



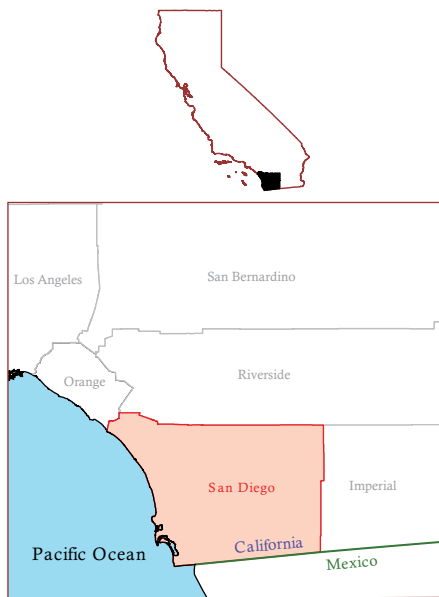
San Diego-Carlsbad, California

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of June 1, 2016



Summary

Housing Market Area



The San Diego-Carlsbad Housing Market Area (hereafter, the San Diego HMA), comprising San Diego County in southern California, is coterminous with the San Diego-Carlsbad, CA Metropolitan Statistical Area. The HMA includes the cities of Carlsbad, San Diego, and San Marcos. San Diego is the second most populous city in California and the eighth in the United States. The weather and coastal location make the HMA a desirable location for tourism and U.S. Navy and Marine Corps installations.

Market Details

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Economy

Economic conditions have improved in the San Diego HMA since 2010. Nonfarm payroll growth in the HMA has averaged 30,900 jobs, or 2.4 percent, annually since 2010 as the economy recovered from the recession. The mining, logging, and construction, the education and health services, the professional and business services, the leisure and hospitality, the government, and the manufacturing sectors led job growth. Nonfarm payrolls are expected to grow an average of 2.9 percent a year during the 3-year forecast period, led by expansions in the construction, healthcare, and tourism industries.

Sales Market

Sales housing market conditions in the HMA are tight, with an estimated 0.9-percent vacancy rate, down from 1.9 percent in 2010. During the next 3 years, demand is expected for 19,000 new homes (Table 1). The 500 homes under construction and a portion of the 35,000 other vacant units in the HMA that may reenter the market will satisfy some of the forecast demand.

Rental Market

Rental housing market conditions in the HMA are currently tight, with an estimated 3.6-percent vacancy rate. Growth in the number of renter households since 2010 has outpaced the construction of rental units and the shift of single-family homes, town-homes, and condominiums to the rental market. During the forecast period, demand in the HMA is expected for 18,100 new market-rate rental units; approximately 7,350 rental units currently under construction will meet more than one-third of that demand (Table 1).

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

	San Diego-Carlsbad HMA	
	Sales Units	Rental Units
Total demand	19,000	18,100
Under construction	500	7,350

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of June 1, 2016. A portion of the estimated 35,000 other vacant units in the HMA will likely satisfy some of the forecast demand. Sales demand includes an estimated demand for 200 mobile homes. The forecast period is June 1, 2016, to June 1, 2019.

Source: Estimates by analyst

Economic Conditions

The San Diego HMA is a major employment center for California. Since 2010, the HMA has accounted for 8 percent of the state's total nonfarm payroll increase and 9 percent of the state's population growth. During the 12 months ending May 2016, employment conditions in the HMA strengthened as nonfarm payrolls rose by 39,900 jobs, or 2.9 percent, from the previous 12 months, to slightly more than 1.4 million jobs (Table 2). All nonfarm sectors grew, except for the information sector,

which lost 200 jobs, a decrease of 0.8 percent. The sectors responsible for most of the gains were education and health services; professional and business services; leisure and hospitality; and mining, logging, and construction. These four sectors contributed to 64 percent of the total job growth.

Improving economic conditions in the HMA led to a decline in the unemployment rate. The unemployment rate fell to an average of 4.9 percent during the 12 months ending May 2016, down from 5.8 percent in the previous 12 months and a recent peak of 10.8 percent in 2010. The current unemployment rate is less than the 5.7-percent rate for California and slightly less than the 5.0-percent rate for the nation. Figure 1 shows trends in the labor force, resident employment, and the average unemployment rate in the HMA from 2000 through 2015.

Since 2000, the only period of declining employment in the HMA has been from 2008 through 2010, when annual payroll losses averaged 27,250, or 2.1 percent, as a result of the collapse of the housing and financial markets. From a prerecession high of 1.32 million in 2007, nonfarm payrolls fell to a low of 1.24 million jobs in 2010. From 2008 through 2010, losses were concentrated in four sectors: mining, logging, and construction; wholesale and retail trade; professional and business services; and financial activities.

