

COMPREHENSIVE HOUSING MARKET ANALYSIS

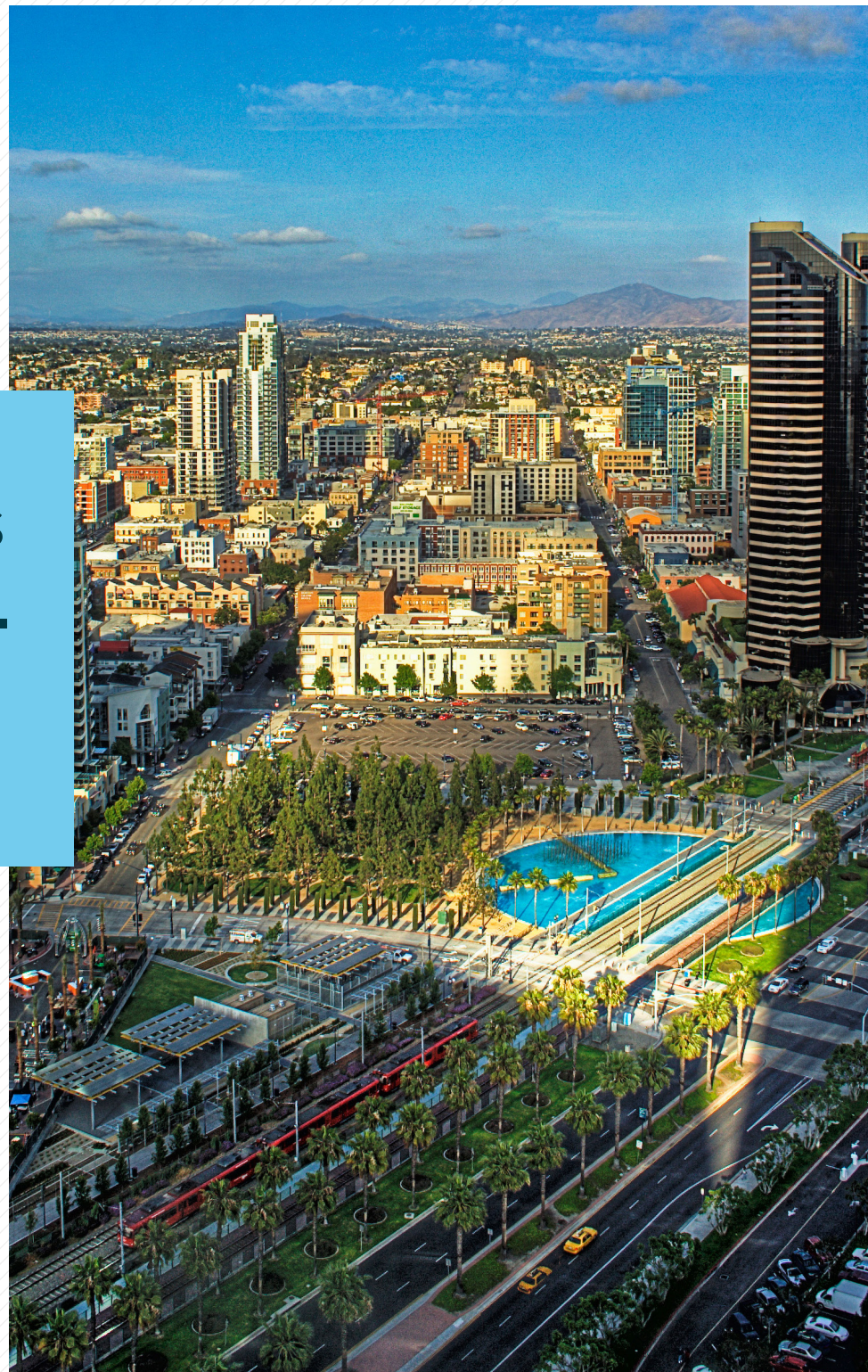
San Diego-Chula Vista- Carlsbad, California

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of September 1, 2021



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Executive Summary

Housing Market Area Description

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

The current population of the HMA is estimated at 3,308,000.

Situated along the Pacific Coast, the HMA is home to 27 U.S. military installations and one of the largest military communities in the nation; one out of four U.S. Marines and one out of six sailors in the U.S. Navy are stationed in the HMA (San Diego Military Advisory Council [SDMAC]). The largest installation in the HMA is Naval Base San Diego, which is the fourth largest naval base in the nation (Naval-technology.com). In addition to the military, the HMA has a prominent tourism industry, and the area typically receives approximately 35 million visitors each year (San Diego Tourism Authority).



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#).

Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).

Market Qualifiers

Economy



Weak, but Improving: Nonfarm payrolls in the San Diego HMA declined during the 12 months ending August 2021 by 40,900 jobs, or 2.9 percent, to nearly 1.39 million, largely due to pandemic-related job losses prior to the full reopening of the Californian economy on June 15, 2021.

After 9 consecutive years of economic expansion following the Great Recession, economic conditions in the HMA began to weaken following interventions implemented in early 2020 to slow the spread of COVID-19. Job losses were widespread but particularly concentrated in the tourism industry, which continued to lead overall nonfarm payroll losses in the HMA during the recent 12-month period. The weakening of the HMA economy was partly offset by continued expansions in the military, which supported the economy during the recession of early 2020. The full reopening of the economy during the second quarter of 2021 had an additional positive impact on the HMA economy, contributing to a partial recovery of nonfarm payroll jobs. That recovery is expected to continue during the 3-year forecast period, and nonfarm payroll growth in the HMA is expected to average 2.1 percent a year.

Sales Market



Tight: The average home sales price in the San Diego HMA rose 17 percent, to \$848,700, during the 12 months ending August 2021, while the inventory of homes for sale declined at an accelerated pace each year since 2019.

The sales housing market in the HMA is tight despite the weakening of the economy. The sales vacancy rate in the HMA is currently estimated at 0.9 percent, down from 1.9 percent in 2010 when conditions were soft. A decline in the inventory of homes for sale and widespread mortgage forbearance—including federally backed mortgages under the Coronavirus Aid, Relief, and Economic Security (CARES) Act that assisted pandemic-impacted homeowners—contributed to the currently low vacancy rate and tight sales market conditions. During the next 3 years, demand is estimated for 10,400 new homes. As the economy continues to recover, demand is expected to increase slightly in the second and third years of the forecast due to improved household growth. The 1,325 homes under construction will satisfy some of that demand.

Rental Market



Slightly Tight: Renter household growth since 2010 has more than offset the production of year-round rental units in the San Diego HMA, contributing to the overall tightening of the rental market.

The rental housing market in the HMA is slightly tight, with an estimated vacancy rate of 4.8 percent, essentially unchanged from a year ago but lower than the 5.6-percent rate in 2010 when conditions were slightly soft. Since mid-2020, the temporary ban on evictions throughout California for nonpayment of rent related to the COVID-19 pandemic partly contributed to relatively stable market conditions during the past year. An increase in renter households contributed to the absorption of vacant rental units and an overall decline in the vacancy rate from 2010. During the forecast period, renter household growth is expected to support demand for 11,550 rental units. The 7,200 rental units under construction will satisfy a portion of that demand during the forecast period.

TABLE OF CONTENTS

Economic Conditions	4
Population and Households	11
Home Sales Market	16
Rental Market	24
Terminology Definitions and Notes	31

3-Year Housing Demand Forecast

	Sales Market	Rental Market
San Diego HMA		
Total Demand	10,400 Homes	11,550 Units
Under Construction	1,325 Homes	7,200 Units

Notes: Total demand represents the estimated production necessary to achieve a balanced market at the end of the forecast period. Housing under construction is as of September 1, 2021, and excludes seasonal housing under way. The forecast period is September 1, 2021, to September 1, 2024. Source: Estimates by the analyst



Economic Conditions

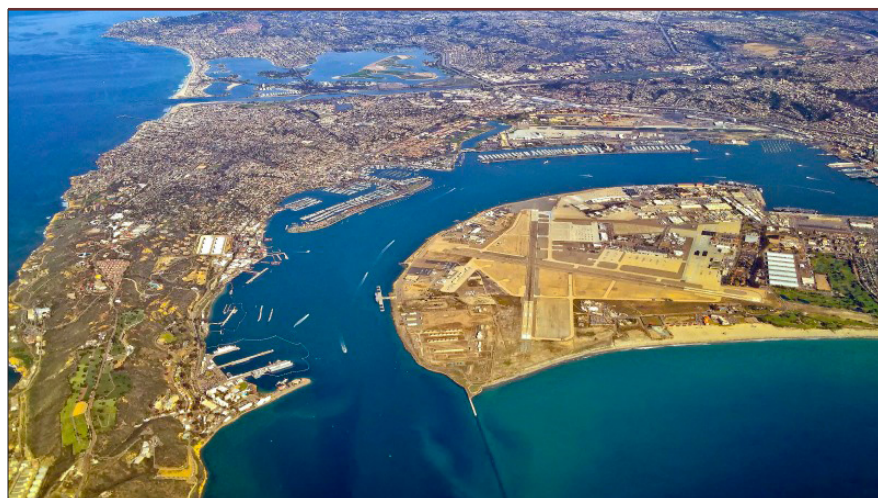
Largest Sector: Professional and Business Services

The military supports multiple private companies throughout the HMA, including one of the largest in the professional and business services sector, General Atomic Technologies Corporation—a Department of Defense contractor specializing in nuclear fission and fusion energy research that has 15,000 employees nationwide, nearly one-quarter of whom are in the HMA (General Atomics Technologies Corporation).

Economic Factors in the HMA

The San Diego HMA serves as a major employment center for the military, education, tourism, and scientific research industries in the nation. Since the mid-1800s, the U.S. military has been important to the HMA economy, establishing an initial presence in the southern portion of the Point Loma peninsula (Photo 1). Currently, the HMA is home to 27 military installations and has one of the largest concentrations of military personnel in the world. That concentration is especially high during periods of deployment; approximately two-thirds of U.S. military forces prepare for deployment in the HMA (SDMAC).

Photo 1. Point Loma Peninsula



Source: Empey Realty

The annual economic impact of the military on the HMA is significant, at \$52.4 billion as of 2020, and one-half of the largest employers in the HMA are military (Table 1). Marine Corps Base Camp Pendleton (hereafter, Camp Pendleton), with 46,063 employees, is the largest employer, whereas Naval Base San Diego (Photo 2) is the third largest, with 34,534 employees. In total,

Table 1. Major Employers in the San Diego HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Marine Corps Base Camp Pendleton	Government	46,063
University of California San Diego	Government	40,088
Naval Base San Diego	Government	34,534
Naval Base Coronado	Government	29,691
Sharp HealthCare	Education & Health Services	19,148
Scripps Health	Education & Health Services	13,254
Qualcomm Technologies, Inc.	Manufacturing	11,050
Naval Base Point Loma	Government	11,010
Kaiser Permanente	Education & Health Services	9,653
Marine Corps Air Station Miramar	Government	8,379

Notes: Includes military personnel, who are generally not included in job survey data. Excludes local school districts.

Sources: San Diego Military Economic Impact Study, 2020; City of San Diego

Photo 2. Naval Base San Diego

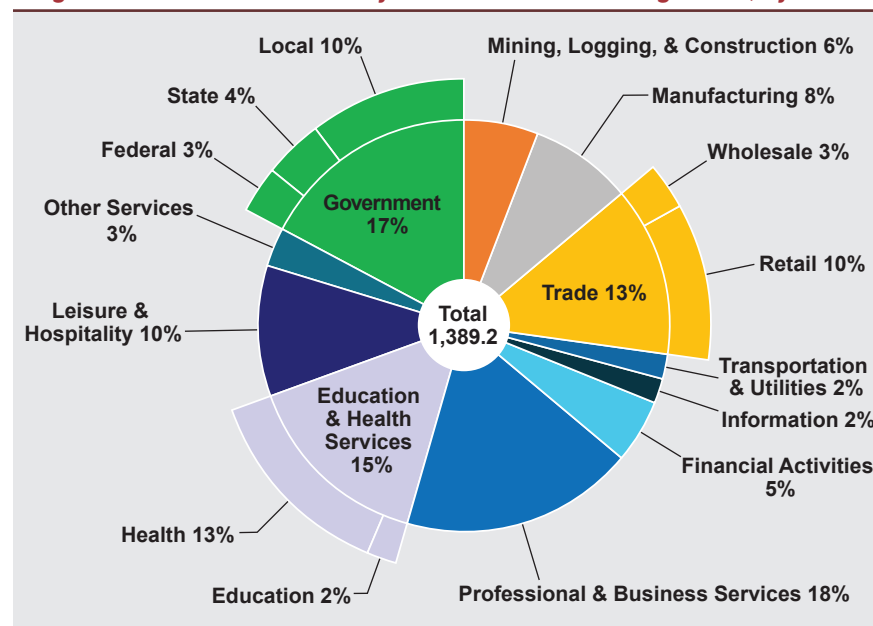


Source: K.C. Alfred

the military directly supports 153,100 military and civilian jobs combined (SDMAC, 2020). Civilian military jobs alone account for 13 percent of all government jobs in the HMA—the second largest sector in the economy (Figure 1). In addition to direct jobs, the military indirectly supports 189,400 jobs in the HMA through Department of Defense contracts, which totaled 2,075 in 2020, with \$17 billion in contract spending (SDMAC). During 2020, General Atomic Technologies Corporation was the largest single receiver of those contracts, totaling nearly \$3.6 billion, followed by Northrop Grumman Corporation with slightly more than \$1.5 billion. Both of those companies combined employ approximately 7,300 employees in the HMA (General Atomic Technologies Corporation and Northrop Grumman Corporation). Overall, the military was a stable source of employment in the HMA during a period of widespread job losses in the past year. Jobs supported by the military rose nearly 8 percent from prepandemic levels in 2019, whereas the economic impact of the military on the HMA increased 6 percent (SDMAC). See the Current Economic Conditions section for more details on the overall impact of the COVID-19 pandemic.

The HMA is also home to two major public universities—the University of California, San Diego (UC San Diego) and San Diego State University (SDSU). Both universities have nearly 41,000 employees combined and provide \$22.2 billion in economic impact on the HMA annually (UC San Diego and SDSU, 2019). The presence of both the military and higher education in the HMA has also contributed to growth in the scientific research industry, predominantly in the fields of biotechnology, energy, and wireless telecommunications. Biotechnology alone accounts for more than 13,000 jobs in the HMA, or 18 percent of all jobs in the greater life sciences industry—an industry that directly supported 72,400 jobs in the HMA, provided \$16 billion in wages, and received more than \$7.3 billion in government contract funding during 2020 (Biocom California). A portion of the contract funding comes from the military; the Department of Defense has a growing interest in biotechnology to both manage biothreats and support the lives of their personnel (National Defense Industrial Association).

