

Multi-Family Snapshot Q1 2016

San Diego



SAN DIEGO MULTI-FAMILY

Economic Indicators

	1-Yr. ago	Current	12-Month Forecast
San Diego Employment - as of March 2016	1.47M	1.50M	▲
San Diego Unemployment	5.4%	4.7%	▼
U.S. Unemployment - as of April 2016	5.4%	5.0%	▼

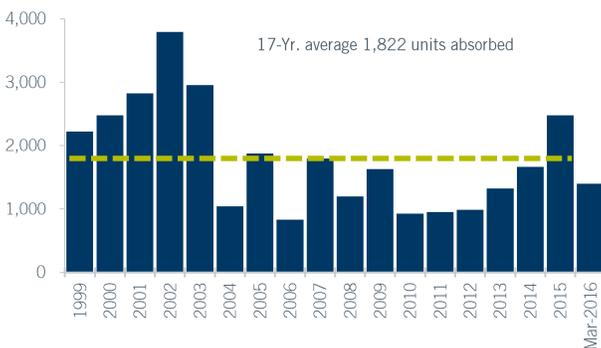
Market Indicators

	1-Yr. ago	Current	12-Month Forecast
Vacancy - As of March 2016	2.51%	2.46%	▼
Asking Rent	\$1,575	\$1,618	▲
Units Surveyed	128,265	130,976	▲
Net Absorption -Units per month	179	234	▲

Asking Rent vs. Vacancy



Net Absorption



Vacancy Decreasing while Rents are Increasing

Vacancy: The San Diego County multi-family vacancy rate has decreased 259 basis points (bps) from the peak rate of 5.05% recorded five years ago to 2.46% as of March 2016. A vacancy rate below 5% is considered to be a landlord's market.

Evaluating vacancy by submarket, East County recorded the lowest vacancy rate at 1.32% in March 2016 followed by Highway 78 Corridor at 1.41%. Downtown San Diego recorded the highest vacancy rate at 6.37% followed by San Diego Central at 3.61%. The Interstate 15 Corridor, North County Coastal and South County recorded vacancy ranging between 1.97% and 2.66%.

Evaluating vacancy by bedroom category, the lowest vacancy was reported in four bedroom apartments (0.48%). The vacancy rate in one-bedroom, two-bedroom and three-bedroom apartments was 2.58%, 2.29% and 2.68%, respectively in March 2016. The highest vacancy rate was reported in studio apartments (3.42%), according to MarketPointe Realty.

Rental Rates: Countywide multi-family average rental rate was \$1,618 2.8% higher than a year ago but 11.8% higher than two years ago. The average rent for units built between 2009 and 2015 was \$2,201 compared to \$1,450 for units built before 1998. Average asking rent was the highest in North County Coastal (\$1,994) followed by Central, I-15 Corridor, South County, Highway 78 Corridor and East County (\$1,306).

Net Absorption: The San Diego County multi-family market absorbed 1,401 units between March 2015 and March 2016. Of the 34,819 units released since 1998, nearly 94% have been absorbed.¹ Only one new project entered the market over the past six months adding 273 units of which 90 have been absorbed. The other 1,311 units that have been absorbed in the last year came from projects that opened earlier and are still in their initial lease-up period.

Employment: San Diego's employment market has improved notably over the last year, growing 2.9% (+39,700 jobs) between March 2015 and March 2016, above the five year or post-recession average job growth of 1.6%.² All employment sectors are expected to grow over the next two years at a combined rate of 2.5% in 2016 and 2.3% in 2017. This is an attractive pace by historical standards, as our average job growth over the last 30 years has been 2.0%.³

As a result of improved hiring, the annual unemployment rate in San Diego has dropped 640 basis points from its 2010-peak rate of 11.1% to 4.7% in March of 2016 and is forecasted to decrease to 4.4% by the end of 2017. To put these numbers in perspective, San Diego's 26-year (1990 – 2015) annual average unemployment rate is 6.0%. Unemployment around 5% is considered to be full employment – in other words, those members of the labor force who want a job have one.

Sources: ¹ MarketPointe Realty ² www.bls.gov ³ Moody's Analytics economy.com forecast as of 2/20/2016.