Government is the largest sector in the HMA, accounting for 17 percent of total nonfarm payrolls (Figure 2). The government sector increased by 4,500 jobs, or 1.9 percent, to 237,900 during the 12-month period ending May 2016 compared with the number of jobs a year earlier. Government employment includes an estimated

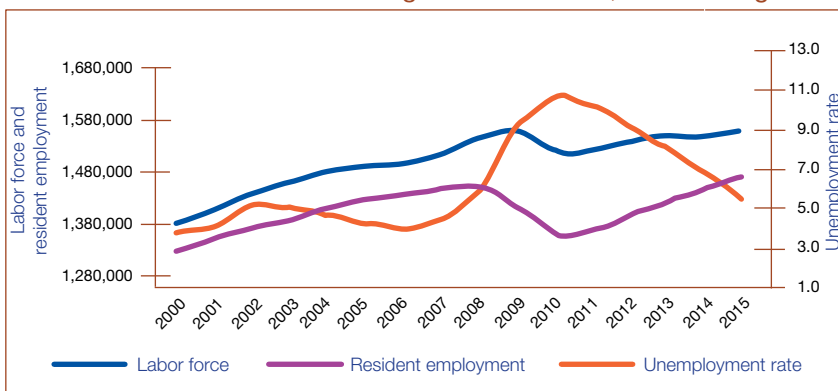
Table 2. 12-Month Average Nonfarm Payroll Jobs in the San Diego-Carlsbad HMA, by Sector

	12 Months Ending		Absolute Change	Percentage Change
	May 2015	May 2016		
Total nonfarm payroll jobs	1,361,900	1,401,800	39,900	2.9
Goods-producing sectors	169,500	178,000	8,500	5.0
Mining, logging, & construction	66,200	71,700	5,500	8.3
Manufacturing	103,300	106,300	3,000	2.9
Service-providing sectors	1,192,400	1,223,800	31,400	2.6
Wholesale & retail trade	189,100	191,800	2,700	1.4
Transportation & utilities	27,400	28,600	1,200	4.4
Information	24,100	23,900	-200	-0.8
Financial activities	69,900	72,400	2,500	3.6
Professional & business services	226,900	233,800	6,900	3.0
Education & health services	188,700	196,200	7,500	4.0
Leisure & hospitality	180,400	186,100	5,700	3.2
Other services	52,500	53,100	600	1.1
Government	233,400	237,900	4,500	1.9

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through May 2015 and May 2016. Military jobs were not included in nonfarm payroll data.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the San Diego-Carlsbad HMA, 2000 Through 2015



Note: Excludes military jobs.

Source: U.S. Bureau of Labor Statistics

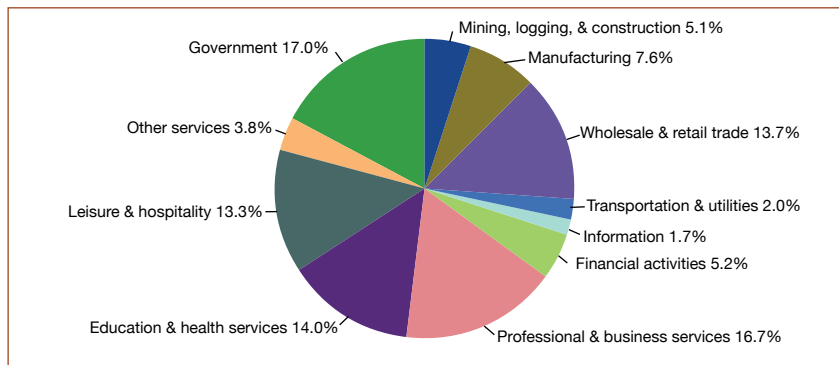
23,600 civilian employees at military installations in the HMA (7th Annual San Diego Military Advisory Council [SDMAC] San Diego Military Economic Impact Study). (Active-duty military personnel are not included in nonfarm payroll data overall or by sector, but are included for individual employers in this report.) An estimated 101,300 military personnel work in the HMA. The military presence in the HMA supported 328,000 direct and indirect jobs and \$24.8 billion in direct spending in the HMA during fiscal year (FY) 2015. San Diego is home to the largest concentration of military in the world and the largest federal military workforce in the United States (7th Annual San Diego Military Advisory Council [SDMAC]

San Diego Military Economic Impact Study). It is estimated that military-related spending is responsible for approximately 22 percent of the jobs in San Diego County (San Diego Regional Economic Development Corporation [EDC]). The Marine Corps Base Camp Pendleton, Naval Base Coronado (including Naval Air Station North Island), and the Naval Base San Diego are three of the four largest employers in the HMA, with 43,300, 24,000, and 22,100 civilian and military employees, respectively (Table 3).

San Diego has two major public universities that also contribute to payrolls in the government sector. The University of California, San Diego (UC San Diego) is the 2nd largest employer in the HMA, with 29,300 faculty and staff (Moody's Analytics). The impact of spending on the HMA by UC San Diego was \$1.7 billion in FY 2006–2007 (CBRE Group, Inc., latest data available). San Diego State University (SDSU) is the 18th largest employer in the HMA, with 5,050 faculty and staff. SDSU's annual spending of \$893 million in 2010 (SDSU, most recent data available) resulted in an economic impact of \$1.1 billion in the HMA.