Figure 1. Share of Nonfarm Payroll Jobs in the San Diego HMA, by Sector



Notes: Military jobs are not included in these data. Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through August 2021.
Source: U.S. Bureau of Labor Statistics

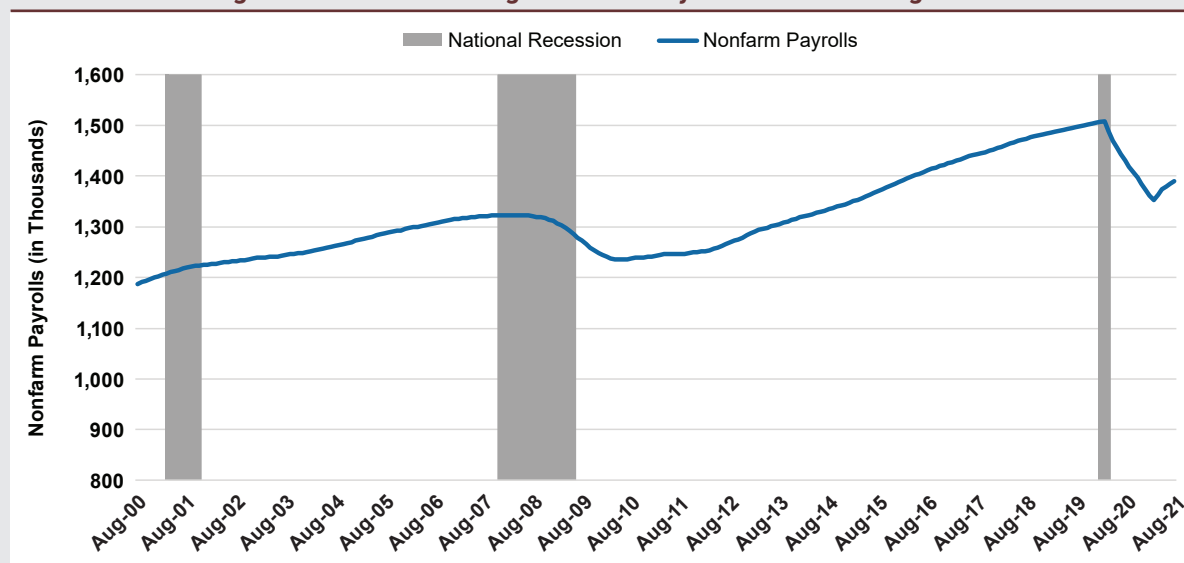
The HMA is also among the most popular tourist destinations in the nation. The 70 miles of coastline and the San Diego Convention Center are only two of the attractions that have drawn visitors to the HMA each year (San Diego Tourism Authority). Before the COVID-19 pandemic, the number of visitors to the HMA had increased an average of 2 percent a year from 2012 through 2019 to reach 35 million visitors, whereas visitor spending increased an average of 7 percent a year to more than \$11.6 billion (San Diego Tourism Authority). Those gains had supported the leisure and hospitality sector following the Great Recession. However, as in all areas throughout the nation, countermeasures to slow the spread of COVID-19 impacted the tourism industry, contributing to significant job losses. See the COVID-19 Pandemic and the HMA Tourism Industry section for more details.

Economic Periods of Significance in the HMA

A Period of Expansion: 2001 Through 2007

From 2001 through 2007, nonfarm payrolls increased by an average of 17,500 jobs, or 1.4 percent, annually to 1.32 million. Overall, job growth in the HMA increased at a faster pace than in the nation, rising 0.6 percent because the HMA continued to expand during the national recession of the early 2000s (Figure 2). Approximately 63 percent of job gains in the HMA occurred in the education and health services, the leisure and hospitality, and the professional and business services sectors, up by respective averages of 3,500, 4,400, and 3,200 jobs, or 2.7, 3.1, and 1.5 percent, annually. 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 that added an average of 300 jobs annually. A more than 100-percent increase in the number of visitors to the HMA from 2001 to 2007 (San Diego Tourism Authority), along with the opening of 56 hotels that added approximately 1,800 jobs during the period, contributed to gains in the leisure and hospitality sector (*San Diego Business Journal*). The professional and business services sector benefited from expansions in the scientific and technical services industry, which accounted for 97 percent of the sector increase and was up by an average of 3,100 jobs, or 3.0 percent, annually.

Figure 2. 12-Month Average Nonfarm Payrolls in the San Diego HMA



Notes: Military jobs are not included in these data. Based on the 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

The Great Recession and the San Diego HMA: 2008 Through 2010

By the end of 2007, the Great Recession began, and nonfarm payrolls in the HMA declined by an average of 27,300 jobs, or 2.1 percent, a year from 2008 through 2010 to 1.24 million jobs. The rate of job loss in the HMA was more severe than in the nation, which was down an average of 1.9 percent annually. Roughly, a combined 88 percent of 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 decline in the construction subsector contributed to all the losses in the mining, logging, and construction sector, partly due to less housing development. In the professional and business services sector, jobs declined by 6,100, or 2.8 percent, with one-third of those losses resulting from mass layoffs at companies in the scientific and technical services industry—including Intuit Inc., Verari Systems, Inc., and DivX, LLC. The wholesale and retail trade sector was down by 7,400 jobs, or 4.0 percent, mostly resulting from 5,800 fewer retail trade jobs. Less demand for home projects during the economic downturn also led to the closure of two Home Depot Expo Design Centers and a total of 290 jobs lost.

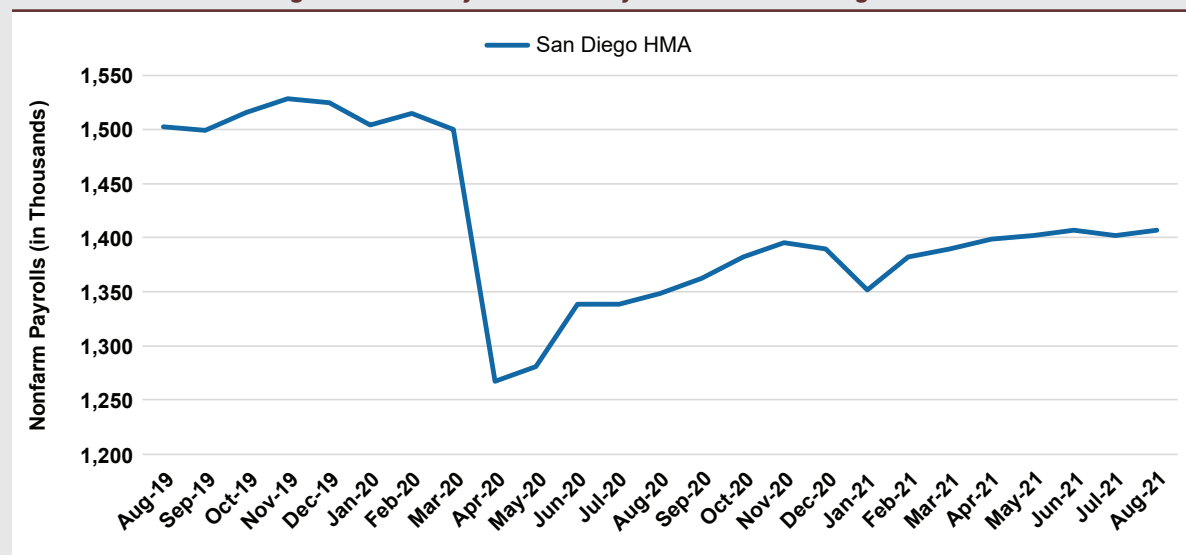
Economic Recovery and Expansion: 2011 Through 2019

Following the economic contraction, nonfarm payrolls in the HMA expanded from 2011 through 2019 by an average of 29,200 jobs, or 2.2 percent, annually—a faster rate of growth than during the expansion of 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 from 2011 through 2019 was also faster than the average 1.6-percent annual rate for the nation. The education and health services, the leisure and hospitality, and the professional and business services sectors, which were up by averages of 5,800, 5,400, and 5,800 jobs, or 3.1, 3.1, and 2.6 percent, respectively, accounted for more than one-half of the total increase in the HMA combined. In the professional and business services sector, General Atomics Technologies Corporation added 500 jobs, and 400 jobs were added in the biotechnology industry—including 125 jobs at the J. Craig Venter Institute (*San Diego Business Journal*). In the education and health services sector, a growing number of nursing facilities added 3,900 jobs throughout the HMA, and the opening of the \$850 million Kaiser Permanente San Diego Medical Center in 2019 added 1,000 jobs, contributing to sector growth. In the leisure and hospitality sector, the completion of 41 hotels during the period added approximately 1,600 jobs, and the \$226 million expansion of the Sycuan Casino Resort had added another 700 jobs when it was completed in 2019.

Current Economic Conditions: The COVID-19 Pandemic and Partial Recovery

Similar to many areas in the nation, economic conditions in the HMA began to weaken in early 2020 following interventions that were taken in mid-March to slow the spread of COVID-19—including enforcing physical distancing and discouraging nonessential travel. Nonfarm payrolls in the HMA declined sharply by a total of 248,000 jobs, or 16.4 percent, from March to April 2020 (not seasonally adjusted; Figure 3). By the second quarter of 2020, businesses began a measured reopening that was followed a year later by the full reopening of the California economy on June 15, 2021. The reopening contributed to a net gain of 140,100 jobs from May 2020 through August 2021, but only 56 percent of jobs lost during the recession of early 2020 were recovered. This partial recovery in jobs was partly due to a second wave of payroll losses that occurred in early 2021, resulting from a reintroduction of stay-at-home orders to counter a rise in COVID-19 cases and the decline in intensive-care unit capacity. Those losses contributed to an overall decrease in nonfarm payrolls during the 12 months ending August 2021 by 40,900 jobs, or 2.9 percent (Table 2). Job declines during this period were less than the losses during the previous 12-month period, when payrolls declined by 65,600 jobs, or 4.4 percent. The rate of job decline in the HMA during the recent 12 months was in contrast with the nation, where payrolls increased 0.1 percent.

Figure 3. Monthly Nonfarm Payrolls in the San Diego HMA



Notes: Military jobs are not included in these data. Based on non-seasonally adjusted monthly data.

Source: U.S. Bureau of Labor Statistics

Job losses in the HMA during the 12 months ending August 2021 occurred in 9 of the 11 sectors of the economy, with the greatest declines in sectors that rely heavily on nonessential in-person interactions. Many of those jobs were in the leisure and hospitality sector, which had contracted more severely than the other sectors during the pandemic. Nonfarm payrolls in the leisure and hospitality sector declined by 22,300 jobs, or 13.4 percent, accounting for more than one-half of the overall job loss in the HMA. A portion of those losses resulted from layoffs of full-time employees at businesses with a total staff of at least 100 people. Since September 2020, there were more than 5,426 of those full-time employees who were laid off because of either temporary or permanent closures of 32 hotels, restaurants, and entertainment venues throughout the HMA (California Employment Development Department, [California Worker Adjustment and Retraining Notification](#)). See The COVID-19 Pandemic and the HMA Tourism Industry section for additional details.

Notable losses also occurred in the government sector, largely resulting from pandemic-related countermeasures. Government sector jobs were down by 8,300, or 3.4 percent, which accounted for the second largest decrease in nonfarm payrolls. The public educational services industry was particularly impacted by the pandemic; a combined 7,500 jobs were lost in the educational

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the San Diego HMA, by Sector

	12 Months Ending August 2020	12 Months Ending August 2021	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	1,430.1	1,389.2	-40.9	-2.9
Goods-Producing Sectors	197.7	198.7	1.0	0.5
Mining, Logging, & Construction	82.4	85.0	2.6	3.2
Manufacturing	115.3	113.7	-1.6	-1.4
Service-Providing Sectors	1,232.4	1,190.4	-42.0	-3.4
Wholesale & Retail Trade	179.5	177.7	-1.8	-1.0
Transportation & Utilities	33.5	33.1	-0.4	-1.2
Information	22.7	22.0	-0.7	-3.1
Financial Activities	75.7	73.3	-2.4	-3.2
Professional & Business Services	250.9	250.9	0.0	0.0
Education & Health Services	213.4	211.8	-1.6	-0.7
Leisure & Hospitality	165.8	143.5	-22.3	-13.4
Other Services	49.3	44.8	-4.5	-9.1
Government	241.7	233.4	-8.3	-3.4

Notes: Military jobs are not included in these data. Based on 12-month averages through August 2020 and August 2021. Numbers may not add to totals due to rounding. Data are in thousands.

Source: U.S. Bureau of Labor Statistics

services industry of the local government subsector, accounting for the largest share of job losses in the government sector overall. Those losses were partly offset by gains in the Department of Defense, where civilian jobs rose by 400, or 1.7 percent.

In contrast to sector declines, the mining, logging, and construction sector increased by 2,600 jobs, or 3.2 percent. Sector gains resulted from continued growth in construction, which had been deemed essential at the start of the pandemic. Greater development of rental housing, along with construction of healthcare and defense-related facilities, partly contributed to that growth. Construction projects that were underway during the past 12 months include the \$200 million U.S. Navy headquarters in downtown San Diego. The new 17-story tower opened in late 2020 and currently provides administrative space for 1,450 personnel. In addition, Marathon Construction Corporation was awarded a \$7.37 million contract to repair the quay wall at Naval Base San Diego; completion is expected by January 2022. In the healthcare industry, Kaiser Permanente began construction in late 2020 on the \$403 million San Marcos Medical Center, adding a portion of the 500 construction jobs planned through its completion, which is expected in 2023.

The COVID-19 Pandemic and the HMA Tourism Industry

The tourism industry in the San Diego HMA was deeply impacted by the COVID-19 pandemic and periodic stay-at-home orders. The industry, which includes jobs in the leisure and hospitality sector and the transportation industry, employed 147,600 people in the HMA during 2020, down 26 percent from 2019 (California Economic Development Department). Travel restrictions and social-distancing measures during the pandemic contributed to the contraction in the tourism industry, with a low number of visitors and significant declines in both hotel occupancy and visitor spending. Visitors to the HMA totaled only 14.3 million during 2020, down 59 percent from the 35.1 million visitors during 2019 (San Diego Tourism Authority). During the same period, visitor spending declined 56 percent, to \$5.2 billion, from \$11.6 billion a year earlier. The low number of visitors placed a downward pressure on hotel occupancy, which averaged 48 percent during 2020, down from an average of 77 percent in 2019, and contributed to the closure of five hotels, reducing total hotel rooms in the area by 3 percent. The San Diego

Convention Center was also impacted. The convention center held 16 conventions and trade shows during 2020, all within the first two months of that year (just prior to the pandemic), which generated approximately \$127.1 million in direct spending (San Diego Convention Center). That number of conventions was down 77 percent from the 71 held during 2019, and direct spending declined 82 percent from \$697 million during that same year.

