year Built	1965	No Change	1965



YE 2021 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	16	\$398K	\$410
2000-09	5	\$246K	\$240
1990-99	13	\$328K	\$445
1980-89	62	\$282K	\$333
Pre-1980	380	\$289K	\$383

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



1760 Diamond Street

San Diego, 10 Units | \$9,376,862
\$937,686/Unit | \$821.09/SF | Built 1968



Pacific Bay View Condos

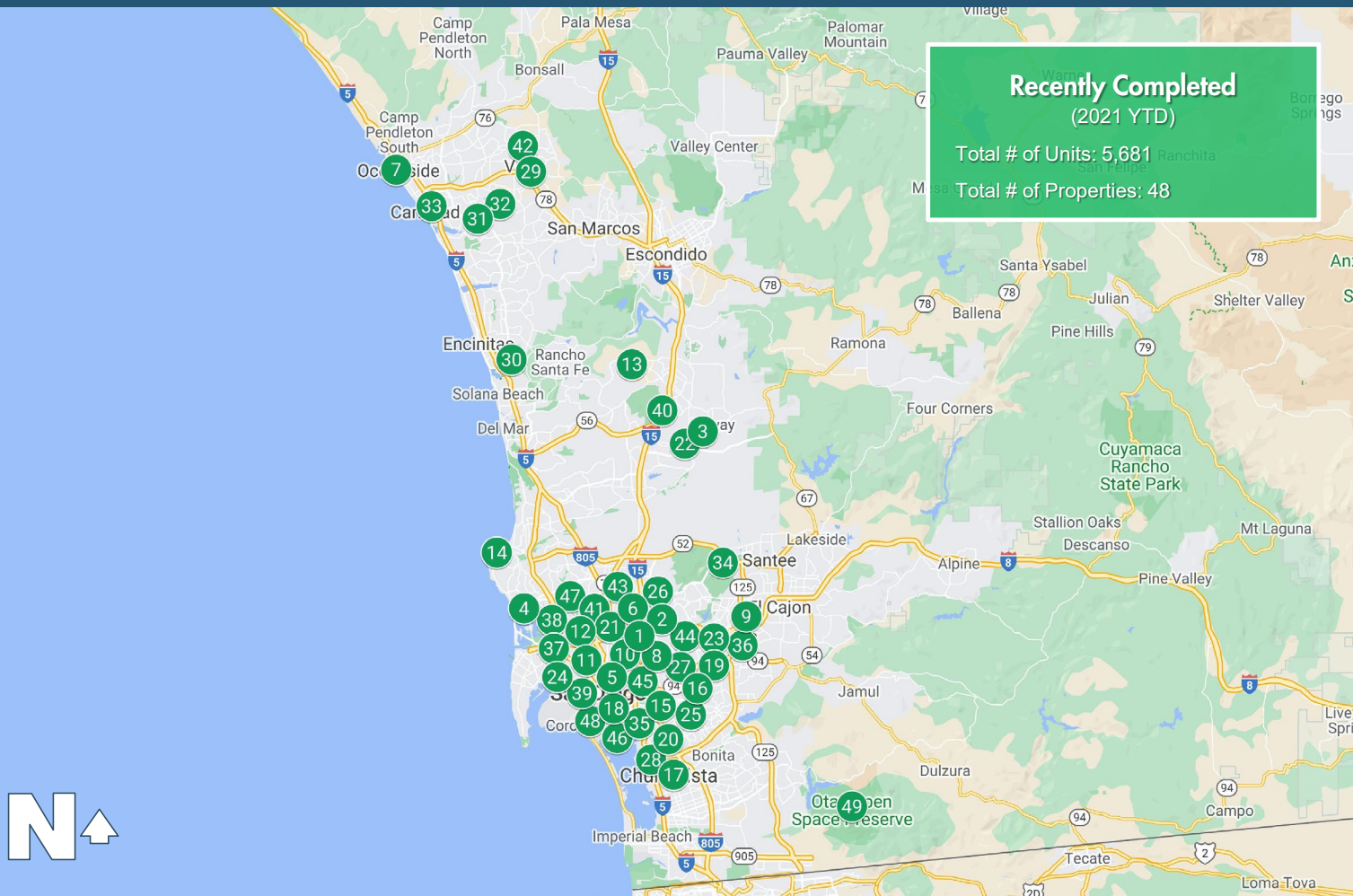
San Diego, 5 Units | \$4,100,000
\$820,000/Unit | \$666.02/SF | Built 1981