The professional and business services sector is the second largest nonfarm payroll sector in the HMA. During the 12 months ending May 2016, this sector increased by 6,900 jobs, or 3.0 percent, from the previous 12 months. Scientific research and development companies in this sector generate \$14.4 billion annually for the HMA's economy (San Diego Regional EDC). The Scripps Research Institute is the largest scientific research company in the HMA, with 2,100 employees (The Scripps Research Institute).

Figure 2. Current Nonfarm Payroll Jobs in the San Diego-Carlsbad HMA, by Sector



Note: Based on 12-month averages through May 2016.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the San Diego-Carlsbad HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Marine Corps Base Camp Pendleton	Government	43,300
University of California, San Diego	Government	29,300
Naval Base Coronado (including Naval Air Station North Island)	Government	24,000
Naval Base San Diego	Government	22,100
Sharp HealthCare	Education & health services	16,900
Scripps Health	Education & health services	14,650
Qualcomm Inc.	Information	13,500
Naval Base Point Loma	Government	12,450
Marine Corps Air Station Miramar	Government	10,150
Kaiser Permanente	Education & health services	7,550

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

Source: Moody's Analytics

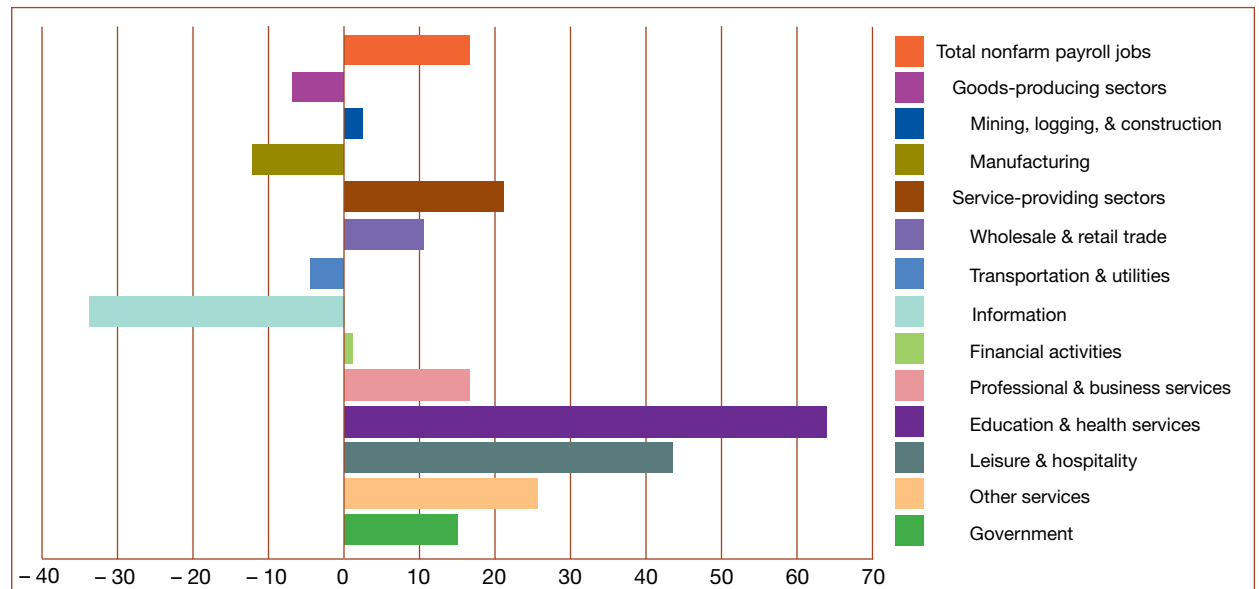
The leisure and hospitality sector added the third largest number of jobs during the past 12 months resulting from a rise in overseas and domestic tourism. During the 12 months ending May 2016, payrolls in the leisure and hospitality sector increased by 5,700 jobs, or 3.2 percent, compared with a gain of 8,225 jobs, or 4.8 percent, during the previous 12-month period. Tourism spending in the HMA increased nearly 8.0 percent from \$9.21 billion in 2014 to \$9.92 billion in 2015, the highest level of tourism spending ever recorded (San Diego Tourism Authority). To keep pace with increased tourism, 2,100 hotel rooms are currently under construction in the HMA.

From 2000 to the current date, non-farm payrolls in the education and health services sector increased by an average of 4,975 jobs, or 3.3 percent, annually, the largest numerical and percentage growth among all sectors (Figure 3). During the 12 months ending May 2016, this sector added the highest number of jobs of any

sector, increasing by 7,500 jobs, or 4.0 percent, compared with an increase of 6,275 jobs, or 3.0 percent, in the previous 12 months. More than 99 percent of the growth during the past 12 months was in the healthcare and social assistance subsector, which employs more than 11 percent of the nonfarm workers in the HMA. The largest private employers in the education and health services sector include Sharp HealthCare, with 16,900 employees; Scripps Health, with 14,650 employees; and Kaiser Permanente, with 7,550 employees. The \$900 million Kaiser Permanente San Diego Central Hospital is currently under construction and scheduled to be complete in 2017, when it will add more than 1,000 employees.

