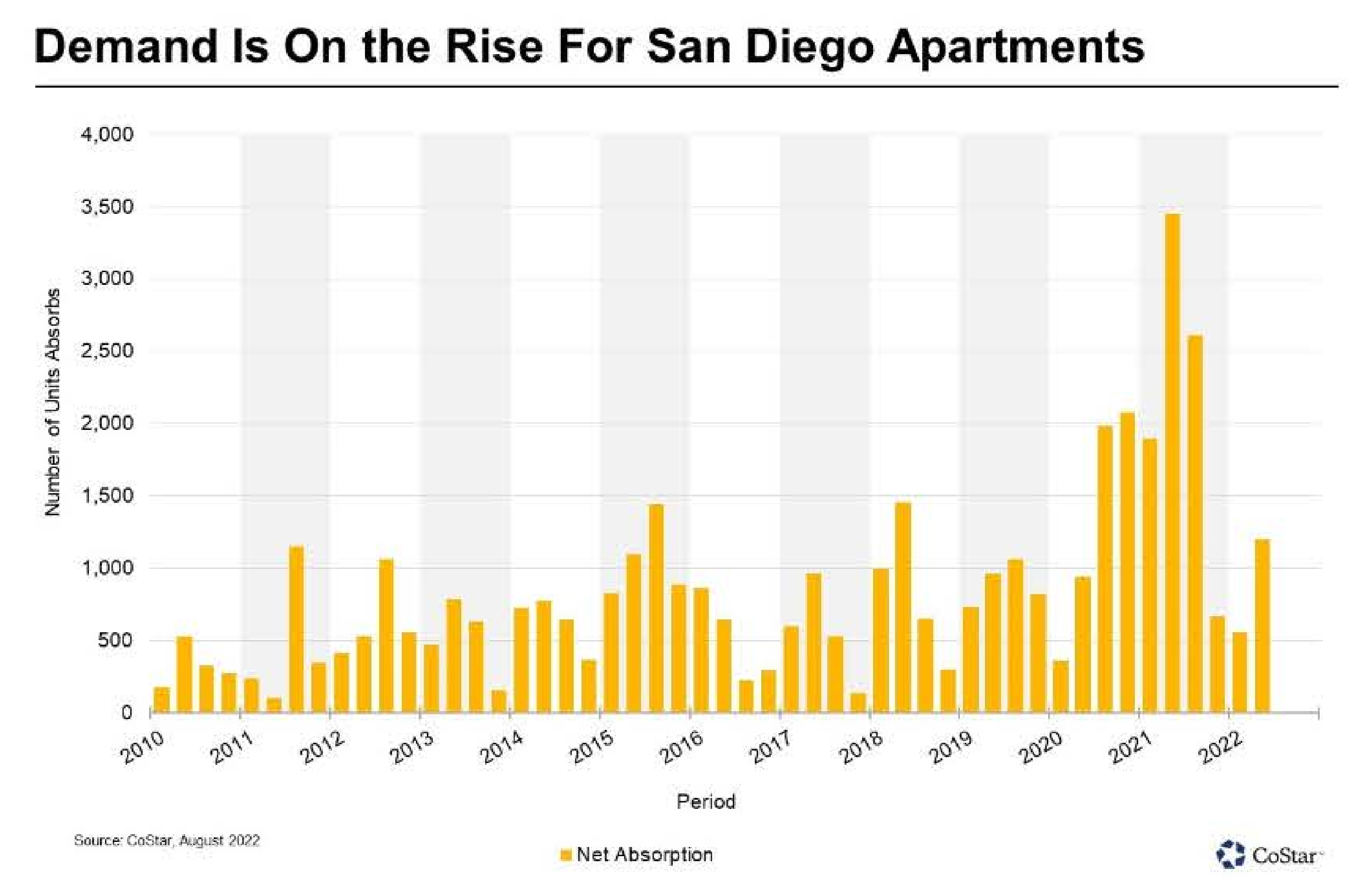
# San Diego Apartment Demand Accelerates, Bucking National Trend

## Buildings Owned By Area's Largest Landlords Are Nearly Full




By Joshua Ohl

Net absorption, or the change in leased and vacated apartment units, plunged during the second quarter across the United States. While still positive, nationwide absorption fell below the pre-pandemic average for the third-consecutive quarter.

San Diego had been heading toward a similar outcome, with net absorption moderating in the fourth quarter of 2021 through the first quarter of this year. However, multifamily absorption picked up in the second quarter, nearly equaling the demand seen across the prior two quarters combined, with more than 1,200 net units absorbed.

That was well ahead of the average absorption for the San Diego apartment market compared to pre-pandemic figures. Only two quarters between 2012 and 2019 outpaced that level.