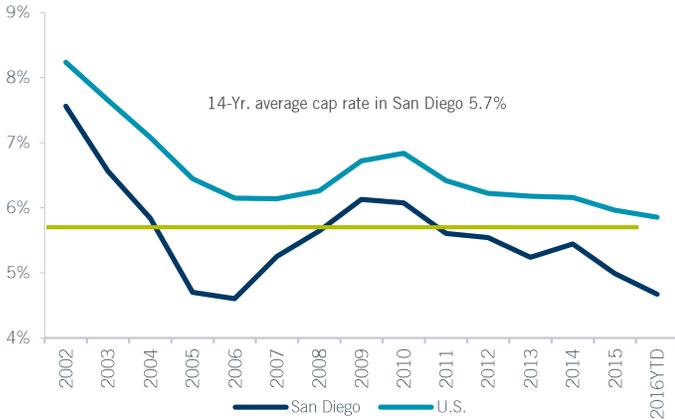
Multi-Family Snapshot Q1 2016

San Diego



Average Cap Rate in Comparison

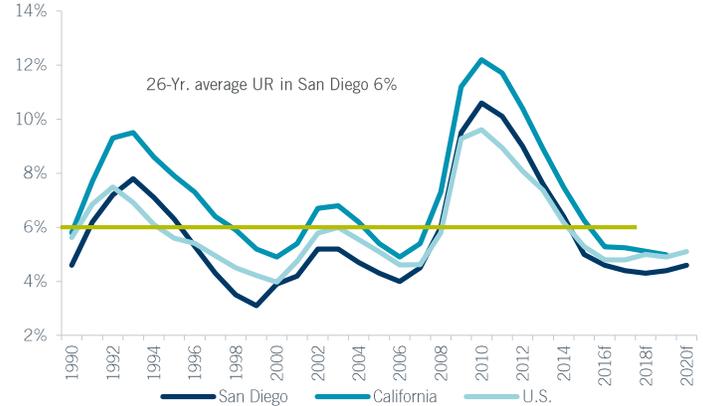
1Q16 SAN DIEGO CAP RATE BELOW THE 14-YR. AVERAGE OF 5.7%



Source: Real Capital Analytics, Multi-Family sales \$5M+ as of 5/12/2016.

Unemployment Rate in Comparison

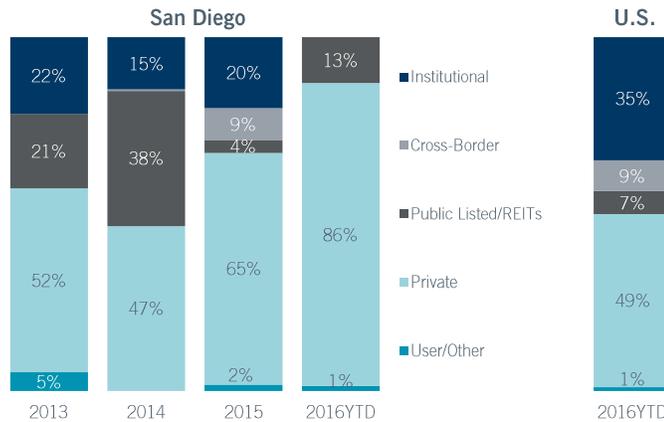
SAN DIEGO'S 26-YR. (1990 - 2015) ANNUAL AVERAGE RATE IS 6%



Source: BLS, forecasted by California Department of Finance, Moody's Analytics as of 12/2015.

Who is Buying in San Diego?

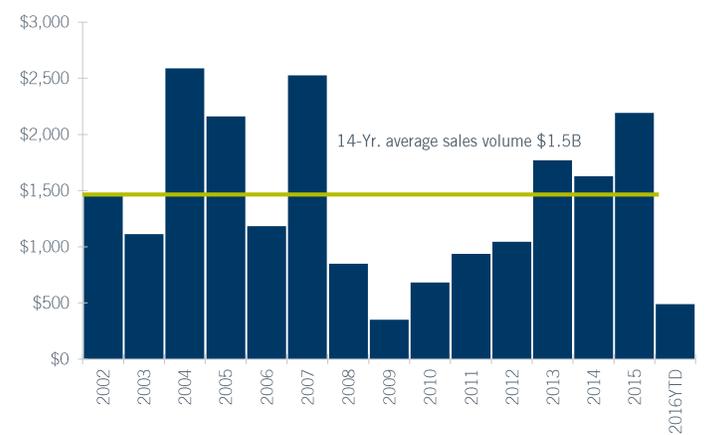
PRIVATE INVESTORS ARE THE LEADING BUYERS OF MULTI-FAMILY ASSETS



Source: Real Capital Analytics, Sales \$5M+ as of 5/12/2016. Rounded figures may not add up to 100%.

