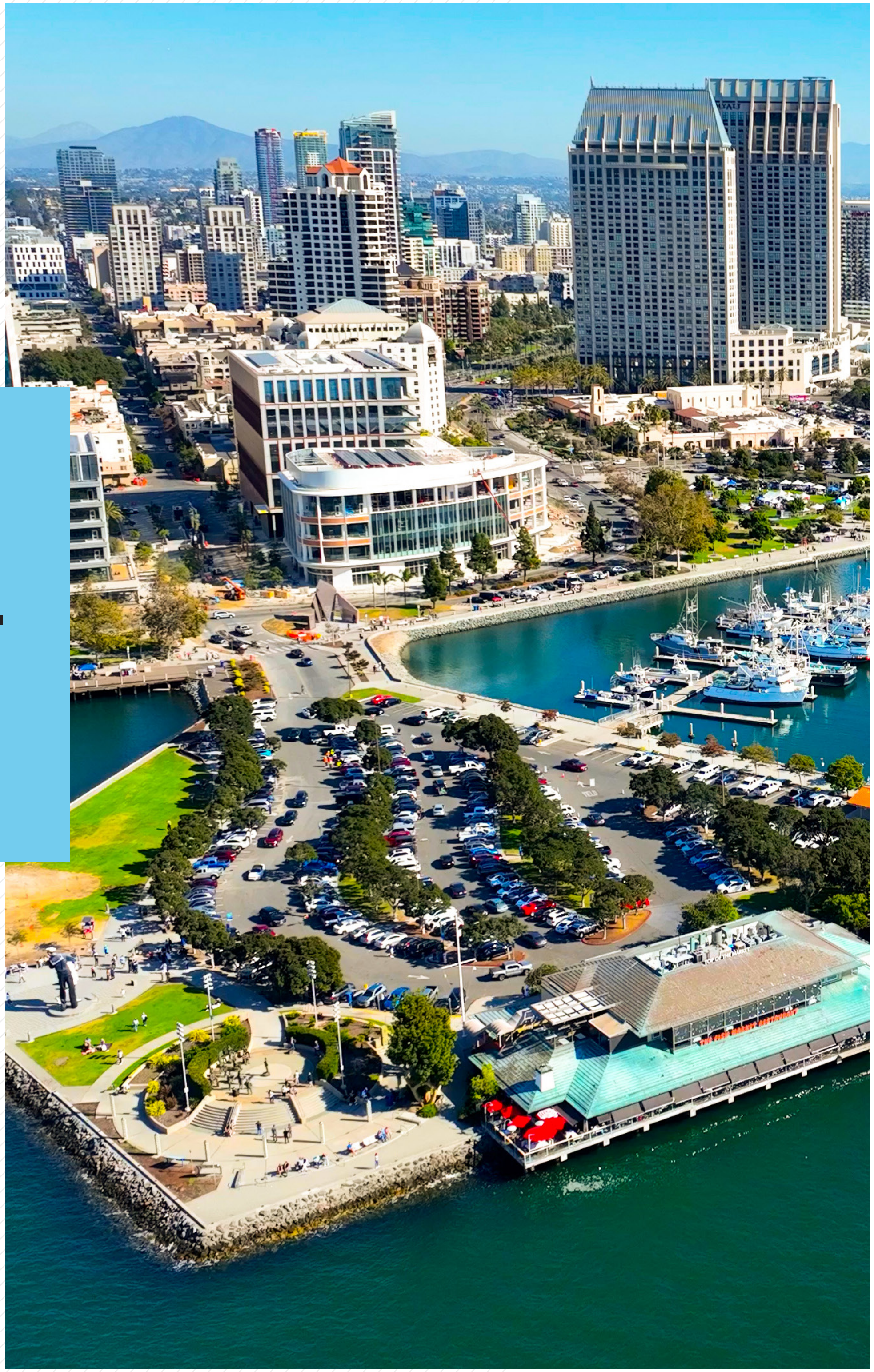
COMPREHENSIVE HOUSING MARKET ANALYSIS

San Diego-Chula Vista-Carlsbad, California



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

As of July 1, 2024

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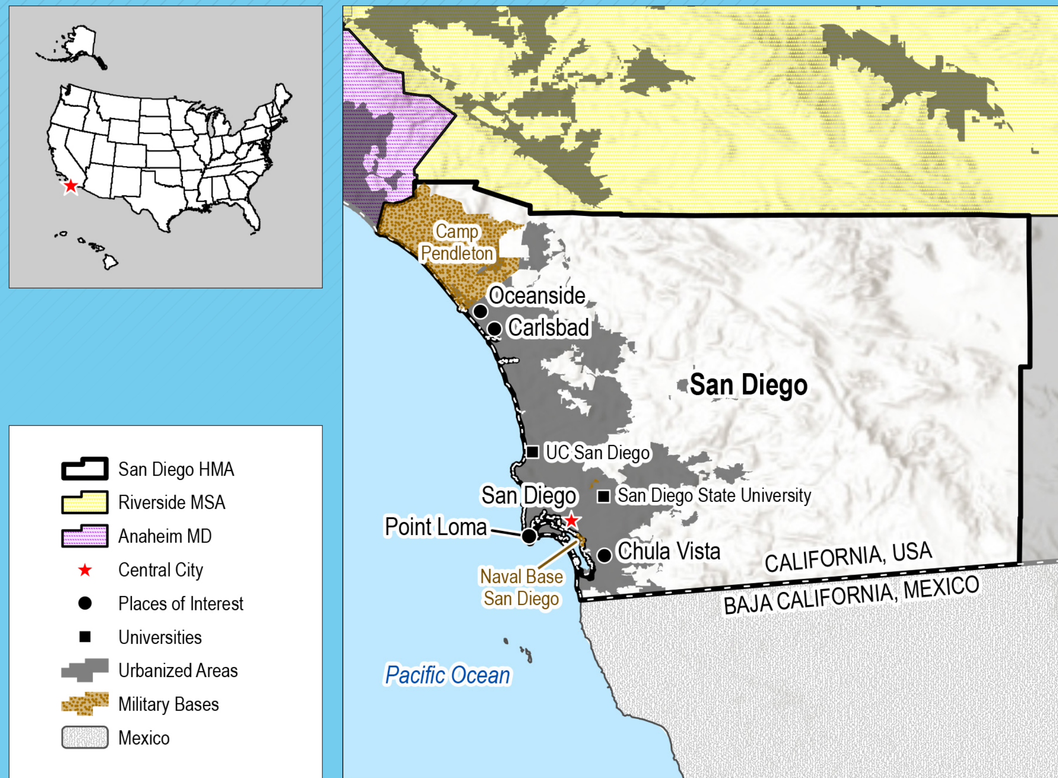
Executive Summary

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 and is defined as San Diego County in southern California. The military, education, tourism, and scientific research industries are important economic contributors in the HMA and in the larger southern California region, a 10-county area that stretches from the San Luis Obispo, CA metropolitan area to the Mexican border.

The current population of the HMA is estimated at 3.30 million.

The U.S. military has been an important factor in the HMA economy since the mid-1800s. Currently, the HMA has one of the largest concentrations of military personnel in the nation. One out of four U.S. Marines and one out of six U.S. Navy sailors are stationed in the HMA (San Diego Military Advisory Council [SDMAC]). In addition, the HMA is home to more than 230,500 military veterans.



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

Stable: The unemployment rate in the San Diego HMA increased from 3.4 to 4.3 percent year over year during the 12 months ending June 2024 because of a decline in resident employment and a small increase in the labor force.

During the 12 months ending June 2024, nonfarm payrolls in the HMA increased by 13,100 jobs, or 0.8 percent, to 1.56 million jobs compared with 3.1-percent growth a year earlier. The education and health services and the leisure and hospitality sectors led job growth during the past 12 months, more than offsetting notable job losses in the professional and business services, the financial activities, and the manufacturing sectors. Nonfarm payroll growth is expected to average 0.7 percent annually during the 3-year forecast period.

