

**CONSTRUCTION
ACTIVITY**



UNDER CONSTRUCTION **9,000**

UNITS DELIVERED (YTD) **2,003**

**MARKET
FUNDAMENTALS**



VACANCY RATE **4.8%**

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

ASKING RENTS **\$2,578**

YEAR-OVER-YEAR CHANGE **-0.7%**

**TRANSACTION
ACTIVITY (YTD)**



MEDIAN PRICE PER UNIT **\$362,600**

MARKET INSIGHTS

Inventory growth remains elevated

HIGHLIGHTS

- Operating conditions in San Diego were mixed during the first quarter, with vacancy inching higher while rents improved. A strong pace of inventory growth continues to drive changes in the market, with roughly 2,000 units already delivered year to date.
- Vacancy ticked higher in the first quarter, rising 10 basis points to 4.8% after fluctuating throughout the second half of 2025. Year over year, the vacancy rate has increased 10 basis points.
- Asking rents began to rise again in the first quarter, increasing 0.8% after declining throughout the second half of 2025. Year over year, asking rents remain down 0.7% at \$2,578 per month.
- San Diego multifamily sales have kept their momentum from 2025, with a steady stream of transactions recorded during the first quarter of 2026. Year to date, the median sale price has increased 9% to \$362,600 per unit.

SAN DIEGO MULTIFAMILY MARKET OVERVIEW

Strong demand in the San Diego multifamily market has helped to prevent meaningful softening in fundamentals amid rapid supply growth. During the past year, apartments recorded net move-ins for more than 3,600 units, keeping the vacancy rate within a range of 4.6% to 4.8%. Conditions have been mixed across submarkets, with select areas shifting in a positive direction. Area asking rents rose during the first quarter, led primarily by the Escondido/San Marcos and La Jolla/University City submarkets, with gains of 1.0% and 0.9%, respectively. The La Jolla/University City submarket was the only submarket to record improvements in both rent and vacancy in the past 12 months. The Vista submarket led in vacancy improvement, decreasing 110 basis points over the same period.

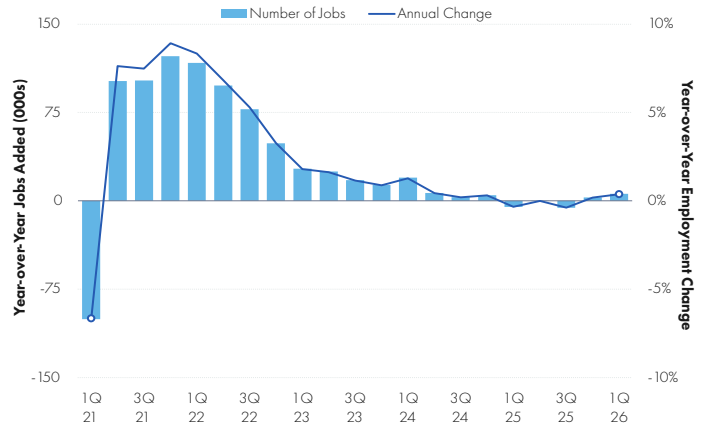
Multifamily investment sales activity in San Diego maintained its pace during the first quarter, with the total number of sales closely tracking levels recorded during each of the trailing four quarters. The mix of properties that have traded this year is skewed heavily towards Class B assets, which accounted for half of all transactions while their median price increased by more than 30%. The rise in Class B pricing was driven primarily by the premium locations and the quality of these properties, with middle-tier assets selling in Encinitas and near the coast in Point Loma. This contributed to a 9% increase in the overall median sale price, bringing it to \$362,600 per unit and in line with peak levels recorded in 2022. After limited transaction activity during the past five years, the Poway/Santee/Ramona submarket recorded a few sales at the start of 2026.

EMPLOYMENT

- Employment growth in San Diego continued at the start of 2026 following recent fluctuations. During the past 12 months, local employers expanded payrolls by 0.4% with the addition of 5,900 workers.
- The leisure and hospitality industry is one of the leaders for employment growth in San Diego. Total employment in this sector rose by 7,000 positions during the past year, an increase of 3.6%.
- The professional and business services sector also expanded in recent periods. Year over year, employers in this sector increased payrolls by 0.7%, adding approximately 1,900 new workers.
- **FORECAST:** The San Diego labor market is expected to continue expanding in 2026. Area employers are forecast to add roughly 5,000 workers to payrolls annually, an increase of 0.3%.