Multi-Family Sales Transaction Volume (\$M)

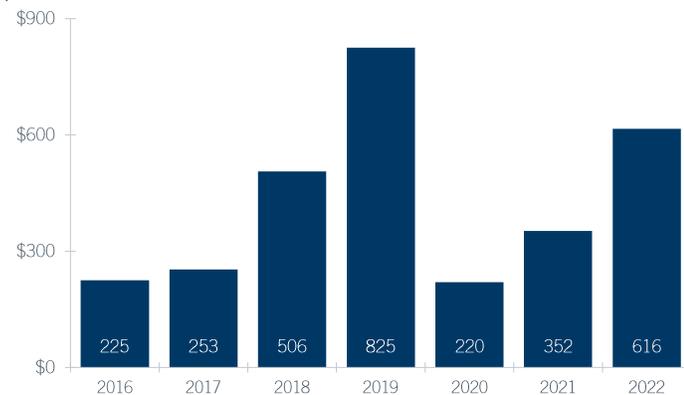
2015 VOLUME AT \$2.2 BILLION ABOVE THE 14-YR. AVERAGE OF \$1.5B



Source: Real Capital Analytics, Sales \$5M+ as of 5/12/2016.

San Diego Multi-Family Annual Loan Maturity (\$M)

\$825M IN MULTI-FAMILY LOANS WILL BE DUE IN 2019



Source: Trepp, LLC - 5/16/2016

Interest Rates - U.S. Economic Forecast



Source: Wells Fargo U. S. Economic Forecast - 4/29/2016.

Multi-Family Snapshot Q1 2016

San Diego



San Diego Market Multi-Family Snapshot

	TOTAL PROJECTS	TOTAL UNITS	TOTAL VACANT	AVERAGE SQUARE FEET PER UNIT	VACANCY RATE	AVERAGE ASKING RENT PER UNIT	AVERAGE RENT PER SQUARE FOOT
SUBMARKET							
Highway 78 Corridor	190	26,647	377	873	1.41%	\$1,420	\$1.63
North County Coastal	92	19,618	452	949	2.30%	\$1,994	\$2.10
Interstate 15 Corridor	68	13,496	266	913	1.97%	\$1,714	\$1.88
San Diego Central	157	27,747	1,002	854	3.61%	\$1,741	\$2.04
Downtown	32	5,826	371	805	6.37%	\$2,059	\$2.56
East County	161	18,504	244	842	1.32%	\$1,306	\$1.55
South County	129	19,138	509	873	2.66%	\$1,431	\$1.64
SAN DIEGO COUNTY	829	130,976	3,221	877	2.46%	\$1,618	\$1.85

Source: MarketPointe Realty, Inc.

San Diego Market Investment Trends: Last 12 Months

	PROPERTIES SOLD	TOTAL UNITS	TOTAL SALES VOLUME	AVERAGE PRICE PER UNIT	AVERAGE CAP RATE	AVERAGE PRICE PER SF	TOTAL LAND IN ACRES	DAYS ON THE MARKET
SUBMARKET								
Highway 78 Corridor	85	2,168	\$345,920,192	\$159,557	5.1%	\$181.82	99.3	229
Interstate 15 Corridor	8	1,167	\$311,417,500	\$266,853	5.3%	\$321.03	58.8	495
North County Coastal	19	1,089	\$329,557,484	\$302,624	3.7%	\$361.74	71.7	90
San Diego Central	268	3,498	\$649,386,681	\$185,645	4.8%	\$252.97	81.8	113
Downtown	18	1,046	\$259,502,639	\$248,090	4.7%	\$405.34	5.7	159
East County	66	3,021	\$536,865,931	\$177,711	5.2%	\$188.83	123.7	156
South County	59	2,696	\$519,113,400	\$192,549	5.2%	\$207.90	131.6	162
SAN DIEGO COUNTY	523	14,685	\$2,951,763,827	\$201,005	4.9%	\$239.38	572.6	148

Source: CoStar, Inc. Multi-Family sales of all sizes between 5/1/2015 and 4/30/2016, excluding Mobile Parks.