As absorption accelerated in San Diego during the second quarter, it ground to a halt in Orange

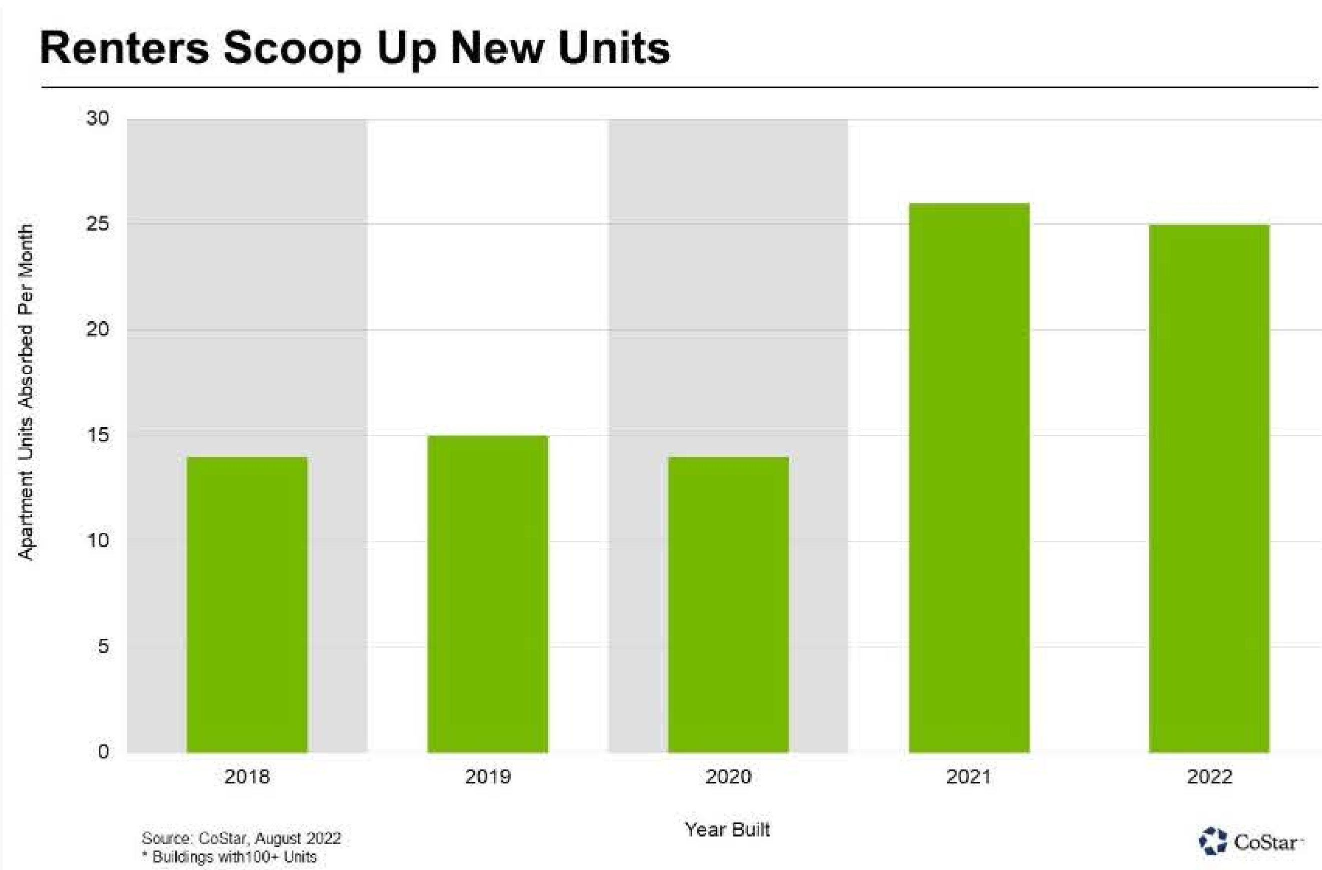
County. San Diego's neighbor to the north saw its lowest level of absorption in nearly five years.

Even as concerns of a recession and elevated inflation weigh on renter's wallets, particularly after average asking rents increased by nearly $500 per month over the past two years, most areas in San Diego saw an uptick in demand during the second quarter.

Mission Valley, including neighborhoods along the Interstate-15 corridor and around Balboa Park and University Town Center, saw the biggest jump in demand during the second quarter, each posting results that were ahead of the typical pre-pandemic quarter.

Conversely, North County saw demand fall in the second quarter for the first time in two years. Many renters in this area have chosen to move to southwest Riverside County, where residents can commute from Murrieta or Temecula into North County. The widespread adoption of hybrid and remote work has made that commute much more manageable when it's done only a few times a week.

Similarly, the north shore area that includes Carmel Valley and several beach towns saw demand fall for the second straight quarter. That is one of San Diego's priciest areas and strongest life science nodes, with average apartment rents near $3,450 per month. That has come after occupancy has trended near an all-time high of 98.5%.



Given pent-up demand for new units, more than 2,000 luxury apartments have delivered in 2022, and demand this year has largely kept pace with that new supply. Vacancy across the entire landscape of luxury apartments has fallen to 5.9%, its lowest level in more than a decade.

For new buildings that have opened this year, monthly absorption has averaged roughly 25 units per month during lease up. That’s a hair shy of last year’s pace of 26 units per month, and nearly double the trend between 2018 and 2020, when buildings averaged about 14 units per month.

Vacancy across all of San Diego is 2.7%, a tick higher than the historic trough of 2.6% captured in the second half of 2021. Among the top 10 largest owners of San Diego apartments, occupancy is reported at 98.5%.