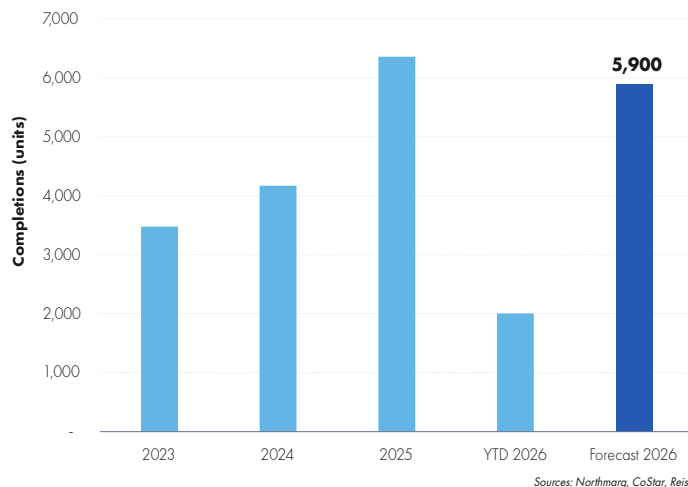
Local employers expanded payrolls by 0.4%.

EMPLOYMENT OVERVIEW



Year to date, approximately 2,000 units have been delivered.

DEVELOPMENT TRENDS

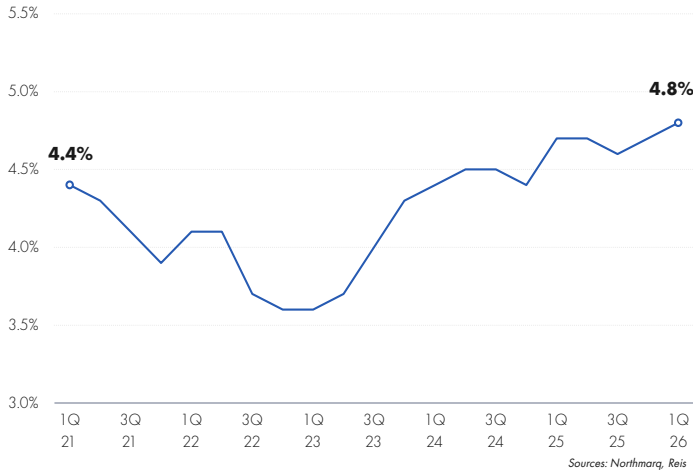


DEVELOPMENT & PERMITTING

- Development activity remained elevated in San Diego, building on peak levels of completions in 2025. Year to date, approximately 2,000 units have been delivered, up 45% from the same period in 2025.
- The construction pipeline remains elevated, even as projects are completed at a strong pace. There are currently projects totaling 9,000 units under construction, up 7% from one year ago.
- Multifamily permitting continued to trend downward at the start of the year, marking the third consecutive quarter of declines. Year to date, permits for roughly 1,300 units have been issued, down 25% from the fourth quarter of 2025.
- **FORECAST:** Multifamily deliveries are expected to slow by about 7% from 2025 to 2026, though it will still be one of the most active years on record. Projects totaling roughly 5,900 units are on track for completion this year, roughly 50% above the trailing five-year average.

Absorption has been improving in recent periods.

VACANCY TRENDS



VACANCY

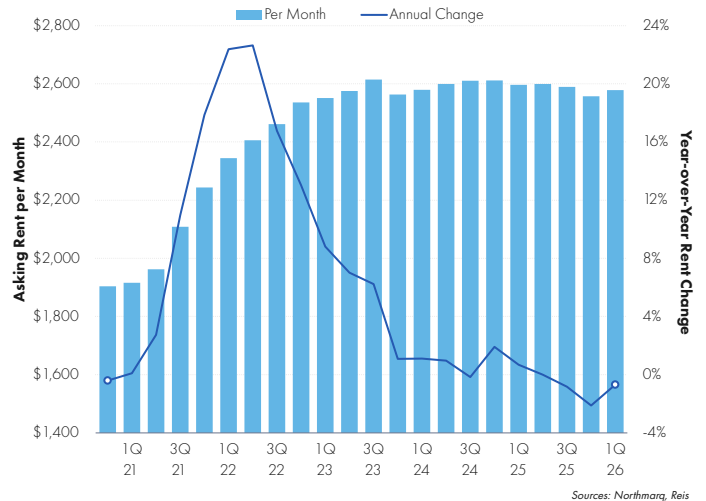
- The vacancy rate in San Diego inched higher in the opening months of the year, rising 10 basis points during the first quarter. Year over year, the vacancy rate increased 10 basis points to 4.8%.
- The Vista area is the leading submarket for vacancy improvement in San Diego. The vacancy rate in Vista decreased 110 basis points during the past 12 months to 4.9%.
- Absorption has been improving in recent periods. During the past 12 months, there have been 3,600 net move-ins in San Diego, an increase of 6% from the prior 12-month period.
- **FORECAST:** The vacancy rate is expected to continue rising, as incoming supply growth will likely exceed absorption in the coming quarters. By the end of 2026, vacancy is forecast to reach 5.0%, an increase of 30 basis points annually.