The number of COVID-19 cases in the HMA declined 90 percent from their peak levels in December 2020 and were consistently low (John Hopkins University). As more people were being vaccinated, travel and social distancing measures were increasingly relaxed, and the economy fully reopened by mid-2021—contributing to an increase in visitors and spending. During the first 6 months of 2021, the HMA received a total of 12.9 million visitors, who spent \$3.6 billion, up 51 and 18 percent, respectively, from the same 6-month period in 2020, but still down from 20.9 million visitors and spending of \$6.7 billion during the first 6 months of 2019 (San Diego Tourism Authority).

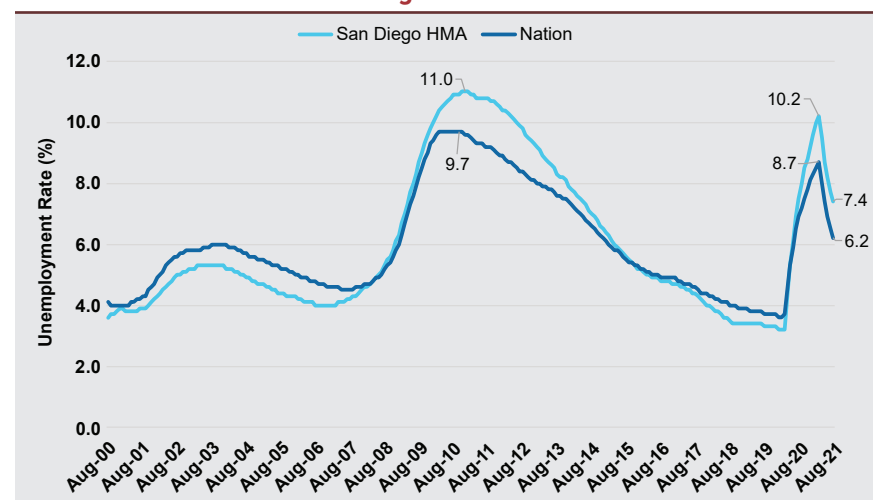
Unemployment Trends

The average unemployment rate in the HMA declined slightly during the 12 months ending August 2021 to 7.4 percent, down from 7.5 percent a year earlier (Figure 4) and notably lower than the high of 10.2 percent during the 12 months ending March 2021. The average unemployment rate in the HMA was higher than in the nation, which had a rate of 6.2 percent during the 12 months ending August 2021, down also from a high of 8.7 percent during the 12 months ending March 2021. Prior to the recession of early 2020, the average unemployment rate in the HMA and the nation had been declining for 9 consecutive years from 2011 through 2019—a period when economic conditions were strong—after reaching respective highs of 11.0 and 9.7 percent in 2010.

Forecast

During the 3-year forecast period, the opening of the economy and increased travel to the HMA are expected to contribute to continued job recovery. As a

Figure 4. 12-Month Average Unemployment Rate in the San Diego HMA and the Nation



Notes: Active duty military personnel are not included in these data. Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

result, nonfarm payrolls in the HMA are expected to increase an average of 2.1 percent annually, reflecting strong job gains during each year of the forecast. Notable payroll gains are expected in the mining, logging, and construction, the education and health services, and the leisure and hospitality sectors. In the education and health services sector, Kaiser Permanente is expected to complete the San Marcos Medical Center by the second year of the forecast. The new seven-story hospital is expected to add more than 1,000 permanent jobs to the HMA. Jobs in the leisure and hospitality sector are expected to continue recovering, although at a slower pace than the other sectors. Contributing to sector gains will be the \$20 million AC Hotel San Diego Gaslamp Quarter that is currently underway. The development will have a total of 147 hotel rooms and is expected to add approximately 100 jobs to the leisure and hospitality sector when it is complete in early 2022. Military contract spending to

private companies in the HMA is expected to continue during the next 3 years (SDMAC), helping to support private industry and growth, including construction. Two companies in the HMA have been awarded a portion of \$750 million in contracts for the construction, repair, and renovation of U.S. Navy facilities under the command of Naval Facilities Engineering Systems Command Southwest; the project is expected to be complete by late 2026. In addition, construction on the Navy Old Town Complex Revitalization—a joint project between the Navy and the San Diego Association of Governments—is expected to start during the forecast period. The project will revitalize 70 acres of underutilized Navy-owned property on Naval Base Point Loma that would result in up to 10,000 housing units, two hotels, a transit center, more than a million square feet of commercial space, and a new Naval Information Warfare Systems Command facility.

Population and Households

Current Population: 3,308,000

Population growth in the HMA has slowed nearly each year since 2016, when higher home prices contributed to net out-migration from the HMA.

Current Population Facts

The population of the San Diego HMA is estimated at nearly 3.31 million as of September 1, 2021 (Table 3). Approximately 8 percent of California's 39.54 million residents reside in the HMA, and San Diego County is the second most populous county in the state (U.S. Census Bureau, 2020 Decennial Census). Approximately 43 percent of residents in the HMA live in the largest city, San Diego, which has 1.41 million residents (California Department of Finance).

Population and Demographic Trends

Overall resident population growth and trends in migration in the HMA during most of the period since 2000 have been influenced by economic conditions, mortgage lending standards, and housing prices. Significant changes in the number of students or military personnel—some of whom bring dependents—also contribute to population growth. Approximately one out of four U.S. Marines and one out of six sailors in the U.S. Navy

are stationed in the HMA (SDMAC), while a combined 70 percent of new students come from outside the HMA to attend UC San Diego and SDSU (UC San Diego and SDSU). In addition, net natural change has also supported overall population growth in the HMA during the period (Figure 5).

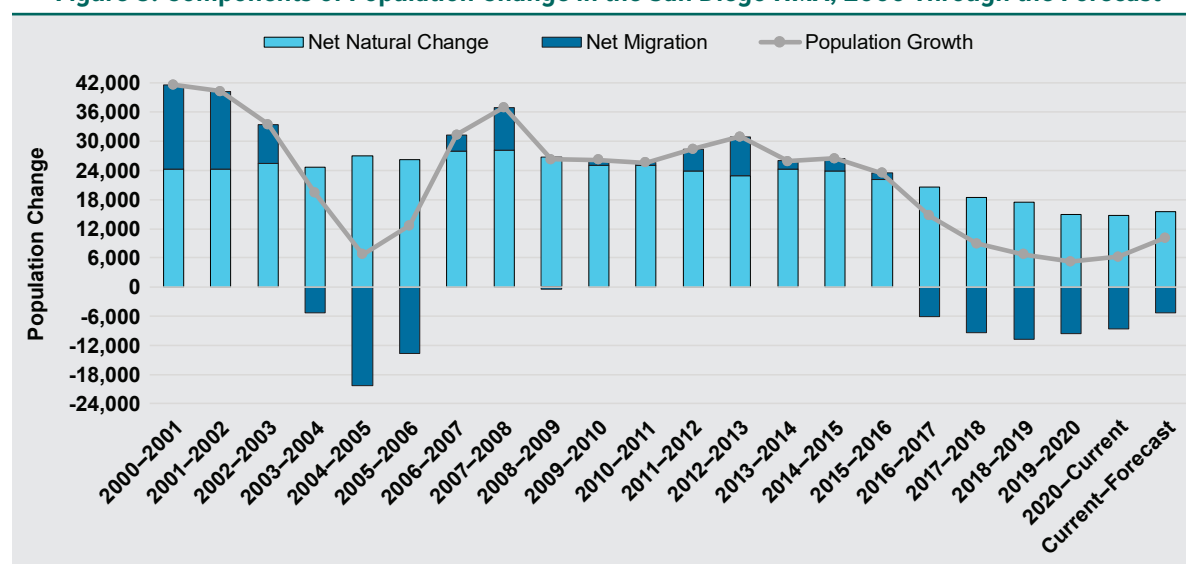
Table 3. San Diego HMA Population and Household Quick Facts

Population Quick Facts	2010	Current	Forecast
	Population	3,095,313	3,308,000
	Average Annual Change	28,150	10,200
	Percentage Change	1.0	0.3
Household Quick Facts	2010	Current	Forecast
	Households	1,086,865	1,174,000
	Average Annual Change	9,225	4,525
	Percentage Change	0.9	0.7

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current date to forecast. The forecast period is from the current date (September 1, 2021) to September 1, 2024.

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

Figure 5. Components of Population Change in the San Diego HMA, 2000 Through the Forecast



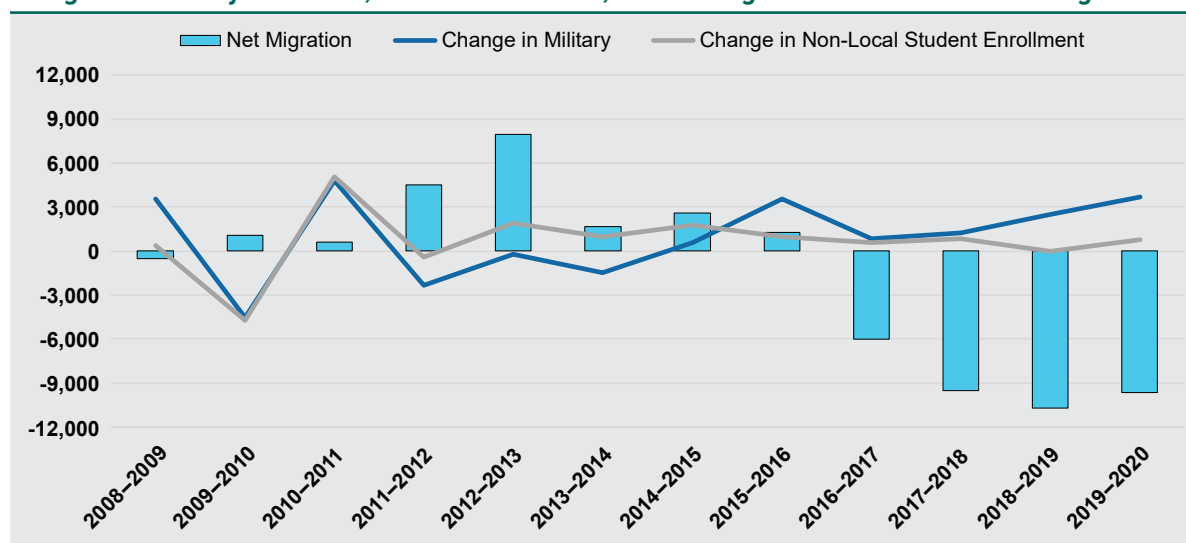
Notes: Data displayed are average annual totals. The forecast period is from the current date (September 1, 2021) to September 1, 2024. Sources: U.S. Census Bureau; current date to forecast, with estimates by the analyst

During the early 2000s, prior to the sales housing market boom, population growth in the HMA was relatively strong, averaging 40,050 people, or 1.4 percent, a year from 2000 to 2003. The economic expansion during that period contributed to net in-migration each year, averaging 15,400 people annually. 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 were mainly moving to the neighboring Riverside-San Bernardino-Ontario, CA MSA (Internal Revenue Service migration data), where new homes were being developed at prices that averaged 23 percent less than in the HMA. From 2003 to 2006, net out-migration from the HMA averaged 13,050 people a year, contributing to a slowdown in population growth that averaged 12,950 people, or 0.4 percent, annually. By the end of 2006, the draw of residents away from the HMA to purchase homes elsewhere slowed. Net in-migration to the HMA resumed at an average of 6,100 people a year from 2006 to 2008, and the population rose by an average of 34,200, or 1.1 percent, annually.

As the economy and housing markets in the nation began to weaken by the end of 2008, net in-migration slowed to an average of 350 people a year from 2008 to 2011, leading to population growth that averaged 26,050 people, or 0.8 percent, annually. Net in-migration during that period reflected growth in the number of

new students and military personnel moving to the HMA, which more than offset out-migration. New students moving to the HMA averaged 260 a year from 2008 to 2011, while military personnel rose by an overall average of 1,275 a year, despite a decline in personnel in 2010 (Figure 6). As economic conditions improved through the end of 2011, and home sales prices in the HMA were an average of 13 percent lower than in 2007, net in-migration rose to an average of 3,600 people a year from 2011 to 2016, and population growth averaged 27,100 people, or 0.9 percent, annually. Contributing to greater net in-migration was an increase in new students, up by an average of 1,050 a year. Reduced defense spending during part of the period led to overall gains in military personnel by an average of only 30 a year. Since 2016, growth in military personnel has resumed at a stronger pace, averaging 2,075 people a year, while new students moving to the HMA averaged 550 people a year. Those gains in military personnel and new students, however, did not fully offset overall net out-migration from the HMA, which resulted from an escalation in home prices and reduced affordability of housing in the HMA. Overall, net out-migration averaged 8,850 people a year since 2016, and the overall population growth of the HMA slowed to an average of 8,350, or 0.3 percent, a year.

Figure 6. Military Personnel, Student Enrollment, and Net Migration Trends in the San Diego HMA



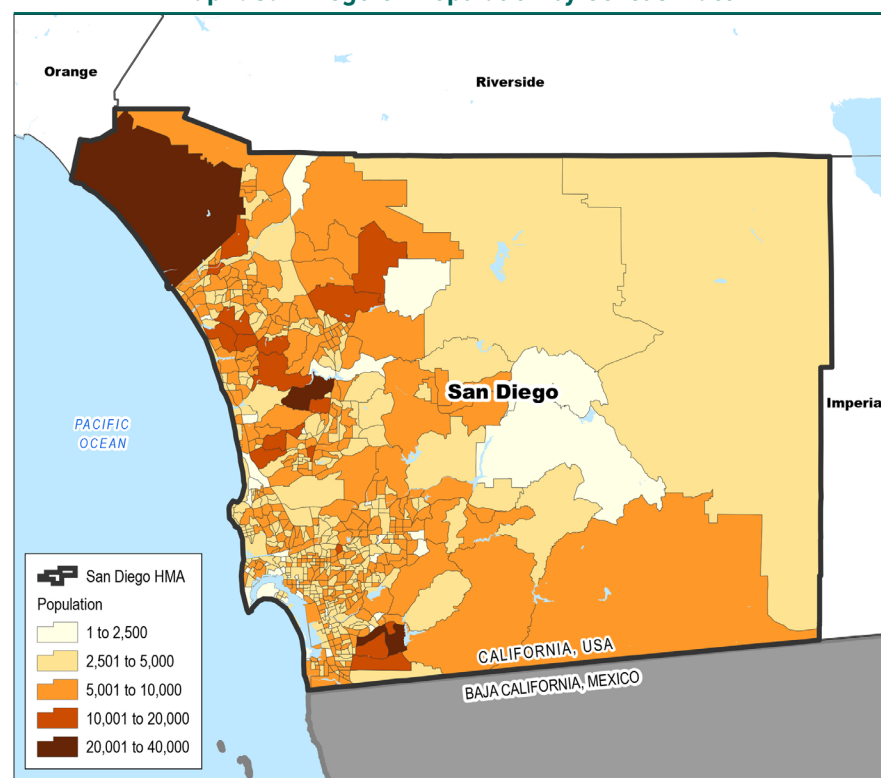
Notes: Military includes active-duty only, while student enrollment is for non-local students enrolled at both the University of California, San Diego, and San Diego State University.