The mining, logging, and construction sector had the greatest rate of growth in the 12 months ending May 2016, up 8.3 percent, or by 5,500 jobs, to 71,700 jobs compared with growth of 2,900 jobs, or 5.8 percent, in the previous 12-month period. Payrolls in the mining, logging, and construction

Figure 3. Sector Growth in the San Diego-Carlsbad HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through May 2016.

Source: U.S. Bureau of Labor Statistics

sector are at the highest level they have been since the 2006 high of 93,100 jobs.

During the 3-year forecast period, nonfarm payrolls in the HMA are

expected to increase an average of 2.9 percent, or by 40,700 jobs, annually. The healthcare, tourism, high-tech, and home construction industries are expected to lead growth in nonfarm payrolls in the HMA.

Population and Households

The San Diego HMA, with 3.31 million people as of June 1, 2016, accounts for 8 percent of the total population of California. The city of San Diego is the county seat and, with 42 percent of the HMA's population, is the largest city. Other population centers in excess of 100,000 people include the cities of Carlsbad, Chula Vista, El Cajon, Escondido, and Oceanside.

Strong economic growth since 2010 has contributed to a modest increase in the rate of population growth in the HMA. From 2010 to the current date, the population growth averaged 34,500, or 1.1 percent, a year, up from an average of 28,150, or 1.0 percent, a year from 2000 to 2010. Approximately 30 percent of the population growth in the HMA from 2010 to the current date was attributed to net in-migration, up from less than 6 percent from 2000 to 2010. The increase in migration occurred because domestic out-migration fell to an average of 5,400 annually from 2010 to the current date, from 11,450 annually from 2000 to 2010. From 2000 to 2010, people left the HMA looking for less expensive housing opportunities in other areas.

Net migration has played a significant role in the magnitude

of population growth in the HMA. From 2000 to 2002, both foreign and domestic net in-migration occurred, adding a combined average of 16,800 people a year. From 2003 to 2006, net out-migration averaged 8,800 people a year. Most of the out-migration during this time was domestic, because it was more affordable housing in surrounding counties like Riverside, where homes were selling for more than \$200,000 below prices in the HMA, and because of relaxed mortgage standards. In 2007 and 2008, net in-migration resumed, averaging 6,100 people a year, as foreign net in-migration rose and domestic net out-migration slowed. Net out-migration in 2009 was 480 people, as domestic out-migration increased faster than foreign in-migration. From 2010 to 2015, net in-migration averaged 8,500 people annually, in part, because sustained economic growth during the period attracted foreign in-migration to the HMA. Foreign in-migration averaged approximately 11,000 people a year during this period. More than one-half of the foreign migrants since 2010 have been from Latin America, followed by people from Asia (Voice of San Diego, latest data available).

UC San Diego and SDSU each have large student enrollments. UC San Diego had 33,750 students as of 2015 (UC San Diego, latest data available). SDSU had 33,250 students as of 2015 (SDSU, latest data available). Undergraduate and graduate student enrollment at the two institutions rose by a combined average of 1,550 students a year from 2010 to 2015 and is expected to increase annually by the same number of students through the 3-year forecast period. The \$208.6 million Mesa Nueva Graduate and Professional Student Housing UC San Diego will add 1,355 beds on campus when it opens in mid-2017. The new beds will mostly be occupied by the growth in graduate students. Between 2014 and 2015 (the latest data available), graduate enrollment increased by more than 400 students. The number of college dormitory beds in the HMA increased from 13,075 in 2000 to 16,050 in 2010, up an average of 300 annually. As of the current date, an estimated 19,100 dormitory beds are in the HMA, up by an average of 475 beds annually. Based on the number of beds currently under construction, estimates indicate that the number of dormitory beds will reach 21,150 at the end of the forecast period (CBRE Group, Inc. under construction data) or an additional 680 annually during the next 3 years. The \$142.7 million SDSU South Campus Plaza will add 665 beds on campus when it opens in the fall of 2016; these beds should be absorbed by the increased enrollment.

The percent of undergraduate students living off campus in 2016 varied from 56 percent at UC San Diego to 86 percent at SDSU (U.S. News & World Report). In 2011, 64 percent of undergraduate students lived off campus at UC San Diego

(UC San Diego) and 85 percent of undergraduate students lived off campus at SDSU (learn.org). Based on campus housing being built and projected student gains, estimates indicate that the percent of UC San Diego undergraduate students living off campus will stay at 56 percent at the end of the forecast period. The percent of SDSU undergraduate students living off campus will also remain the same, at 86 percent, during the forecast period. With both universities combined, an estimated 16,000 student households are in the rental market, representing less than 2 percent of all renter households in the HMA.

From 2000 to 2010, military quarters rose by 2,275 beds. Between 2010 and the current date, the number of people in military quarters rose by 11,550 because the military consolidated personnel from other bases and moved them to the HMA. The effect of increased military personnel on the local rental market was offset by the domestic out-migration cited previously and by the recession. These additional military personnel ended up at Camp Pendleton in the Oceanside area or within the city of San Diego. All major military personnel consolidations have already taken place. No military personnel expansion in the HMA is expected during the forecast period, and no additional new military quarters construction projects are expected to be completed.

