

## CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **8,844**

UNITS DELIVERED (YTD) **1,695**

## MARKET FUNDAMENTALS



VACANCY RATE **4.6%**

YEAR-OVER-YEAR CHANGE **+10bps**

ASKING RENTS **\$2,591**

YEAR-OVER-YEAR CHANGE **-0.3%**

## TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$343,500**

SAN DIEGO MULTIFAMILY  
2Q 2025

## MARKET INSIGHTS

# First-half sales activity triples year-over-year

## HIGHLIGHTS

- Changes in operating conditions in San Diego during the second quarter were modest, with the vacancy rate inching lower and asking rents posting a slight decline. New deliveries remained light compared to the same point last year, with approximately 1,700 units completed.
- The vacancy rate in San Diego tightened by 10 basis points in the second quarter to 4.6%. Compared to 12 months ago, the vacancy rate is up by 10 basis points.
- Asking rents continued to trend lower during the second quarter, decreasing by 0.2% to \$2,591 per month. Year-over-year, local asking rents have declined by 0.3%.
- Activity in the San Diego investment sales market continues to outpace the same period last year, though transaction volume still trails below historical norms. Year-to-date, the median sale price is \$343,500 per unit, with an average cap rate of 4.5%.

## SAN DIEGO MULTIFAMILY MARKET OVERVIEW

Shifts in the San Diego multifamily market moderated across the board during the second quarter. A dip in the number of new units delivered during this period coincided with a slight improvement in vacancy and a minor decline in asking rents. Overall operating conditions in San Diego tend to evolve gradually, even as broader market forces influence fundamentals. At the submarket level, however, activity has been more pronounced. The majority of new construction delivered in 2025 has been concentrated in the Chula Vista area. This submarket is the only area where there is both vacancy improvement and rent growth compared to 12 months ago, with asking rents up 4.8%. While the Balboa Park submarket posted an increase in vacancy, rents have risen by 4.1% from one year ago. The area now contains roughly one-quarter of all units under construction in the region.

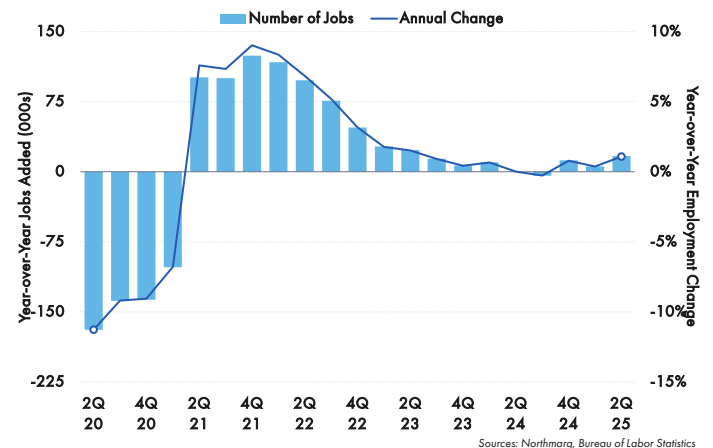
The San Diego multifamily investment sales market continues to record increased activity compared to the first half of both 2023 and 2024, though the number of sales that have taken place continue to lag historical norms. The sales that have taken place have reflected a wide range in pricing. While the median sale price to this point in the year is down 5% from 2024 to \$343,500 per unit, some properties traded for nearly \$700,000 per unit. The slight decline in pricing was driven primarily by a dip in Class B values. Compared to 2024, Class B assets that have changed hands this year are, on average, 13 years older and are more often located in more affordable inland areas such as El Cajon and La Mesa. As a result, median Class B pricing is down 17% from last year, while both Class A and Class C properties have continued to trade at elevated values.

## EMPLOYMENT

- After recording slower growth in recent periods, employment growth in San Diego accelerated in the second quarter. Over the past 12 months, area employers have expanded payrolls by 1.1% with the addition of 16,900 new jobs.
- The leisure and hospitality sector has been one of the leaders in employment growth in San Diego. Over the past 12 months, employers in this industry have increased payrolls by 1.6% with the addition of approximately 3,200 new hires.
- The 1,600 unit Gaylord Pacific Resort and Convention Center in Chula Vista opened its doors for the first time in May after three years of construction. Spanning 36 acres, the resort is the second largest hotel built in the past five years in the U.S. and is expected to employ 1,600 people once fully operational.
- **FORECAST:** Employment growth in San Diego is expected to closely track last year's pace. In 2025, employers are forecast to expand payrolls by approximately 0.8%, adding around 12,000 new jobs.

