

**CONSTRUCTION  
ACTIVITY**



UNDER CONSTRUCTION **9,820**

UNITS DELIVERED (YTD) **6,362**

**MARKET  
FUNDAMENTALS**



VACANCY RATE **4.8%**

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

ASKING RENTS **\$2,563**

YEAR-OVER-YEAR CHANGE **-1.9%**

**TRANSACTION  
ACTIVITY (YTD)**



MEDIAN PRICE PER UNIT **\$333,300**

**SAN DIEGO MULTIFAMILY  
Q4 2025**

MARKET INSIGHTS

# Inventory growth to decline following peak year

## HIGHLIGHTS

- Multifamily operating conditions in San Diego softened during the fourth quarter, ending the year with a rise in vacancy and a decrease in asking rents. Total completions in 2025 reached a cyclical high, with roughly 6,400 units delivered.
- The vacancy rate inched higher in the fourth quarter, rising by 10 basis points to 4.8%. Over the past year, area vacancy increased by 30 basis points, consistent with increases recorded in each of the past two years.
- Asking rents continued to decline during the fourth quarter, decreasing by 1.0% to \$2,563 per month. Year over year, area rents are down by 1.9%.
- Multifamily sales activity in 2025 outpaced 2024 levels, though it still fell short of historical norms. The median sale price in 2025 was \$333,300 per unit, down 8% from 2024. Cap rates averaged approximately 4.5% for the third year in a row.

## SAN DIEGO MULTIFAMILY MARKET OVERVIEW

Heightened supply growth in San Diego weighed on operating conditions in 2025. Total deliveries during the past year were up 52% from 2024, with projects totaling roughly 6,400 units coming online. While elevated inventory additions contributed to a higher vacancy rate, the annual increase was modest and consistent with the market's recent trends. San Diego has historically been resilient to significant changes in occupancy. Competitive leasing conditions put downward pressure on rents. Asking rents declined by 1.9% in 2025, offsetting rent growth recorded in 2024; the bulk of the annual decrease occurred during the closing months of 2025. The Chula Vista submarket highlighted the overall market trends over the past year as it contained the greatest share of new units while rents decreased and the vacancy rate inched 10 basis points higher.

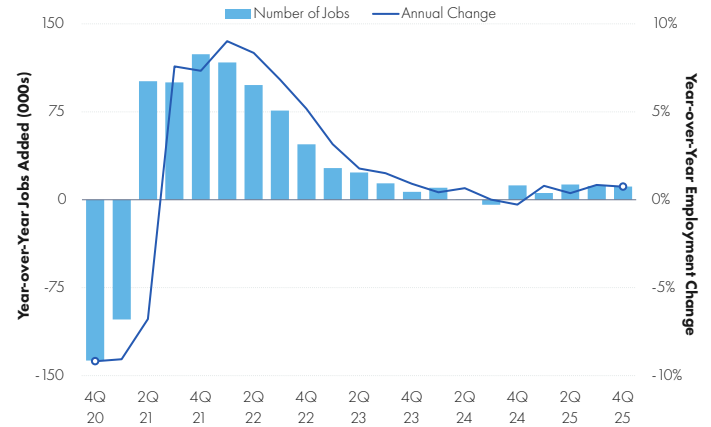
San Diego multifamily investment sales activity continues to build from the light levels recorded in 2023, though it still lags historical trends. The number of properties that traded in 2025 was 13% greater than the 2024 figure. Compared to the annual average from 2015 to 2019, multifamily sales activity is still down 21%. While market-wide pricing trended lower, some areas outperformed. In Chula Vista, the median price was \$409,500 per unit in 2025, up 38% from last year. Additionally, the median sale price in the South I-15 Corridor during the past year rose by 17% from 2024, driven by high-end sales in the Mount Carmel area. Cap rates remained within a tight range during 2025, with sales recording cap rates between the low-4% to low-5% range.