Of the approximately 33,000 military families who live in the HMA, only 20 percent live in government housing (Military Installations at militaryinstallations.dod.mil). This percentage is about the same as in 2010 and is expected to remain

unchanged during the forecast period. The 80 percent of families who reside off base account for about 3 percent of households in the HMA. The Economic and Market Analysis Division (in the Office of

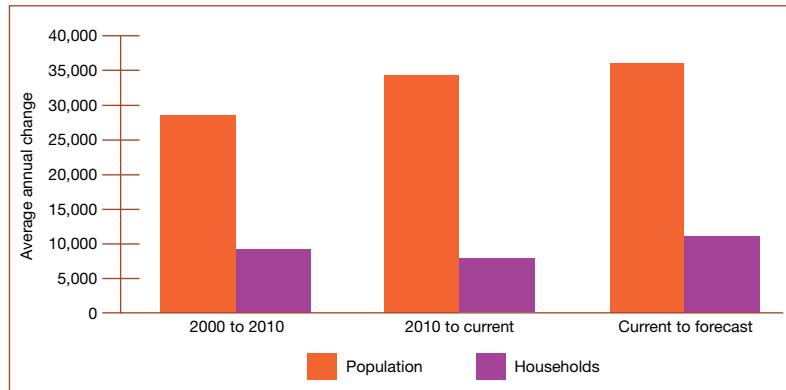
Policy Research and Development at the U.S. Department of Housing and Urban Development) estimates that most of the families living off base are renters because of the high median home values in the HMA. Except for Honolulu County, Hawaii, the areas near the bases in this HMA have the highest median home value compared with the 16 other largest military bases in the nation (Zillow).

The population in the HMA is expected to increase by an average of 35,650, or 1.1 percent, a year during the forecast period. By June 1, 2019, the population of the HMA is expected to reach approximately 3.42 million. Figure 4 shows population and household growth in the HMA, and Figure 5 shows the components of population change in the HMA, from 2000 to the forecast date.

The number of households in the San Diego HMA has risen by 8,625, or 0.8 percent, annually since 2010, to 1.14 million on June 1, 2016, down from the average increase of 9,225 households, or 0.9 percent, annually in the 2000s. This household growth is in contrast with population growth, which has been higher since 2010 than it was during the 2000s; the slower household growth is because the average number of people per household increased from 2.75 in 2010 to 2.81 currently.

From April 2000 to April 2010, the percentage of owner households in the HMA decreased from 55.4 to 54.4 percent because of higher sales prices and more restrictive mortgage standards. From April 2010 through the current date, the owner percentage further declined to 53.2 percent because of continued high home prices. Figure 6 shows the number of households by tenure.

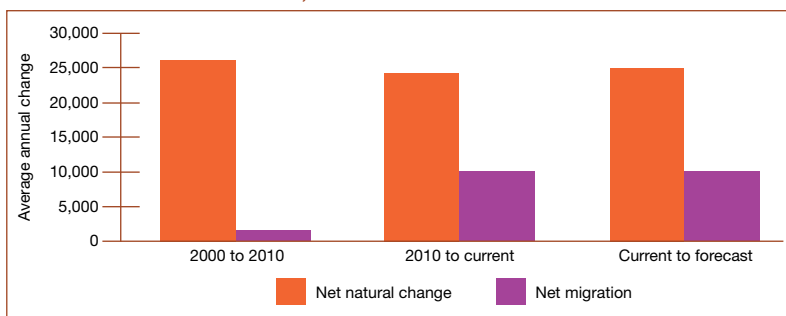
Figure 4. Population and Household Growth in the San Diego-Carlsbad HMA, 2000 to Forecast



Notes: The current date is June 1, 2016. The forecast date is June 1, 2019.

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

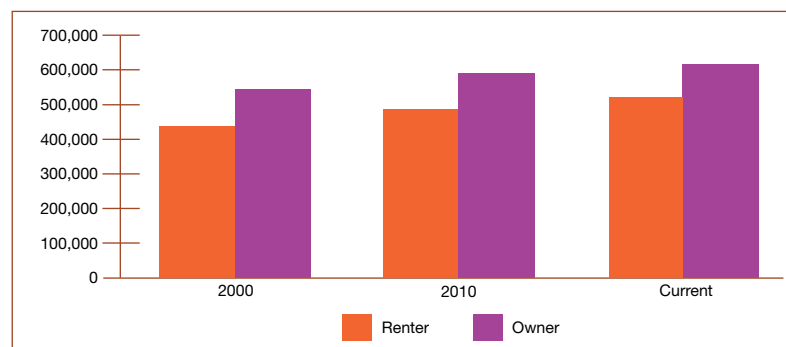
Figure 5. Components of Population Change in the San Diego-Carlsbad HMA, 2000 to Forecast



Notes: The current date is June 1, 2016. The forecast date is June 1, 2019.

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

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



Note: The current date is June 1, 2016.

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

During the forecast period, the number of households is expected to increase by an average of 11,350, or 1.0 percent, annually, to 1.17 million households. This number is more than the average annual gain in the 2010-to-current period, in part,

because net migration is expected to increase in the forecast period. See Table DP-1 at the end of this report for more detail about household growth by tenure in the HMA from 2000 through the current date.

