San Diego-Carlsbad, California

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of September 1, 2018

Housing Market Area

The San Diego-Carlsbad Housing Market Area (HMA) is coterminous with the San Diego-Carlsbad, CA Metropolitan Statistical Area (MSA) and San Diego County in southern California. Situated along the Pacific Coast, the HMA is an economic hub for the education, healthcare, military, scientific research, and tourism industries in the southern California region, a 10-county area that stretches from San Luis Obispo to the Mexican border.

Summary

Economy

The San Diego-Carlsbad HMA economy has expanded for more than 7 consecutive years since the Great Recession. Recent economic growth in the HMA has slowed, however—a common trend in the southern California region. Nonfarm payrolls in the HMA increased by 25,500 jobs, or 1.8 percent, to 1.47 million jobs during the 12 months ending August 2018. During the 3-year forecast period, nonfarm payrolls in the HMA are expected to increase an average of 1.4 percent a year.

Sales Market

Sales housing market conditions in the HMA are balanced, with an estimated 0.9-percent vacancy rate, down from 1.9 percent in 2010. During the next 3 years, demand is estimated for 11,350 new homes (Table 1). Demand is expected to increase slightly in the second and third years of the forecast period because of slightly greater levels of net in-migration. The 850 single-family homes and 450 condominium units under construction will satisfy some of the forecast demand.

Rental Market

Rental housing market conditions in the HMA are balanced, and the vacancy rate is estimated at 4.2 percent, down from 5.6 percent in 2010. An increase in renter households since 2010 contributed to the absorption of excess vacant rental units. During the forecast period, demand in the HMA is expected for 11,250 new market-rate rental units (Table 1). The 7,450 rental units currently under construction and 720 units in planning will meet most of the demand during the first and second years of the forecast period.

Table 1. Housing Demand in the San Diego-Carlsbad HMA During the Forecast Period

	San Diego-Carlsbad HMA	
	Sales Units	Rental Units
Total Demand	11,350	11,250
Under Construction	1,300	7,450

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of September 1, 2018. The forecast period is September 1, 2018, to September 1, 2021.

Source: Estimates by analyst

Market Details

Economic Conditions

The San Diego-Carlsbad HMA serves as a major employment center in the nation for military and defense industries and, in the southern California region, for education, health care, scientific research, and tourism. The military and defense industry has been important to the HMA economy since the mid-1800s, when the southern portion of the Point Loma peninsula was set aside for military purposes. Currently, the HMA is home to 11 military bases and has the largest concentration of military personnel in the world (San Diego Military Economic Impact Study 2017). In 2017, HMA military bases supported more than 340,000 direct and indirect jobs and $21.7 billion in wages, with an overall economic impact on the HMA of $50.1 billion. Among the military bases in the HMA, 5 are among the 10 largest employers (Table 2). Marine Corps Base Camp Pendleton, with 5,425 civilian employees and 36,000 active-duty military personnel, is the largest employer in the HMA, followed by Naval Base San Diego, the third largest employer, with 8,325 civilian employees and 21,825 active-duty military personnel. Overall, civilian defense jobs account for nearly one-half of all federal government jobs in the HMA, or 9 percent of all jobs in the government sector, the largest sector in the HMA (Figure 1). In addition to the military, two major public universities—University of California, San Diego (UC San Diego) and San Diego State University (SDSU)—support government sector jobs. Both universities have a combined 35,750 employees, provide $2.2 billion in wages, and have overall spending of $9.9 billion annually (UC San Diego and SDSU, 2017). The presence of the military and higher education in the HMA has contributed to growth in the scientific research industry, predominantly in the fields of wireless telecommunications and biotechnology. The 70 miles of coastline that border the HMA to the west have contributed not only to the presence of naval bases but also to growth in tourism. Combined, the scientific research

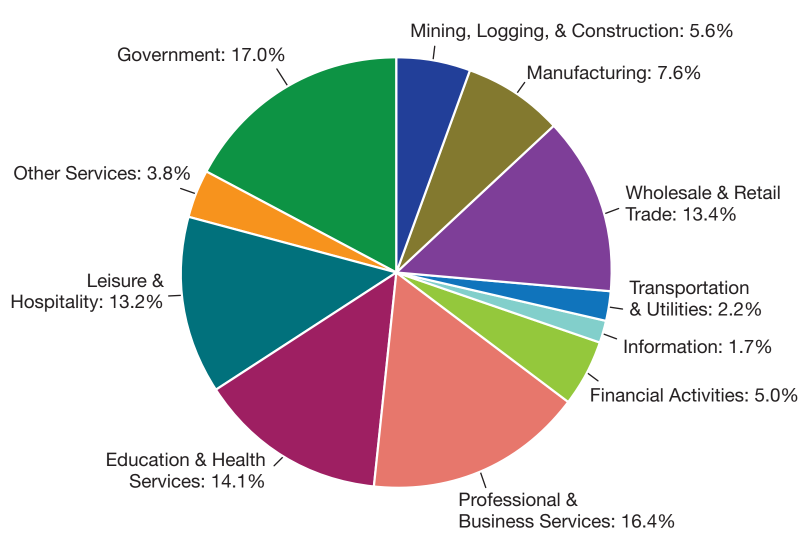
Table 2. Major Employers in the San Diego-Carlsbad HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Marine Corps Base Camp Pendleton	Government	41,425
University of California, San Diego	Government	30,675
Naval Base San Diego	Government	30,150
Naval Base Coronado (including Naval Air Station North Island)	Government	23,300
Sharp HealthCare	Education & Health Services	17,800
Scripps Health	Education & Health Services	14,850
Qualcomm Inc.	Manufacturing	12,600
Naval Base Point Loma	Government	9,800
Marine Corps Air Station Miramar	Government	9,575
Kaiser Permanente	Education & Health Services	8,375

Notes: Excludes local school districts. Data includes military personnel, who are generally not included in nonfarm payroll survey data.