Sources: U.S. Census Bureau; Defense Manpower Data Center; University of California, San Diego; San Diego State University

Population by Geography

Most of the population in the HMA reside in close proximity to the coast (Map 1) due to restrictions on infrastructure, including roads and access to water. These limitations have resulted in a concentration of housing along the coast, and their location contributes to some of the highest home values in the southern California region (Map 2). Areas in the HMA that are relatively less expensive include those in the most northern part of the HMA, farther away from the coast, or along the Mexican border.

Map 1. San Diego CA Population by Census Tract

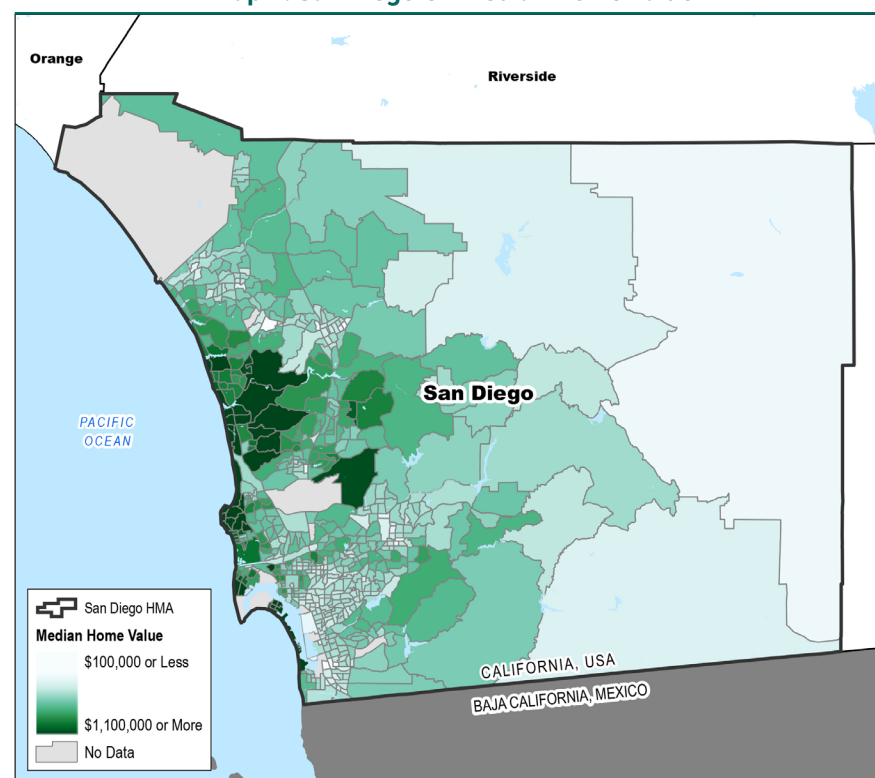


Source: 2015–2019 American Community Survey, 5-year data

Household Trends

Low levels of net in-migration during the early to mid-2010s, followed by net out-migration each year since 2016, contributed to slower household growth compared with the 2000s. The number of households in the HMA is currently estimated at 1.17 million, up by an average of 7,650, or 0.7 percent, annually since 2010, compared with an average increase of 9,225, or 0.9 percent, annually during the 2000s. Increasing home sales prices nearly each year since the Great Recession have dampened homeownership, and the proportion of

Map 2. San Diego CA Median Home Value



Source: 2015–2019 American Community Survey, 5-year data

owner households in the HMA decreased from 54.4 percent in 2010 to 53.9 percent currently (Figure 7). Generally, homeownership is the highest in areas farther away from the coast or in the northern part of the HMA that borders Orange and Riverside Counties.

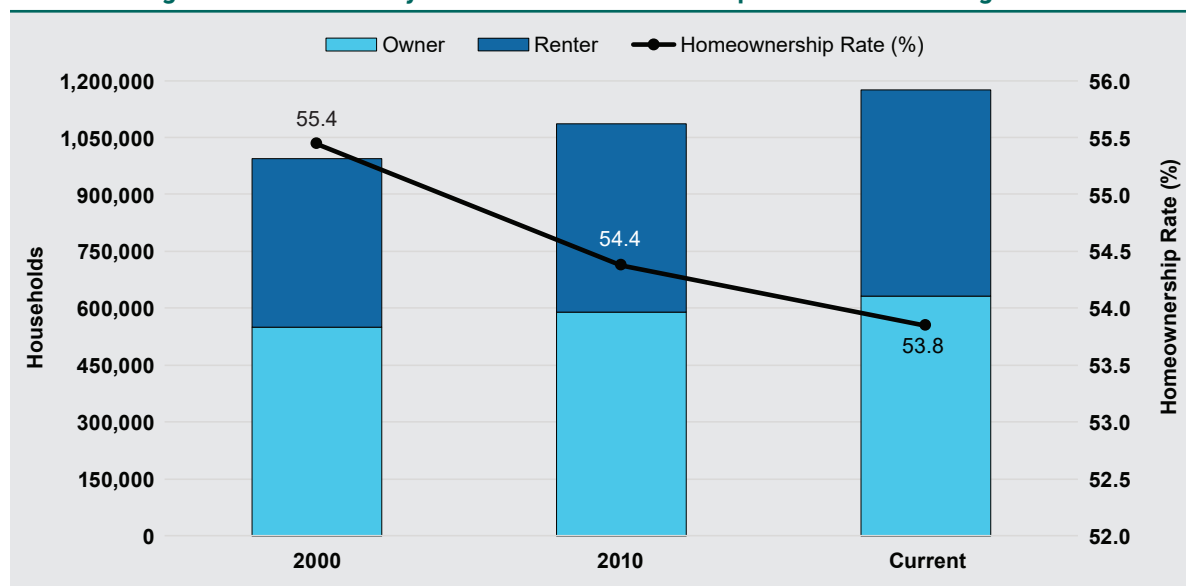
Military Household Trends

Military households have increased overall since 2010, accelerating each year since 2017 because of increasingly larger numbers of personnel moving to the HMA. Most of these households are renter households, and they currently account for an estimated 8 percent of total renter households, or 44,900. Military households in the HMA also own homes, and those households account for an estimated 2 percent, or 14,950, of total owner households in the HMA. With respect to overall household growth in the HMA, growth in military households has accounted for 15 percent of total renter household growth and 6 percent of owner household growth since 2010.

Student Household Trends

Since 2010, student renter households in the HMA have increased, mostly from new students moving to the HMA to attend either UC San Diego or SDSU. An estimated 10 percent of renter household growth in the HMA since 2010 has been attributed to student renter households, compared with less than 1 percent during the 2000s—indicating that the number of available

Figure 7. Households by Tenure and Homeownership Rate in the San Diego HMA



Note: The current date is September 1, 2021.

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

dormitories has fallen short of rising student demand for housing. Despite the share of growth, student households only account for an estimated 1 percent of total renter households in the HMA, or 5,950. In 2010, there were only 1,275 student renter households, or less than 1 percent of total renter households in the HMA.

Forecast

During the next 3 years, the population of the HMA is expected to increase by an average of 10,200, or 0.3 percent, a year, to reach nearly 3.34 million. The pace of growth is expected to be similar to the average annual pace of growth since 2016, but with less net out-migration each year of the forecast. Improved economic conditions, increases in the construction of affordable rental housing and lower-priced sales housing, and sustained gains in military personnel moving to the HMA are anticipated. Those factors are expected to contribute to improved migration trends and gradually higher levels of household growth and housing demand from the first through the third years of the forecast.

Overall, the number of households in the HMA is estimated to grow by an average of 4,525, or 0.4 percent, annually to reach nearly 1.19 million by the end of the forecast period. Homeownership is expected to improve slightly as the share of owner households increases to 53.9 percent of total households. Military owner and renter households are expected to

grow and account for a similar share of households as in the current period, at 2 and 8 percent, respectively. Student households are estimated to account for nearly 1 percent of total renter households, and growth in the number of students that need housing will partly be met by the addition of 2,050 dormitory beds in 2023.



Home Sales Market

Market Conditions: Tight

Despite recent job losses and net out-migration from the San Diego HMA each year since 2016, significantly lower levels of homes for sale since the onset of the pandemic have contributed to the tightening of sales market conditions compared with 2010.

Sales Market Conditions

The sales housing market in the San Diego HMA is tight. Current conditions tightened from balanced conditions in 2019 and soft conditions in 2010. The estimated sales vacancy rate is currently 0.9 percent, down from 1.9 percent in 2010. The overall decline in the vacancy rate partly resulted from a 61-percent decrease in the inventory of homes for sale since 2008, when the market was weakest—from a high of 27,250 homes during the 12 months ending August 2008 to 10,550 homes during the 12 months ending August 2021 (CoreLogic, Inc.). The rise in demand for homes for sale since the onset of the pandemic, coupled with an already low level of inventory, contributed to the tightening of the market, despite net out-migration each year since 2016. Some of the rise in demand came from absentee owners because purchases of homes by these owners for occasional use rose from a year ago. These purchases have typically accounted for nearly one-quarter of home sales from 2014 through 2019. As market conditions tightened, the months of supply of homes for sale declined to a low of 0.9 months in August 2021, compared with 2.5 months in August 2019 and 5.4 months in March 2010, and the inventory is lower than the 1.5-month supply for the nation (Table 4).

New and Existing Home Sales

Home sales in the HMA were generally high during the mid-2000s, averaging 52,400 homes sold annually from 2005 through 2006, the highest average in more than a decade (Zonda; Figure 8). Lenient mortgage lending standards during the early to mid-2000s allowed a greater proportion of households to

Table 4. Home Sales Quick Facts in the San Diego HMA

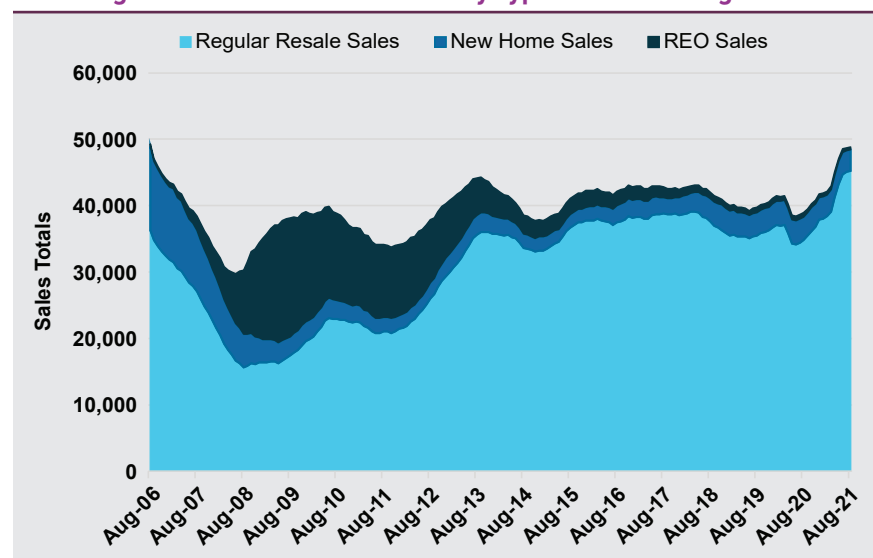
	San Diego HMA	Nation
Vacancy Rate	0.9%	NA
Months of Inventory	0.9	1.5
Total Home Sales	48,850	6,596,000
1-Year Change	26%	16%
New Home Sales Price	\$879,100	\$429,800
1-Year Change	9%	5%
Existing Home Sales Price	\$846,600	\$385,400
1-Year Change	18%	20%
Mortgage Delinquency Rate	1.9%	2.7%

NA = data not available.

Notes: The vacancy rate is as of September 1, 2021. Home sales and prices are for the 12 months ending August 2021, while months of supply and mortgage delinquency data are as of August 2021.

Sources: Vacancy rate, with estimates by the analyst; months of inventory—CoreLogic, Inc.; home sales and prices—Zonda

Figure 8. 12-Month Sales Totals by Type in the San Diego HMA



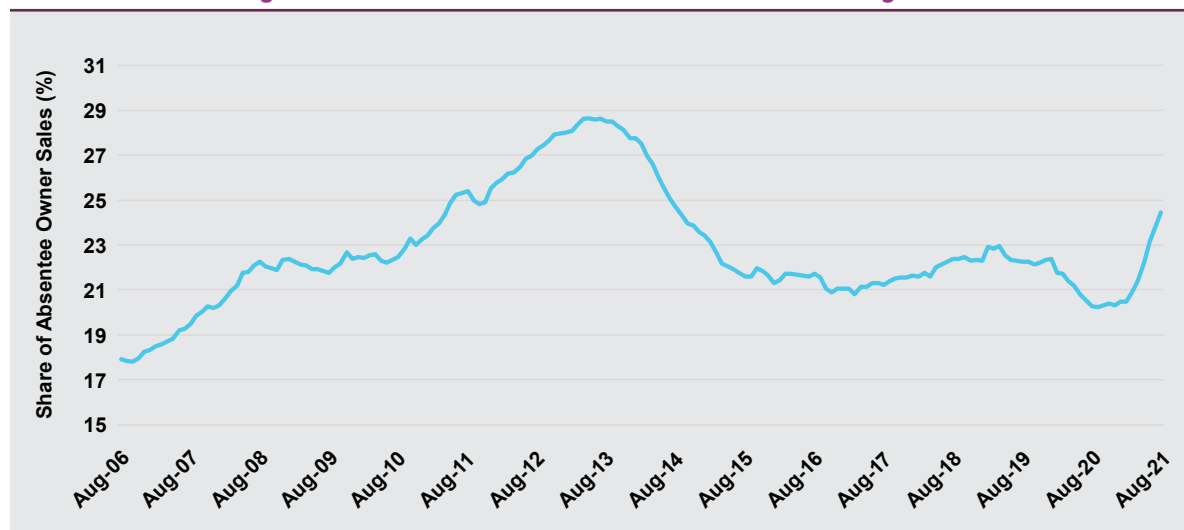
REO = real estate owned.

