

SAN DIEGO, CALIFORNIA

APARTMENT DEMAND EXPECTED TO ECLIPSE CONSTRUCTION PEAK

Apartment construction is set to reach an apex this year across the San Diego metropolitan area. More than 5,500 units are scheduled to come online over the next four quarters, up approximately 60% from deliveries last year. Contributing to the peak this year were construction delays and disruptions in the workforce caused by the pandemic last year. The sharpest rise in activity is in the Northeast San Diego submarket, where more than 2,000 units across five communities are scheduled to begin lease-up by year-end. These developments take advantage of the submarket's central location and proximity to Interstate 8 and State Route 163. The additions will tap into unmet demand as the submarket's annual net absorption is forecast to lead the metro. Part of the housing need comes from the presence of large health care employers that include Kaiser Permanente and Sharp Memorial. As one of Greater San Diego's largest employment sectors, education and health care payrolls are forecast to rise this year after contracting in 2020. This positive shift in the workforce is expected to extend across all employment sectors to bolster apartment demand in the submarket and the metro. Job creation along with positive net migration should push annual absorption above inventory growth this year. As a result, average apartment occupancy is projected to elevate 10 basis points to 96.0% by year-end. At the same time, operators will increase rent. After contracting 1.1% in 2020, monthly effective rent is forecast to advance 2.2% this year to an average of \$2,068.



2021 MARKET AT A GLANCE



OCCUPANCY RATE

96.0%
Up 10 bps YOY



EFFECTIVE RENT

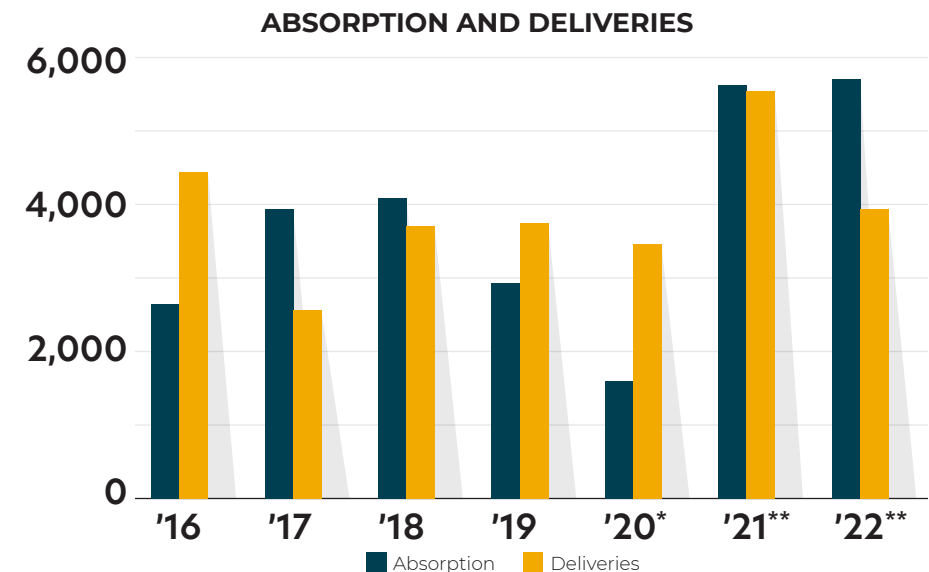
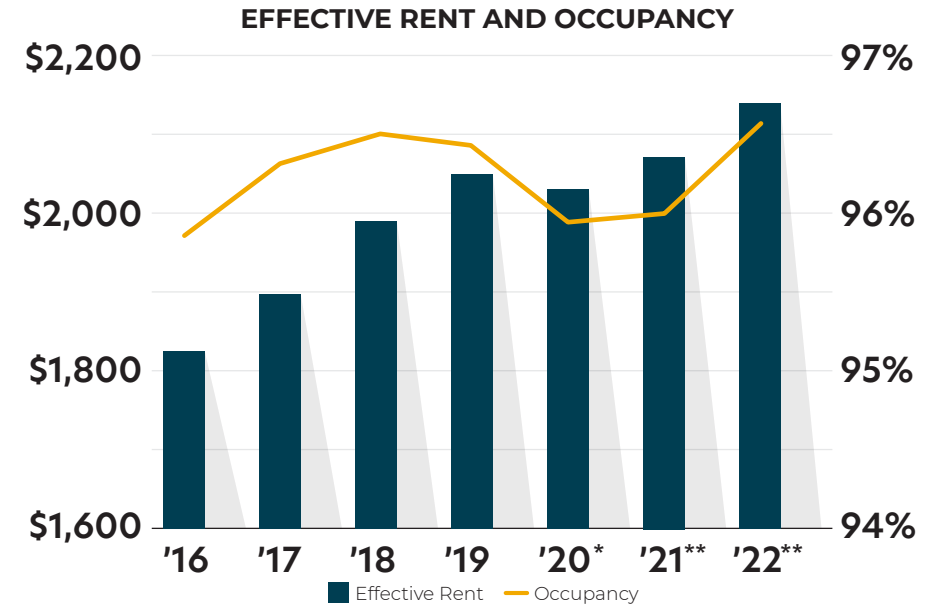
\$2,068
Up 2.2% YOY