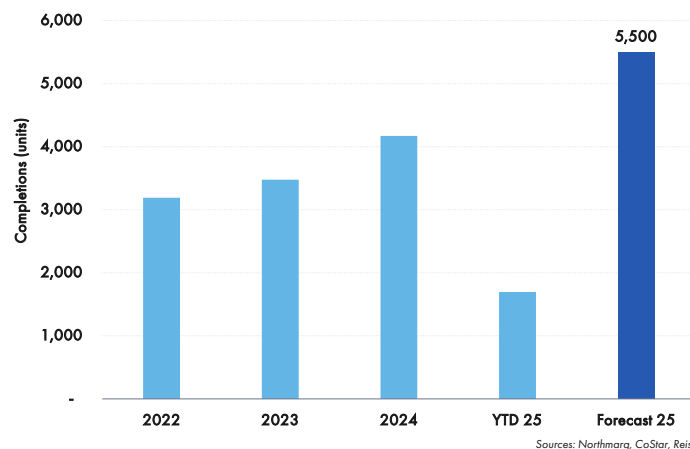
Over the past 12 months, area employers have expanded payrolls by 1.1%.

### EMPLOYMENT OVERVIEW



Approximately 1,700 units were completed in the first half of 2025.

### DEVELOPMENT TRENDS

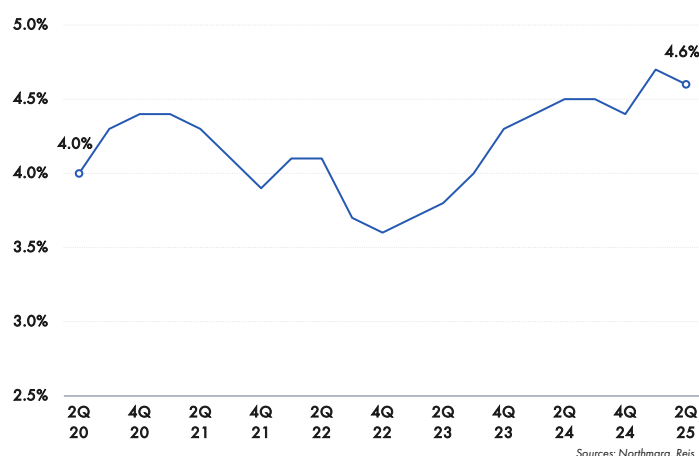


## DEVELOPMENT & PERMITTING

- Construction of multifamily assets in San Diego slowed during the second quarter after a strong start to the year. Approximately 1,700 units were completed in the first half of 2025, down 17% from the same period last year.
- There are roughly 8,800 units currently under construction in San Diego, up 17% from one year ago. The Mission Valley/North Central area contains the largest share, with roughly 2,400 units currently underway.
- Permitting accelerated during the second quarter with permits for projects totaling over 1,700 units pulled. Due to considerably lighter permitting in the first three months of the year, total permitting for the first half of 2025 is down 13% from last year at roughly 2,600 permits.
- **FORECAST:** Multifamily completions are expected to rise in coming months, pushing annual completions to a cyclical high. In 2025, developers are forecast to deliver roughly 5,500 new units in San Diego.

*During the second quarter, vacancy decreased by 10 basis points to 4.6%.*

#### VACANCY TRENDS



## VACANCY

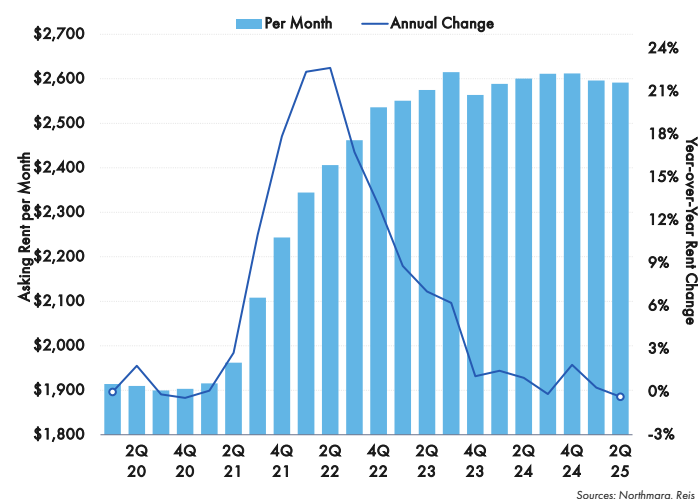
- After rising in the first quarter, San Diego's vacancy rate inched lower in recent months, falling 10 basis points to 4.6% during the second quarter. Year-over-year, vacancy remains relatively flat, up by just 10 basis points.
- The National City/Chula Vista submarket is one of the leading submarkets for vacancy improvements in recent periods. Over the past 12 months, the vacancy rate in the area dipped by 30 basis points to 3.6%.
- Demand for apartments has been consistent in San Diego since last year. During the first half of this year, there were net move-ins of just over 1,000 units. By the same point in 2024, net move-ins were just under 1,000 units.
- **FORECAST:** Despite dipping during the second quarter, the market vacancy will likely inch higher again by the end of the year as strong supply growth dilutes market occupancy rates. The vacancy rate is forecast to end 2025 at 4.7%, up 30 basis points from the end of 2024.