Sources: City of Carlsbad; City of San Diego; San Diego Business Journal, 2017; *San Diego Military Economic Impact Study, 2017*

Figure 1. Current Nonfarm Payroll Jobs in the San Diego-Carlsbad HMA, by Sector



Notes: Based on 12-month averages through August 2018. Numbers may not add to 100 percent due to rounding.

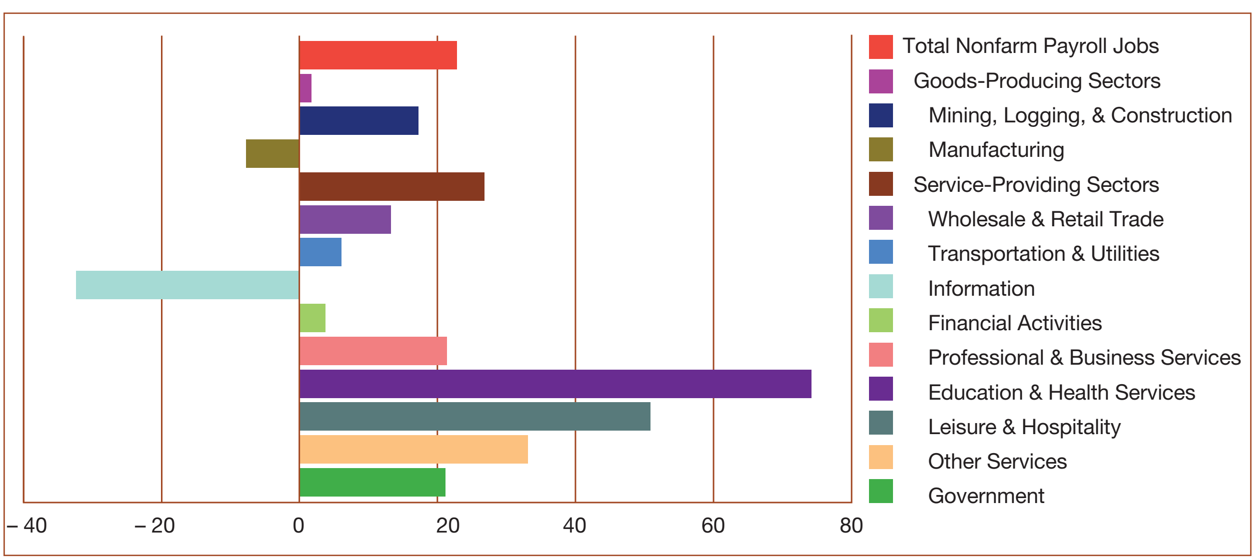
Source: U.S. Bureau of Labor Statistics

industry supports 37,000 jobs and has an annual economic impact on the HMA of $4.6 billion (San Diego Regional Economic Development Corporation, 2017). In the tourism industry, the economic impact of the 35 million visitors to the HMA in 2017 was $17.9 billion on the HMA (San Diego Tourism Authority). Overall, the leisure and hospitality sector has been among the top growth sectors in the HMA, following the education and health services sector, which combined have accounted for more than one-half of total annual nonfarm payroll gains since 2000 (Figure 2).

The economy of the HMA since 2000 has expanded by an average of 15,300 jobs, or 1.2 percent, a year, mostly because two periods of economic expansion—one during the early to mid-2000s and the other since 2010—offset one contraction. From 2001 through 2007, nonfarm payrolls increased by an average of 17,700 jobs, or 1.4 percent, annually to 1.32 million. Approximately 64 percent of the gain occurred in the education and health services, the leisure and hospitality, and the professional and business services sectors, up by an annual average of 3,500, 4,600, and 3,200 jobs, or 2.7, 3.3, and 1.5 percent, respectively. The healthcare industry accounted for 85 percent of growth in the education and health services sector, with the largest concentration in nursing and residential care facilities, which added an average of 300 jobs annually. In the leisure and hospitality sector, a more than 100-percent increase in the number of visitors from 2001 to 2007, along with the opening of 56 hotels that added approximately 1,800 jobs during the period, contributed to sector gains. The professional and business services sector benefited from expansions in the scientific and technical services industry, which accounted for 96 percent of the sector increase and was up by an average of 3,100 jobs, or 3.0 percent, annually. Overall, job growth in the HMA from 2001 through 2007 increased at a faster rate than the 0.6-percent rate for the nation and the 1.3-percent rate for the southern California region.

By the end of 2007, the Great Recession began and payrolls in the HMA declined by an average

Figure 2. Sector Growth in the San Diego-Carlsbad HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through August 2018.
Source: U.S. Bureau of Labor Statistics

of 27,300 jobs, or 2.1 percent, a year from 2008 through 2010, to 1.24 million. The rate of job loss in the HMA was more severe than in the nation but less severe than in the southern California region, which were down annual averages of 1.9 and 2.8 percent, respectively. Approximately 88 percent of the net losses in the HMA occurred in the mining, logging, and construction, the professional and business services, and the wholesale and retail trade sectors. A 10,500-job reduction in the construction subsector contributed to nearly all the losses in the mining, logging, and construction sector partly because of reduced housing development. In the professional and business services sector, one-third of the decline resulted from a contraction in the scientific and technical services industry. Mass layoffs at companies including Intuit Inc., Verari Systems, Inc., and DivX, LLC contributed to the industry contraction. A decrease in retail trade jobs accounted for more than two-thirds of the losses in the wholesale and retail trade sector. During the period, two Home Depot Expo Design Centers were closed because of reduced demand for home projects during the economic downturn, leading to 290 jobs lost in the retail trade subsector.