RENT SHARE OF WALLET

29.6%
Up 10 bps YOY

MARKET TRENDS



Data and images pertaining to employment, income, permits, population, rents, single-family housing, and occupancy are year-end figures. Absorption, construction, and apartment sales figures are full-year totals. *Numbers for 2020 are projected values; **2021/2022 figures are forecast projections. Apartment market data criteria and methodologies vary by market.

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EMPLOYMENT TRENDS



2019	YOY CHANGE	2020*	YOY CHANGE	2021**
1,530,800	-10.2%	1,374,700	2.6%	1,410,900

2019	YOY CHANGE	2020	YOY CHANGE	2021
2.0%	830 BPS	10.3%	-220 BPS	8.1%

2019	YOY CHANGE	2020	YOY CHANGE	2021
3,341,800	0.6%	3,362,500	0.6%	3,381,700

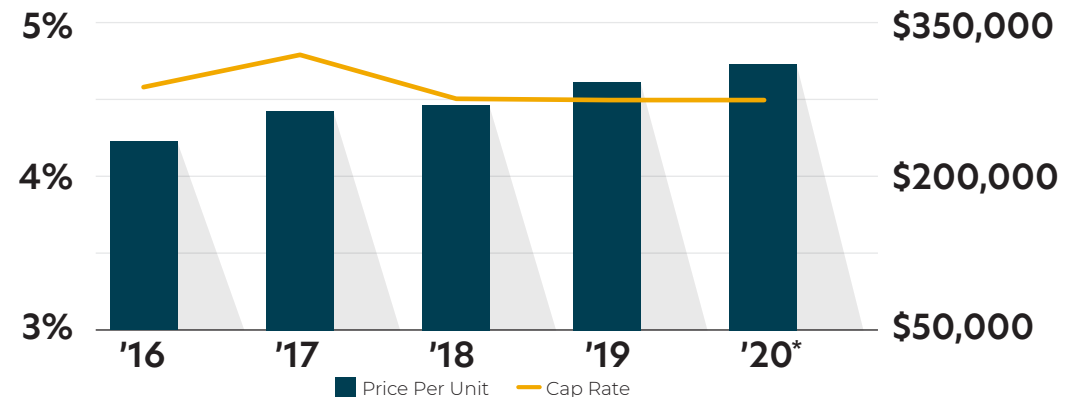
2019	YOY CHANGE	2020	YOY CHANGE	2021
1,179,100	1.0%	1,191,100	0.9%	1,202,200

2019	YOY CHANGE	2020	YOY CHANGE	2021
\$84,454	-2.5%	\$82,358	1.9%	\$83,897

SALES TRENDS

2019	YOY CHANGE	2020*
\$289,213	6.5%	\$307,898

2019	YOY CHANGE	2020
4.5%	0 BPS	4.5%



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