## EMPLOYMENT

- The San Diego labor market expanded in 2025, though at a modest pace. Area employers increased payrolls by 0.7% over the past year, adding 11,300 jobs. In 2024, total employment rose by 0.8%.
- Employment trends have been mixed across sectors. Private education and health services led San Diego in employment gains, adding 17,100 jobs year over year, an increase of 6.5%.
- Workforce investment may help support health services job growth. San Diego County has introduced new behavioral health workforce programs supported by a \$75 million state investment to expand the local provider pipeline.
- **FORECAST:** The pace of employment growth in San Diego is forecast to remain modest in 2026. During the next year, local employers are expected to grow payrolls by 0.6%, hiring an additional 10,000 workers across the market.

*Employers increased payrolls by 0.7% over the past year.*

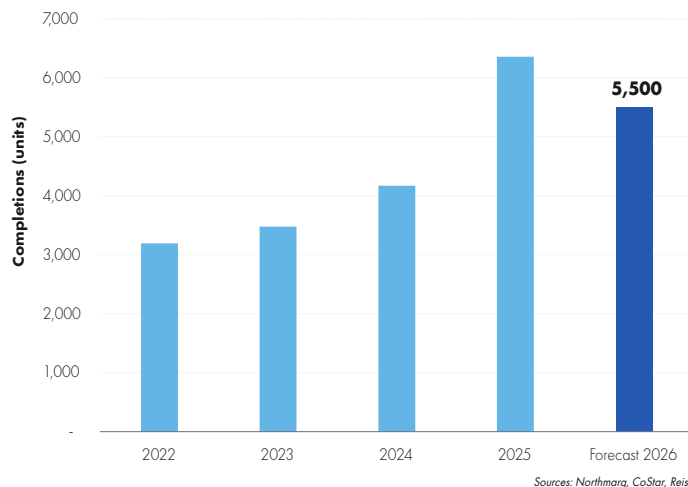
### EMPLOYMENT OVERVIEW



Sources: Northmarq, Bureau of Labor Statistics

*In 2025, projects totaling nearly 6,400 units were completed.*

### DEVELOPMENT TRENDS



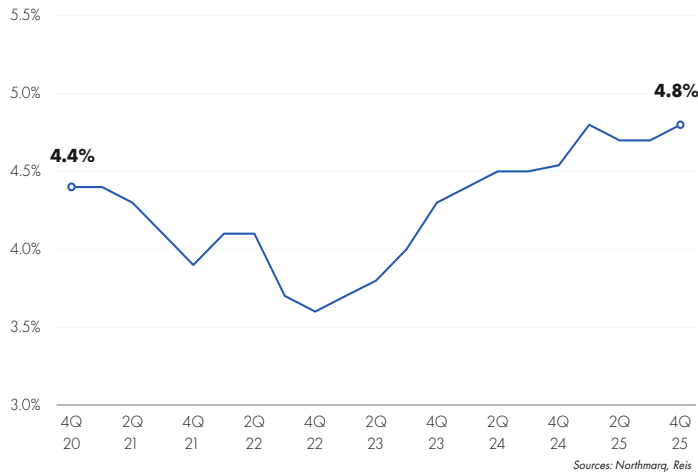
Sources: Northmarq, CoStar, Reis

## DEVELOPMENT & PERMITTING

- The pace of multifamily deliveries in San Diego continued to be strong through the closing months of the year. In 2025, projects totaling nearly 6,400 units were completed, a cyclical high for the market. During the trailing five years, there was an average of 3,000 units delivered per year.
- The total number of units currently under construction in the area has also reached a cyclical high. At the end of the year, there were projects totaling over 9,800 units under construction, up 26% from one year ago.
- Multifamily permitting tapered off from the elevated levels recorded in 2023 and 2024. There were permits for approximately 6,100 multifamily units pulled in 2025, down 16% from 2024. Over the past five years, permits have been issued for an average of 6,600 units per year.
- **FORECAST:** The pace of multifamily construction will remain elevated in 2026, though deliveries will pull back from the 2025 peak. Over the next year, roughly 5,500 units are on schedule for completion, down 14% annually.