Following the economic contraction, nonfarm payrolls in the HMA expanded by an average of 30,400 jobs, or 2.3 percent, annually from 2011 through 2016 to 1.42 million, a faster rate of growth than during the previous decade. This pace led nonfarm payrolls in the HMA to surpass prerecessionary levels by the end of 2014. The rate of job growth was also faster than the 1.7-percent rate for the nation and the 2.2-percent rate for the southern California region. The education and health services, the leisure and hospitality, and the professional and business services sectors combined accounted for more than one-half of the total job increase in the HMA during the period. A 400-job gain in the biotechnology industry, including 125 jobs added at J. Craig Venter Institute, and a growing number of nursing facilities, which added 3,900 jobs, contributed to respective payroll gains in the professional and business services and the education and health services sectors. In the leisure and hospitality sector, an increase in the number of new hotels of 21 added approximately 850 jobs to the sector.

Since 2016, nonfarm payrolls in the HMA have continued to expand but at a slower pace. Payrolls were up by 25,500 jobs, or 1.8 percent, to 1.47 million jobs during the 12 months ending August 2018 compared with the previous 12-month period (Table 3). The rate of job growth in the HMA was the same as that of the southern California region but higher than that of the nation, which increased 1.6 percent. A 1,500-job loss in the leisure and hospitality sector contributed the most to the slowdown in the HMA. Approximately 650 layoffs at San Diego Gaming Ventures, LLC contributed to sector losses. Gains in the construction subsector and the education and health services and the professional and business services sectors, which were up by 3,400, 5,300, and 8,700 jobs, or 4.4, 2.6, and 3.8 percent, respectively, offset the loss. Part of the gain in the education and health services sector was attributed to the opening of the $850 million Kaiser Permanente San Diego Medical Center, which added 1,000 jobs. In the professional and business services sector, approximately

Table 3. 12-Month Average Nonfarm Payroll Jobs in the San Diego-Carlsbad HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	August 2017	August 2018		
Total Nonfarm Payroll Jobs	1,445,500	1,471,000	25,500	1.8
Goods-Producing Sectors	187,100	193,800	6,700	3.6
Mining, Logging, & Construction	78,600	82,100	3,500	4.5
Manufacturing	108,500	111,800	3,300	3.0
Service-Providing Sectors	1,258,400	1,277,100	18,700	1.5
Wholesale & Retail Trade	196,700	197,500	800	0.4
Transportation & Utilities	31,200	31,700	500	1.6
Information	24,400	24,400	0	0.0
Financial Activities	73,700	74,000	300	0.4
Professional & Business Services	232,000	240,700	8,700	3.8
Education & Health Services	202,600	207,900	5,300	2.6
Leisure & Hospitality	196,100	194,600	– 1,500	– 0.8
Other Services	54,700	56,200	1,500	2.7
Government	247,000	250,200	3,200	1.3

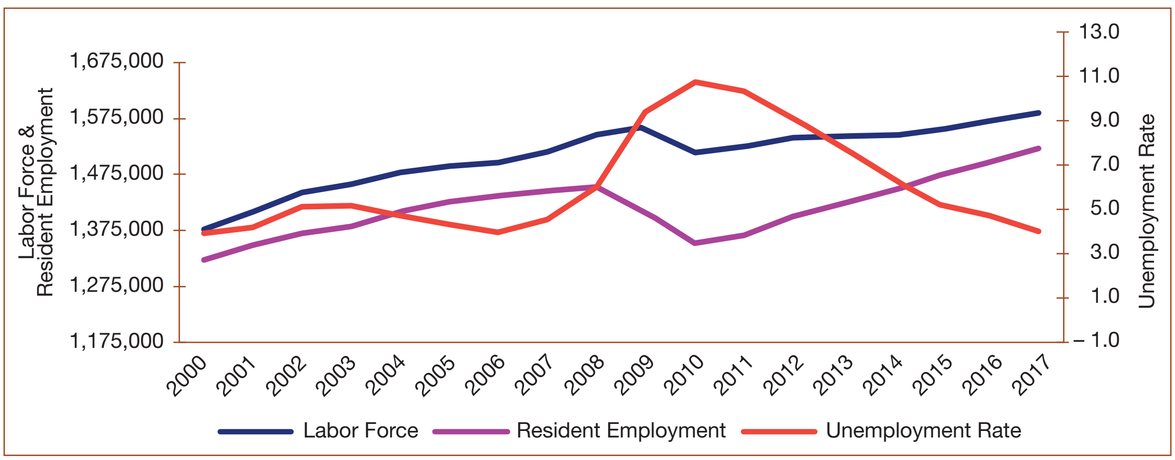
Notes: Based on 12-month averages through August 2017 and August 2018. Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

5,300 jobs were added in the scientific and technical services industry, including 100 jobs Inovio Pharmaceuticals, Inc. added.

As the economy of the HMA continued to expand during the 12 months ending August 2018, the average unemployment rate decreased to 3.4 percent, down from 4.3 percent a year earlier. The current unemployment rate is below the 4.3-percent rate for the southern California region and the 4.0-percent rate for the nation. The unemployment rate in the HMA decreased because of higher growth in resident employment relative to the labor force. Figure 3 shows trends in the labor force, resident employment, and the average unemployment rate in the HMA from 2000 through 2017.

During the 3-year forecast period, nonfarm payrolls in the HMA are expected to increase by an average of 21,100 jobs, or 1.4 percent, annually. The contraction in the leisure and hospitality sector is expected to reverse, whereas expansions in the healthcare and military defense industries are expected to contribute to overall

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the San Diego-Carlsbad HMA, 2000 Through 2017



Source: U.S. Bureau of Labor Statistics

payroll gains. The $226 million Sycuan Casino hotel and resort expansion is expected to add 700 jobs to the leisure and hospitality sector when complete, by early 2019. In addition, a $450 million Ritz Carlton development will include the opening of a 160-room hotel by 2022, which will add approximately 50 new jobs. Sharp HealthCare, the largest healthcare provider in the HMA with 17,800 employees, is planning to add 510 jobs throughout the HMA by the end of 2020. In the defense industry, contract spending on private HMA employers, which was $9.2 billion in 2017 (Propel San Diego), is expected to increase during the next 3 years, helping to support private-industry growth. Defense contractors include General Atomics, the second largest manufacturer in the HMA with approximately 7,675 employees, which is planning to add nearly 500 jobs during the next year.

