

# Multi-Family Market Report

San Diego County  
Fourth Quarter 2009



# Multi-Family Fundamentals Remain Strong

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## Executive Summary

The consensus of the majority of current economic forecasts is that this recession is winding down, and that 2010 will be a year of modest economic growth, unlike the previous two years of negative growth. Once the economy starts to grow and job growth picks up, the multi-family market is expected to lead the recovery.

## Market Assessment

### Multi-Family Investment Market

Equity is accumulating on the sidelines and investor appetite for the most stable sector of commercial real estate – multi-family – is increasing. Despite the lack of multi-housing financing in recent months, aside from Fannie Mae and Freddie Mac, expect to see many seasoned investors, who initially searched for higher returns elsewhere, return to the San Diego market in 2010. Sales volume in San Diego is expected to be higher than it was in 2009 (\$648.2 million, according to CoStar) and banks and other lenders will also become more active but only with the most qualified buyers and with strict underwriting standards. However private equity will continue to be the main source of capital, creating great opportunities in 2010 and 2011 for all-cash buyers.

## Vacancy Rates

San Diego has seen the countywide multi-family vacancy rate increase over the Great Recession from 2.6 percent recorded in September of 2007 to 4.4 percent in September 2009, according to MarketPointe Realty Advisors. The North County Coastal market recorded the lowest vacancy rate in September of 2009 at 2.3 percent, while the East County market recorded the highest vacancy rate at 5.4 percent. Central County, South County, the Interstate I-15 Corridor and the Highway 78 markets recorded vacancy rates between four and five percent. The highest vacancy rate was reported in three (5.6 percent) and four (7.4 percent) bedroom apartments and the lowest in one (4 percent) bedroom apartments. Over the last year, many renters have doubled up or have moved back home in order to cut their living expenses. In addition, homeowners looking for extra cash have rented out spare rooms, guest homes and investment homes, which shadow and compete with existing apartment rentals. Despite the economic turmoil, the countywide vacancy rate is expected to remain around five to six percent on average in 2010, well below the national average of 12 percent.

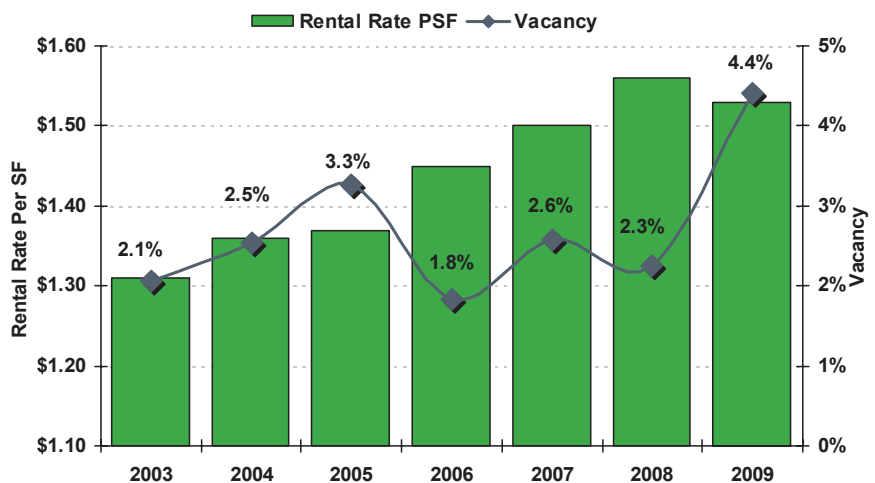
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## Multi-Family Vacancy Rate vs. Rental Rate per Square Foot

2009 as of 9/23/2009 Source: MarketPointe Realty Advisors



### Rental Rates

Rental rates countywide have decreased 1.6 percent from one year ago, but have increased overall 2.4 percent from September 2007 to September 2009, according to MarketPointe Realty. North County rental rates have increased 1.5 percent to \$1,388, while South County rental rates have increased 3.4 percent to \$1,261 from September of 2007 to September of 2009. Countywide rental rates are expected to remain stable in 2010 and increase as employment and household formation return to positive growth by the end of 2010 or early 2011. Coastal submarkets will continue to outperform the rest of the county with East County submarkets remaining the most affordable.

### Demographics & Demand

Despite the weak economy, San Diego remains one of the strongest multi-family markets in the country due to positive demographic trends and numerous barriers to entry, including high land costs, a large rental population (Generation Y renters) and extremely limited new multi-housing development. With the housing crisis in full force and high unemployment rates, renting is now becoming an economic and lifestyle choice. In San Diego, Generation Y (age 20 to 34) is currently estimated to be over 900,000 people and is larger than the local Baby Boomer population (age 45 to 63) of 770,000, according to SANDAG. Nearly 705,000 of the Generation Y cohort are at the prime renting age – between the ages of 24 and 34. This age group is forecasted to increase 5.5 percent from 2009 to 2010. In addition, there is an increased demand for senior housing due to increasing life expectancy and medical advances. The 65 and older age group is forecasted to increase 44.2 percent from 2009 to 2020 in San Diego County. All of these demographic factors positively affect the San Diego multi-housing market. In the coming year, expect to see many seasoned cash-rich investors, who initially searched for higher returns elsewhere, return to the San Diego market.

