

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **8,886**

UNITS DELIVERED (YTD) **3,859**

MARKET FUNDAMENTALS



VACANCY RATE **5.0%**

YEAR-OVER-YEAR CHANGE **+30bps**

ASKING RENTS **\$2,598**

YEAR-OVER-YEAR CHANGE **-0.1%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$415,000**

SAN DIEGO MULTIFAMILY Q2 2026

MARKET INSIGHTS

Employment gains support fundamentals

HIGHLIGHTS

- Operating fundamentals in San Diego were generally positive during the second quarter, as asking rents increased while vacancy held steady. At the same time, new supply came online at an increased pace, bringing year-to-date completions to nearly 3,900 units.
- The vacancy rate remained in place during the second quarter, matching the first quarter at 5.0%. In the past year, the vacancy rate ticked higher, climbing 30 basis points.
- In the second quarter, rents increased 0.5% to \$2,598 per month. Asking rents are effectively the same as they were one year ago, remaining within \$5 per month of previous levels.
- Multifamily investment activity decelerated during the second quarter, though median pricing moved higher. Year to date, the median sale price is \$415,000 per unit, up 25% from last year. Cap rates remained stable at 4.7% on average.

SAN DIEGO MULTIFAMILY MARKET OVERVIEW

Multifamily operating conditions in San Diego stabilized during the second quarter, though property fundamentals remain a bit softer than they were one year ago. Conditions varied between individual areas, and some longer-term trends showed signs of shifting direction across several submarkets. While rents were generally closely tracking year-earlier levels, several of the area's largest submarkets posted modest gains, while some former leaders, such as Balboa Park, lost momentum. In the five-year period ending in 2025, rent growth in Balboa Park averaged nearly 10% annually. But in the past 12 months, rents in the submarket have dipped by nearly 2.0%. Submarket vacancies posted similar trends, with areas such as Clairemont/Linda Vista/Mission and National City/Chula Vista posting slight vacancy upticks into the mid-4% range. In contrast, Downtown San Diego still features the market's highest vacancy rate at 8.5%, but the figure has declined slightly from its early-2025 peak and rents have advanced by 3.0% in the past year.

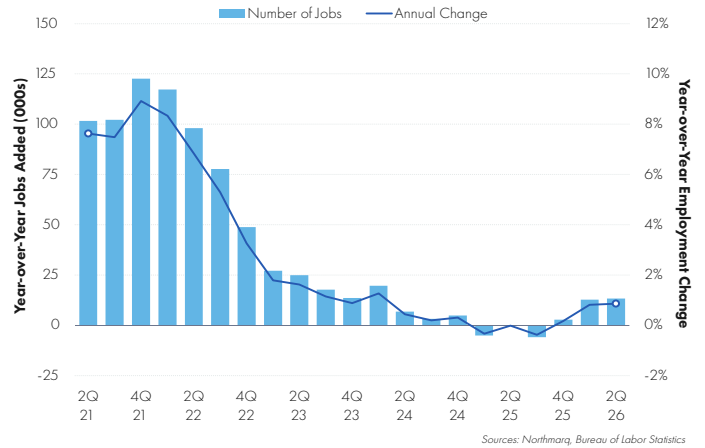
There were only a few properties that changed hands in the second quarter, though each sold at heightened pricing relative to its asset class. The increase in median pricing this year is being fueled by Class A properties accounting for a larger share of the total, as well as a steep increase in per-unit prices in Class B assets. To this point in 2026, Class A properties have accounted for approximately 30% of all sales, up from less than 10% last year. Pricing for Class B properties is up 40% this year, with a median sale price topping \$500,000 per unit. Much of that spike is being driven by location, with the bulk of the 2026 Class B sales occurring in coastal and higher-income areas such as La Jolla and Encinitas. Still, deals are occurring across the market, with no single submarket accounting for an outsized share of sales.

EMPLOYMENT

- San Diego has recorded solid employment gains in recent months. Year over year, total employment expanded by 0.9% as 13,400 positions were filled in the area. This marks the strongest annual growth rate in this market since early 2024.
- The leisure and hospitality industry continued to record especially strong growth. During the past 12 months, employers in this sector increased payrolls by 3.5% with the addition of 7,100 workers. This is the highest level of year-over-year growth for this sector since mid-2023.
- The professional and business services sector also accounted for an outsized share of total employment growth. Employers in this sector filled 3,200 new positions in the past 12 months, an increase of 1.2%.
- FORECAST:** Employment conditions in San Diego are expected to improve in 2026. Annual employment growth is forecast to reach 0.6% this year, with roughly 10,000 new positions being filled. This would make 2026 the strongest year for employment growth since 2023.