Population and Households

The population of the San Diego-Carlsbad HMA is estimated at nearly 3.35 million, as of September 1, 2018. San Diego County is the second most populated county in California, following Los Angeles County, and the fifth most populated in the nation. The city of San Diego is the largest city in the HMA, with 1.29 million residents as of January 2018 (California Department of Finance). Other population centers in the HMA include the cities of Carlsbad, Chula Vista, Escondido, and Oceanside, with more than 100,000 residents each.

During most of the period since 2000, economic conditions, mortgage lending standards, and housing prices have generally influenced trends in migration and overall population growth in the HMA. Significant changes in military personnel, some of whom bring dependents, have also affected population trends, whereas increasing enrollment at UC San Diego and SDSU have helped to support in-migration to the HMA. A combined 70 percent of the added students come from outside the HMA. Since 2000, of the increased enrollment, an average of 3,100 students came from outside the HMA, annually, to attend either university (UC San Diego and SDSU data). In addition to in-migration, net natural increase (resident births minus resident deaths), which has accounted for an overall 85 percent of growth since 2000, has also supported population growth in the HMA.

From 2000 to 2003, a period of economic expansion, population growth in the HMA averaged 40,050 people, or 1.4 percent, a year, as net in-migration to the HMA averaged 15,400 people a year. In addition to people moving to the HMA for jobs or to attend university, growth in military personnel and military dependents, which averaged 9,525 people annually, contributed to overall population gains. By the end of 2003, lenient mortgage-lending standards and continued economic growth led to increased homebuying and a surge in residents moving away from the HMA. Residents mainly moved to neighboring Riverside County (Internal Revenue Service migration data), where new homes were being developed at prices that averaged $128,500 less than in the HMA. From 2003 to 2006, net out-migration from the

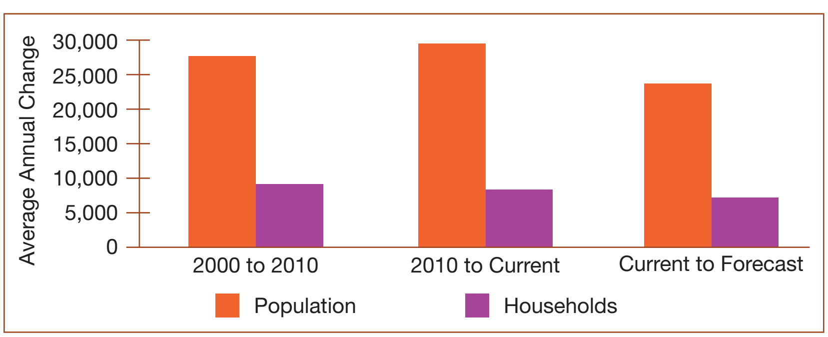
HMA averaged 13,050 people a year, leading to slower population growth averaging 12,950 people, or 0.4 percent, annually—the lowest rate of growth since 2000. The surge in the number of residents seeking more affordable housing outside the HMA offset continued in-migration of military personnel, military dependents, and students, which averaged a combined 5,275 people annually during the period. By the end of 2006, the draw of residents away from the HMA to purchase homes elsewhere slowed. Net in-migration resumed at an average of 6,100 people a year from 2006 to 2008, whereas the population increased by an average of 34,200, or 1.1 percent, annually. During the period, new students coming from outside the HMA averaged nearly 3,200 a year. This gain, however, was largely offset by a reduction in military personnel and dependents by an average of 3,000 a year. By the end of 2008, as the economy and housing markets in parts of the southern California region began to weaken, net out-migration returned, averaging 1,100 people a year from 2008 to 2010, leading to population growth averaging 25,150 people, or 0.8 percent, a year. Continued reductions in military personnel and dependents by an average of 5,500 a year more than offset the number of new students coming to the HMA, which averaged 2,550 a year during the period.

As economic conditions began to improve by the end of 2010, and home sales prices in the HMA were 29 percent lower than the peak in 2007, net in-migration resumed and has continued nearly every year since, despite subsequent home-price appreciation. Net in-migration has averaged 7,000 people a year since 2010, contributing to population growth averaging 30,000 people, or 0.9 percent, annually; this rate is slower than growth before the Great Recession. Contributing to the slower growth was a year of net out-migration in 2015 that partly resulted from a reduction in military personnel by 13,300 as a result of reduced defense spending. Since 2016, however, growth in military personnel and military dependents has resumed, averaging 3,700 people a year. The number of new students coming to the HMA increased steadily, by an average of 3,150 a year since 2010, adding to overall population growth.

During the next 3 years, the population of the HMA is expected to increase by an average of 24,000, or 0.7 percent, a year (Figure 4). This increase will reflect the continued, albeit reduced, net in-migration resulting from a moderation of economic growth. The population of the HMA is estimated to reach 3.42 million by the end of the 3-year forecast period. Figure 5 shows components of population change in the HMA from 2000 to the forecast date.

Generally lower levels of in-migration to the HMA since 2010 have also contributed to slightly slower household growth compared with the 2000s. The number of households in the HMA is currently estimated at

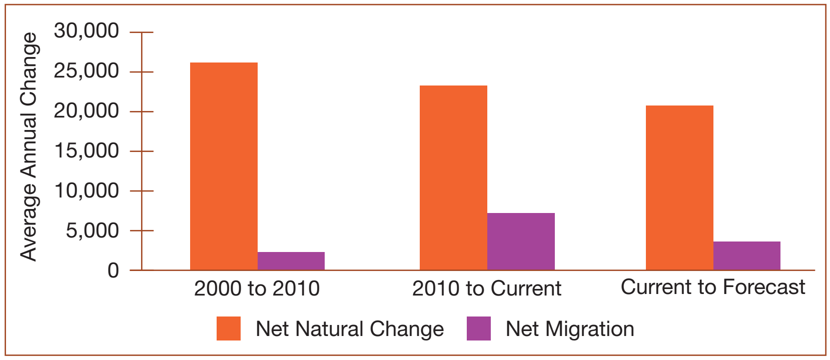
Figure 4. Population and Household Growth in the San Diego-Carlsbad HMA, 2000 to Forecast



