

SAN DIEGO, CA MULTIFAMILY REPORT

2023 | MIDYEAR



BERKADIA[®]
INSTITUTIONAL SOLUTIONS



SAN DIEGO, CA EMPLOYMENT

Jobs Added / Lost

LAST 12 MONTHS

39,800

↑ 2.6%

NEXT 12 MONTHS*

12,500

↑ 0.8%

Unemployment

MIDYEAR 2023

3.5%

↑ 40 BPS YOY

MIDYEAR 2024*

3.7%

↑ 20 BPS YOY

*Projected

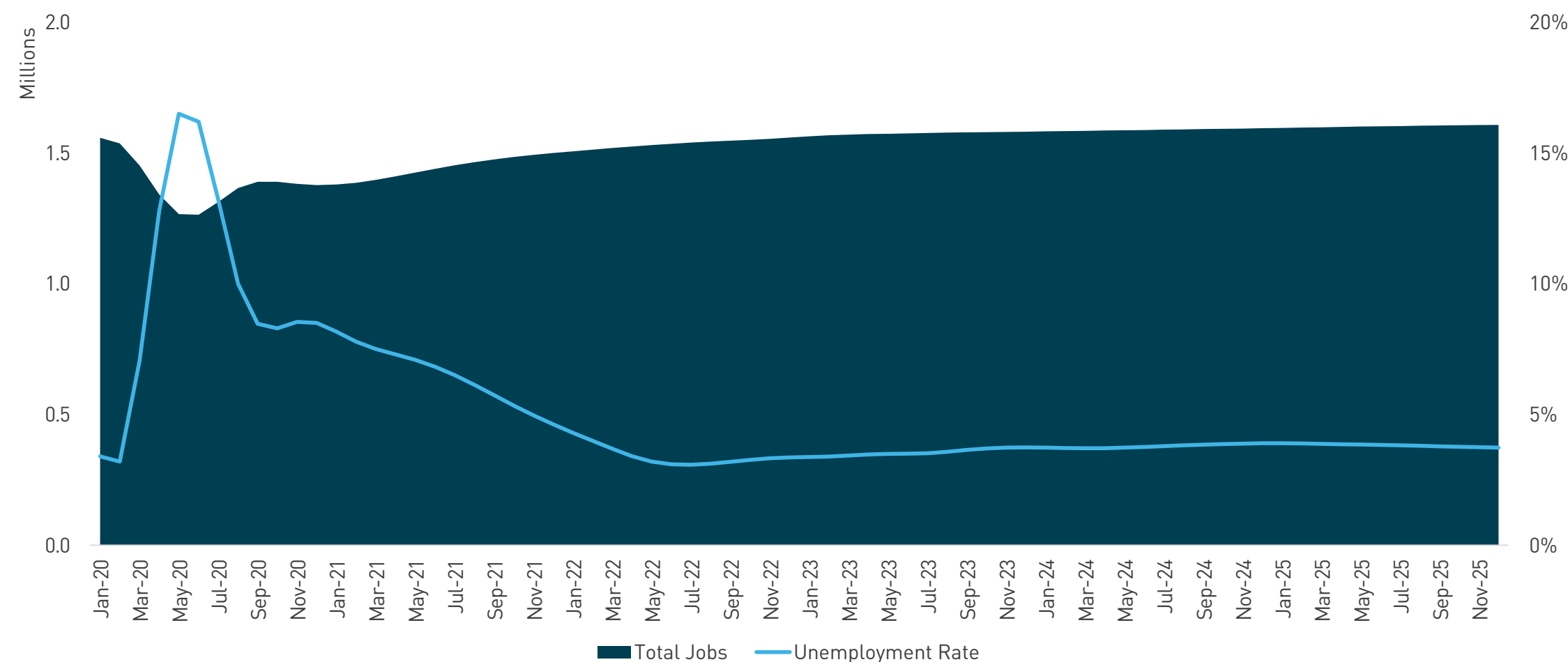
At the onset of the pandemic, the San Diego metropolitan area experienced higher rates of unemployment than the U.S. average due to the region's large tourism and hospitality industry, but it also recovered jobs more quickly. The region has seen unemployment close to or lower than the national average over the past 12 months and settled at 3.5% in June 2023. Total nonfarm employment steadily increased as the number of jobs starts exceeded exits by 39,800 positions, up 2.6%, reaching nearly 1.6 million workers in June 2023.

Most of the job creation in Greater San Diego over the past year has been in the leisure and hospitality and the private education and healthcare sectors, which had also been

the hardest hit in the downturn of 2020. Office-using jobs have been essentially flat over the past year, despite total jobs growing, although business and professional services experienced modest growth of 1,600 jobs. The sector will benefit from Apple's \$445 million new campus in Rancho Bernardo to support 5,000 employees by 2026.