*In 2025, there were roughly 3,100 total units absorbed.*

VACANCY TRENDS



VACANCY

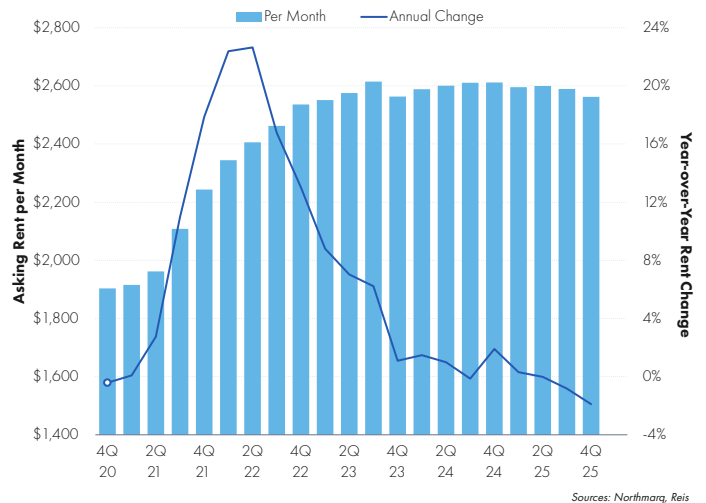
- Apartment vacancy in San Diego continued to trend higher during the fourth quarter, rising by 10 basis points to 4.8%. During the past year the vacancy rate rose 30 basis points.
- The La Jolla/University City submarket posted some of the best vacancy performance in the region. The vacancy rate in this submarket closed the year at 3.4%, down 40 basis points annually.
- In 2025, net absorption totaled roughly 3,100 units, nearly matching the 2024 figure. Renter demand peaked in 2021 and 2022, with net move-ins for approximately 4,500 and 4,700 units, respectively.
- **FORECAST:** The vacancy rate is expected to continue trending higher in 2026 as the pace of completions remains elevated, though increases should be lighter than they were in 2025. In the coming year, the vacancy rate is forecast to rise 20 basis points to 5.0%.

RENTS

- Multifamily rents in San Diego continued to soften during the closing months of the year, decreasing by 1.0% in the fourth quarter. Asking rents ended 2025 at \$2,563 per month, down 1.9% from the end of 2024.
- Rent declines in 2025 offset gains from the prior year. Longer term, rents have gained significant ground; five-year rent gains have totaled 35%.
- Balboa Park was the only submarket to record rent gains during the past year. In 2025, rents in this area advanced by 1.1% to \$2,208 per month. While growth was not positive, rental trends in the Escondido/San Marcos and La Jolla/University City submarkets were relatively flat in recent periods.
- **FORECAST:** Asking rents are projected to continue to trend lower during the next 12 months. Asking rents in San Deigo are forecast to end 2026 at \$2,538 per month, down 1.0% annually.