Notes: The current date is September 1, 2018. The forecast date is September 1, 2021.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the San Diego-Carlsbad HMA, 2000 to Forecast



Notes: The current date is September 1, 2018. The forecast date is September 1, 2021.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

nearly 1.16 million, up by an average of 8,400, or 0.8 percent, annually since 2010, compared with an average increase of 9,225, or 0.9 percent, annually, during the 2000s. Approximately 47.2 percent of households in the HMA are renters, up from 45.6 percent in 2010, partly because higher home sales prices and tighter lending requirements have made homeownership difficult, leading to greater renter household growth. The number of renter households has increased by an average of 6,025 a year since 2010, compared with an average of 5,250 a year during the 2000s. Student household growth, partly from increased enrollment at UC San Diego and SDSU, also contributed to the increased proportion of renter households since 2010. An estimated 19 percent of renter household growth in the HMA since 2010 has been attributed to student households, compared with less than 1 percent during the 2000s, as the number of available dormitories has fallen short of rising student demand. Despite the share of growth, student households only account for approximately 1 percent of total renter households in the HMA. Military households currently account for approximately 8 percent of renter households and 4 percent of owner households, both nearly unchanged since 2010. Growth in military households has accounted for 13 and 15 percent of respective overall renter and owner household growth since 2010.

Figure 6. Number of Households by Tenure in the San Diego-Carlsbad HMA, 2000 to Current

Note: The current date is September 1, 2018.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 6 shows the number of households by tenure in the HMA since 2000.

During the forecast period, the number of households in the HMA is expected to grow by an average of 7,175, or 0.6 percent, annually to nearly 1.18 million. Renter households are expected to increase to 47.4 percent of total households in the HMA by the end of the forecast period. Student household growth in the HMA is expected to account for approximately 8 percent of renter household growth during the next 3 years. The proportion is lower than that since 2010 because dormitory completions at UC San Diego and SDSU are expected to reduce growth in student-rental housing demand during the forecast period. Military households in the HMA are expected to account for 8 and 4 percent of respective total new renter and owner households during the next 3 years.

Housing Market Trends

Sales Market

The San Diego-Carlsbad HMA sales housing market is balanced, improving every year since the sales market contraction that occurred from the end of 2007 through 2011. The estimated sales vacancy rate is currently 0.9 percent, down from 1.9 percent in 2010 (Table DP-1). A 55-percent reduction in the inventory of homes for sale—from a peak of 30,400 during 2008, when the market was weakest, to 13,800 during the 12 months ending August 2018 (CoreLogic, Inc.)—contributed to the decline in the vacancy rate. Lower inventory levels resulted from growth in both the number of owner households and investor purchases of homes for sale combined with generally lower development levels since 2010. As sales market conditions improved, the number of months homes remained on the market has declined to an average of 1.8 months during the 12 months ending August 2018, compared with a high of 3.7 months during 2008. Despite improved sales market conditions, the homeownership rate is currently 52.8 percent, down from 54.4 percent in 2010 because of greater renter household growth.

An average of 31,950 new and existing single-family homes, townhomes, and condominiums sold annually in the HMA during the sales market contraction from 2007 through 2011 (CoreLogic, Inc., with adjustments by the analyst). The number of homes sold was down 45 percent from an average of 58,600 homes sold annually from 2000 through 2006, which was the highest average since 2000, despite net out-migration during part of the period. Higher sales levels resulted from lenient mortgage lending standards that allowed a larger proportion of households to purchase homes during the early to mid-2000s. As lending standards tightened and the economy contracted by the end of the 2000s, home sales from 2007 through 2011 declined, and regular resales (non-distressed resales) and new home sales dropped by 29,250 and 7,400, or 62 and 66 percent, respectively. Growth in real estate owned (REO) home sales, which rose from an average of 240 sold annually from 2000 through 2006 to an average of 10,250 sold annually from 2007 through 2011, partially offset this reduction.

Part of the gain in REO sales was attributed to an increasing share of non-owner-occupied purchases, a measure of investor activity, which rose from 1 percent in 2006 to 9 percent by the end of 2011.

The sales market began to improve by 2012, following nearly 2 years of stronger economic growth and net in-migration. From 2012 through 2017, new and existing home sales rose to an average of 43,400. An average annual gain of 3,725 regular resales, or 14 percent, that offset an average annual reduction in REO sales of 1,375, or 36 percent, supported most of the increase. New home sales increased by an average of 80 homes, or 3 percent, a year during the period. Since 2017, home sales have contracted because of a reduction in available inventory. During the 12 months ending August 2018, 42,250 homes sold, down 5 percent from the 12 months ending August 2017. The entire loss was attributed to a reduction in both REO and regular resales, down 330 and 2,275 homes, or 40 and 6 percent, respectively, which offset a 400-home, or 15-percent, increase in new home sales.

Approximately 70 percent of all home sales in the HMA since the mid-2000s have been either single-family homes or townhomes, with condominium sales accounting for the remaining 30 percent (Metrostudy, A Hanley Wood Company). Condominium sales totaled 11,700 during the 12 months ending August 2018, with more than one-half of sales occurring in the city of San Diego. The number of condominium sales in the HMA was down 5 percent from the previous 12 months, partly due to strong price growth. After increasing by an average of 9 percent a year from 2012 through 2017, the average sales price for condominiums reached a high of $495,500 during the 12 months ending August 2018, up 7 percent from $466,200 during the previous 12 months. In the city of San Diego, overall condominium prices are 3 percent below the average for the HMA; however, new condominium prices in the city are among the highest, averaging $726,100 compared with $570,100 in the HMA. Several new luxury condominiums in and around the greater downtown San Diego area have contributed to the higher sales price.