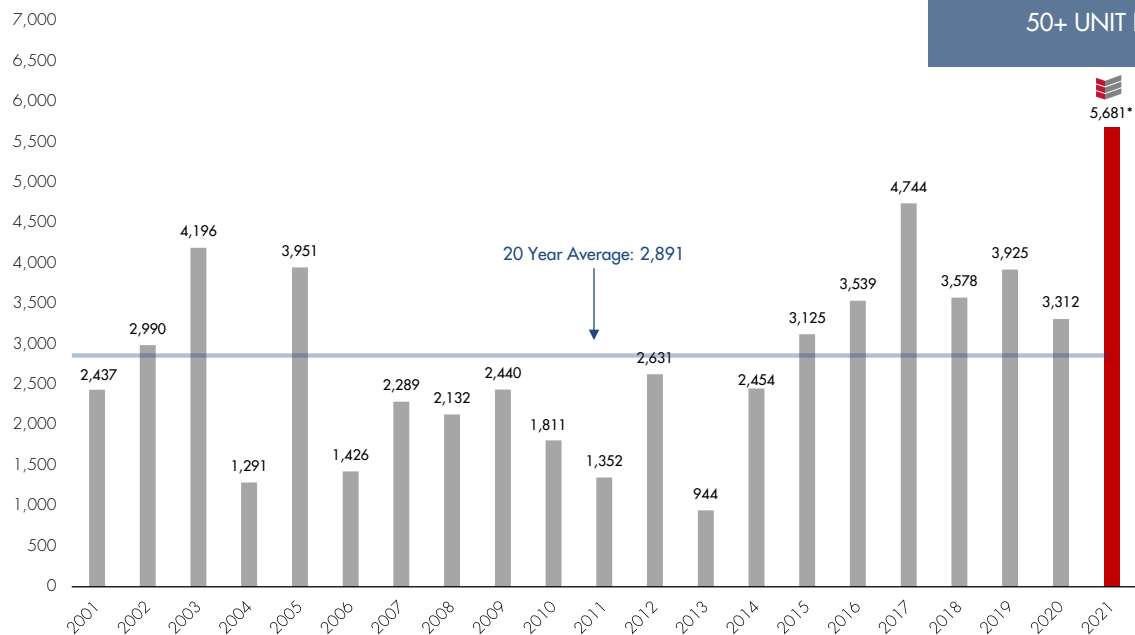
145 - 155 D Avenue

Coronado, 6 Units | \$3,750,000
\$816,667/Unit | \$822.01/SF | Built 1944

COMPLETED CONSTRUCTION



SAN DIEGO MULTIFAMILY CONSTRUCTION PIPELINE YE 2021



TOTAL UNIT INVENTORY

5+ UNIT PROPERTIES: **355,476**

50+ UNIT PROPERTIES: **239,014**

12 MONTH ABSORPTION

9,039 UNITS

UNDER CONSTRUCTION

TOTAL # OF UNITS: 8,952

TOTAL # OF PROPERTIES: 56

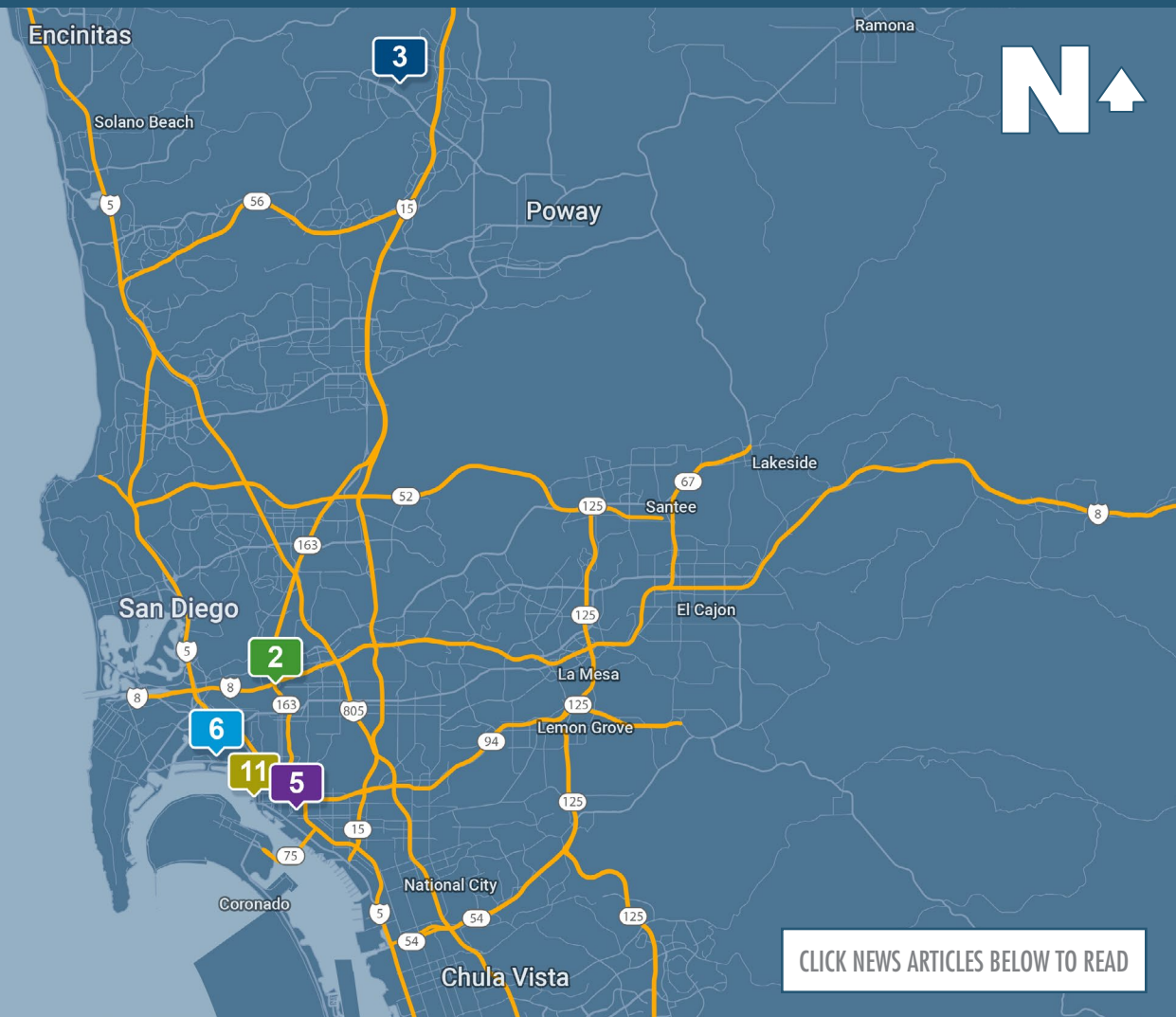
PLANNED

TOTAL # OF UNITS: 14,953

TOTAL # OF PROPERTIES: 79

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

ABI GEONEWS: SAN DIEGO MSA - SELECT NEWS



CLICK NEWS ARTICLES BELOW TO READ

Regional **San Diego**
San Diego County tackles housing shortage with general plan changes

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How San Diego became one of the nation's hottest life-sciences real estate markets

2 **Apple**
Apple's big expansion in San Diego will be a boon for the region's universities

Regional **San Diego**
San Diego County homebuilding is increasing

3 **Amazon**
Amazon keeps growing in San Diego and Tijuana. Chances are it won't stop

Regional **San Diego**
California Gov. Signs Landmark Duplex and Lot-Split Legislation into Law

Regional **San Diego**
Court upholds density bonus law that exempts certain housing projects from local restrictions

Regional **San Diego**
San Diego's job outlook: 'There is still a sizable hole in the labor market'

5 **Trammell Crow Residential**
TCR Breaks Ground on 36-Story Multifamily High-Rise in San Diego's Little Italy

11 **Forge Development Partners**
Forge Hammers out a Deal for Workforce Housing in San Diego

6 **San Diego International Airport**
At long last, construction begins on San Diego airport's \$3.4B Terminal 1 overhaul

Regional **San Diego**
San Diego County's housing future: Building up, not out



BY: DREW RICCIARDI, ABI RESEARCH MANAGER

MONUMENTAL YEAR FOR MULTIFAMILY

Following the economic downturn in 2020, a sharp “V” shaped rebound ensued in a majority of metros multifamily markets, leaving many to wonder if the rebound would continue and transition into a hot streak in 2021. That “hot streak” is precisely what unfolded in 2021 throughout the multifamily industry.

POSITIVE TRENDS PORTRAY BRIGHT OUTLOOK NATIONALLY

After a historically robust year concludes, prominent industry experts expect a similar story in 2022. 2021 featured unwavering housing demand and record rent growth and transaction volume across the nation.