Housing Market Trends

Sales Market

Sales housing market conditions in the San Diego HMA are tight, with an estimated 0.9-percent sales vacancy rate, down from 1.9 percent in April 2010. The vacancy rate declined because of increased demand for homes in the existing sales market as the economy started to strengthen beginning in 2010. An average of 36,400 new and existing single-family homes, town-homes, and condominiums sold each year from 2008 through 2011, down 26 percent, or by 10,250 homes, from an average of 46,650 homes sold per year from 2005 through 2007. From 2012 through 2014, total home sales rose to an average of 41,750 annually as the economy continued to recover from the Great Recession (December 2007 to June 2009). During the 12 months ending May 2016, home sales rose 8 percent, to 43,150, compared with the 39,800 homes sold in the previous 12-month period (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The city of San Diego represented 38 percent of total home sales in the HMA, followed by Chula Vista and Oceanside, with 8 and 7 percent of total home sales, respectively. Real estate owned (REO) sales decreased 5 percent during the 12 months ending May 2016, to 2,350

homes sold, from the previous 12 months. The percentage of existing home sales that were REO sales was 5.7 percent during the 12-month period ending May 2016 compared with 6.5 percent in the previous 12-month period. In 2005, before the housing market downturn, the percentage of existing home sales that were REO sales was less than 1 percent but peaked at 46 percent in 2008.

Rising new home sales prices are keeping the number of new home sales down. New home sales remain below previous levels. During the 12 months ending May 2016, 2,200 new homes sold, which represents a decrease of 12 percent from the previous 12-month period. The current number of new homes sold is also down from 2008 through 2014, when new home sales averaged 2,800 annually. From 2005 through 2006, at the peak of the housing market, an average of 13,100 new homes sold a year. During the 12 months ending May 2016, 45 percent of new home sales were in the city of San Diego, 15 percent were in Chula Vista, and 8 percent were in Oceanside.

The average total home sales price during the 12 months ending May 2016

Housing Market Trends

Sales Market *Continued*

increased 3 percent, to \$581,400, from \$563,100 in the previous year and was up 20 percent from the average of \$484,100 a year from 2008 through 2014. The current average sales price is 1 percent less than the average price of \$588,800 from 2005 through 2007 before the housing market downturn.

Both existing and new home prices have increased since 2008. The average existing home sales price rose 3 percent, to \$569,200, during the 12 months ending May 2016 from the previous 12 months and was 29 percent more than the average annual price of \$442,400 from 2008 through 2014. The existing home sales price remains 9 percent less than the average of \$624,700 from 2005 through 2007, before the housing market downturn. The average sales price for new homes increased 11 percent, to \$809,100, in the 12 months ending May 2016 and was 39 percent more than the average price of \$569,200 from 2008 through 2014. The average new home sales price is also 55 percent more than the average of \$523,400 a year from 2005 through 2007.

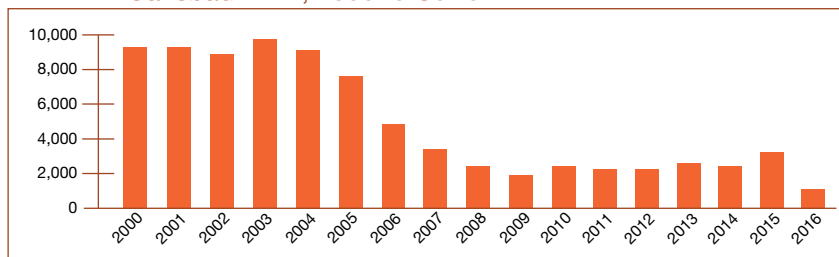
Condominiums have represented approximately 29 percent of all home sales in the San Diego HMA since 2010, down from 40 percent from 2005 through 2009 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). During the 12 months ending May 2016, condominium sales increased 4 percent, to 12,850, from 11,350 homes sold in the previous 12 months, and the sales price of condominiums rose 4 percent, to \$421,100, from \$403,300 in the previous 12 months. The number of condominium units sold was 4 percent less than the average

annual level of 13,400 homes sold from 2005 through 2007, before the housing market downturn. Condominium construction has accounted for 6 percent of all multifamily units permitted since 2008, or approximately 220 units a year, which is a decline from 49 percent, or approximately 1,950 units a year, from 2000 through 2007. The number of condominiums constructed does not reflect the apartments that were converted into condominiums from the early 2000s to the mid-2000s. From 2003 through 2007, it is estimated that 17,000 rental units were converted to condominiums and sold (San Diego Source). Most of the condominium conversion buyers were seeking more affordable housing as single-family home prices continued rising. A typical converted condominium in 2005 sold for about \$290,000 compared with \$421,000 for a new condominium. As home sales started to decline in 2006, so did the condominium conversions. By 2008, only approximately 500 condominium conversion units were sold (Mission Valley News). Of the 7,000 to 10,000 units in the condominium conversion pipeline in 2006, many are estimated to have reverted back to rental units (Voice of San Diego).