Source: Zonda

purchase homes, contributing to a higher level of sales, despite net out-migration during that period. As lending standards tightened at the onset of the subprime mortgage crisis in 2007, home sales declined by an average of 4,750 homes, or 11 percent, annually from 2007 through 2008 to reach a low of 34,450 homes sold during 2008. Declines in regular resales and new home sales accounted for the entire decrease, which were down by respective averages of 8,025 and 3,600 homes, or 29 and 41 percent, respectively, a year. Real estate owned (REO) sales increased more than fourfold during that period to 14,250 homes sold.

More than 40 percent of absentee owner sales were of REO properties by the end of 2008, up from approximately 20 percent of sales before the start of the housing crisis. REO sales continued to increase during part of 2009 before falling through 2010, while the share of absentee owner purchases of REOs reached a high of 60 percent as the housing crisis and economic contraction continued in the HMA. Despite weak conditions, overall home sales increased as the share of absentee owner purchases rose (Figure 9), some of which were of regular resales. Home sales from 2009 through 2010 were up by an average of 1,125 homes, or 3 percent, annually. Regular resales accounted for that entire gain; regular resales were up by an average of 2,975 homes, or 17 percent, a year, and they more than offset a decline in new home sales by an average of 590 homes, or 17 percent, a year. By 2011, total home

Figure 9. Share of Absentee Owner Sales in the San Diego HMA



Source: Zonda

sales dipped once again, down by 2,525 homes, or 7 percent, to 34,150 homes sold. Fewer REO home sales led that overall decline; REO home sales were down by 1,050 homes, or 9 percent, followed by a decrease in regular resales by 960, or 4 percent.

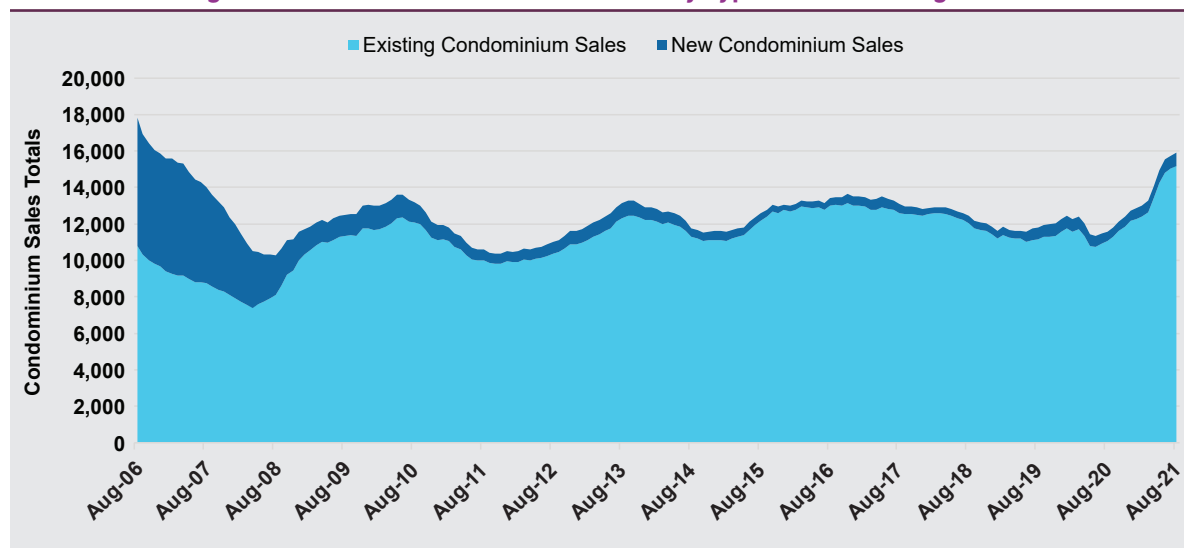
As the sales market began to recover, home sales rose by an average of 4,325 homes, or 12 percent, a year from 2012 through 2013. Regular resales contributed the most to that overall increase, up by an average of 7,175 homes, or 29 percent, annually, followed by new home sales, which were up by an average of 260 homes, or 12 percent, a year. The share of absentee owner sales reached a high of nearly 30 percent of total sales during that period. As market conditions improved, REO sales declined by an average of 3,100 homes, or 35 percent, annually, from 2012 through 2013, which only partly offset overall gains in home sales. As the sales market fully recovered from 2014 through 2019, home sales were relatively stable despite variations in net migration. This was partly attributed to the steady share of absentee-owner purchases, which accounted for slightly more than 20 percent of home sales during the period. From 2014 through 2019, home sales averaged 41,150 homes a year. During that period, regular resales held relatively steady, averaging 36,700 homes sold annually, while REO home sales continued to decrease by an average of 620 homes, or 26 percent, annually. The decline in REO sales was partly offset by gains in new home sales that averaged 160 homes, or 5 percent, a year.

Since 2020, home sales have increased sharply due to heightened demand for homes that began at the onset of the pandemic. Low interest rates contributed to that heightened demand, which had been partly exacerbated by a 51-percent increase in absentee owner purchases during the recent 12-month period. A total of 48,850 homes were sold during the 12 months ending August 2021, up by 9,950 homes, or 26 percent, from the 12 months ending August 2020. Regular resales accounted for the entire gain in sales, which was up by 10,500 homes, or 30 percent, offsetting declines in both new home and REO sales that were down by 390 and 190 homes, or 11 and 30 percent, respectively.

Condominium Sales

Since the mid-2000s, condominiums have accounted for nearly one-third of total home sales in the HMA, with single-family homes and townhomes accounting for the remaining two-thirds. A limited supply of developable land around job centers, high development costs near the coast, and demand for both affordable and luxury sales housing contributed to the share of condominium sales in the HMA. Overall, trends in condominium sales have been similar to trends in total home sales since the mid-2000s. From 2005 through 2006, condominium sales were high, averaging 19,050 homes sold annually before declining an average of 15 percent a year during 2007 and 2008, to a low of 11,550 homes sold a year (Figure 10). As with total

Figure 10. 12-Month Condominium Sales by Type in the San Diego HMA



Source: Zonda

home sales, condominium sales increased during 2009 and 2010, up by an average of 190 homes, or 2 percent, before declining briefly by 1,400 homes, or 12 percent, to 10,550 homes sold in 2011.

As the market began to recover, condominium sales rose by 1,200 homes, or 11 percent, annually from 2012 through 2013, before holding relatively steady at an average of 12,500 homes sold annually from 2014 through 2019. Condominium sales also surged since the onset of the pandemic. During the 12 months ending August 2021, condominium sales increased by 4,350 homes, or 38 percent, to a total of 15,950 homes sold. More than 90 percent of that gain in sales was attributed to an increase in existing condominium sales, which were up by 4,100 homes, or 37 percent. Absentee owner purchases of condominiums rose to account for nearly one-third of sales during the recent period, up from one-quarter of sales before the pandemic.

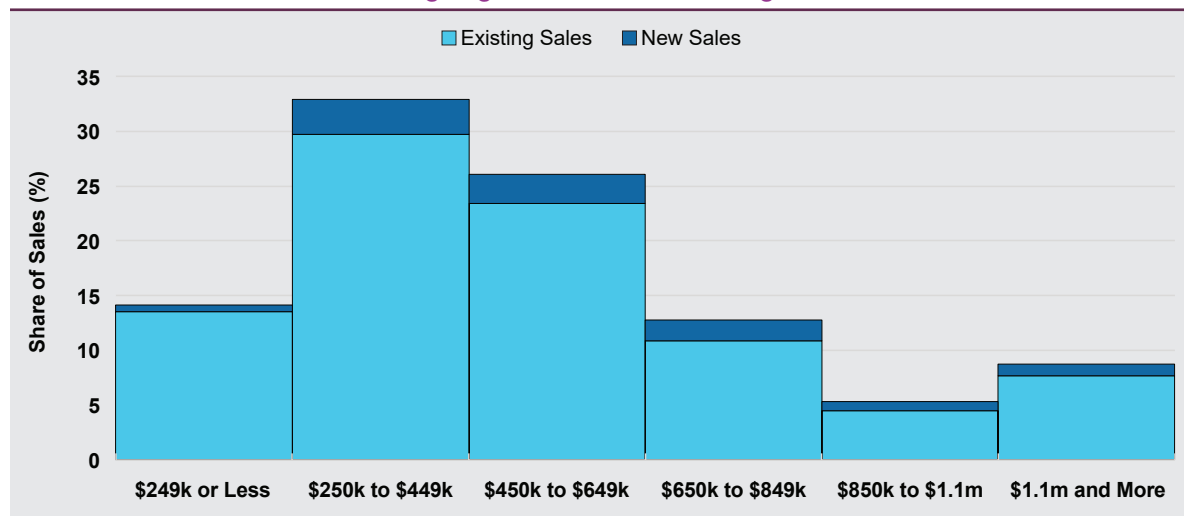
New and Existing Home Sale Prices

Strong demand for homes since the onset of the pandemic and low inventory levels have caused growth in home prices in the HMA to accelerate from previous years. Demand was particularly strong for homes priced in the lower to mid-price ranges, which accounted for a larger share of total home sales during

the 12 months ending August 2021 (Figure 11). That demand contributed to the average home sales price rising 17 percent during the 12 months ending August 2021 to \$848,700. New home prices rose 9 percent to \$879,100, while regular resale and REO prices rose 18 and 9 percent to \$847,100 and \$796,500, respectively. By comparison, home prices from 2012 through 2019 increased at a slower rate, averaging 7 percent a year (Figure 12). During that period, new home prices rose an average of 5 percent annually, while regular resale and REO home prices rose at averages of 5 and 10 percent, respectively, a year.

Prior to that period of strong price growth, weak housing market conditions caused home prices to reach a low that averaged \$405,500 from 2009 through 2011. That low followed a 23-percent decrease in prices from \$597,100 in 2007 to \$460,500 in 2008. REO home prices, which accounted for a larger share of home sales during the housing market downturn, declined 26 percent during 2008 before averaging \$283,800 from 2009 through 2011, while regular resale prices were down 11 percent during 2008 before averaging \$463,700 during the following 2 years. New home prices, however, increased 7 percent during 2008 to \$588,500. Although new home sales were down, the few that did trade that year were in the highest price tiers—including luxury homes sold at a discount. From 2009 through 2011, new home prices eased to an average of \$543,200. By comparison, when sales market conditions were strong during

Figure 11. Share of Overall Sales by Price Range During the 12 Months Ending August 2021 in the San Diego HMA

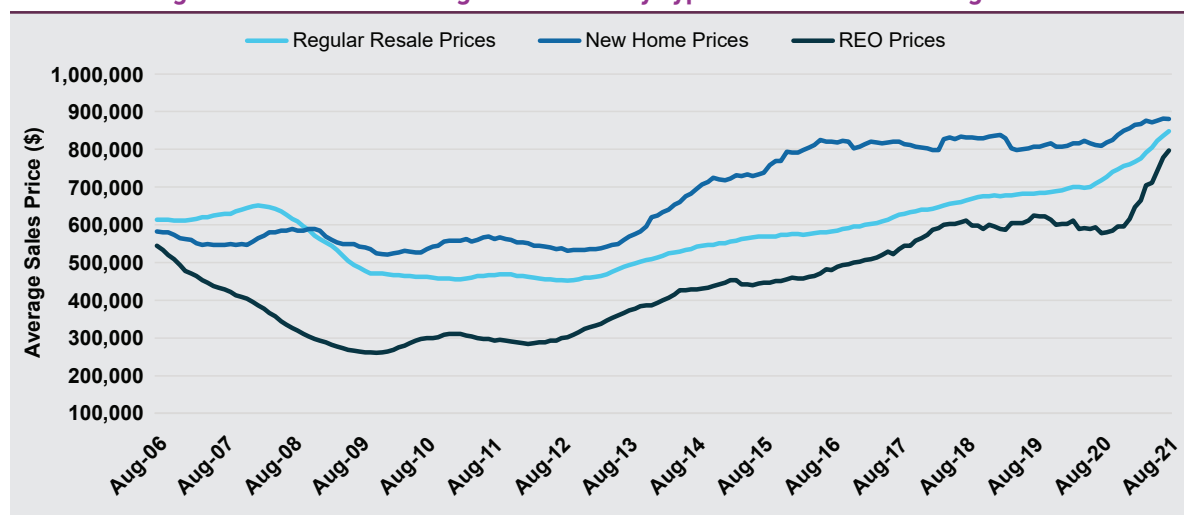


k = thousand. m = million.

Note: New and existing sales include single-family homes, townhomes, and condominium units.

Source: Zonda

Figure 12. 12-Month Average Sales Price by Type of Sale in the San Diego HMA



REO = real estate owned.

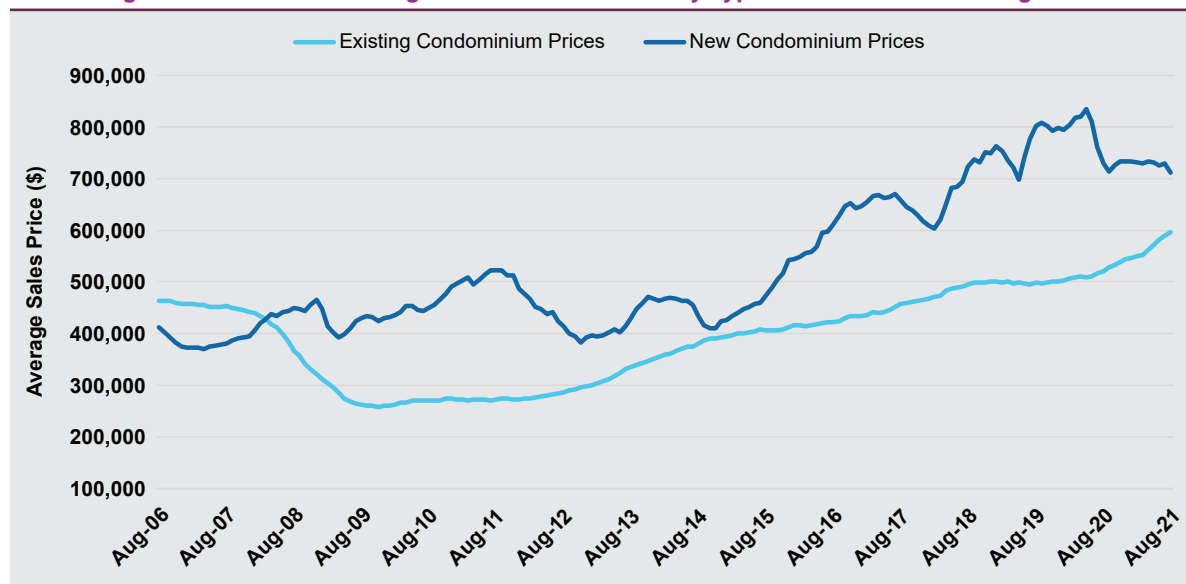
Source: Zonda

the mid-2000s, new home prices averaged \$554,000, whereas regular resale prices averaged \$603,700—contributing to overall home prices to average \$590,600 during 2005 and 2006. New homes were primarily constructed in areas with more available land, contributing to lower home prices compared with regular resales during that period.