Sun Belt markets like Phoenix, Dallas, Atlanta, and Houston led the charge, reporting significant growth and investment activity. According to Yardi Matrix, the U.S. average asking rent rose a record high 13.5% or \$190 year-over-year to end 2021, while transaction volume achieved an annual record of \$335 billion in multifamily sales.

The U.S. as a whole delivered 274,500 multifamily units with

more than 400,000 units in the planning stages, according to RealPage Analytics. The demand for housing has become so strong that the new supply is absorbed immediately.

Now, will 2022 even come close to the vigorous level of activity witnessed last year? Freddie Mac’s latest multifamily market forecast suggests significant growth nationwide but not to the heights of 2021.

Freddie Mac expects rent growth to be prevalent in all markets in 2022, a byproduct of fierce demand from renters and the improving economy. Phoenix is projected to lead the pack in rent growth among U.S. markets, with Tucson trailing at fourth.

In terms of lending capital, Freddie projects originations for the multifamily market to surpass 2021 originations, finishing between \$475 billion and \$500 billion. In addition, a total of 25% of Freddie Mac and Fannie Mae loans are dedicated to affordable properties, boding well for the affordable housing shortage the country faces. Short-term interest rates are expected to rise to combat rising inflation with projections of three separate hikes in the Fed Funds rate during 2022,

amounting to a potential 1% increase in totality.

It is safe to assume 2022 will prove to be another phenomenal year for multifamily markets in terms of rent growth, vacancy, and transaction activity, barring any significant economic disruptions.

SAN DIEGO MULTIFAMILY DELIVERS IN 2021

Over the past few years, the San Diego market has experienced considerable growth and positioned itself as a top California market for multifamily investment. The expansions of Apple, Google, and Amazon combined with a large pool of tech start-ups have some people dubbing San Diego as the next Silicon Valley or “Silicon Beach.”

Furthermore, San Diego has become one of the hottest life-sciences real estate markets in the nation. These developments have given San Diego significant job, economic, and talent pool growth, boding well for multifamily.

Multifamily in San Diego witnessed tremendous growth in 2021 despite many believing most of the investment capital would flee California due to rent control laws, a less business-friendly environment, and people moving away to more affordable states.

Total multifamily sales volume more than doubled year-over-year, as well as growth in average price-per-unit, average price-per-square-foot, average rent, occupancy rate, and the number of new units delivered.

This significant growth and data will not go unnoticed, and more will continue to target San Diego for multifamily investment over other California metros.

NEW LEGISLATION PAVES WAY FOR DEVELOPMENT GROWTH

California Governor Gavin Newsom has implemented new groundbreaking laws that help combat San Diego's number one problem, homelessness. An existing low supply

combined with a high demand for housing has been a substantial issue for San Diego.

“The failure to create new homes to accommodate the population growth we have long known was coming has been disastrous for families, regional economy and quality of life,” said the Mayor of San Diego, Todd Gloria.

Typically, San Diego's housing is sprawled out single-family homes instead of more vertical dense housing. However, after plans for thousands of suburban homes in San Diego were nixed from high-risk fire areas and climate change concerns, new measures needed to be implemented to supply more housing.

New laws make it easier for developers to build up instead of out while avoiding political and neighborhood opposition.

After a ruling from The Fourth District Court of Appeal, the precedent has been set for developers to have the ability to build more vertical structures and supersede local regulations as long as a portion of the building's units are subsidized units for lower-income residents.

In addition to this impactful ruling, a new law named SB 9 creates the potential to add a duplex to a single-family parcel and the opportunity to split a parcel into two lots. This would allow upwards of 4 units on one lot zoned

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for single-family use. Also, there is the option to add an accessory dwelling unit or ADU to the property, like a casita, ultimately increasing the unit count to five on the lot. However, the pushback of the ADUs seems prevalent, giving the possibility that it may dial back in the future.

There are plenty of rules and qualifications for SB 9, for example, the project site not being on any prime farmland, wetlands, an earthquake fault zone, etc. Parking of no more than one space per dwelling unit is allowed. And the project site cannot require demolition or alteration if the housing is restricted to affordable housing, subject to rent control, or contains tenant-occupied housing in the last three years.

More development qualifications exist, but the point is SB 9, and the recent court rulings are absolute game-changers in the fight to create more market-rate and affordable units in San Diego.