Spurring continued job creation in the healthcare industry will be IQHQ's Research and Development District, a \$1.6 billion, 1.7 million-square-foot life sciences campus on San Diego's coast. Four biotech buildings are slated for completion at the end of 2023, with the last building ready for occupancy by spring 2024. The project promises to contribute more than 4,000 jobs.

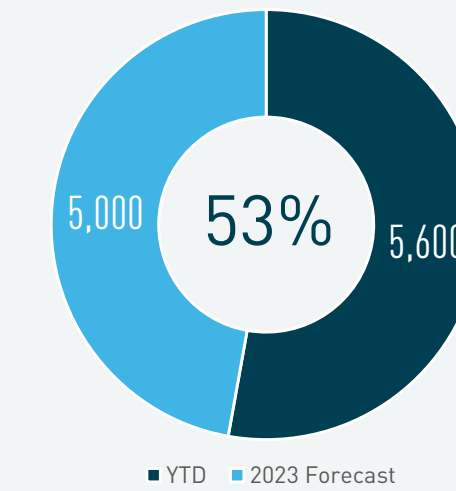
Employment Trends



Source: Moody's Analytics

Who's Hiring?

LEISURE AND HOSPITALITY INDUSTRY



14%
OF ALL JOBS IN THE METRO

\$36,600
AVERAGE ANNUAL SALARY

Top Leisure and Hospitality Employers



In The News

- [Gaylord Pacific Resort & Convention Center to create 3,900 jobs](#)
- [IQHQ RaDD \\$1.5M development to create 4,000 jobs](#)
- [About 5,000 employees expected to work at Apple's \\$445M Rancho Vista Corporate Center](#)



SAN DIEGO, CA

DELIVERIES & ABSORPTION

2023 Units*

DELIVERIES

4,016

ABSORPTION

3,251

2024 Units*

DELIVERIES

5,536

ABSORPTION

4,306

*Projected

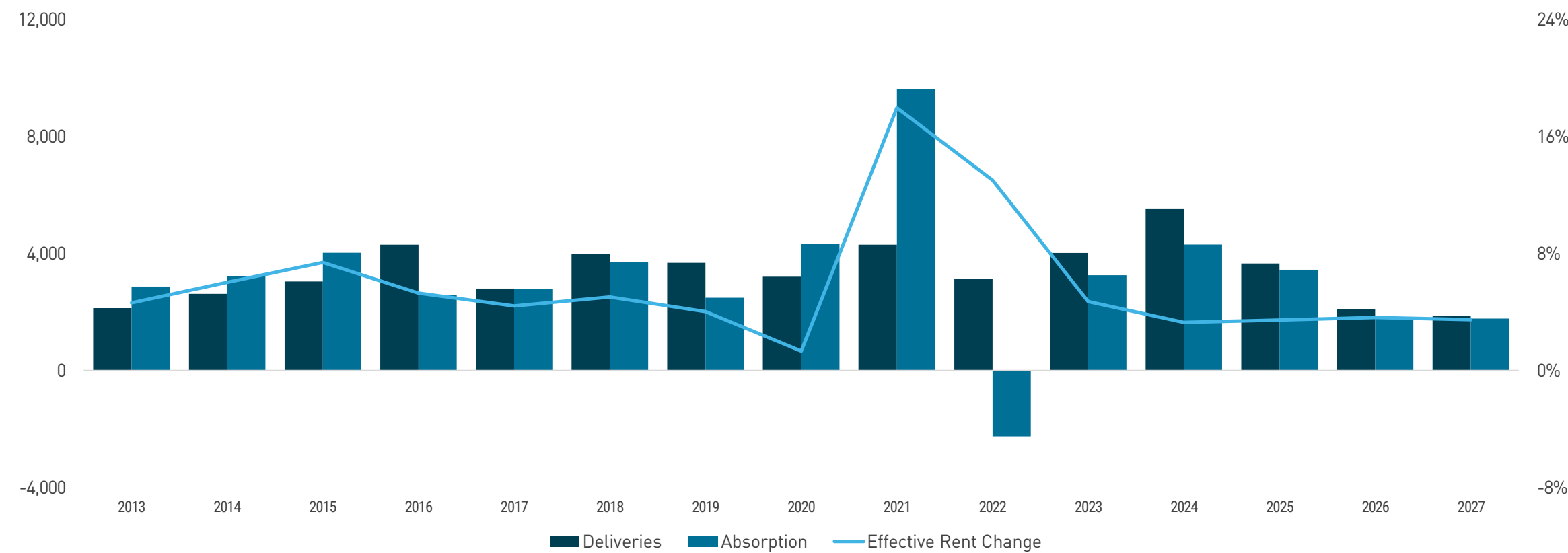
Apartment developers remained optimistic about the San Diego market as construction was underway on 39 communities at the end of the second quarter of 2023, scheduled to bring about 10,600 units online over the next 2.5 years. These additions follow 2,617 deliveries since mid-2022. The largest project to complete in the metro was the 840-unit The Society in Mission Valley near two mega healthcare facilities: 799-bed UC San Diego Medical Center and 700-bed Scripps Mercy Hospital San Diego.