Condominium Prices

Trends in condominium prices have been similar to trends in total home prices, with accelerated growth in overall condominium prices during the most recent period. The average condominium price rose 14 percent to \$602,700 during the 12 months ending August 2021. The entire surge in prices resulted from a 15-percent increase in existing condominium prices to \$597,300, whereas new condominium prices declined 2 percent to \$712,100. New condominium prices are generally more volatile than existing condominium prices (Figure 13), partly reflecting variations in the number of new luxury or affordable condominiums being developed. Despite those fluctuations, new condominium prices had generally trended upward from 2012 through 2019, up an average of 6 percent a year. Existing condominium prices rose an average of 8 percent a year during that same period, contributing to an overall price gain of 8 percent. As with total home sales prices, condominium prices reached a low in 2009 and held relatively steady through 2011, averaging

Figure 13. 12-Month Average Condominium Price by Type of Sale in the San Diego HMA



Source: Zonda

\$282,600 during that 3-year period. Prior to that, condominium prices decreased 20 percent during 2008, to \$340,200 from \$425,500 in 2007. Before the housing market crisis, condominium prices were higher, averaging \$432,800 during 2005 and 2006; new condominium prices averaged \$393,400, and existing condominium prices averaged \$457,000. During that period, new condominiums were being built at lower price-points in redeveloping areas in the city of San Diego as well as in lower-cost areas in the northern parts of the HMA.

Delinquent Mortgages and REO Properties

The tightening of sales housing market conditions in the HMA has led to a reduction in the rate of seriously delinquent mortgages and REO properties. As of August 2021, 1.9 percent of home loans in the HMA were seriously delinquent or had transitioned into REO status, which is below the 3.7-percent rate in August 2020 but higher than the 0.5-percent rate before the pandemic in August 2019 (CoreLogic, Inc.). The current rate is below the 2.1-percent rate for California and the 2.7-percent rate for the nation. The decline in the rate partly reflects fewer homeowners struggling with mortgage payments compared with a

year ago. The number of loans in forbearance, which reached a peak of 23,550 home loans in August 2020, has since declined, month-over-month, to nearly 15,650 home loans in August 2021—contributing to the decline in the rate.

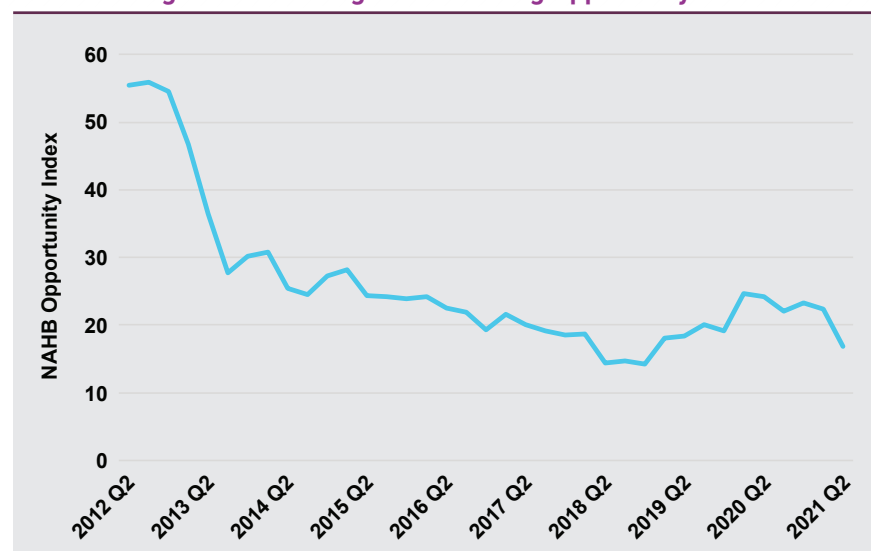
Owner Housing Affordability in the HMA

With the recent surge in home prices, overall affordability in the HMA has worsened compared with 2 years ago. The National Association of Home Builders (NAHB)/Wells Fargo Housing Opportunity Index for the HMA, which represents the share of homes sold that would have been affordable to a family earning the local median income, reached a low of 16.8 during the second quarter of 2021, down from 24.2 during the second quarter of 2020 and 18.3 during the same quarter in 2019 (Figure 14). Affordability was at a high of 55.5 during the second quarter of 2012, and, despite some improvements in 2019 and 2020, overall affordability has not reached that high level due to steady growth in home prices each year since 2012. The San Diego HMA was the sixth least affordable area in the nation during the second quarter of 2021, when 231, or 98 percent, of the 236 ranked MSAs in the nation were more affordable than the HMA.

First-Time Homebuyers in the HMA

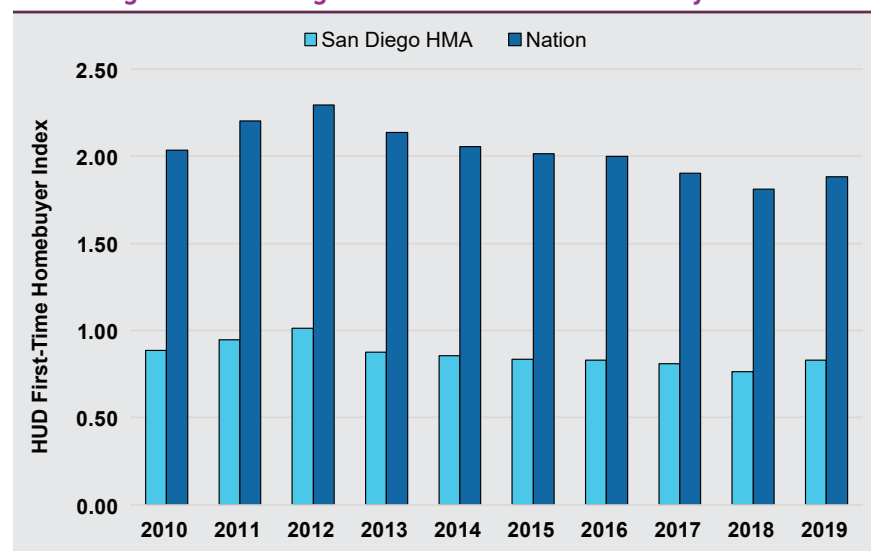
As overall affordability in the HMA declined, first-time homebuyers continued to experience difficulties entering homeownership. The HUD First-Time Homebuyer Affordability Index measures the median household income for householders ages 25 to 44 years old relative to the income needed to purchase the 25th percentile-priced home. The index has declined nearly each year since reaching a peak of 1.0 in 2012, when the median income for householders ages 25 to 44 years old was equal to the income needed to afford the 25th-percentile-priced home (Figure 15). During 2019, the index for the HMA was 0.83, up from 0.76 in 2018, reflecting a 4-percent over-the-year increase in the 25th-percentile-priced home to \$435,900 and a 6-percent gain in the median income of householders ages 25 to 44 years. Despite the increase, the index remains below 1.0. By contrast, the index for the nation has been above 1.00 every year during the past decade and rose to 1.88 in 2019 from 1.81 in 2018.

Figure 14. San Diego HMA Housing Opportunity Index



NAHB = National Association of Home Builders. Q2 = second quarter.
Sources: NAHB; Wells Fargo

Figure 15. San Diego HMA HUD First-Time Homebuyer Index



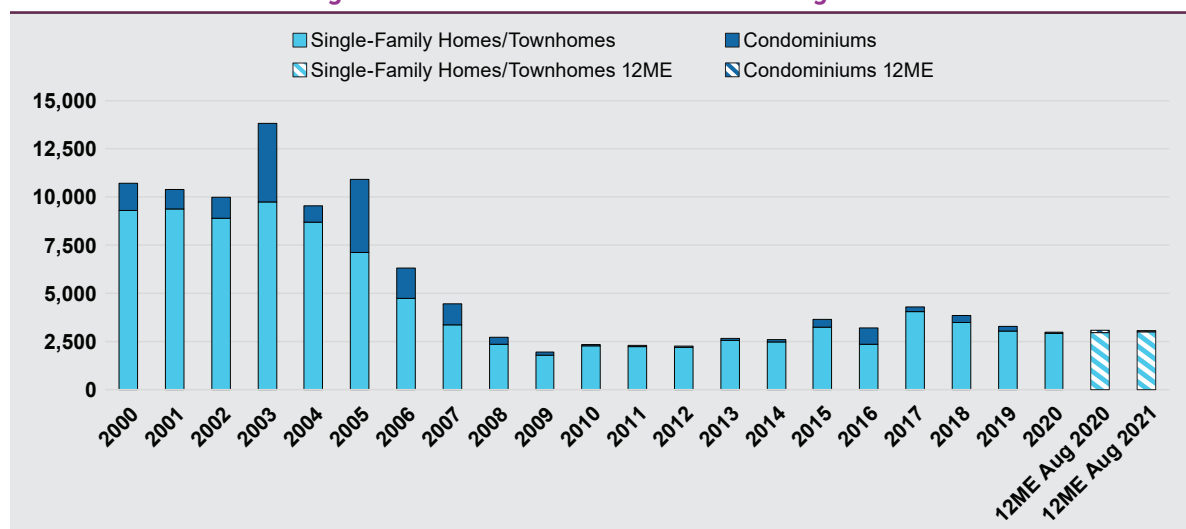
Sources: American Community Survey, 1-year data; Federal Housing Finance Agency; and Zonda

Sales Construction Activity

Home sales building activity in the HMA, as measured by the number of single-family homes, townhomes, and condominiums permitted (hereafter, homes), has been at significantly lower levels each year since the housing crisis compared with the early to mid-2000s (Figure 16). Approximately 20 percent of building activity during the early to mid-2000s consisted of condominiums, a proportion that has decreased to approximately 7 percent since 2008. The decline in the proportion of condominiums reflects a greater focus on single-family subdivision development, particularly in master-planned communities located inland from the coast. Single-family home construction in the HMA is generally concentrated in the city of San Diego, where there is available infill land for low-density residential construction, and in unincorporated areas. Combined, these areas account for nearly two-thirds of all single-family development in the HMA.

During the early 2000s, an average of 10,350 homes were permitted annually from 2000 through 2002 before increasing to nearly 13,850 homes permitted in 2003. This was largely due to a more than two-fold surge in condominium construction, from 1,100 units in 2002 to 4,075 units in 2003. Sales construction activity slowed by 2004 due to a moderation in condominium construction, although overall construction levels remained relatively high, averaging 10,200 homes permitted each year from 2004 through 2005. Despite strong sales housing market conditions,

Figure 16. Sales Construction in the San Diego HMA



12ME = 12 months ending.

Notes: Construction in this figure includes both seasonal and year-round housing. As a result, the number of homes currently under construction in other tables within this report may be less than what might be indicated here.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

single-family development began to slow in 2006 to nearly 6,325 homes. Construction declined even further at the onset of the housing crisis to 4,450 homes in 2007 before declining by an average of 1,250 homes, or 34 percent, a year during a period of job losses from 2008 through 2009, reaching a low of approximately 1,950 homes permitted. Sales construction continued to be at lower levels through the end of the economic contraction and remained at those lower levels through the subsequent economic and housing market recoveries, averaging 2,400 homes permitted annually from 2010 through 2014. Construction rose slightly to an average of 3,650 homes permitted annually from 2015 through 2019, when the market further strengthened. Recently, the construction of homes for sale slowed, partly in response to slowdowns in household growth from net out-migration. During the 12 months ending August 2021, 3,050 homes were permitted, a slight decrease of 25 homes, or 1 percent, from the same period in 2020 (preliminary data; estimates by the analyst).

Current Construction and Completed Developments: Single-Family Homes and Townhomes

Notable single-family developments currently under construction are concentrated in the unincorporated area of Otay Ranch, adjacent to the city of Chula Vista, where a master planned community is planned

for a combined 28,000 single-family homes, townhomes, condominiums, and apartments at buildout. Since construction began in the 1990s, 10,700 homes have been completed. Neighborhoods in Otay Ranch that are underway include Monte Villa and Estancia, with a combined 144 single-family homes planned upon completion. Construction of Monte Villa began in 2017, and a total of 80 homes have been completed, with prices for a 4-bedroom home that start in the mid-\$500,000s. Estancia has 12 luxury single-family homes completed and 13 underway; prices for those homes start at \$1.1 million for a three-bedroom home. North of downtown San Diego in Carmel Valley, Corallina at Pacific Highlands Ranch began construction on a mix of townhomes, condominiums, and affordable apartments in mid-2021. A total of 67 townhomes are planned at the development, which will offer three-bedroom homes that start at \$800,000 when the first phase is completed in 2022. Two developments are underway in the unincorporated area of Fallbrook and the city of Oceanside, where military personnel stationed at Camp Pendleton typically choose to live because of the proximity to the base. Citro Meyer in Fallbrook is planned for 192 townhomes at buildout. Construction began in

mid-2021, with 49 homes already completed and 37 homes underway. Prices for two- and three-bedroom townhomes start in the high \$300,000s and mid-\$400,000s, respectively. In the city of Oceanside, The Shores, with 21 townhomes planned at buildout, has 14 homes under construction and 7 homes already completed. Prices for three-bedroom homes start in the mid \$800,000s.

Current Construction and Completed Developments: Condominiums

Condominium developments currently underway include more units at a lower price point, compared with more expensive higher-end properties that came online during 2019. Developments underway include the condominium portion of Corallina at Pacific Highlands Ranch that began construction in early 2021. The 18-unit property is expected to be completed in 2022, with prices starting in the mid-\$600,000s for a two-bedroom unit. In Otay Ranch, the 162-unit Parc Place is underway, with completion expected in late 2021; prices for two-bedroom units will start in the low \$400,000s. Among the luxury condominiums that were completed, the 285-unit Savina in Little Italy of downtown San Diego is the newest. Completed in 2019, the property is completely sold out, with prices that started at \$1.1 million for a two-bedroom unit.