Homebuilding activity, as measured by the number of single-family homes permitted, is currently at a lower level than in previous periods, mirroring the pattern of new home sales described previously. From 2000 through 2003, an average of 9,325 homes were permitted a year before declining 28 percent, to an average of 4,825 homes permitted a year, from 2004 through 2009. Single-family homebuilding activity declined further to an average of 2,350 homes permitted a year from

2010 through 2014 (Figure 7). In the 12 months ending May 2016, 2,800 single-family homes were permitted, up slightly from the 2,775 homes permitted in the previous 12-month period (preliminary data; analyst's estimates). The higher levels of new construction in the past 24 months indicate that new homes sales will likely increase in the first 2 years

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



Notes: Includes townhomes. Current includes data through May 2016.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

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		
356,000	405,999	3,800	20.0
406,000	498,999	3,800	20.0
499,000	677,999	1,900	10.0
678,000	868,999	1,900	10.0
869,000	963,999	1,900	10.0
964,000	1,093,999	1,900	10.0
1,094,000	1,396,999	1,900	10.0
1,397,000	and higher	1,900	10.0

Notes: The 500 homes currently under construction and a portion of the estimated 35,000 other vacant units in the HMA will likely satisfy some of the forecast demand. Demand for 200 mobile homes during the forecast period is excluded from this table. The forecast period is June 1, 2016, to June 1, 2019.

Source: Estimates by analyst

of the forecast period. Developments recently completed or under construction include Laurel Pointe in the town of Vista, with three- and four-bedroom single-family detached homes ranging from \$613,990 to \$872,990; the Sanctuary at San Elijo Hills in San Marcos, with three- and four-bedroom single-family detached homes starting at \$823,990; Otay Ranch in the Village of Montecito in Chula Vista, with three-, four-, and five-bedroom townhomes starting at \$381,900; and Triton Square at Veridian, a 159-unit three-, four-, and five-bedroom townhome community in San Diego, with prices starting at \$486,900.

Demand is estimated for 19,000 new homes in the HMA during the next 3 years (Table 1). The 500 homes currently under construction will meet a portion of that demand. In addition, some of the estimated 35,000 other vacant units in the HMA may return to the sales market and satisfy a portion of the forecast demand. Demand is expected to be even throughout each year of the 3-year forecast period, with the greatest demand for homes in the \$356,000-to-\$498,999 price range. Table 4 illustrates estimated demand for new sales housing in the HMA by price range.

Rental Market

Rental housing market conditions in the San Diego HMA are currently tight. Rising home prices and downpayment requirements are two major reasons why potential homeowners are remaining renters and households moving into the HMA are choosing rental units. The estimated 3.6-percent vacancy rate is down

from the 5.6-percent rate in 2010 (Figure 8). The tightening of rental market conditions resulted from the gap since April 2010 in the number of available vacant rental housing units, which averaged 2,600 annually from 2010 to the current date, compared with the growth in renter households, which averaged 6,300

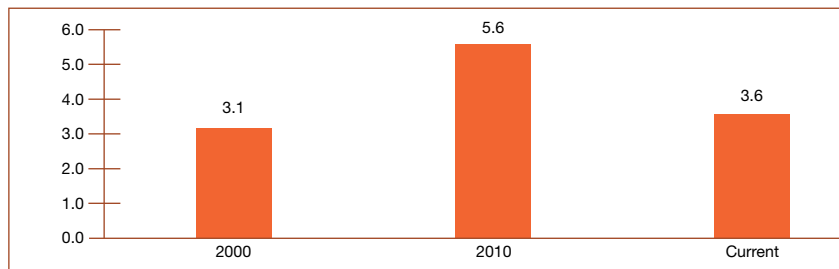
annually during the same period. Single-family homes are a significant source of rental units. Approximately 26 percent of all occupied rental units in 2014 were single-family homes, up from 25 percent in 2010 and 21 percent in 2000 (U.S. Census Bureau). Apartments accounted for most of the occupied rental housing stock, at 51 percent, in the HMA (2014 American Community Survey, latest data available). During the first quarter of 2016, the apartment vacancy rate declined to 3.5 percent from 3.6 percent in the first quarter of 2015 and 3.9 percent in the first quarter of 2010 (MPF Research). The average apartment rent rose by \$126, or 8 percent, to \$1,685 from the first quarter of 2015 to the first quarter of 2016. From the first quarter of 2010 to the first quarter 2016, total apartment rents rose more than \$350, or 27 percent, an average annual increase of approximately \$60, or 4 percent.

Although median family incomes and median household incomes are rising, they are not keeping pace with the rate of rent growth. Of the largest cities in California, the city of San Diego has the fourth highest one- and two-bedroom median rents (apartmentlist.com).