Coming out of the pandemic, apartment operators in Greater San Diego registered a historic number of new leases in 2021. By year-end 2022, lease renewals dropped to nearly 51%. The trend reflected a national

movement last year of many renters either moving in with roommates or family members. Another factor for the San Diego apartment market was the end of the eviction moratorium during the pandemic. As a result, local apartment operators recorded negative net absorption of 2,250 units in 2022.

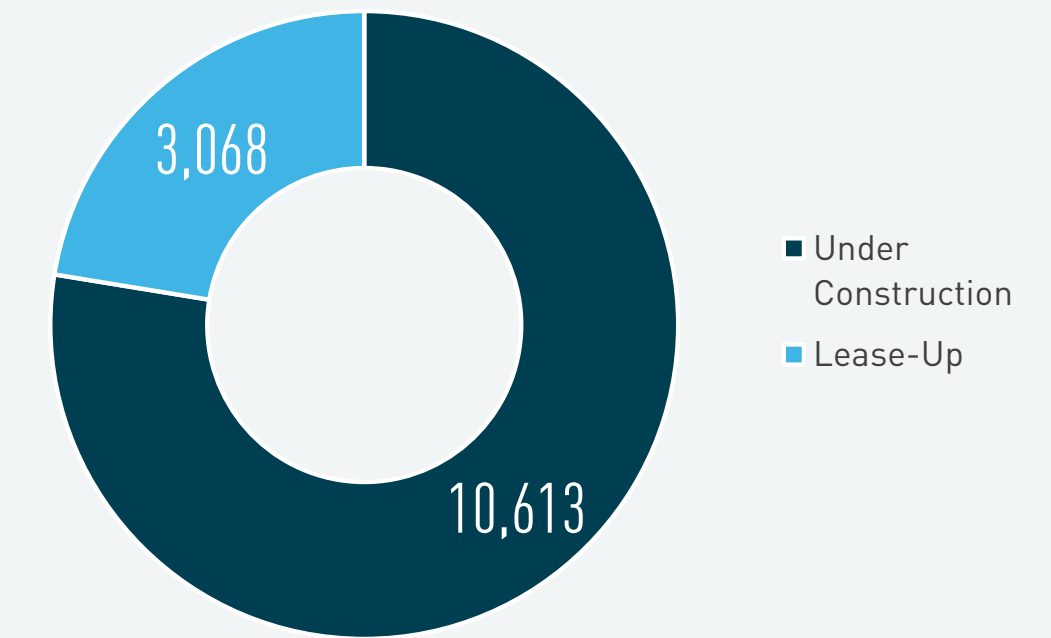
Leasing activity is forecast to rebound this year to end 2023 at 3,251 rentals absorbed, as more apartment operators offer concessions and would-be homeowners grapple with rising inflation and interest rates. Concessions were offered on an average of 4.9% of units in the past year, compared to the five-year average of 3.0% pre-pandemic.