## RENTS

- Asking rents in San Diego continued to inch lower in recent months. During the second quarter rents decreased by 0.2%, bringing the average asking rate to \$2,591 per month. Year-over-year, asking rents are down by 0.3%.
- Class B and Class C properties, which had previously outperformed top-tier properties in rent growth, recorded a 0.6% decline in asking rents over the past year. In comparison, Class A properties saw a slightly steeper decline of 0.8%.
- The Balboa Park submarket, where a major share of the region's multifamily construction is taking place, has recorded some of the strongest rent growth in the region. Over the past 12 months, rents rose by 4.1%, reaching \$2,347 per month.
- **FORECAST:** Rents in San Diego are expected to inch higher in the second half of the year but are unlikely to surpass 2024 year-end levels. Area rents are forecast to finish 2025 near \$2,615 per month, roughly in line with levels recorded at the end of 2024.

*Year-over-year, asking rents are down by 0.3%.*

#### RENTS TRENDS

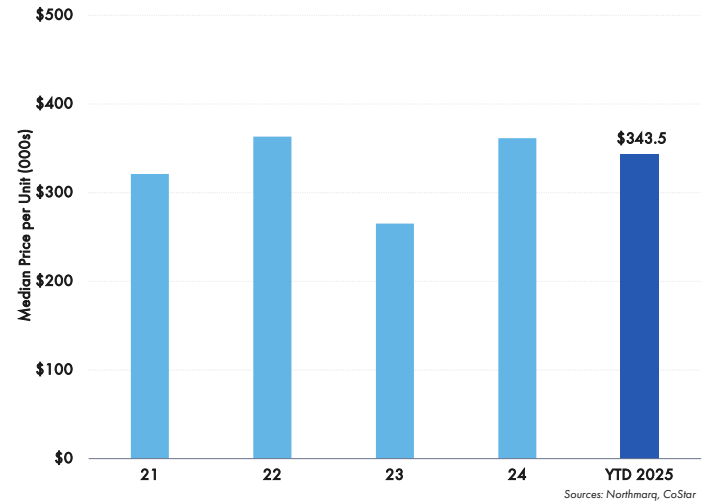


## MULTIFAMILY SALES

- Compared to muted activity in the first half of 2023 and 2024, market activity has picked up significantly, with the number of transactions during the first six months of 2025 more than triple the transaction volume recorded during the same period in the previous two years.
- Despite the rise in activity, multifamily pricing has decreased since last year. Year-to-date, the median sale price in San Diego is \$343,500 per unit, down 5% from 2024. Compared to peak per-unit pricing recorded in 2022, current prices are down 5.4%.
- Cap rates in San Diego have remained consistent for yet another quarter, demonstrating considerable stability amid changes in the investment sales market. Currently, the average cap rate in 2025 is roughly 4.5%, in line with the previous two years.

*The median sale price in San Diego is \$343,500 per unit.*

### INVESTMENT TRENDS



## RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

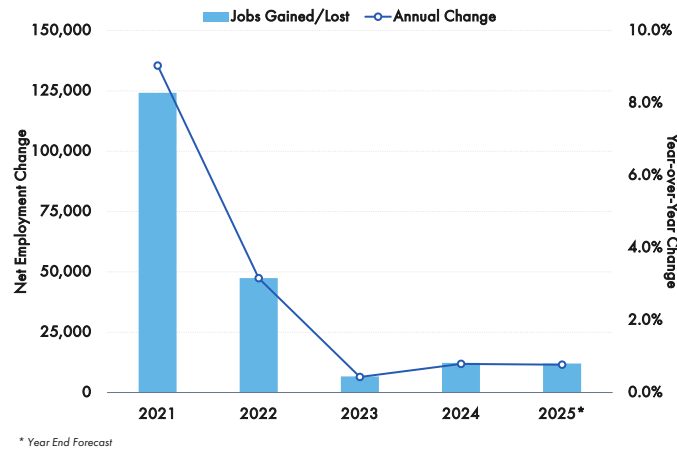
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Folia	12520 Camino Del Sur, San Diego	2025	342	\$238,000,000	\$695,906
Santa Fe Ranch	3402 Calle Odessa, Carlsbad	1987	320	\$138,750,000	\$433,594
Terraza Hills	425 East Bradley Ave., El Cajon	1976	200	\$45,000,000	\$225,000