RENTS

- Asking rents in San Diego increased during the first quarter, rising 0.8% after trending lower through the previous two quarters. Year over year, asking rents are still down 0.7% at \$2,578 per month.
- The Escondido/San Marcos submarket is one of the leading submarkets for rent growth. During the past 12 months, asking rents in this area increased by 1.0% to \$2,084 per month.
- The La Jolla/University City submarket, the highest-rent submarket in the area, continues to post gains. Asking rents in La Jolla/University City increased 0.9% during the past 12 months to \$3,242 per month.
- **FORECAST:** Rents may fluctuate throughout the coming quarters, but they are forecast to end the year lower than current levels. Asking rents are expected to decline 1.0% annually, closing 2026 at roughly \$2,530 per month.

Rents in La Jolla/University City increased by 0.9%.

RENTS TRENDS

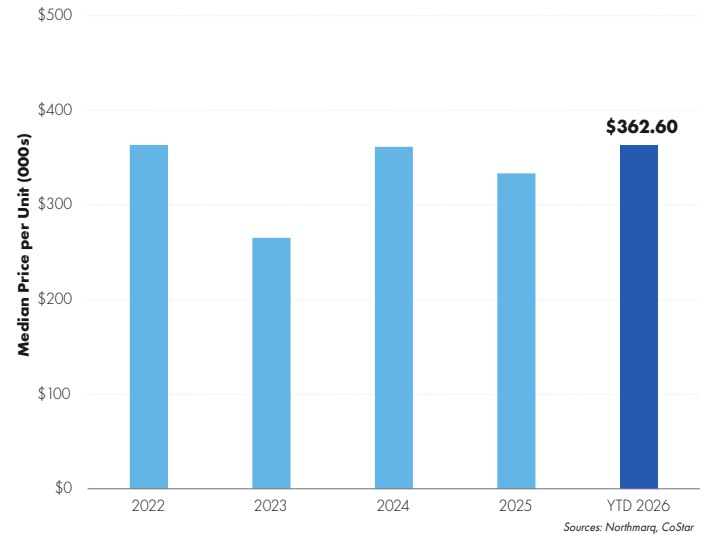


MULTIFAMILY SALES

- Multifamily sales activity in San Diego remained on trend with recent periods, with the first quarter transaction count matching the same period in 2025. Class B assets made up the greatest share of the transaction mix.
- Pricing has been strong to this point in the year. Year to date, the median sale price is \$362,600 per unit, up 9% from last year. Current pricing is closely tracking peak levels recorded in 2022.
- Cap rates in San Diego averaged 4.5% during the first quarter. Since 2023, average cap rates in San Diego have remained effectively unchanged.

The median sale price in San Diego is \$362,600 per unit.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

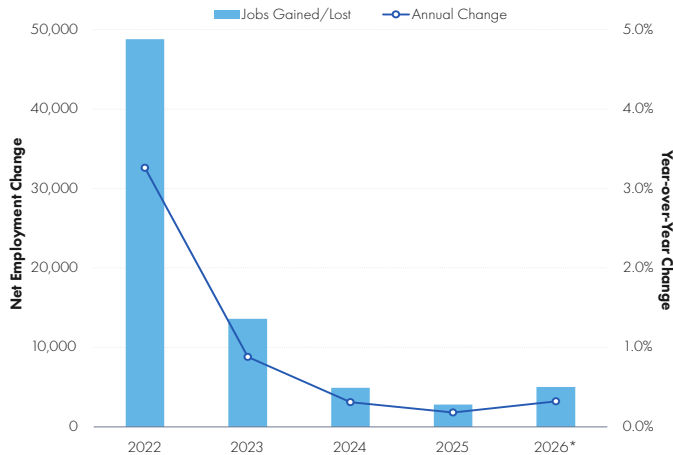
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
The Resort at Encinitas	1320 Via Terrassa, Encinitas	1984	198	\$109,995,000	\$555,530
Dylan Point Loma	2930 Barnard St., San Diego	2016	180	\$91,000,000	\$505,556
Haven Poway	13656 Hilleary Place, Poway	1985	107	\$38,800,000	\$362,617
La Roca Plaza	10032 N. Magnolia Ave., Santee	1974	100	\$26,500,000	\$265,000
Creekside Villas Apartments	220 47th St., San Diego	1984	144	\$14,500,000	\$100,694

LOOKING AHEAD

The robust construction pipeline will remain a key driver of rent and vacancy dynamics in San Diego in 2026. Although deliveries will decline from 2025 levels, they will still far exceed historical averages. Renter demand is expected to trail the pace of new supply, though the imbalance should ease, resulting in a modest increase in vacancy broadly in line with last year. Asking rents are forecast to continue edging lower, though the rate of decline is expected to slow to just 1.0% for the year. Even as new units come online at a strong pace, the development pipeline remains elevated. Balboa Park, one of the region's smallest submarkets, is recording some of the highest levels of construction activity in the region. In 2026 alone, inventory in this area is expected to expand by 14%.