Deliveries, Absorption, & Effective Rent Change

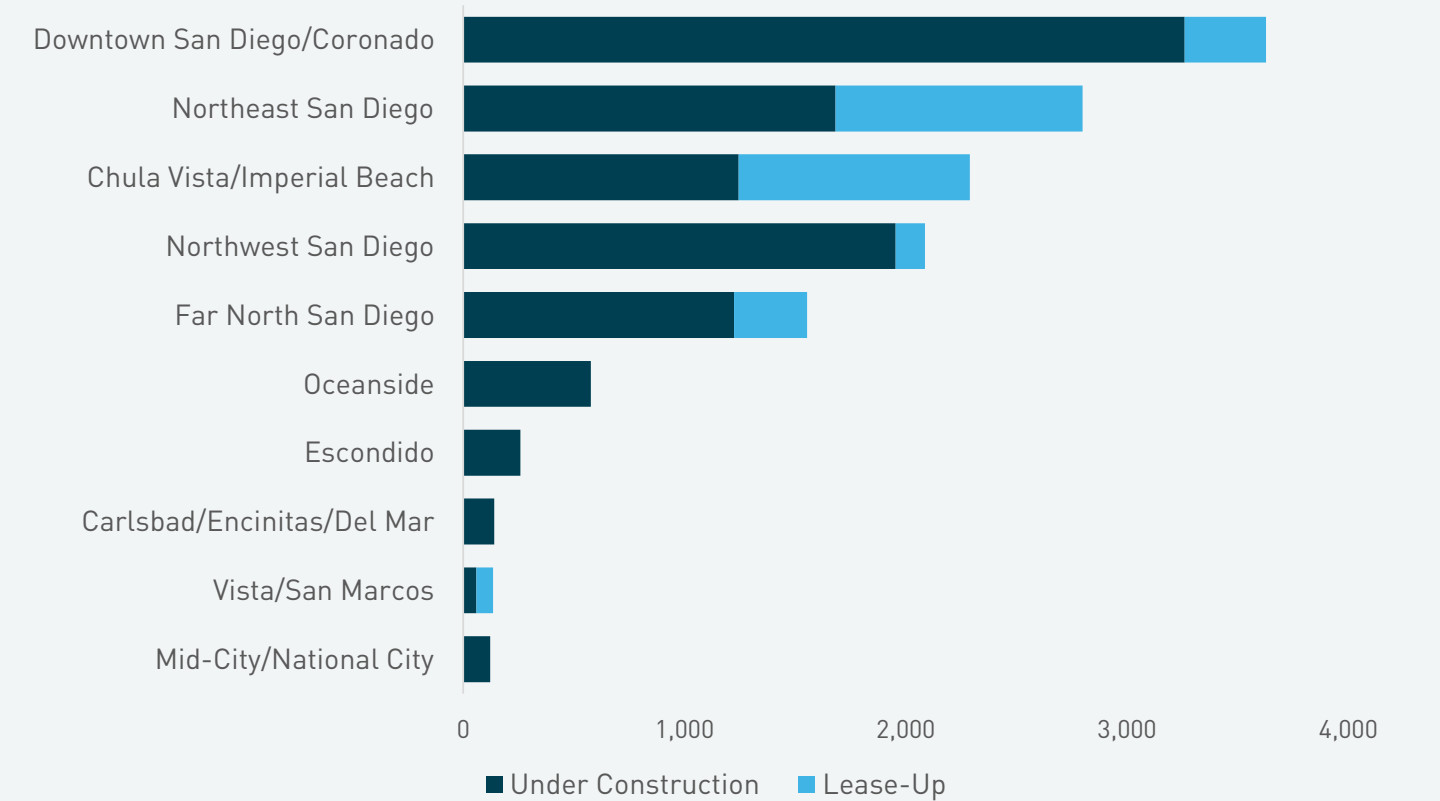


Source: RealPage

Market Pipeline



Top 10 Submarket Pipelines

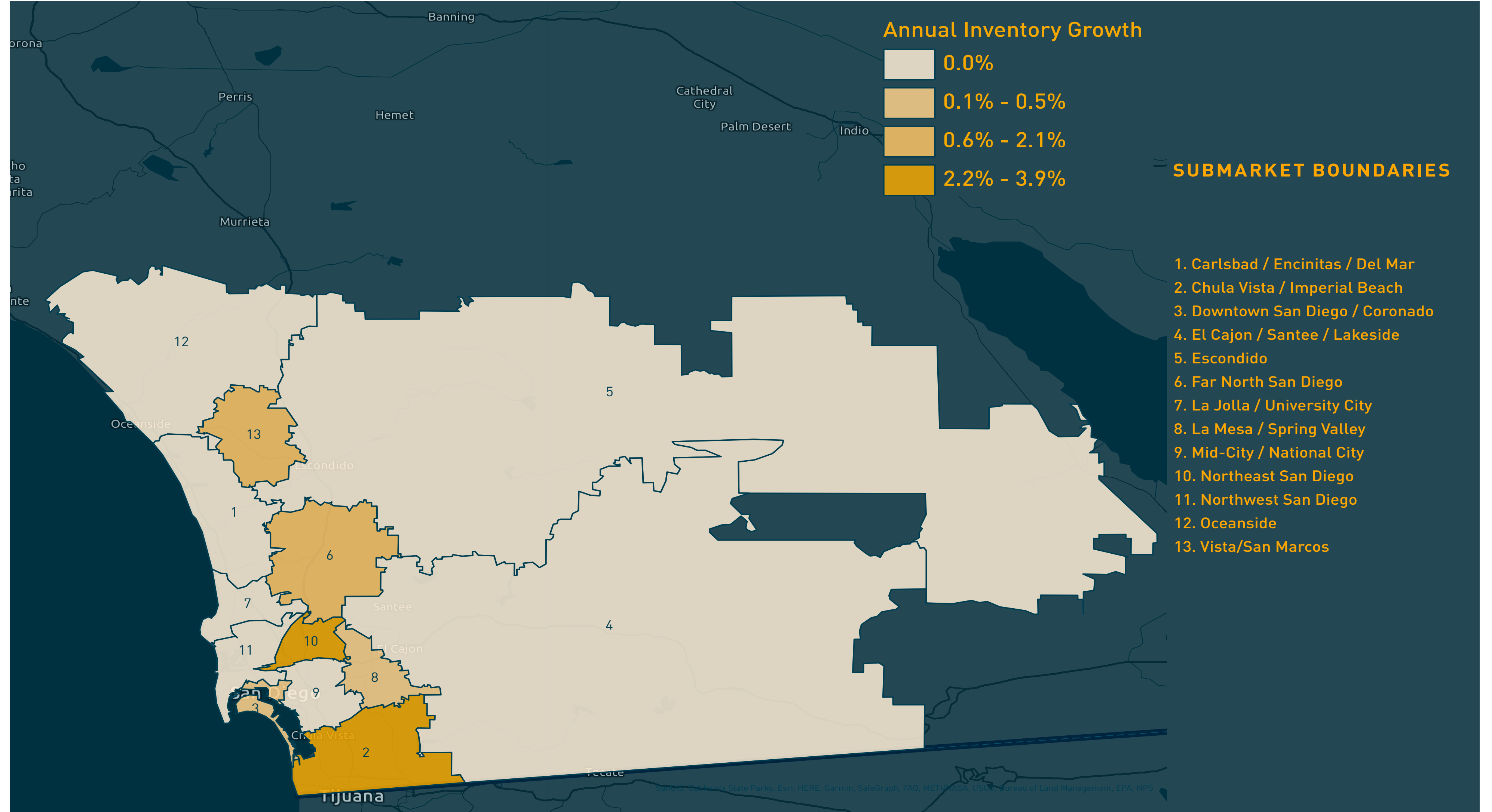




SAN DIEGO, CA

SUBMARKET ANNUAL INVENTORY CHANGE

While new inventory came online throughout the metro, the most active submarket for construction was the Chula Vista/Imperial Beach submarket where nearly 1,200 units were added across four lease-up properties from June 2022 to June 2023. Boasting an abundance of amenities and attractions, the submarket was popular among renters where it led annual demand in the second quarter of 2023. Development was also more pronounced in the Northeast San Diego submarket. The area benefits from the proximity to Downtown, the developed public transportation system, and more affordable rents than downtown. Deliveries will shift