As rental market conditions have tightened since 2010, multifamily construction activity, as measured by the number of units permitted, has risen. The number of multifamily units permitted averaged 7,250 a year from 2000 through 2005 as the economy grew and multifamily financing was easy for developers to obtain. From 2006 through 2008, the number of multifamily units permitted declined to 4,825 a year and then further declined to 1,825 a year between 2009 and 2010 (Figure 9) as multifamily developers were finding it harder to obtain construction and permanent financing and rental vacancy rates started to increase. The number of multifamily units permitted rose to 4,400 a year from 2011 through 2014, when rental market conditions tightened. Approximately 7,575 multifamily units were permitted in the 12 months ending May 2016 compared with the 5,125 units permitted in the previous 12-month period (CBRE Group, Inc.; U.S. Census Bureau; local planning offices). Since 2008, 94 percent or more of multifamily building development each year has been for apartments compared with an average of 51 percent from 2000 through 2007. As noted previously, condominium sales and construction have not kept pace with apartment construction, which has increased since 2010.

Most new apartment construction in the HMA is located in the city of San Diego. Several large apartment

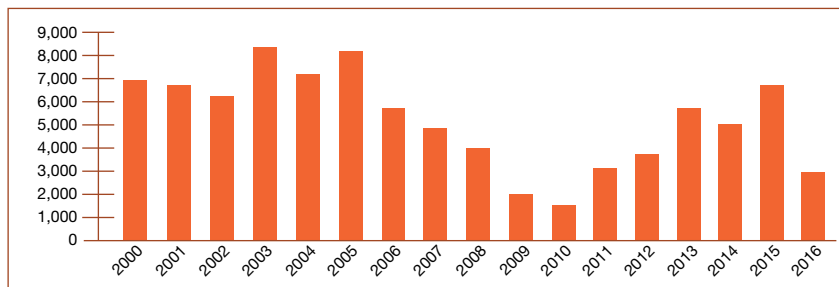
Figure 8. Rental Vacancy Rates in the San Diego-Carlsbad HMA, 2000 to Current



Note: The current date is June 1, 2016.

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

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



Notes: Excludes townhomes. Current includes data through May 2016.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

developments are under construction or in lease up in the HMA. The construction cost of The Rey apartments in downtown San Diego, which will have 939 units, is estimated at \$250 million. Phase 1, with 480 units, will open in early 2017. About 80 percent of the apartments will be studio and one-bedroom units, and the remaining apartments are two-bedroom units. The rents are currently not available. The \$250 million, 713-unit Ballpark Village apartment is also under construction in downtown San Diego. The project will contain studio, one-bedroom, two-bedroom, and three-bedroom units. The rents are estimated to start in the \$2,000 to \$3,000 range. The development will open in phases between late 2017 and mid-2018. The 612-unit WestPark apartments in the city of San Diego are currently in lease up. The one-bedroom units start at \$2,000, two-bedroom units start

at \$2,550, and three-bedroom units start at \$3,495. The 416-unit MARC San Marcos apartments in the city of San Marcos will include studio, one-bedroom, two-bedroom, and three-bedroom units when complete in the second half of 2017. The rents currently are not available. The 273-unit Pulse Millenia apartment development in Chula Vista is currently in lease up. One-bedroom units start at \$1,768, two-bedroom units start at \$2,275, and three-bedroom units start at \$2,791.

During the 3-year forecast period, demand is estimated for 18,100 new market-rate rental units (Table 1). The 7,350 units currently under construction will meet a portion of that demand. Demand is expected to stay steady each year 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 Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,550 to 1,749	360	1,650 to 1,849	3,625	2,075 to 2,274	2,900	2,550 to 2,749	360
1,750 to 1,949	270	1,850 to 2,049	2,700	2,275 to 2,474	2,175	2,750 to 2,949	270
1,950 to 2,149	180	2,050 to 2,249	1,800	2,475 to 2,674	1,450	2,950 to 3,149	180
2,150 or more	90	2,250 or more	900	2,675 or more	730	3,150 or more	90
Total	900	Total	9,025	Total	7,250	Total	900

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 7,350 units currently under construction will likely satisfy some of the estimated demand. The forecast period is June 1, 2016, to June 1, 2019.

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	2010 to Current
Total resident employment	1,323,166	1,352,266	1,490,000	0.2	1.8
Unemployment rate	3.9%	10.8%	4.9%		
Nonfarm payroll jobs	1,200,000	1,242,000	1,402,000	0.3	2.3
Total population	2,813,833	3,095,313	3,308,000	1.0	1.1
Total households	994,677	1,086,865	1,140,000	0.9	0.8
Owner households	551,461	591,025	606,700	0.7	0.4
Percent owner	55.4%	54.4%	53.2%		
Renter households	443,216	495,840	533,600	1.1	1.2
Percent renter	44.6%	45.6%	46.8%		
Total housing units	1,040,149	1,164,786	1,201,000	1.1	0.5
Owner vacancy rate	1.0%	1.9%	0.9%		
Rental vacancy rate	3.1%	5.6%	3.6%		
Median Family Income	\$53,438	\$71,298	\$76,876	2.9	1.5

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through May 2016. Median Family Incomes are for 1999, 2009, and 2014. The current date is June 1, 2016.

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

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 6/1/2016—Analyst’s estimates
 Forecast period: 6/1/2016–6/1/2019—Analyst’s estimates

The metropolitan statistical area 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 the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, 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_16.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 HUD’s Economic and Market Analysis Division. 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.