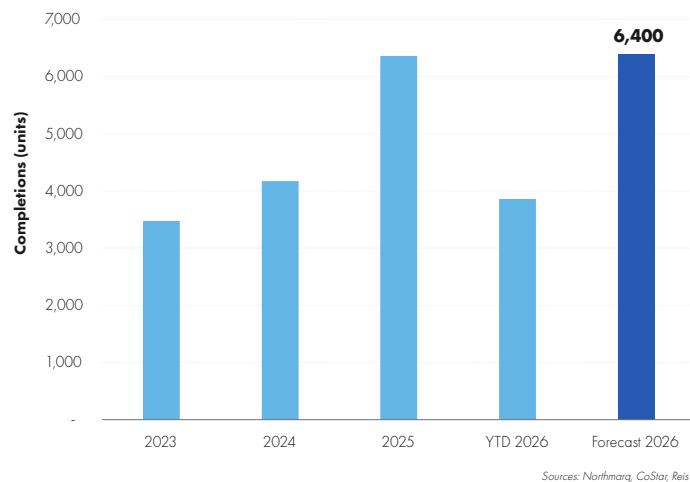
Total employment expanded by 13,400 positions.

EMPLOYMENT OVERVIEW



Year to date, approximately 3,900 units have been completed.

DEVELOPMENT TRENDS

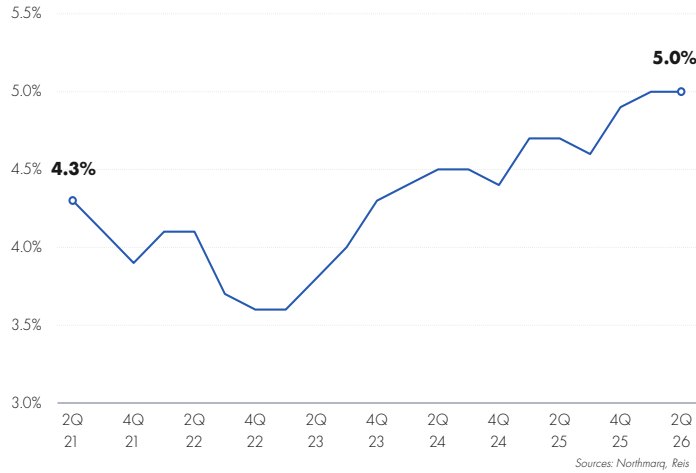


DEVELOPMENT & PERMITTING

- Developers continued to complete new multifamily properties at a strong pace in the second quarter. Year to date, projects totaling approximately 3,900 units have been completed, more than double the number of units delivered through the same point in 2025.
- While deliveries have been coming to the market at an elevated pace, the overall construction pipeline remains in line with one year ago. There are currently around 8,900 units under construction in San Diego.
- Multifamily permitting picked up in the second quarter, roughly doubling the number of permits issued during the first quarter. Still, year-to-date permitting remains down 27% from one year ago, with permits issued for roughly 2,600 units in the first half of 2026.
- FORECAST:** Total completions are expected to nearly match 2025 levels this year. Developers are projected to complete approximately 6,400 new units in 2026, marking a new cyclical high for new construction in San Diego.

Vacancy in San Diego remained flat at 5.0%.

VACANCY TRENDS



VACANCY

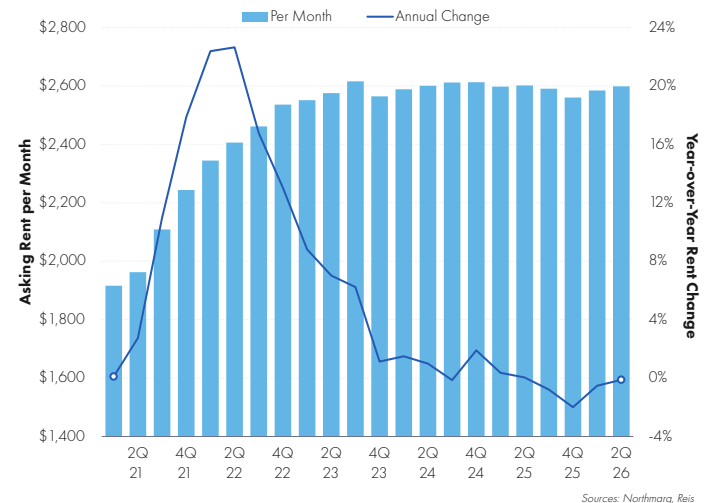
- The vacancy rate in San Diego went unchanged from the first quarter to the second quarter, remaining at 5.0%. Year over year, the vacancy rate is up by 30 basis points.
- The Mira Mesa/Rancho Bernardo submarket is leading the San Diego area in vacancy improvement. During the past 12 months, the vacancy rate in this submarket fell 120 basis points to 5.2%.
- Absorption has moderated from last year's pace. Year to date, San Diego has recorded roughly 1,100 net move-ins, down 15% from the first half of last year. Despite a slower start to the year, more than 3,600 units have been absorbed during the past 12 months.
- **FORECAST:** As elevated new supply continues to outpace absorption, vacancy is forecast to rise. By year-end 2026, the vacancy rate is estimated to reach 5.3%, an annual increase of 40 basis points.