to the Downtown San Diego/ Coronado submarket where about 3,200 apartments are slated to complete before the end of next year. New housing will be needed when two monumental developments complete: IQHQ's RaDD life sciences campus and the high-tech office campus Horton Plaza.





SAN DIEGO, CA RENT & OCCUPANCY

Effective Rent

Q2 2023
\$2,829
↑ 7.3% YOY

Occupancy

Q2 2023
96.6%
↓ 170 BPS YOY

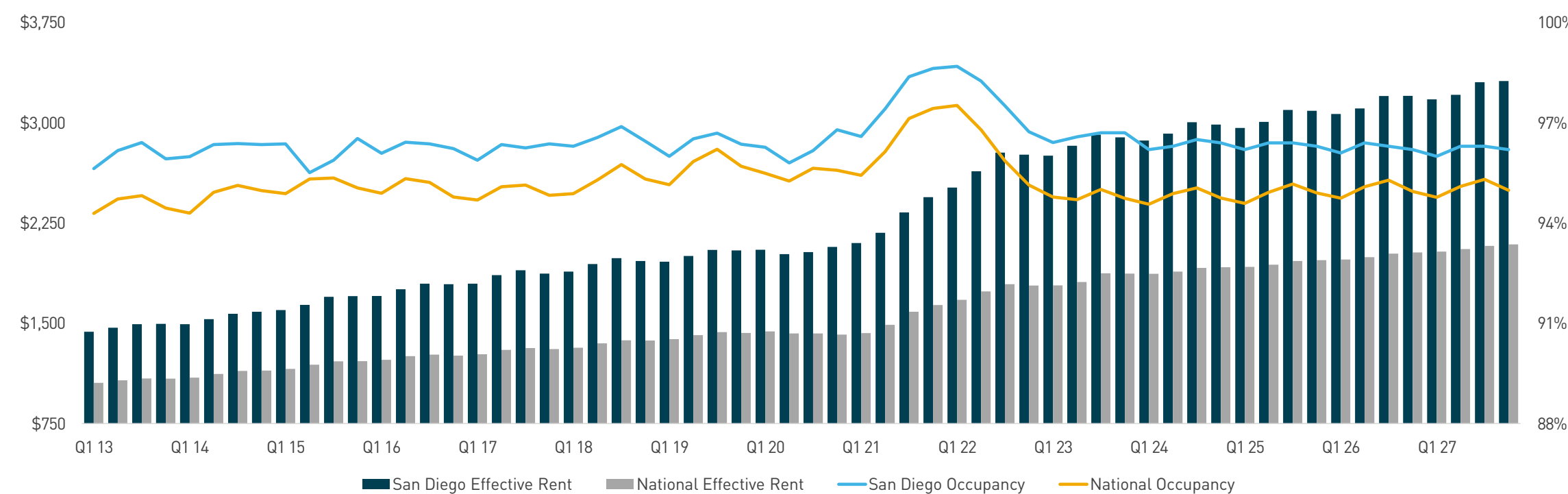
The San Diego apartment market has benefitted in recent years from the growing presence of high-tech and life science companies which includes an engineering headquarters in Downtown San Diego and a medical center in Balboa Park. Even if the local economy faces economic headwinds, apartment demand is projected to persist due in part to the presence of approximately 150,000 active-duty military personnel in and near the metro.