Key Sale Transactions: Last 12 Months

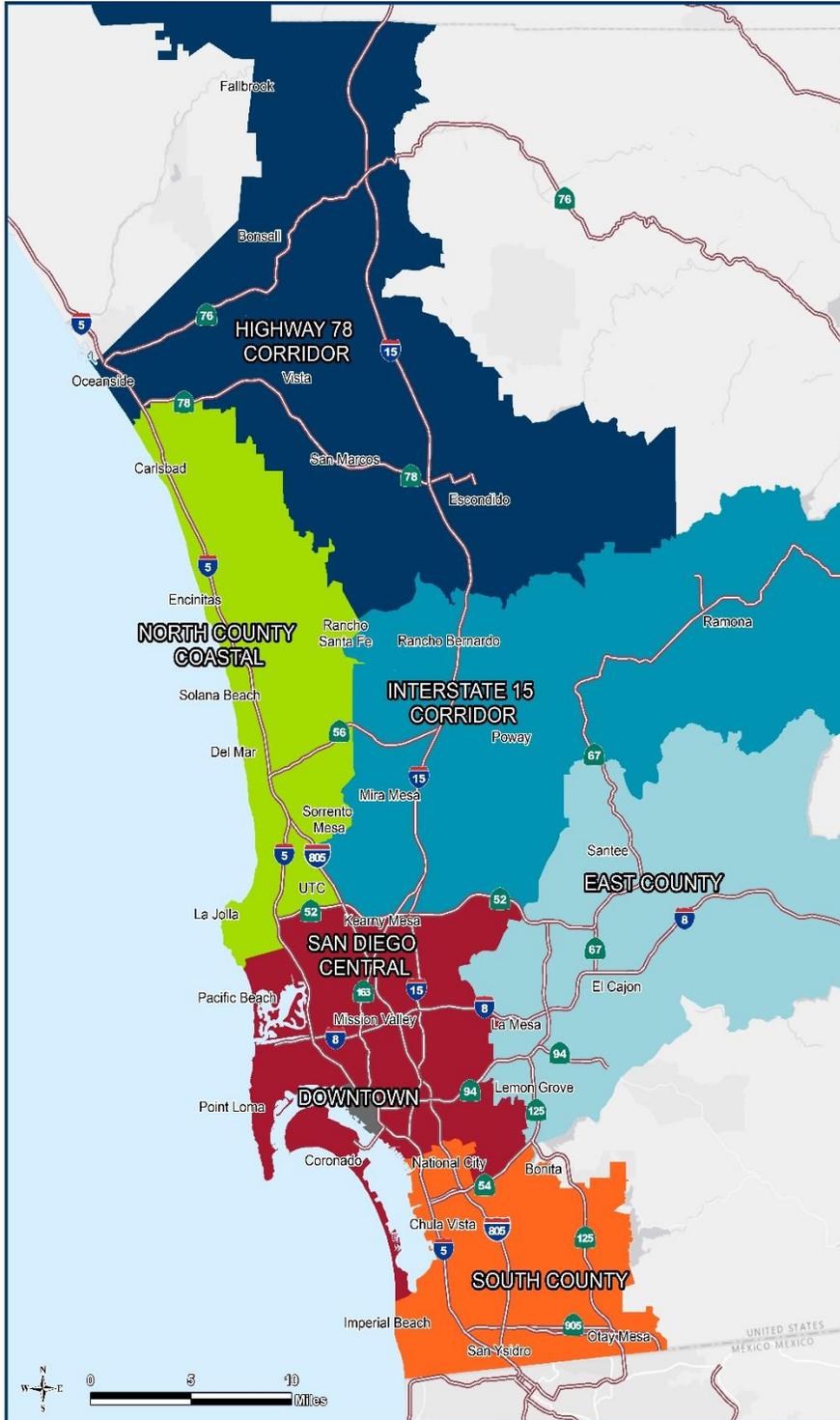
PROJECT	BUYER / SELLER	# OF UNITS	SALE PRICE	PRICE PER UNIT	PRICE/SF	CAP RATE	TRANSACTION DATE	SUBMARKET
11102 Caminito Alvarez	IMT Capital / Gables Residential	752	\$214,000,000	\$284,574	\$364.30	-	April 2016	Interstate 15 Corridor
Eaves Rancho San Diego	R&V Management Corporation / AvalonBay Communities	676	\$158,000,000	\$233,728	\$180.88	5.0%	February 2016	East County
CasaLago Eastlake	John Hancock Life Insurance / Resmark Companies	427	\$142,500,000	\$333,724	\$281.18	-	May 2015	South County
The Reserve at Carlsbad	Decron Properties Corporation / AvalonBay Communities	450	\$112,000,000	\$248,889	\$325.26	4.4%	October 2015	North County Coastal
Form 15	Essex Property Trust / Mesirow Financial	241	\$97,400,000	\$402,479	\$437.52	-	March 2016	Downtown

Multi-Family Snapshot Q1 2016

San Diego



MULTI-FAMILY SUBMARKETS SAN DIEGO



About Cushman & Wakefield

Cushman & Wakefield is a global leader in commercial real estate services, helping clients transform the way people work, shop, and live. The firm's 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for occupiers and investors around the world. Cushman & Wakefield is among the largest commercial real estate services firms in the world with revenues of \$5 billion across core services of agency leasing, asset services, capital markets, facilities services (branded C&W Services), global occupier services, investment management (branded DTZ Investors), tenant representation and valuations & advisory.

To learn more, visit www.cushmanwakefield.com or follow @Cushwake on Twitter.

Jolanta Campion

Director of Research, San Diego Region
jolanta.campion@cushwake.com

Justin Balagtas

Research Analyst
justin.balagtas@cushwake.com

4747 Executive Drive, Suite 900
San Diego, CA 92121
Tel: 858.625.5235
Fax: 858.630.6320
CA License 01880493

The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

Copyright © 2016 Cushman & Wakefield. All rights reserved.