*Asking rents ended 2025 at \$2,563 per month.*

RENTS TRENDS

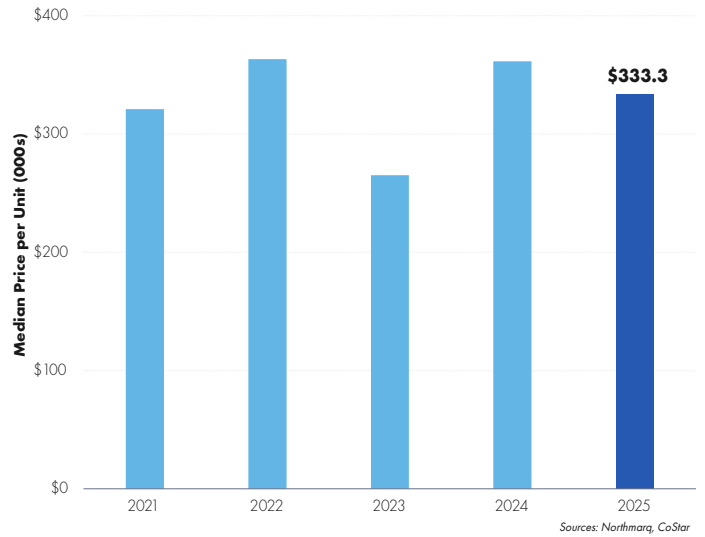


## MULTIFAMILY SALES

- Sales activity in the San Diego multifamily investment market accelerated from 2024 to 2025, even as momentum softened in recent months. Total sales during the past year outpaced levels recorded in 2024 by 13%.
- The median sale price in 2025 was \$333,300 per unit, down 8% from the prior year. Class A assets recorded a 31% increase in median asking price in 2025 while pricing on Class B and Class C apartments dipped.
- Cap rates in San Diego averaged roughly 4.5% in 2025, matching levels in both 2023 and 2024. The range of cap rates across individual sales was narrow, with the majority of recorded cap rates sitting within the low-4% to low-5% range.

The median sale price in 2025 was \$333,300 per unit.

### INVESTMENT TRENDS



## RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

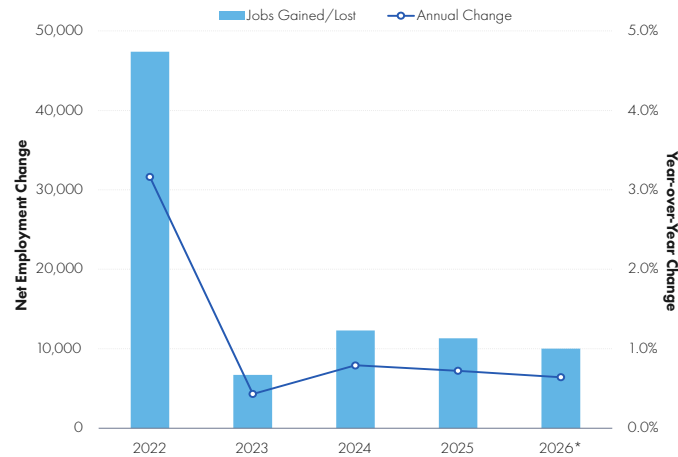
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Presidio at Rancho Del Oro	4401 Mission Ave., Oceanside	1987	264	\$102,500,000	\$388,258
Villa Del Mar	201 Los Arbolitos Blvd., Oceanside	1973	184	\$53,000,000	\$288,043
Stone Arbor	612 Los Arbolitos Blvd., Oceanside	1977	88	\$35,500,000	\$403,409
Alante	10211 Rancho Carmel Drive, San Diego	2025	50	\$24,460,000	\$489,200
Serra Grove	3280 Olive St., Lemon Grove	1975	64	\$14,250,000	\$222,656

## LOOKING AHEAD

Elevated construction activity will remain a key driver of shifting multifamily operating conditions in San Diego. While deliveries will cool from the 2025 peak, they are forecast to outpace the trailing five-year average by 41%. Renter demand is still expected to lag the pace of inventory growth, but the gap should narrow, keeping increases in vacancy modest and reducing some pressure on operators. Still, asking rents will likely trend lower, but decreases should be light. Multifamily construction is not expected to slow drastically, though it should continue to taper off in the next few years. Once inventory growth falls closer to historical norms, vacancy should stabilize and rent growth will resume.