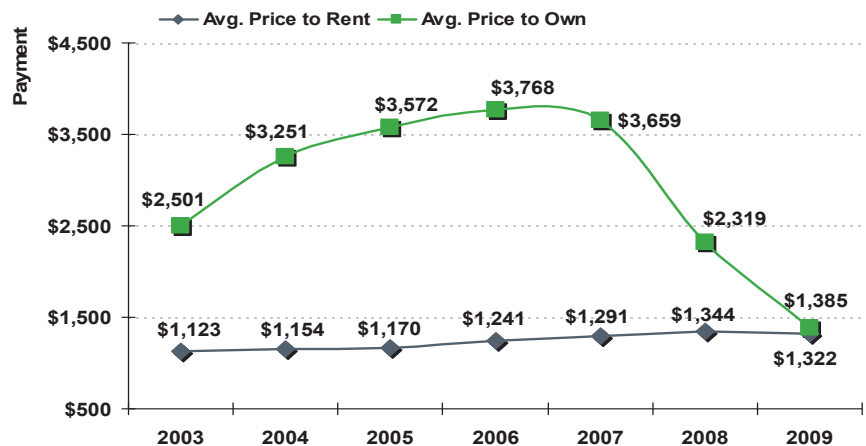
### Countywide Market Trend Indicators 25+ Units

Biannual Indicators as of 9/23/2009 / Quarterly Indicators as of 1/14/2010

BIANNUAL INDICATORS	CHANGE FROM		
	Current	Mar 09	Sep 08
Vacancy Rate	4.4%	↓	↑
Avg. Rent per SF	\$1.53	↓	↑
Avg. Rent per Unit	\$1,322	↓	↑
<small>*SOURCE: MARKETPOINTE REALTY ADVISORS</small>			
QUARTERLY INDICATORS	Current	Sep 09	Dec 08
Price per SF	\$140.80	↓	↓
Price per Unit	\$124,548	↑	↓
Number of Sales	13	↑	↓
<small>*SOURCE: COSTAR</small>			

### Cost to Rent vs. Own

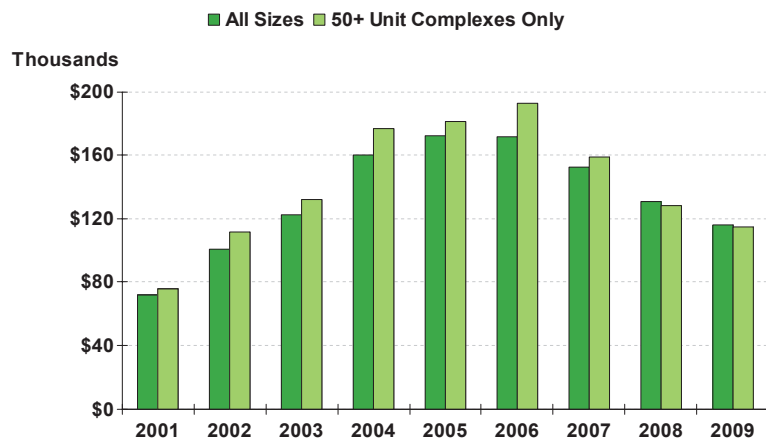
Avg. County Rental Rate vs. Avg. County Mortgage Payment



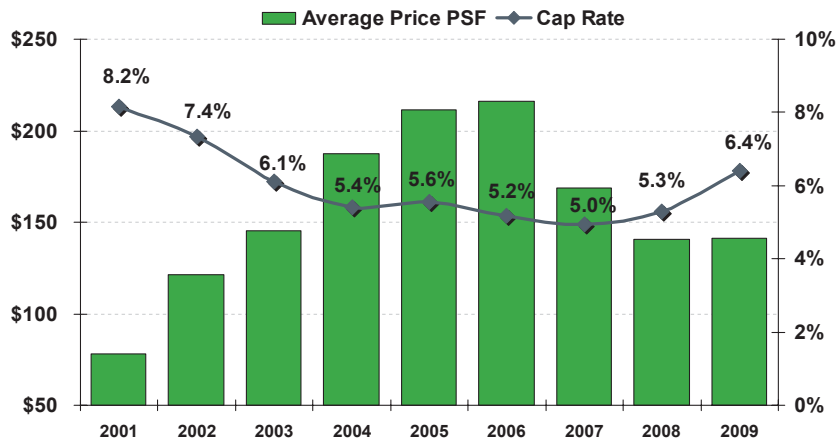
Source: MarketPointe Realty Advisors, California Association of Realtors, and Freddie Mac  
Avg. county mortgage payment calculated by taking national average rate 30 year fixed rate conforming mortgages and historic median sales prices of existing single family homes in San Diego County. Assumes 20% down payment.