RENTS

- San Diego asking rents ticked higher during the second quarter, rising 0.5% to \$2,598 per month. Despite the quarterly increase, rents are essentially unchanged from one year ago, down by less than \$5 per month from the second quarter of 2025.
- Three major submarkets led rent growth in San Diego. Downtown San Diego, Escondido/San Marcos and La Jolla/University City each posted year-over-year rent growth of 3.0%.
- Top-tier apartments outpaced middle-tier and lower-tier apartments in rent growth in the second quarter. During the past three months, asking rents in Class A properties increased by 1.0%, rising to \$3,074 per month.
- **FORECAST:** Rent growth is expected to flatten in coming months, though asking rents should still end modestly above 2025 levels in 2026. By year-end, rents are forecast to rise 1.5% to roughly \$2,600 per month.

Rents ticked higher during the second quarter.

RENTS TRENDS

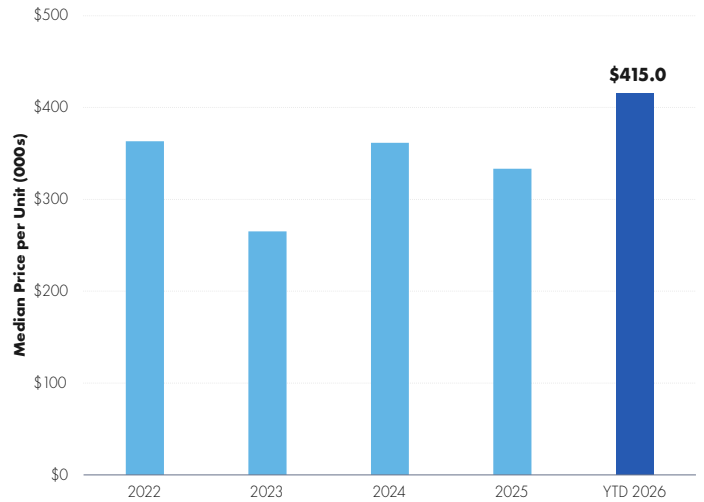


MULTIFAMILY SALES

- Multifamily investment sales activity slowed in the second quarter. In the first half of the year, total activity was down roughly 25% from the same period of 2025. Compared to 2023 and 2024, the year-to-date transaction count is still up significantly.
- Pricing has increased considerably in San Diego. Year to date, the median sale price is \$415,000 per unit, up 25% from last year and 14% above the prior peak recorded in 2022. A more balanced mix of sales across asset classes has contributed to the increase in median pricing.
- Multifamily cap rates in San Diego have held within a relatively narrow range since 2023. While some properties traded at cap rates above 6.0%, the average cap rate remained at 4.7% year to date.

The median sale price in San Diego is \$415,000 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

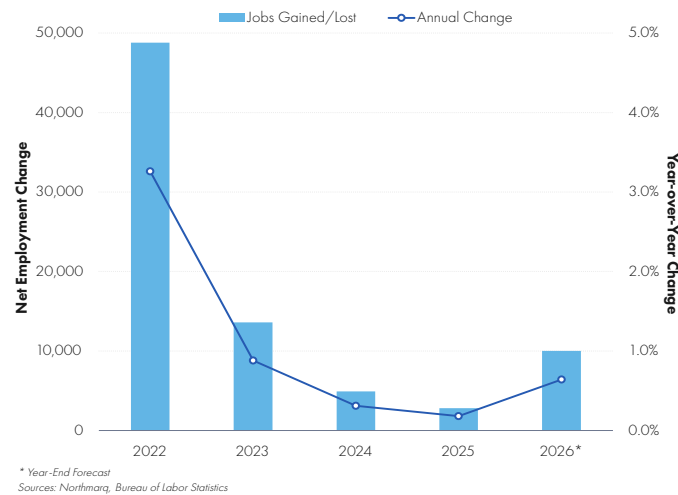
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
The Resort at Encinitas	1320 Via Terrassa, Encinitas	1984	198	\$109,995,000	\$555,530
Dylan Point Loma	2930 Barnard St., San Diego	2016	180	\$91,000,000	\$505,556
Haven Poway	13656 Hilleary Place, Poway	1985	107	\$38,800,000	\$362,617

