



**CURRENT MARKET CONDITIONS:**

- ↘ **UNEMPLOYMENT:** San Diego County unemployment rate is 4.2%
- ↗ **RENT:** Rents are expected to rise county-wide by 3%-5% in 2017
- ↗ **VACANCY:** 5.4% up from 2.6% from the Fall 2015 SDCAA Survey

**VACANCY RATES BY REGION:**

- **NORTH COUNTY** - 11.5 percent
- **CITY OF SAN DIEGO** - 3.4 percent
- **EAST COUNTY** - 3.2 percent
- **SOUTH BAY** - 3.7 percent

**SAN DIEGO COUNTY SALES STATS (5 - 50 Units) January 1, 2016 – December 31, 2016:**



	<u>AVG CAP</u>	<u>AVG GRM</u>	<u># of Sales</u>	<u>AVG \$/Unit</u>	<u>AVG \$/SF</u>
<b>NORTH COASTAL:</b>	4.03%	15.79	18	\$373,811	\$332
<b>NORTH INLAND:</b>	4.69%	12.64	45	\$164,807	\$164
<b>CENTRAL COASTAL:</b>	4.10%	13.43	51	\$263,413	\$341
<b>CENTRAL SAN DIEGO:</b>	4.84%	12.86	187	\$202,477	\$293
<b>EAST COUNTY:</b>	5.09%	12.04	33	\$159,400	\$190
<b>SOUTH BAY:</b>	4.87%	12.97	43	\$171,514	\$216

**SAN DIEGO COUNTY APARTMENT MARKET PERSPECTIVE:** January 2017

The local economy remains healthy as the region posted its fifth straight year of positive job growth. The San Diego apartment market continues to be strong for owners and operators as rents are forecasted for sustained growth at a 3%-5% pace in 2017. Vacancy rates for the region are steady around five percent county-wide – showcasing the high demand for rental housing in the region. However in mid-2016 – according to the SDCAA 2016 Fall Rental Survey – North County saw a spike in vacancy rates with the delivery of new apartment units in the Vista and Escondido submarkets.

Buyer demand remains strong with plenty of investors searching for both turnkey assets and properties that have a value-add component. Also, there's a consistent flow of 1031 exchange capital into the marketplace, which has been the status quo for some time. Interest rates have increased approximately 50 bps since the 2016 Presidential Election – however local and regional lenders continue to have an appetite for loans secured by multi-family assets. Conversely, we may begin to see the effects rising interest rates have on the market with rising capitalization rates and downward pressure on apartment values moving forward.

VACANCY DATA IS COLLECTED FROM THE SAN DIEGO COUNTY APARTMENT ASSOCIATION (SDCAA) FALL 2016 San Diego Vacancy & Rental Rate Survey; SALES DATA STATISTICS ARE PROVIDED VIA COSTAR COMPS: 5-50 UNITS FROM 1/1/2016 – 12/31/2016. UNEMPLOYMENT SOURCE: CA EDD January 20, 2017). Job growth and economic perspective via the San Diego Union Tribune, January 20, 2017. This information is for discussion purposes only and we believe to be reliable however, we make no representations or warranties, expressed or implied, as to the accuracy of the information. References to square footage or age are approximate. Principals must verify the information and bears all risk for any inaccuracies. Apartment Realty Group (ARG) and/or any affiliate and/or agent(s) is not qualified to provide, and have not been contracted to provide, legal, financial, or tax advice, and that any such advice regarding any investment by the recipients must be obtained from the recipients' attorney, accountant, or tax professional.

**THE APARTMENT MARKET SPECIALISTS**

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