Occupancy climbed during the onset of the pandemic, stabilized for a couple of years during the recovery and has now begun to climb again. Apartment occupancy averaged 96% or higher for more than five years. The

trend continued, as the Greater San Diego apartment occupancy averaged 96.6% in the second quarter of 2023, higher than the 94.7% nationwide average and consistent with the market's five-year average of 97.0%.

With occupancy remaining at healthy levels, landlords kept upward pressure on rent, although many have offered increased concession packages to secure lease deals. Monthly effective rent increased at a more moderate pace, up 7.3% year over year in the second quarter of 2023 after advancing 21.1% in the prior year. The recent rise far outpaced the U.S. figure at 4.0%. The Greater San Diego average effective rent was \$2,829 per month halfway through 2023.

San Diego vs. National Effective Rent & Occupancy



Source: RealPage

Submarket Performance

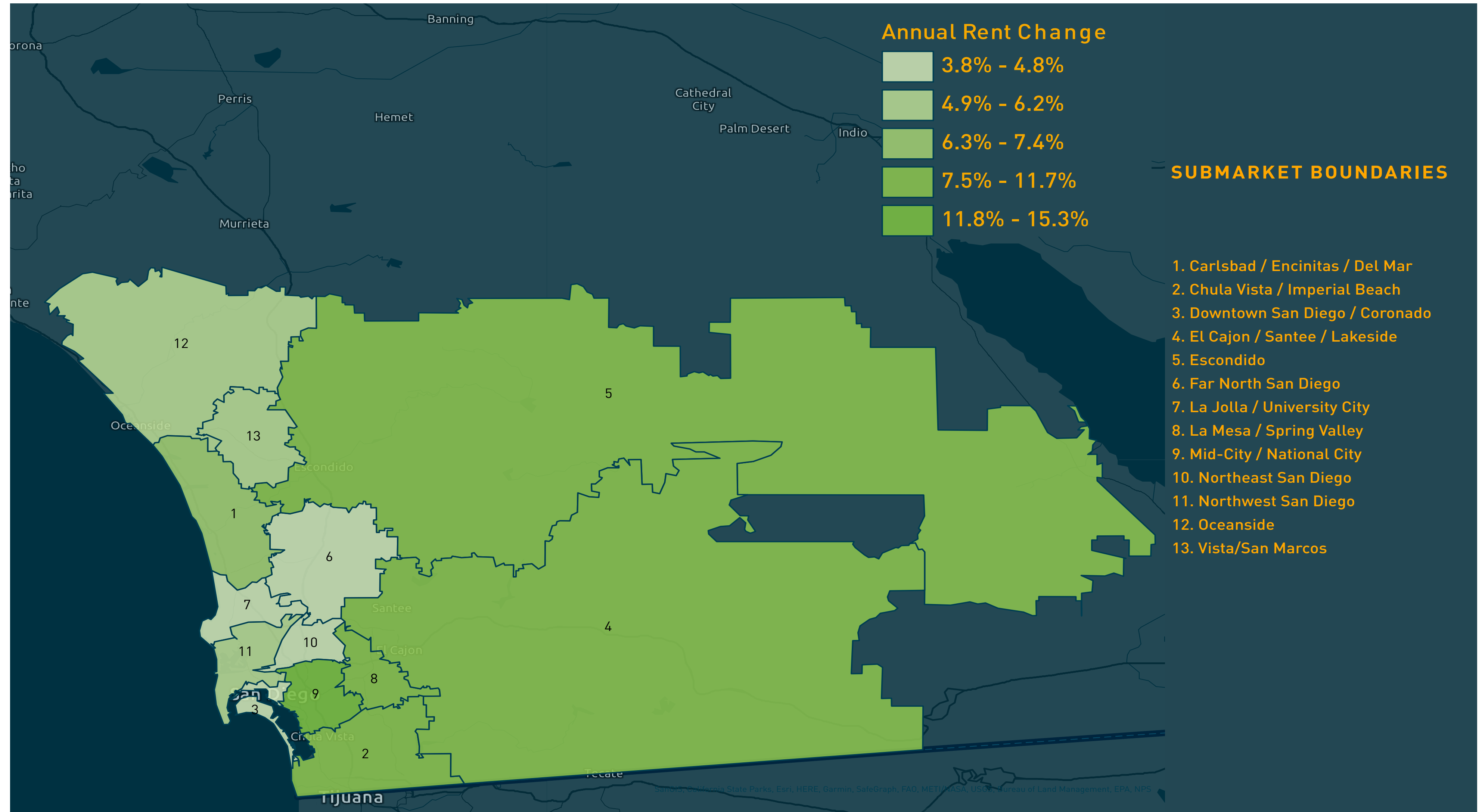
SUBMARKET NAME	Q2 2023 OCCUPANCY	YOY (BPS)	Q2 2023 EFFECTIVE RENT	YOY
Carlsbad/Encinitas/Del Mar	97.0%	-150	\$3,479	7.4%
Chula Vista/Imperial Beach	96.6%	-170	\$2,648	11.4%
Downtown San Diego/Coronado	94.5%	-170	\$3,145	4.8%
El Cajon/Santee/Lakeside	96.6%	-220	\$2,253	11.3%
Escondido	97.4%	-160	\$2,323	11.7%
Far North San Diego	97.2%	-120	\$2,962	4.7%
La Jolla/University City	96.4%	-200	\$3,390	3.8%
La Mesa/Spring Valley	97.1%	-140	\$2,489	10.2%
Mid-City/National City	97.1%	-170	\$2,290	15.2%
Northeast San Diego	96.3%	-170	\$3,048	4.5%
Northwest San Diego	96.9%	-160	\$2,806	6.2%
Oceanside	96.8%	-180	\$2,551	5.3%
Vista/San Marcos	96.7%	-150	\$2,594	5.8%