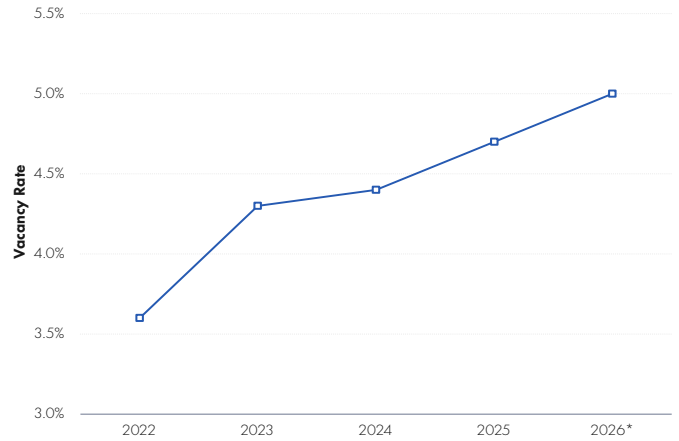
Multifamily investment sales activity in San Diego in 2026 is expected to accelerate from last year's pace, though the increase in total activity will likely be modest. While the transaction mix has been atypical to this point in the year, a normalization is expected over the remainder of the year. The share of Class B and Class C assets changing hands should rebalance as more lower-tier properties come to market. Class A properties are expected to continue trading, though their share of overall activity will likely remain modest, consistent with historical patterns. An increase in transactions is forecast for the Downtown, Balboa Park, and Chula Vista/Imperial Beach submarkets. These areas have all recorded little to no sales activity so far this year, despite typically ranking among the most active submarkets in San Diego.

EMPLOYMENT FORECAST



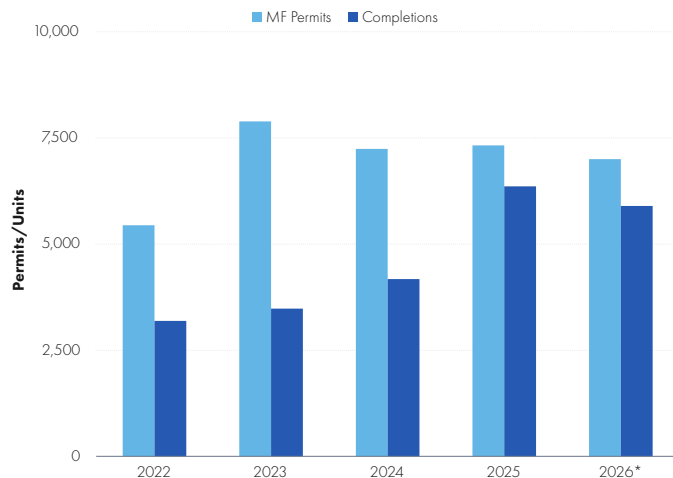
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



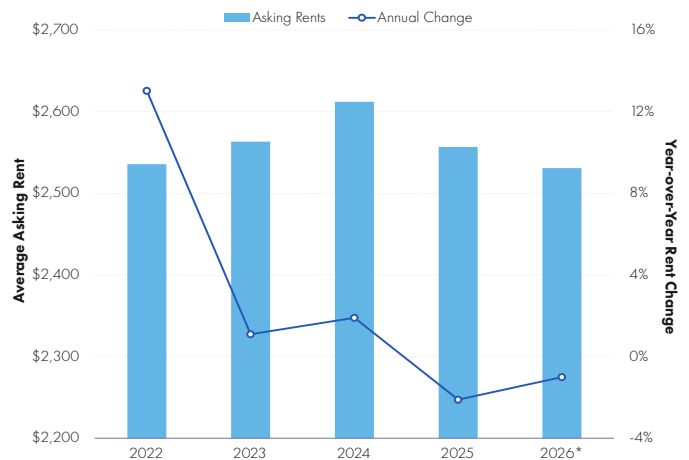
* Year End Forecast
Sources: Northmarq, Reis

CONSTRUCTION & PERMITTING FORECAST



* Year End Forecast
Sources: Northmarq, Census Bureau, CoStar, Reis

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, Reis



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