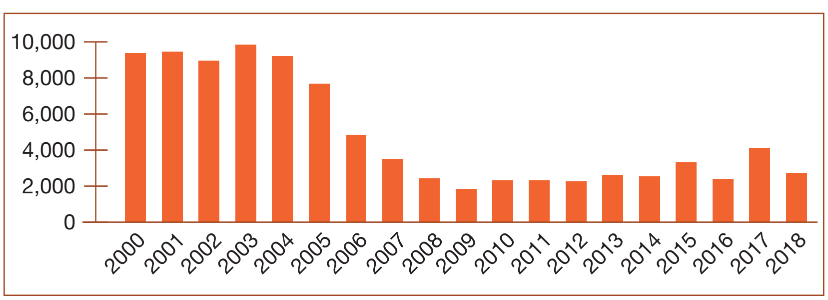
Overall, prices for all home sales types followed similar trends as that of prices for condominiums during the 2010s. The average price for new and existing single-family homes, townhomes, and condominiums rose 6 percent during the 12 months ending August 2018 to $655,600, following 6 consecutive years of price growth that averaged 8 percent annually. Home prices averaged $442,800 during the housing downturn from 2007 through 2011, down from an average of $565,000 from 2004 through 2006 because REO home sales, which were priced 31 percent below regular resales, accounted for a greater share (32 percent) of sales during the period. Home sales prices began increasing each year, starting in 2012, and surpassed the prerecessionary peak of $581,800 by 2016, as the share of REO home sales declined from 14 percent in 2012 to 3 percent by 2016, as the market improved.

The overall improvement in sales housing market conditions in the HMA since 2012 has led to a reduction in the rate of seriously delinquent home loans (loans that are 90 or more days delinquent or in foreclosure) and REO properties. As of August 2018, 1.2 percent of home loans in the HMA were seriously delinquent or had transitioned into REO status, down from 1.7 percent in August 2017 and a peak of 18.8 percent in January 2010 (CoreLogic, Inc.). The current rate is above the 0.8-percent rate for California and below the 1.8-percent rate for the nation.

Single-family home construction in the HMA is generally concentrated in the city of San Diego, where infill land is available for lower density residential construction, and in unincorporated areas including Fallbrook, Lemon Grove, and Otay Ranch. Combined, these areas account for nearly two-thirds of all single-family development in the HMA. During the early 2000s, an average 9,275 homes were permitted annually from 2000 through 2004 (Figure 7). Despite strong sales housing market conditions, single-family development began to slow slightly in 2005 and then further in 2006, yielding an average decline of 2,200 homes a year, partly because of reduced demand driven by net out-migration during most of the period. As sales housing market conditions weakened, single-family permits declined to 3,400 homes in 2007 before averaging 2,375 homes a year from 2008 through 2016, a period that encompasses both the housing market downturn and the subsequent recovery. The lower level of single-family development during the recovery of the housing market was partly due to lower levels of net in-migration and owner household growth that had constrained development. Since 2016, single-family development has increased and, during the 12 months ending August 2018, 3,975 homes were permitted compared with 3,475 homes permitted during the same period a year earlier (preliminary data; estimates by the analyst).

Notable single-family developments currently under construction are concentrated in Otay Ranch, adjacent to the city of Chula Vista, which is planned for a combined 28,000 single-family homes, townhomes, condominiums, and apartments at buildout. Since construction began in 1993, approximately one-third of the Otay Ranch community has been completed. Neighborhoods in Otay Ranch that are under way include Cantamar and Aventine, with a combined 191 single-family homes planned at buildout. Construction at both neighborhoods began during the third quarter of 2017, and 57 homes have been completed, with 37 homes under construction. Prices at Cantamar start at $654,000 for a three-bedroom, 2,631-square-foot home, whereas prices at Aventine start at $541,000 for a four-bedroom, 2,014-square-foot home. In Fallbrook and the city of Oceanside, where military personnel stationed at Camp Pendleton generally choose to live because of proximity to the base, the Chaparral Pointe at Fallbrook neighborhood is planned for 106 single-family homes at buildout. Since construction began in late 2017, 66 homes have been completed, with prices for three- and four-bedroom homes that start at $390,000 and

Figure 7. Single-Family Homes Permitted in the San Diego-Carlsbad HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through August 2018.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2017 final data and analyst estimates; 2018 preliminary data and analyst estimates

$479,500, respectively. In the city of Oceanside, Brisas at Pacific Ridge is under way, with 117 single-family homes planned at buildout, 27 homes completed, and 24 homes under construction; prices start at $465,000 for a three-bedroom home. Additional for-sale housing includes condominium developments in the greater downtown San Diego area. The 41 West Condos, comprising 41 two-bedroom luxury units, was completed in August 2018, with prices that start at $1.1 million. Savina, a 36-story tower with 285 units, is under construction, with completion planned in December 2018. Savina will have one- and two-bedroom units with prices that range from $631,900 to $3.6 million.

During the next 3 years, demand is estimated for 11,350 new homes in the HMA (Table 1). Demand is expected to increase in the second and third years of the 3-year forecast period in response to slightly greater net in-migration. The 850 single-family homes and 450 condominium units under construction will meet part of the demand during the first year. Table 4 shows estimated demand by price range during the forecast period.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the San Diego-Carlsbad HMA During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
369,000	468,999	2,825	25.0
469,000	568,999	2,825	25.0
569,000	668,999	2,275	20.0
669,000	768,999	1,700	15.0
769,000	and higher	1,700	15.0

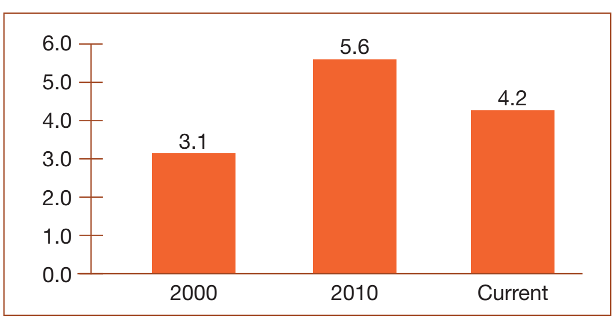
Notes: Numbers may not add to totals because of rounding. The 1,300 homes currently under construction in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market

The rental housing market in the San Diego-Carlsbad HMA is balanced. The overall rental vacancy rate currently is estimated at 4.2 percent, down from 5.6 percent in 2010 (Figure 8). Despite significant levels of apartment construction in the HMA since 2010, the vacancy rate declined because renter household growth exceeded growth in the rental inventory, leading to the absorption of excess vacant rental units. Growth in single-family homes available for rent, which occurred despite the improvement in sales market conditions, also contributed to higher levels of rental inventory.