SAN DIEGO, CA

SUBMARKET ANNUAL RENT CHANGE

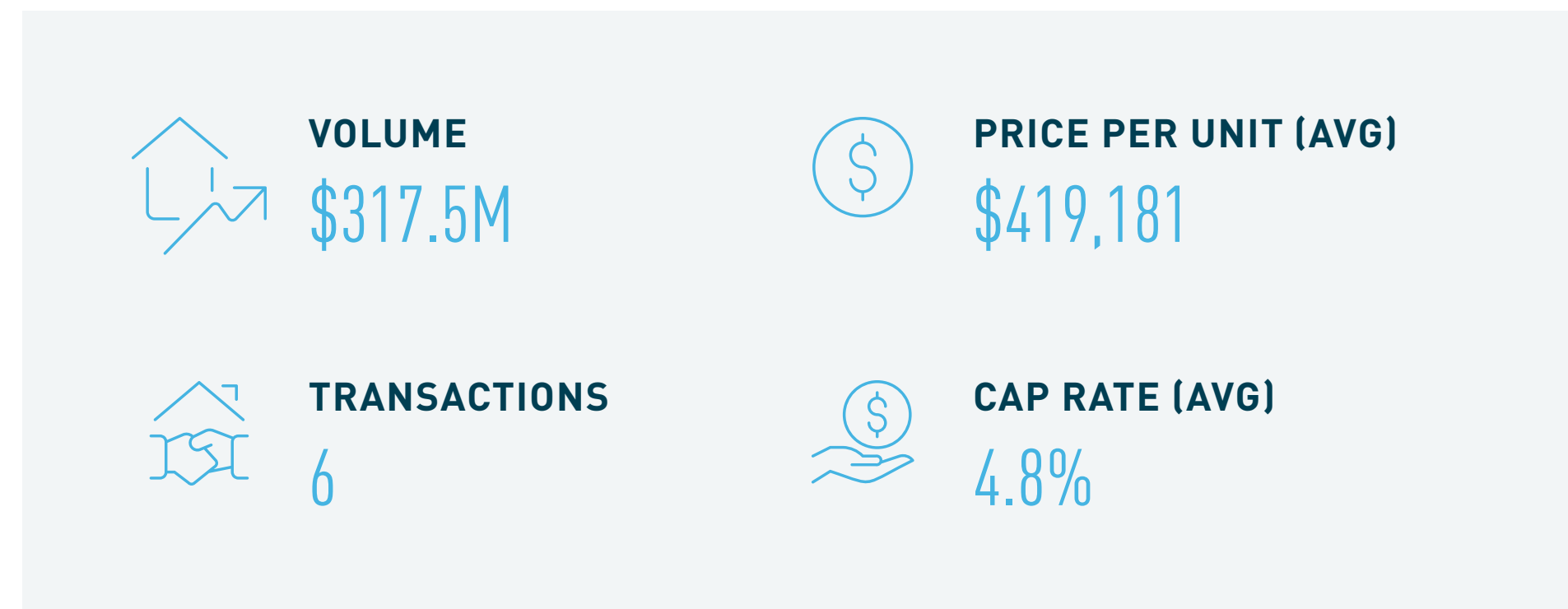
Five of 13 submarkets recorded double-digit year-over-year rent increases in the second quarter of 2023, although increases in the most expensive submarkets slowed down. Gains were led by The Mid-City/National City submarket with a 15.2% year-over-year increase to \$2,290. One year ago, the submarket was the lowest priced area, high occupancy of 98.8%, and limited new supply, which combined to provide headroom for landlords to increase rent. It was followed by Escondido, up 11.7% to \$2,323; Chula Vista/Imperial Beach, up 11.4% to \$2,648; El Cajon/Santee/Lakeside, up 11.3% to \$2,253; and La Mesa/Spring Valley, up 10.2% to \$2,489. As the costliest of San Diego's apartment submarkets, rent rose 3.8% annually in the La Jolla/University City area, followed by 33.8% gain one year ago. No submarkets saw rent declines on a year-over-year basis.