Forecast

During the next 3 years, demand for year-round sales housing is estimated for 10,400 new homes (Table 5), with demand skewed toward the second and third years of the forecast period due to increased owner household growth. The 1,325 homes currently under construction in the HMA will satisfy a portion of demand in the first year of the forecast.

Table 5. Demand for New Homes in the San Diego HMA During the Forecast Period

Sales Units	
Demand	10,400 Homes
Under Construction	1,325 Homes

Notes: Housing under construction is as of September 1, 2021, and excludes seasonal housing underway. The forecast period is September 1, 2021, to September 1, 2024.

Source: Estimates by the analyst



Rental Market

Market Conditions: Slightly Tight

Rental market conditions remain tighter than conditions in 2010 because strong rental demand was only partly met by increases in rental inventory.

Current Conditions

The rental housing market in the San Diego HMA is slightly tight. The overall rental vacancy rate currently is estimated at 4.8 percent, virtually unchanged from a year ago but a decline from 5.6 percent in 2010 when conditions were slightly soft (Table 6). An increase in renter households allowed for the absorption of vacant rental units and a tightening of the rental market compared with 2010. During the past year, market conditions held steady, partly due to the temporary ban on evictions for nonpayment of rent related to the COVID-19 pandemic that was implemented throughout California on June 28, 2020. The temporary eviction ban is set to expire at the end of September 2021. Currently, approximately 53,650, or 10 percent, of renter households in the HMA have unpaid rent, which totals \$202 million, or \$3,775 in rent debt per household (National Equity Atlas).

Single-Family Home Rentals

Approximately 33 percent of renter households in the HMA live in single-family homes (2019

Table 6. Rental Market Quick Facts in the San Diego HMA

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	5.6	4.8
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	34.0	33.0
	Multifamily (2–4 Units)	13.0	10.0
	Multifamily (5+ Units)	51.0	55.0
	Other (Including Mobile Homes)	2.0	2.0
Apartment Market Quick Facts	Apartment Vacancy Rate	Aug 2021 (%)	YoY
	San Diego HMA	4.3	0.2
	Nation	5.0	0.0
	Average Asking Rents	Aug 2021 (\$)	YoY (%)
	San Diego HMA	1,937	2.4
	Nation	1,510	1.4

YoY = year over year change.

Notes: The current date is September 1, 2021. Percentages may not add to 100 due to rounding.

Sources: 2010 vacancy rate—2010 Census; current vacancy rate, estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey, 1-year data; apartment market data—Moody's Analytics REIS

American Community Survey [ACS] 1-year data). Overall, the rental market for single-family homes remains very tight, essentially unchanged from conditions a year ago but tighter than during the early 2010s. The average vacancy rate for professionally managed single-family rental homes during August 2021 was 1.6 percent, nearly unchanged from 1.7 percent a year ago but down from 2.3 percent in August 2012 (CoreLogic, Inc.). An increased demand for single-family homes, which typically have more bedrooms and greater space compared with apartments, contributed to very tight market conditions and the decline in the vacancy rate from a year ago. Vacancy rates were lowest for the largest homes, with rates ranging from 3.1 percent for one-bedroom homes to 1.4 percent for four-bedroom homes. Average rents for single-family homes increased sharply from a year earlier, ranging from a 7-percent increase for two-bedroom homes to a 13-percent increase for three-bedroom homes, following only moderate increases in rents that ranged from 2 to 3 percent during the previous year. Overall, rents by number of bedrooms have increased an average of 4 to 6 percent a year since August 2012, with average monthly rents for one-, two-, three-, and four-bedroom homes currently at \$2,426, \$2,894, \$3,453, and \$3,986, respectively.

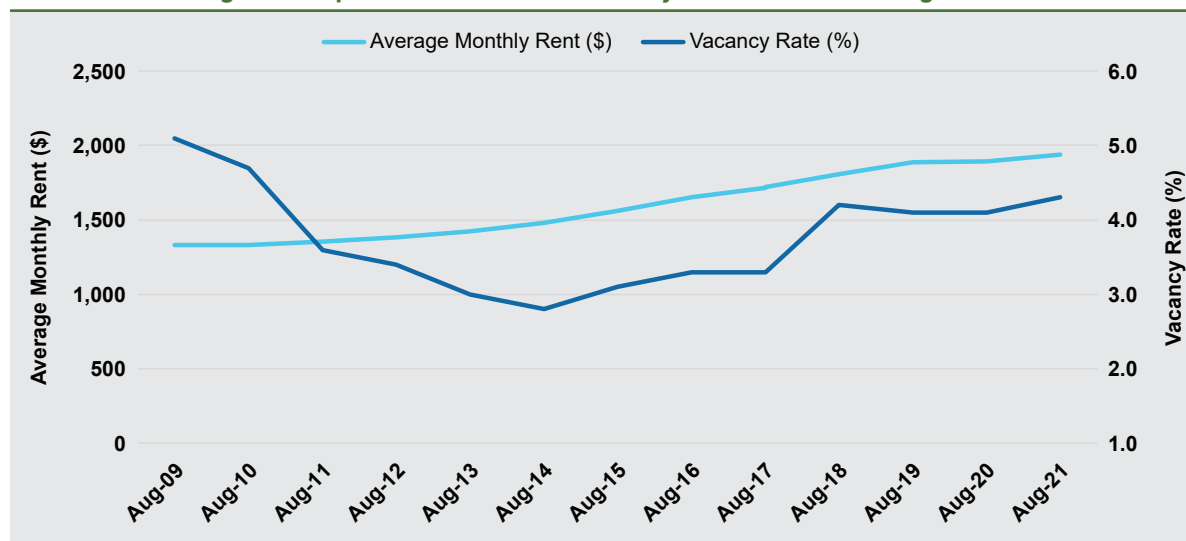


Apartment Market Trends

Slightly more than one-half of all renter households in the HMA live in structures with five or more units (2019 ACS 1-year data); a portion of these units are in apartment buildings, with the remainder being individually rented condominium units. Overall, current apartment market conditions have remained slightly tight despite an increase in apartment completions during the past year. Demand for apartment units in the HMA continued to be strong during the recent economic downturn because they generally represent more affordable housing options. The vacancy rate for properties with 50 or more units was 4.3 percent during August 2021 (Moody's Analytics REIS, Figure 17). The rate was up from 4.1 percent during the same period a year earlier, but down from a high of 5.1 percent in August 2009. Newer apartments that were added to the rental supply since 2009 partly supported an overall increase in the average apartment rent, which was up an average of 3 percent a year from August 2009 to August 2021. The average apartment rent was \$1,937 as of August 2021, up 2 percent from \$1,893 a year earlier.

The tightest market areas in the HMA also have the lowest average rents. The San Diego/East of I-15-Moody's Analytics REIS-defined market area (hereafter, area), where the SDSU campus is located, is among the areas with the lowest vacancy rates in the HMA, at 2.0 percent, and an average rent of \$1,435. The Oceanside area,

Figure 17. Apartment Rents and Vacancy Rates in the San Diego HMA



Source: Moody's Analytics REIS

adjacent to Camp Pendleton, also has a low rate, at 2.8 percent, and an average rent of \$1,789, followed by the La Jolla/University City area, where UC San Diego is located, with a vacancy rate of 4.0 percent and an average rent of \$2,295. The Downtown San Diego area, which contains the largest share of recently completed apartments in the HMA due to its proximity to jobs and Naval Base San Diego, has the highest vacancy rate and the highest average rent in the HMA, at 11.3 percent and \$2,851, respectively.

Military Housing

The HMA is home to approximately 89,700 active-duty military personnel. The largest military bases are Camp Pendleton, near the city of Oceanside, with approximately 41,100 active-duty military personnel, and Naval Base San Diego, in the city of San Diego, with more than 10,000 active-duty military personnel. More than two-thirds of military personnel rent versus own. The personnel stationed in Camp Pendleton mainly rent in the city of Oceanside, whereas those stationed at Naval Base San Diego generally rent in the city of San Diego. While military personnel may rent in the private market, a portion of them live either in on-base or off-base housing that is reserved exclusively for military personnel. Currently, on-base housing for the military includes a total of 12,280 beds for junior personnel. Off-base housing includes approximately

10,550 single-family rental homes and apartment units in 49 privately owned rental communities throughout the HMA that are reserved exclusively for the military (Photo 3). The vacancy rate for off-base military housing is currently less than 1 percent, resulting from high demand for military housing in the HMA. Since 2010, there have been approximately 7,950 new or substantially rehabilitated, privately owned, single-family rental homes and apartments that have been made available to military personnel and their families. The newest developments in the HMA include the 1,199-unit Pacific Beacon military housing at Naval Base San Diego that was completed in 2009; MCAS Miramar 77, with 77 single-family rental homes, which was completed in 2008; and The Village at Serra Mesa, with 900 rental townhomes, that was completed in 2006. The Navy Old Town Complex Revitalization that is currently in planning may add additional military housing, but any units that are added are expected to be complete after 2024.

Photo 3. Pacific Beacon Military Housing at 32nd Street



Source: MC2 Kyle Carlstrom

Student Housing

There are 20 colleges and universities in the HMA, nearly all of which are commuter schools except for some of the largest, including UC San Diego in the La Jolla neighborhood of the city of San Diego, with 34,500 students, and SDSU, located in the Mid-City neighborhood of the city of San Diego, with 39,000 students as of the fall semester of 2020. At UC San Diego, approximately 86 percent of all students have international origins, are from out of state, or come from beyond commuting distance within California since 2018, up from 77 percent in the fall of 2010 (UC San Diego data). UC San Diego currently has approximately 16,462 student beds in 14 residence halls, suites, and university apartments that meet a portion of student housing needs. Current student housing at the school has fallen short of demand, even with the addition of a net 1,780 beds that have been added since the fall of 2019. Student housing developments underway include the 5254 Theatre District Living and Learning Neighborhood, which will add 2,048 beds upon completion in the fall of 2023.

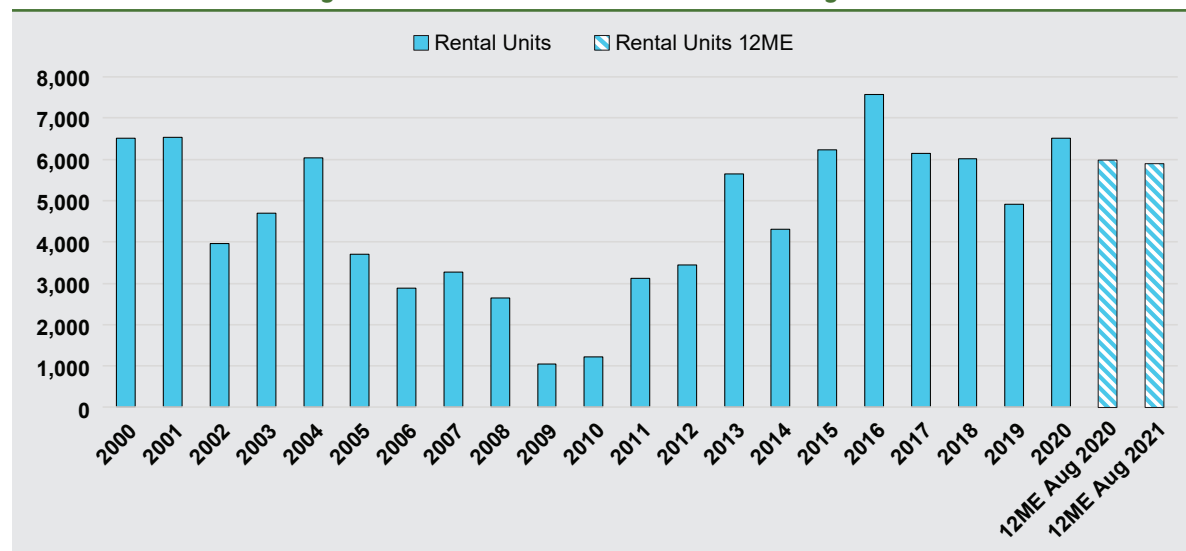
At SDSU, approximately 61 percent of all new freshmen students come from international origins, out of state, or beyond commuting distance within California, up from 53 percent in the fall of 2010 (SDSU data). The school has a total of 6,800 beds in 16 residence halls, suites, and university apartments. The increase in student housing demand since 2015 has been partially met by the addition of 1,700 beds from 2017 through 2019. These include Montage on College, a 300-bed apartment-style community for graduate students that opened in 2019. Rents at this property are per bedroom, with rents for one-, two-, three-, and four-bedroom units at \$1,670, \$1,510, \$1,345, and \$1,275, respectively.

Rental Construction Activity

Rental construction activity in the HMA, as measured by the number of rental units permitted, has been generally high each year since the early 2010s, reaching similar levels as during the early to mid-2000s after declining

significantly during the Great Recession (Figure 18). During the early to mid-2000s, construction levels were generally high, averaging 5,550 units permitted a year from 2000 through 2004 before declining to an average of 3,125 units permitted a year from 2005 through 2008 (U.S. Census Bureau and estimates by the analyst). The decline in units was initially in response to stronger sales demand, followed by the stricter lending standards for development and the economic contraction. As the economic downturn continued along with lower levels of net in-migration, construction declined further to an average of 1,125 units annually during 2009 and 2010. By 2011, economic conditions began to improve, along with greater levels of net in-migration, and construction increased to an average of 3,275 units a year during 2011 and 2012. Construction rose further, to an average of 5,400 units a year from 2013 through 2015, before reaching a peak of 7,575 units by 2016. Since 2017, development has somewhat slowed because developers responded to a slowdown in household growth from net out-migration. High home sales prices, however, have contributed to strong rental demand, and rental construction has remained relatively high. After construction picked up during 2020, construction slowed slightly in the current period as developers waited for newly completed apartments, mainly in the city of San Diego, to lease-up before adding more supply. During the 12 months ending August 2021, approximately 5,900 units were permitted in the HMA, compared with 5,975 units permitted during the previous year.

Figure 18. Rental Construction in the San Diego HMA



12ME = 12 months ending.