## LOOKING AHEAD

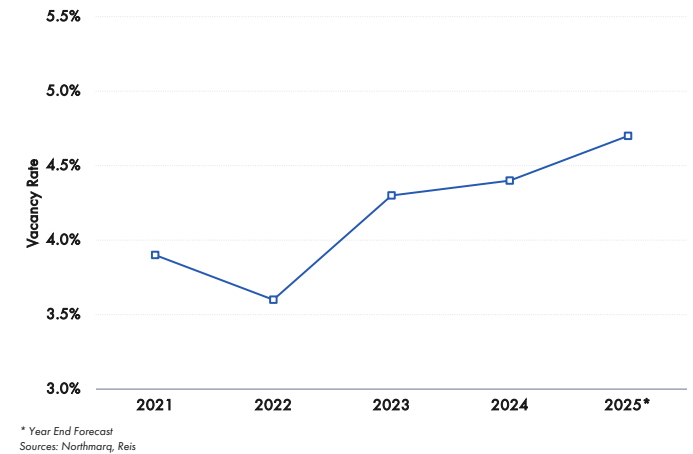
The increasing pace of deliveries scheduled for the second half of the year is expected to have a mixed impact on San Diego multifamily operating conditions. The vacancy rate is forecast to inch higher in coming months, though increases should be modest despite a cyclical high number of new unit deliveries. Asking rents may post a modest increase from current levels, partially driven by an influx of new Class A product coming online with elevated asking rents. Conditions could soften slightly again in 2026 as absorption lags the pace of new construction, though net move-ins have been steady in recent periods and are not expected to slow. The Balboa Park submarket will likely exemplify these broader market trends, as the relatively small submarket adds a significant number of new units. The National City/Chula Vista area is expected to remain one of San Diego's top performers in rent and vacancy improvements, fueled in part by strong employment growth in the area.

Current trends are likely to continue throughout the remainder of the year in the San Diego multifamily investment sales market. Transaction volume typically accelerates in the second half of the year in this market, so increased activity can be expected in the coming months. Transaction volume is unlikely to reach historical norms in 2025, though 2026 sales activity may approach the lower range of what was previously considered normal for the region. Submarkets such as Chula Vista/Imperial Beach and Downtown San Diego, which are typically leaders in sales, are expected to become more active in the near term. So far this year, trades have been spread out evenly across the region's submarkets. Cap rates are expected to remain stable, holding near 4.5% as they have since 2023.

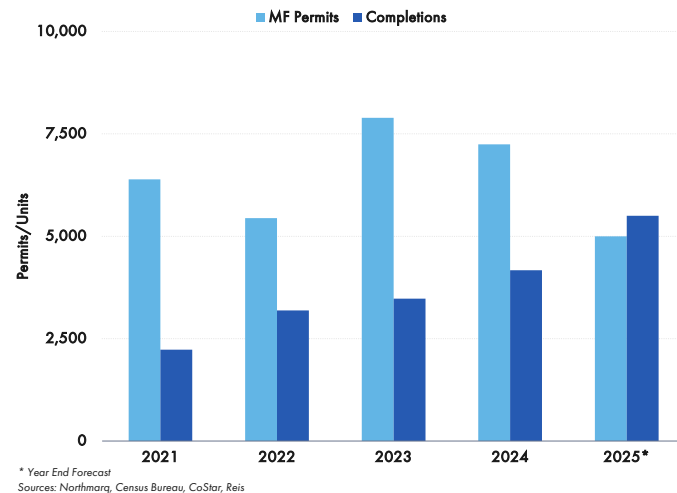
### EMPLOYMENT FORECAST



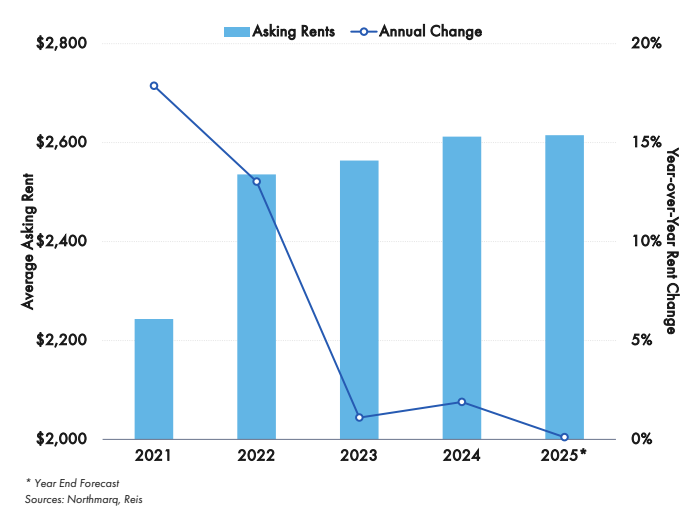
### VACANCY FORECAST



### CONSTRUCTION & PERMITTING FORECAST



### RENTS FORECAST





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