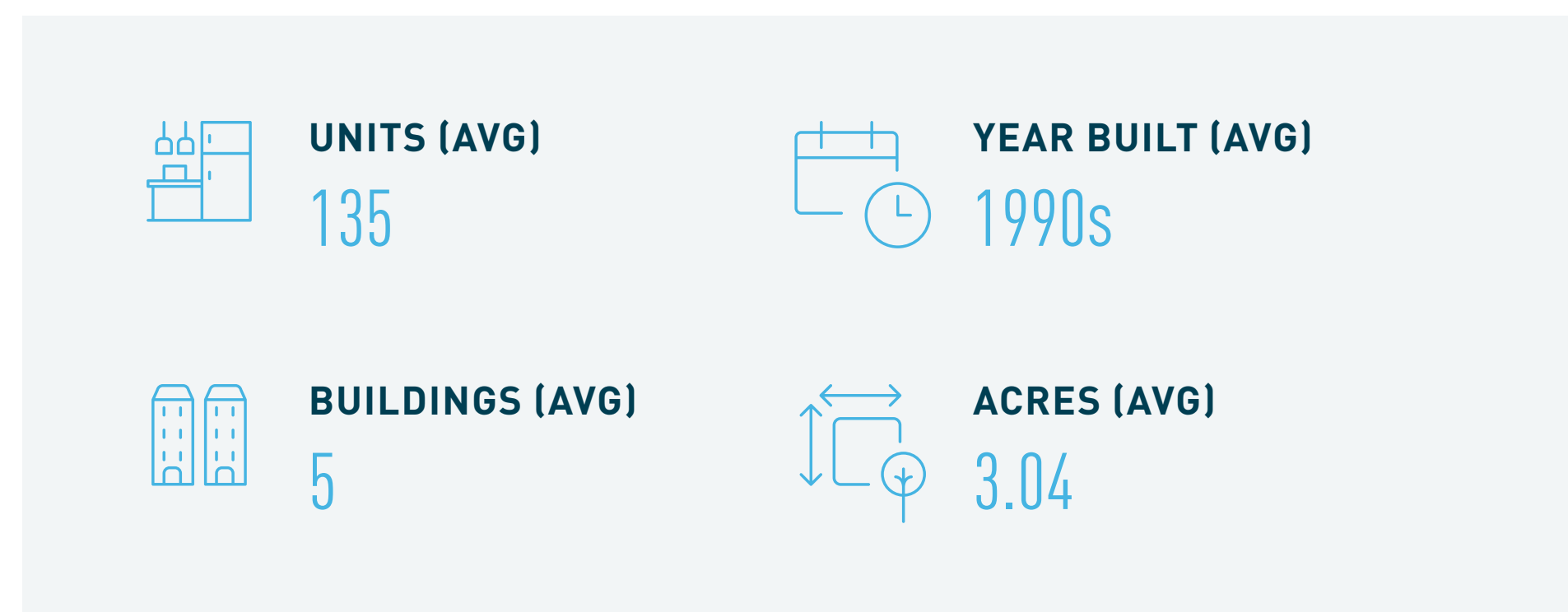


SAN DIEGO, CA SALES

2023 Year to Date*



What's Trading?*



Source: Real Capital Analytics
*\$10m+

Top Buyers**

BUYER	LOCATION
Pacific Urban Investors	San Francisco
TruAmerica Multifamily	Los Angeles
Guardian Life Insurance	New York
Blackstone	New York
R&V Management	San Diego

Top Sellers**

SELLER	LOCATION
Holland Partner Group	Vancouver, WA
Conrad Prebys	San Diego
Lyon Capital Ventures	Newport Beach, CA
Blackstone	New York
Pacific Urban Investors	San Francisco

**Past 24 Months



Sources: RealPage; Moody's Analytics; Real Capital Analytics

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