Figure 8. Rental Vacancy Rates in the San Diego-Carlsbad HMA, 2000 to Current



Note: The current date is September 1, 2018.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

An estimated 35 percent of occupied single-family homes in the HMA in 2017 were rentals, up from 34 percent in 2010, representing an increase of 18,600 rental homes during the period. Despite the increase, the rental market for single-family homes is currently tight. Vacancy rates for professionally managed single-family rental homes during August 2018 ranged from 1.4 percent for a four-bedroom home to 2.8 percent for a one-bedroom home (CoreLogic, Inc.). Vacancy rates for one-bedroom homes declined by 0.2 percentage point from a year earlier, whereas all others remained unchanged. Average rents for one-bedroom homes declined 2 percent to $1,952, whereas rents for two-, three-, and four-bedroom homes rose between 3 and 9 percent compared with rents a year ago. The average monthly rent ranged from $2,554 for a two-bedroom home to $3,538 for a four-bedroom home.

In the HMA, an estimated 64 percent of all the rental housing inventory in 2017 consisted of apartments. As of August 2018, the apartment vacancy rate for properties with 20 or more units was 3.8 percent, up from 3.0 percent a year ago but down from 4.3 percent in 2010 (Reis, Inc.). Renter household growth has generally outpaced apartment completions since 2010, causing the apartment vacancy rate to trend downward and rents to rise. The average rent rose 4 percent in August 2018 to $1,783, from $1,711 a year earlier, and was up an average of 3 percent a year from 2010 through 2017. Rents were highest in the Reis, Inc.-defined La Jolla/University City market area, with an average rent of $2,383, up 7 percent from a year earlier; second highest rents were in the Downtown San Diego market area, with an average rent of $2,361, up 11 percent from a year ago. Despite the higher rents, the vacancy rate in the La Jolla/University City market area was low, at 3.6 percent, because of strong student housing demand in the market area. In the Downtown San Diego market area, the vacancy rate was 13.7 percent, the highest in the HMA, partly because of a 2,075-unit increase in the apartment inventory in the market area since 2016. The increase in inventory includes 1,600 apartment completions in the market area during the past year. The tightest segment of the HMA was the El Cajon/Santee market area, which had a vacancy rate of 1.1 percent during August 2018, up from 0.9 percent a year earlier. The El Cajon/Santee market area is the most affordable in the HMA, and the average rent increased 2 percent to $1,315 from $1,295 a year ago. In the Oceanside and National City/Chula Vista market areas, where military personnel from either Camp Pendleton or Naval Base San Diego generally reside, vacancy rates were low, at 2.4 and 3.2 percent, respectively, whereas average rents in both areas increased 2 percent from a year ago to $1,646 and $1,552, respectively.

Of the 20 colleges and universities in the HMA, the most significant in terms of rental market impact are UC San Diego and SDSU. Approximately 86 percent of all students at UC San Diego during the fall of 2017 came from beyond commuting distance within California, out of state, or from international origins, up from 77 percent in the fall of 2010 (UC San Diego data). UC San Diego currently has approximately 13,775 student beds in 14 residence halls, suites, and university apartments that meet a portion of student housing needs. Student enrollment at UC San Diego has increased by an average of 5 percent, or 1,500 students, a year since 2013 and will likely continue to increase at this rate during the next 3 years. Currently, student housing at the university has fallen short of demand; however, plans exist to add 2,216 new beds, or a net gain of 1,780 beds, in phases, from the fall of

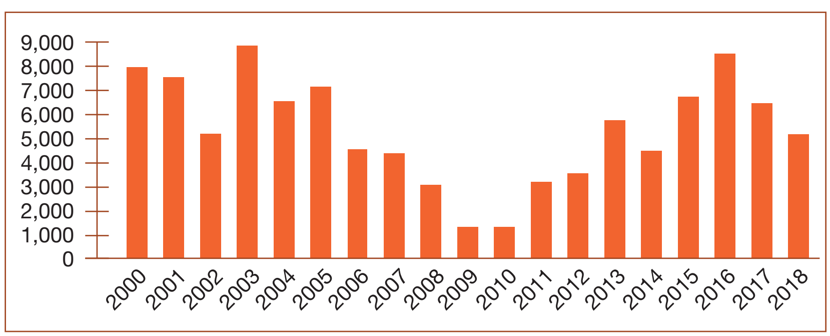
2019 through the winter of 2020, which will help to meet some of the demand for student housing.

At SDSU, approximately 61 percent of new students in the fall of 2017 came from beyond commuting distance within California, out of state, or from international origins, up from 53 percent in the fall of 2010 (SDSU data). Student enrollment has increased an average of 2 percent, or by 500 students, a year since 2014. The gain in student housing needs since 2014 has been partially met by the addition of 600 beds in January 2017. SDSU currently has 6,014 beds in 17 residence halls, suites, and university apartments. Student housing at SDSU is expected to increase to 6,814 beds with the opening of the New Residence Hall, an 800-bed dormitory, in August 2019. Recently, Montage on College, a 304-bed apartment-style complex for graduate SDSU students, opened in August 2018. Rents at Montage on College are per bedroom and, for one-, two-, three-, and four-bedroom units, are $1,670, $1,510, $1,345, and $1,275, respectively.