### Average Sale Price per Unit

2009 as of 1/13/2010 Source: CoStar



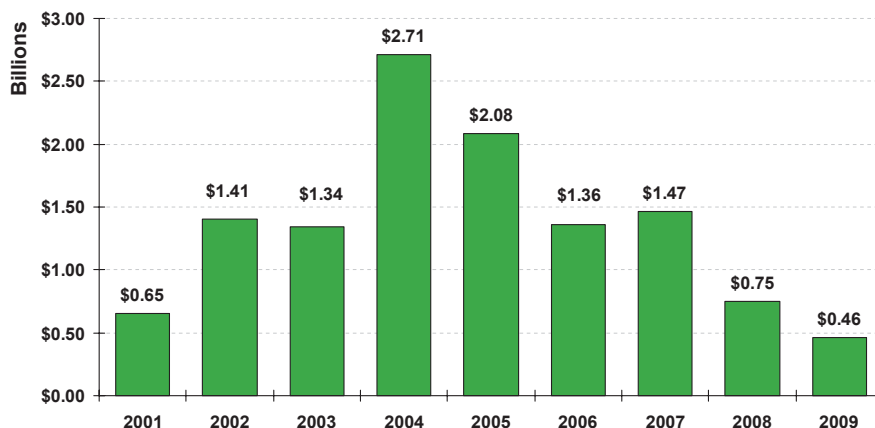
**Average Price per Square Foot and Cap Rate for 25+ Units**  
2009 as of 1/13/2010 Source: CoStar



**Average Monthly Rental Rate per Unit**  
Source: MarketPointe Realty Advisors



**Sales Volume for Properties 25+ Units**  
2009 as of 1/13/2010 Source: CoStar



**Feature Properties**



**Highland Canyon Apartments**

2721-2732 Highland Avenue  
San Diego, CA

Property Type: Multi-Family units

Sale Amount: \$690,000

Size: 8 units

Status: For sale. Available Bank REO.

Listed by: Kip Malo, Diane Miramontes, Darcy Miramontes



**2240 & 2260 Primrose Avenue**

Vista, CA

Property Type: Multi-Family units

Sale Amount: \$2,400,000

Size: 22 units

Status: In escrow

Sold by: Ray Adams

# Feature Properties



## The Pier Project in Little Italy

1902 & 1954 Kettner Boulevard San Diego, CA

Property Type: Commercial Land for Multi-Family, Condominiums, Hotel, Mixed-Use Development  
Deal Type: Investment  
Sale Amount: Unpriced  
Size: Permit ready for 212 multi-family units. Approved for up to 247 units. Approx. 1.31 acres.  
Status: For sale. Back on the Market. Seller motivated to close before their fiscal year end.

Listed by: Diane Miramontes, Lin Martin, Darcy Miramontes, Kip Malo



## Stoneridge by the Lake Condominiums

5707 Baltimore Drive, La Mesa, CA

Property Type: Fractured condominium project  
Sale Amount: \$6,680,000  
Size: 42 of 51 condominium units  
Status: Sold September 2009

Listed by: Diane Miramontes, Darcy Miramontes, Hunter Combs, Kip Malo



## 1984-1992 Abbott Street & 5113-5119 Saratoga Avenue

San Diego, CA

Property Type: Multi-Family investment located ocean front  
Sale Amount: \$4,700,000  
Size: 16 units with income  
Status: For sale

Listed by: Tim Winslow, Ray Adams, Jason Kimmel, Kevin Nolen



## Heritage at Canyon Pointe Condominiums

495-505 San Pasqual Valley Road, Escondido, CA

Property Type: Fractured condominium project  
Deal Type: Investment  
Sale Amount: \$5,500,000  
Size: 53 of 116 condominium units  
Status: Sold October 2009

Listed by: Diane Miramontes, Darcy Miramontes, Kip Malo, Hunter Combs

# Multi-Family Professionals



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## About Cassidy Turley BRE Commercial

We are a national team of dedicated commercial real estate professionals with a history of 100 years of successful client relationships which include \$15 billion in annual transactions, 420 million square feet of managed space and 22,000 Corporate Services locations. Our world-class expertise enables us to deliver integrated, tailored solutions around the globe. Our knowledge of local markets and deep industry connections allow us to achieve superior results. We are advocates for our clients and passionate about their long-term success. We are Cassidy Turley BRE Commercial.

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