LOOKING AHEAD

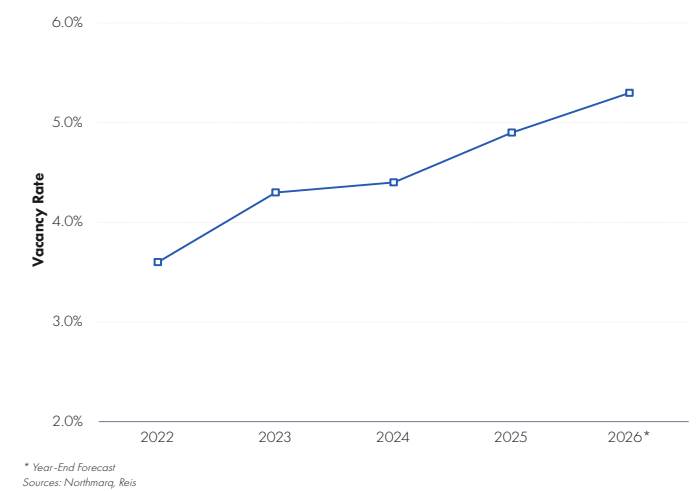
The sustained pace of construction will continue to weigh on the market. Completions are forecast to total roughly 6,400 units for the second consecutive year, nearly doubling the market's long-term annual average. More than half of the total deliveries for this year are slated to come online in Balboa Park and Mission Valley areas, which could create some isolated concentrated supply-side pressures. Market rents are expected to hold at current levels or move higher, though the vacancy rate will likely be impacted. Recent employment gains should help support renter demand in the market, offsetting much of the impact of the influx of new units. Permitting is forecast to slow this year, with around 20% fewer permits being issued than in 2025. As the development pipeline begins to shrink next year, there may be more significant improvement in both asking rents and vacancy.

Investment activity is expected to pick up in coming months, particularly in Downtown San Diego and Balboa Park, though total activity is likely to remain close to what was recorded in 2025. There should also be an uptick in sales in the Chula Vista/Imperial Beach and the East County submarkets, including cities such as El Cajon and La Mesa, though these are not expected to account for the outsized share of sales they have captured in recent years. If historical patterns hold, Class C assets should begin to account for a larger share of sales in the second half, reducing the concentration of Class A sales recorded thus far in 2026. Even so, Class A properties are still forecast to represent a larger-than-average share of transaction activity through year-end. Multifamily cap rates are expected to remain near their current average of 4.7%, consistent with the stability observed since 2023.

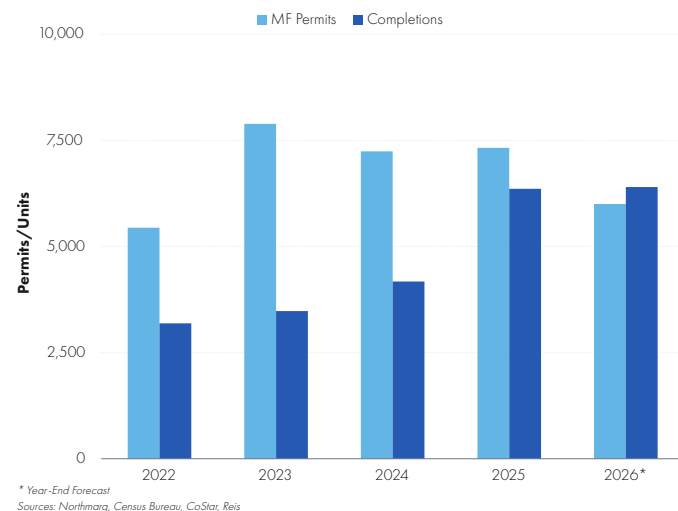
EMPLOYMENT FORECAST



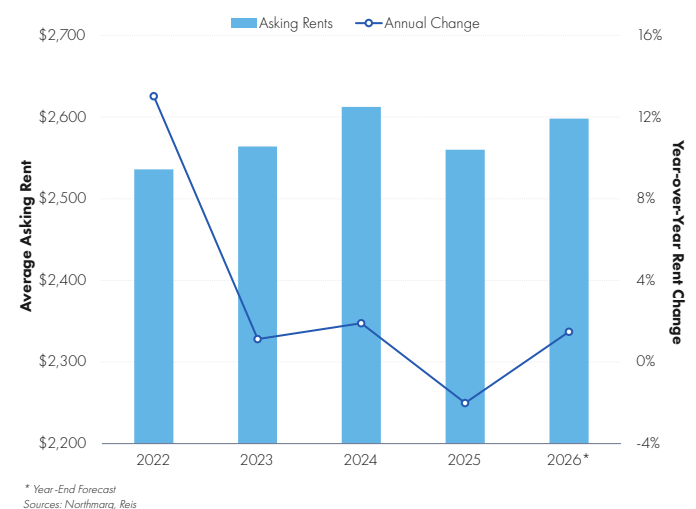
VACANCY FORECAST



CONSTRUCTION & PERMITTING FORECAST



RENTS FORECAST





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