SAN DIEGO MARKET METRICS: BY THE NUMBERS

For 5-49 unit properties, 2021 saw a transaction volume of approximately \$1.8 Billion, which represented a 96.4% Year-over-Year increase from 2020. In the 50+ unit category, the quarter brought in a staggering \$4 Billion, up 166.7% YoY.

Average Price-Per-Unit amounts were up in the 5-49 segment, rising 12.3% YoY to \$290,784, and showing another increase of 7.7% to \$323,992 for 50+. This translated to an Average Price/SF of \$369.90 in 5-49 (up 9.5%) and \$362.21 (up 10.3%) in 50+.

Inventory age remained static in both the 5-49 and 50+ unit segments Year-over-Year. Average Year Built for 5-49 reported the year 1965. The Average Year Built in 50+ reported the year 1984.

The market's occupancy rate took a big jump in the right direction. Q4 2021 occupancy averaged 97.8%, up from 96.3% in Q4 2020. Average rent took a positive bump,

reporting \$2,072, up \$230 (12.5%) from last year.

San Diego MSA demographics reported improved employment numbers following abysmal 2020 data due to the COVID-19 Recession. The unemployment rate finished the year at 4.2%, according to Bureau of Labor Statistics numbers. The CoStar estimate of total population was 3,301,573.

Median Household Income was \$89,814, and Per Capita Income came in at \$34,103.

In the realm of new construction for 5+ unit properties, a high 5,681 units were delivered YTD across 48 projects for the year.

Currently, a pipeline of 14,953 units is estimated to be in the Planning stages across 79 properties. A total of 8,952 units are listed as Under Construction across 56 properties.

Pre-lease absorption per market (12 month), according to CoStar, reported 9,039 units.

Total Unit Inventory for 5+ properties ended the year at 355,476 units, and 50+ came in at 239,014 units.

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ABI COMPARATIVE MARKET REVIEW: YE 2021



PHOENIX

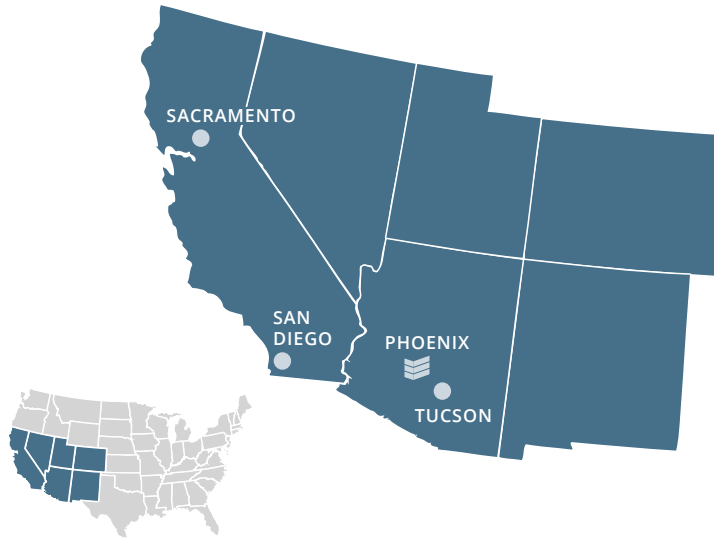
TUCSON

SAN DIEGO

DEMOGRAPHICS	Total Population	4,948,203	1,047,279	3,301,573
	Unemployment Rate (as of Dec 2021)	2.4%	2.8%	4.2%
	Employment Growth (y-o-y)	5.7%	4.0%	8.0%
	Median HH Income	\$63,883	\$53,379	\$89,814
	Per Capita Income	\$32,522	\$29,707	\$34,103
RENT/OCC/CONST (50+)	Rent (YE 2021)	\$1,480	\$1,093	\$2,072
	% Increase/Decrease	+18.4%	+15.1%	+12.5%
	Occupancy (YE 2021)	96.1%	96.5%	97.8%
	% Increase/Decrease	+0.7%	+1.0%	+1.5%
	Total Inventory (50+)	330,396	69,578	239,014
SALES (50+)	Total Under Construction (50+)	35,711	674	8,952
	Units Delivered (50+, YTD)	9,942	1,131	5,681
	Total Sales Volume (YE 2021)	\$15.93B	\$1.69B	\$4.01B
	y-o-y % Increase/Decrease	+145.2%	+63.1%	+166.7%
	Average P/U (YE 2021)	\$259,138	\$167,471	\$323,992
SALES (50+)	y-o-y % Increase/Decrease	+38.8%	+37.6%	+7.7%

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