Notes: Includes apartments and other units intended for rental occupancy. Construction in this figure includes both seasonal and year-round housing. As a result, the number of rental units currently under construction in other tables within this report may be less than what might be indicated here. Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Current Construction and Recently Completed Developments

Apartments in the HMA that were completed since 2019 or are currently under construction total nearly 17,100 units. Approximately 73 percent of those units are in the city of San Diego, with a combined 16 percent in the cities of Carlsbad, Chula Vista, and Vista. Of the apartments that were completed since 2019, approximately 2,725 units have been either income-restricted or part of mixed-income apartment developments, and there are another 1,500 income-restricted units currently underway. Among the recently completed properties is One Paseo, a garden-style apartment community with 61 income-restricted units and 547 market-rate units in the city of San Diego. The last phase of the development opened in mid-2020, with rents for the market-rate studio, one-bedroom, and two-bedroom units starting at \$2,350, \$2,800, and \$5,100, respectively. The income-restricted units are available to households with incomes at or below 65 percent of the area median income (AMI) and are part of the inclusionary zoning program to increase affordable housing in the city. Additional developments include the 276-unit The Courtyards Pacific Village in the city of San Diego, which

has 60 income-restricted units—also available to those with incomes at or below 65 percent of the AMI—and 216 market-rate units. The property was completed earlier in 2021, and market-rate rents range from \$2,390 for one-bedroom units to \$3,620 for three-bedroom units.

Apartment communities under construction include Vive Luxe, with 442 units in five- to seven-story buildings in the Kearny Mesa neighborhood of the city of San Diego. A total of 23 units will be income-restricted, and the remaining 419 units will be market-rate when it opens in early 2022. Although rents at the property have yet to be announced, market-rate rents for new units in the Kearny Mesa neighborhood typically range from \$1,700 for studio units to \$3,300 for three-bedroom units. Another development underway, 11th and Broadway, is a 31-story apartment tower with 618 units in the East Village neighborhood of downtown San Diego. A total of 49 units will be income-restricted, and the remaining 569 units will be market-rate when it opens in late 2022. Market-rate rents in the East Village neighborhood range from \$1,900 for studio units to \$4,600 for 3-bedroom units.

Rental Housing Affordability

Overall Affordability Issues

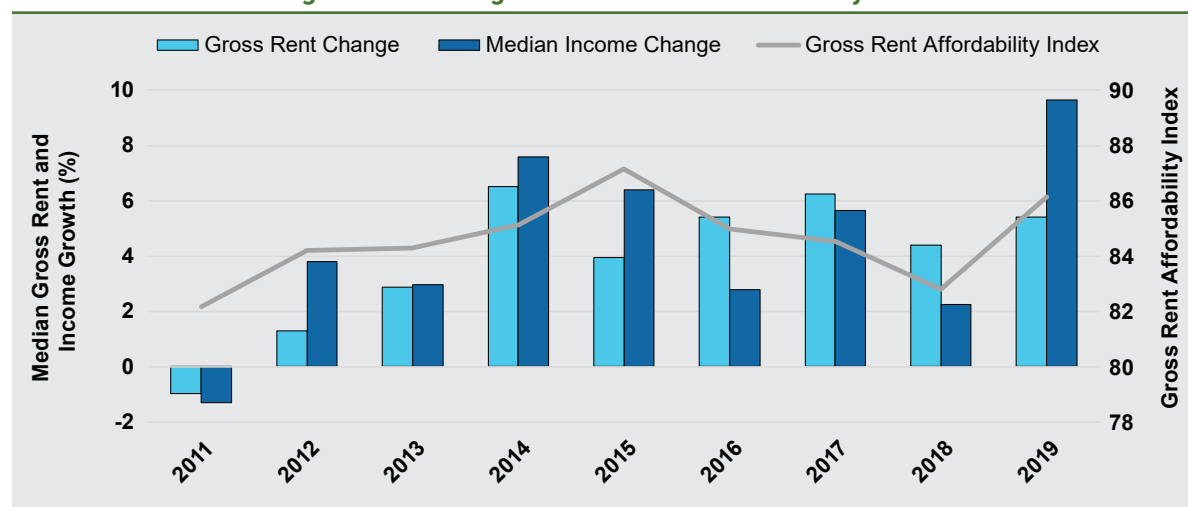
Overall renter affordability in the HMA has been improving since 2019, with an increase in the number of recently completed affordable rental units and a rise in income that has been faster

than rent growth; however, affordability remains below the level of affordability in 2015. From 2018 to 2019, the median renter household income rose 10 percent, from \$55,238 to \$60,563, while the median gross monthly rent increased only 5 percent from \$1,668 to \$1,758. As a result, the HUD Gross Rent Affordability Index—a measure of median renter household income relative to qualifying income for the median-priced rental unit—rose to 86.1 in 2019 from 82.8 in 2018 (Figure 19). That increase in affordability, however, was still below the high in 2015, when the index reached 87.1 after increasing nearly each year following the Great Recession.

Renter Cost Burdens

There is a greater share of renters who are cost-burdened in the HMA compared with the nation, and those at lower income levels are more severely impacted by housing costs. An estimated 25.8 percent of all renter households in the HMA had moderate-to-high cost burdens during the 2014-through-2018 period (Table 7). These households were spending between 31 and 50 percent of their income on rent, whereas a greater proportion, 26.6 percent, were severely cost-burdened, spending more than 50 percent of their income toward rent. Compared with the HMA, a lower proportion of renter households nationwide had

Figure 19. San Diego HMA Gross Rent Affordability Index



Notes: Rental affordability is for the San Diego HMA. The Gross Rent Affordability Index differs from the HUD Rental Affordability Index published on the U.S. Housing Market Conditions website in that it is based on combined rent and utilities expenditures.

Source: American Community Survey, 1-year data

moderate-to-high and severe cost burdens, at 21.8 and 22.6 percent, respectively. Severe cost burdens impacted a greater proportion of lower-income renter households in the HMA— those with incomes less than 50 percent of the Area Median Family Income (AMFI). Approximately 61.5 percent of renter households with incomes less than 50 percent of the AMFI in the HMA were paying more than 50 percent of their incomes toward rent, compared with 51.2 percent nationwide.

Homelessness

Nearly 7,650 people throughout the HMA were homeless in 2020, accounting for 5 percent of all homeless people throughout California (Point-in-Time Count). Of the number of people that were homeless in the HMA, 52 percent were unsheltered, compared with approximately 39 percent throughout the nation, Puerto Rico, and the U.S. territories.

Policy Initiatives

Several local and statewide policy initiatives have been implemented to address homelessness and housing affordability issues in the HMA, and cities have pledged to add housing to address those issues. The city of San Diego has been working to address homelessness by implementing initiatives in order to facilitate access to transitional and permanent supportive emergency housing by the homeless population and to create links between housing and key services that include mental health and job resources. In addition, to meet the growing need for affordable housing,

Table 7. Percentage of Cost Burdened Renter Households by Income, 2014–2018

	Moderate to High Cost Burden: 31–50 Percent of Income Toward Rent		Severe Cost Burden: More than 50 Percent of Income Toward Rent	
	San Diego HMA	Nation	San Diego HMA	Nation
Renter Households with Income <50% HAMFI	21.8	24.7	61.5	51.2
Total Renter Households	25.8	21.8	26.6	22.6

HAMFI = HUD area median family income.

Source: Consolidated Planning/CHAS Data, 2014–2018 American Community Survey 5-year estimates (huduser.gov)

the city has implemented an inclusionary housing zoning ordinance, which requires 10 to 20 percent of multifamily rental developments to be reserved for low- to moderate-income households or pay an in-lieu-of fee that will go toward the future development of affordable housing. Overall, the city of San Diego has more than 9,000 units for the homeless and 24,282 rental units for low- to moderate-income households. The San Diego Housing Commission (SDHC) manages a portion of those units and partners with developers to build or rehabilitate affordable rental housing. Encanto Village, a joint development between SDHC and National CORE, is among the recently completed affordable properties in the city. The property opened in mid-2020 and offers 65 affordable units, including 8 units set aside for veterans who are homeless.

The County of San Diego has also implemented plans to add more affordable units throughout the HMA, partly through the Innovative Trust Fund of 2017 that was created to meet the housing needs of the most vulnerable residents in the HMA. Currently, \$50 million of the fund, along with an additional \$567 million in public and private contributions, have been allocated to build a total of 1,397 affordable units in 20 developments throughout the HMA. Those units will address the needs of low-income households, veterans, people with disabilities, and people who are homeless. Five of those developments, with a combined 368 units, have already been completed, including The Grove, with 81 units (Photo 4). The Grove, which was completed in the city of Vista in 2020, offers affordable housing for eligible seniors that have incomes at or below 60 percent of the AMI.

Statewide measures include the SB-15 Housing Development, a housing package signed into law earlier in 2021 that identifies funding sources and regulatory measures to increase the production of low- and moderate-income housing. The land set aside for these developments includes underutilized commercial space. Grant funding, made available through the California Department of Housing and Community Development, offers approved local governments 7 years of incentivized funding—equivalent to the sales taxes that would have been generated by the commercial space.

Current Affordable Housing Options: LIHTC, PBRA, HVC

The Low-Income Housing Tax Credit (LIHTC) program is the primary source of funding for new affordable rental housing in the nation. Since 2010, 3,900 LIHTC units, or an average of nearly 340 units annually, have been placed in service in the HMA. From 2000 through 2009, approximately 1,625 LIHTC units were placed in service in the HMA, or an average of approximately 160 units annually. More than one-half of all LIHTC units placed in service since 2010 have been in the city of San Diego, with the remaining number scattered throughout other areas of the HMA.

In addition to LIHTC, income-eligible residents may qualify for project-based rental assistance (PBRA) or housing choice vouchers (HCVs) through the local public housing authority (PHA). The PHAs in the HMA administered more than 29,150 HCVs in 2020 (Table 8). Since 2010, the number of households that have an HCV increased 9.3 percent, or an average of 0.8 percent annually, whereas the number of available vouchers rose 11 percent, or 1.1 percent annually. Despite that increase, eligible residents generally wait up to 7 years before receiving an HCV. Overall, the increase in assisted households occurred while the inflation-adjusted rent subsidy from HUD declined 9.4 percent since 2010; during that same time, the inflation-adjusted tenant contribution for HCVs went down 7.1 percent. By comparison, the total number of voucher households in the nation increased 13.4 percent since 2010, whereas the inflation-adjusted HUD subsidy increased 0.4 percent, and the inflation-adjusted tenant contribution declined 0.2 percent.

Forecast

Rental demand during the forecast period is estimated for 11,550 new year-round rental units in the HMA (Table 9). Demand is expected to increase during the second and third years of the forecast as population growth improves. The 7,200 rental units under construction are expected to be complete during the first and second years of the forecast. As a result, those units will meet a portion of demand in both of those years. The units underway exclude those that would be intended for seasonal or occasional use.

Photo 4. The Grove in the city of Vista



Source: Brady Architectural Photography

Table 8. Picture of Subsidized Households, 2020

	San Diego HMA	HMA Change Since 2010	National Total	National Change Since 2010
Total Assisted Households (2020)	38,430	7.1%	4,599,832	3.9%
Total Housing Voucher Households (2020)	29,155	9.3%	2,313,166	13.4%
Average HCV Tenant Monthly Contribution	\$476	-7.1%	\$386	-0.2%
Average Monthly HUD Subsidy	\$974	-9.4%	\$834	0.4%

HCV = housing choice voucher.

Note: Dollar changes are inflation-adjusted using the Consumer Price Index for All Urban Consumers (CPI-U).

Source: HUD Picture of Subsidized Households

Table 9. Demand for New Rental Units in the San Diego HMA During the Forecast Period

Rental Units	
Demand	11,550 Units
Under Construction	7,200 Units

Notes: Housing under construction is as of September 1, 2021, and excludes seasonal housing underway.

The forecast period is September 1, 2021, to September 1, 2024.

Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

California Worker Adjustment and Retraining Notification Act	Requires covered employers, or those that employ or have employed in the preceding 12 months 75 or more full- and part-time employees, to provide advance notice to employees affected by plant closings and mass layoffs. Employees must have been employed for at least 6 months of the 12 months preceding the date of required notice in order to be counted. [California Labor Code Section 1400 (a) and (h)].
Cost Burdened	Spending more than 30 percent of household income on housing costs. Moderate to high-cost burden refers to households spending 31 to 50 percent of income on housing costs. Severe cost burden refers to households spending 51 percent or more of income on housing costs.
Demand	All demand estimates in this report are for the total year-round housing production needed to achieve a balanced sales or rental market at the end of the forecast period and do not contain any estimates for seasonal or vacation housing. The demand estimates in the analysis are not a forecast of building activity. They are 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. These estimates do not account for units currently under construction or units in the development pipeline.
Forecast Period	9/1/2021–9/1/2024—Estimates by the analyst.
Home Sales/ Home Sales Prices	Unless otherwise stated, includes new and existing single-family homes, townhomes, and condominiums.
Homes/ Units Under Construction	Units under construction represent sales or rental housing for year-round residents of the HMA and do not include units that would be intended for occasional visitors to the HMA.
Life Sciences Industry	A grouping of companies involved in the research and development of biotechnology (including those related to food and medicines), cosmeceuticals, medical devices, pharmaceuticals, or other products related to organism life.

Low-Density Residential Construction	Low-density residential zones consist of one to five dwelling units per acre. The purpose of this zone is to create a living environment primarily for single-family dwellings.
Military Households	These are households headed by military personnel that either own or rent housing in the HMA and do not include military personnel living in barracks.
Net Natural Change	Net natural change is resident births minus resident deaths.
Nonfarm Payroll Jobs	Includes civilian nonfarm payroll jobs as defined by the U.S. Bureau of Labor Statistics. These data exclude military personnel.
Regular Resales	These are existing home sales that include short sales but exclude real estate owned sales.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family homes, multifamily homes, and mobile homes.
Residential Building Permits	Residential building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some residential units may be constructed with a different type of building permit. For example, some residential units might be classified as commercial structures and would not be reflected in the residential building permits. The building permits in this report include an estimate of this additional construction activity. The sales and rental permits in this report may also include a portion of residential structures that are intended for the seasonal market.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
Southern California Region	A 10-county area that includes: Imperial, Kern, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Luis Obispo, Santa Barbara, and Ventura Counties.
Student Renter Households	These are student households in the rental housing market and do not include students living in university-affiliated housing, either on or off campus.
Year-Round	Year-round homes or rental units refer to sales or rental housing that is generally made available to households in the HMA. Year-round housing can include pricing structures that cater to residents or minimum length-of-stay occupancy rules.

B. Notes on Geography

1.	The metropolitan statistical area definition noted 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.
2.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	The National Association of Home Buyers (NAHB)/Wells Fargo Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	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.
3.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division 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.

D. Photo/Map Credits

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