In addition to students, approximately 87,400 active-duty military personnel live in the HMA, and more than an estimated two-thirds of military personnel rent versus own. Currently, housing for the military comprises 12,280 beds in barracks for junior personnel and approximately 9,125 single-family rental homes and apartments in 48 rental communities throughout the HMA. For non-barrack housing, the vacancy rate for military housing is currently less than 1 percent, resulting from high demand for affordable housing for military personnel. Since 2010, 6,750 newly constructed or substantially rehabilitated single-family homes and apartments in the HMA have been reserved for military personnel and their families. The newest developments include MCAS Miramar 77, completed in 2008 with 77 single-family rental homes, and Village at Serra Mesa, with 900 rental townhomes that were completed in 2006. Currently, no known plans include adding on- or off-base military housing in the HMA despite the anticipated increase in military personnel of 2 percent a year during the next 3 years.

Multifamily permitting activity has been at generally higher levels of development since 2015, similar to that in the early-to-mid 2000s (Figure 9), with two-thirds of all the recent development occurring in the city of San Diego. A greater proportion of multifamily permitting activity was apartments

Figure 9. Multifamily Units Permitted in the San Diego-Carlsbad HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through August 2018.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2017 final data and analyst estimates; 2018 preliminary data and analyst estimates following the sales market contraction, and only 4 percent of developments constructed since 2010 were condominiums, compared with 28 percent during the 2000s. From 2000 through 2005, multifamily permitting averaged 7,125 units a year before declining to an average of 3,925 units permitted a year from 2006 through 2008. By 2009, the Great Recession and net out-migration from the HMA contributed to the further reduction in development, which averaged 1,225 units annually during 2009 and 2010. As economic conditions began to improve along with greater household growth, the number of multifamily units permitted increased. During 2011 and 2012, multifamily permitting averaged 3,300 units permitted a year before rising to an average of 5,575 units a year from 2013 through 2015 and reaching a peak of nearly 8,450 units in 2016. Multifamily development since 2016 has remained at relatively higher levels, although slightly below the 2016 level, as developers wait for newly completed apartments in the city of San Diego to lease up before adding more supply. During the 12 months ending August 2018, approximately 7,225 multifamily units were permitted in the HMA compared with 7,075 units permitted during the previous year (CBRE Group, Inc.; U.S. Census Bureau; local planning offices).

Market-rate apartments that were recently completed or that are under construction in the HMA are concentrated in and around the downtown San Diego area, where approximately 2,950 units have been completed since September 2017. Recently completed developments include the 484-unit, 46-story tower, Pinnacle on the Park Apartments that opened in late 2017. Rents for one-, two-, and three-bedroom units start at $2,075, $2,675, and $3,775, respectively. Luma Apartments, with 220 units, opened in August 2018, with rents for studio, one-, two-, and three-bedroom units starting at $2,500, $2,800, $4,150, and $5,625, respectively. Developments under construction include Broadway Block, with 617 units in two towers consisting of 41 and 20 stories, with completion expected in 2020, and 4th and J Apartments, with 168 units, which is expected to be complete later in 2018. In addition, New Palace Hotel is being converted to apartments, with 80 units that will be added later in 2018. Rents at those properties underway have yet to be announced. Overall, rents for newly completed market-rate units in the HMA start at $1,300, $1,600, $1,900, and $2,500 for studio, one-, two-, and three-bedroom units, respectively.

During the 3-year forecast period, demand is estimated for 11,250 new market-rate rental units in the HMA (Table 1). Demand is expected to increase slightly in the second and the third year of the forecast period from increased net in-migration. The 7,450 rental units currently under construction and 720 units in planning will meet most of the demand in the first and second years of the forecast period. Table 5 shows estimated demand for new market-rate rental housing in the HMA by rent level and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the San Diego-Carlsbad HMA During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand
1,300 to 1,499	900	1,600 to 1,799	2,700	1,900 to 2,099	3,150	2,500 to 2,699	1,575
1,500 or more	230	1,800 or more	680	2,100 to 2,299	900	2,700 to 2,899	450
				2,300 or more	450	2,900 or more	230
Total	1,125	Total	3,375	Total	4,500	Total	2,250

Notes: Monthly rent does not include utilities or concessions. Numbers may not add to totals because of rounding. The 7,450 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Data Profile

Table DP-1. San Diego-Carlsbad HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total Resident Employment	1,323,166	1,352,266	1,531,000	0.2	1.6
Unemployment Rate (%)	3.9	10.8	3.4		
Total Nonfarm Payroll Jobs	1,200,000	1,242,000	1,471,000	0.3	2.2
Total Population	2,813,833	3,095,313	3,348,000	1.0	0.9
Total Households	994,677	1,086,865	1,157,500	0.9	0.8
Owner Households	551,461	591,025	610,900	0.7	0.4
Percent Owner (%)	55.4	54.4	52.8		
Renter Households	443,216	495,840	546,600	1.1	1.2
Percent Renter (%)	44.6	45.6	47.2		
Total Housing Units	1,040,149	1,164,786	1,225,000	1.1	0.6
Sales Vacancy Rate (%)	1.0	1.9	0.9		
Rental Vacancy Rate (%)	3.1	5.6	4.2		
Median Family Income	$53,438	$71,298	$79,300	2.9	1.3

Notes: Median Family Incomes are for 1999, 2009, and 2017. Employment data represent annual averages for 2000, 2010, and the 12 months through August 2018.

Sources: Estimates by analyst; U.S. Census Bureau; U.S. Department of Housing and Urban Development

Terminology Definitions and Notes

2000: 4/1/2000—U.S. Decennial Census

2010: 4/1/2010—U.S. Decennial Census

Current date: 9/1/2018—Estimates by the analyst

Forecast period: 9/1/2018–9/1/2021—Estimates by the analyst

The metropolitan HMA definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_SanDiego-CarlsbadCA_18.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis HMA within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.