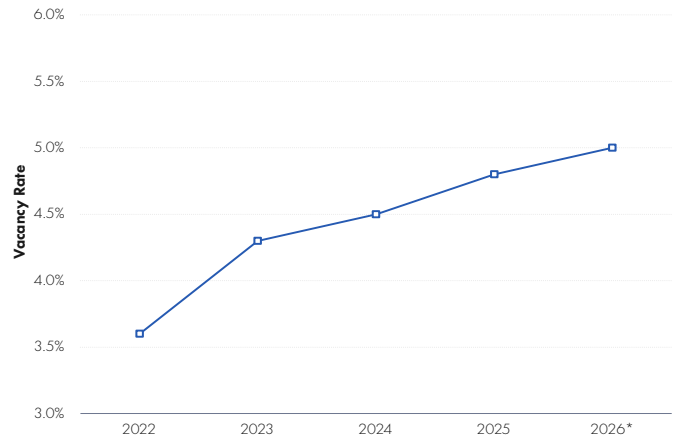
The pace of multifamily sales in San Diego is forecast to continue rising in 2026. Despite continued acceleration, activity is not expected to reach pre-2020 levels until 2027. There should be continued improvement in some of the areas that have been doing well already, such as the Chula Vista/Imperial Beach submarket where there has been a rise in development and increased interest from both investors and renters. Downtown San Diego is expected to return to being one of the more active submarkets in San Diego over the next year. Cap rates have held steady at 4.5% on average for the third year straight in 2025, so they are unlikely to record much change in either direction in 2026.

### EMPLOYMENT FORECAST



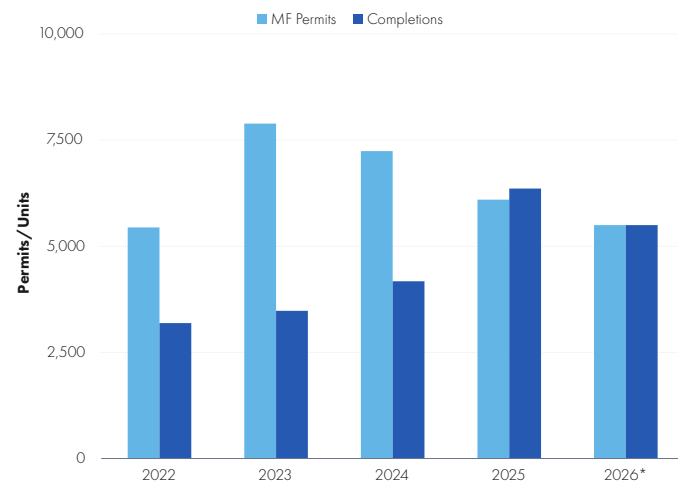
\* Year End Forecast  
Sources: Northmarq, Bureau of Labor Statistics

### VACANCY FORECAST



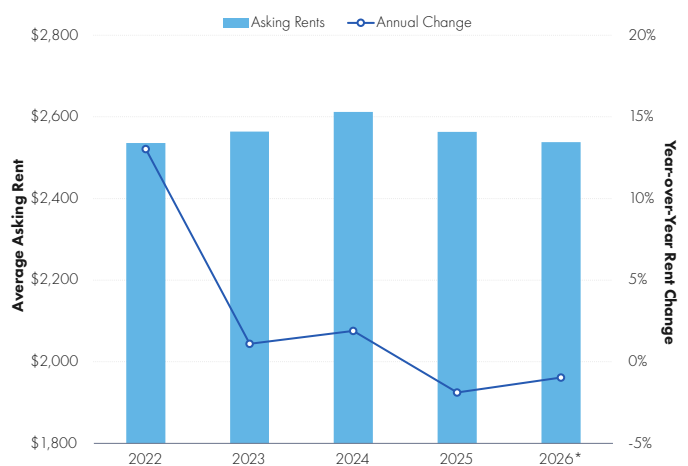
\* Year End Forecast  
Sources: Northmarq, Reis

### CONSTRUCTION & PERMITTING FORECAST



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

### RENTS FORECAST



\* Year End Forecast  
Sources: Northmarq, Reis



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