Sales Market

Slightly Tight: Growth in existing home sales prices accelerated during the past year.

The sales vacancy rate in the HMA is currently estimated at 1.0 percent compared with 0.9 percent in April 2020, when conditions were also slightly tight. Home sales fell 8 percent year over year during the 12 months ending June 2024 to 27,700 homes sold, slowing from a 35-percent reduction a year earlier (Zonda). Despite the continued declines, home price growth accelerated, with prices increasing 9 percent to average $1.10 million during the past year compared with a 2-percent increase during the 12 months ending June 2023. During the forecast period, demand is anticipated for 7,525 new homes in the HMA; the 2,925 homes under construction will meet some of that demand.

Rental Market

Slightly Soft: The average rent for an apartment in the HMA was $2,323 during the second quarter of 2024, unchanged from a year earlier (CoStar Group).

The overall rental market in the HMA is slightly soft, with the rental vacancy rate estimated at 5.0 percent, up from 4.7 percent in 2020. Apartment market conditions are also slightly soft, with an apartment vacancy rate of 5.2 percent as of the second quarter of 2024 compared with 3.6 percent a year ago, when conditions were tighter. Market conditions eased during the past year because absorption fell sharply. Demand is estimated for 10,900 rental units in the HMA during the forecast period. The 9,300 units under construction and the 2,050 additional planned completions will slightly exceed the expected demand.

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3-Year Housing Demand Forecast

		Sales Units	Rental Units
San Diego HMA	Total Demand	7,525	10,900
	Under Construction	2,925	9,300

Notes: Total demand represents the estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2024. The forecast period is July 1, 2024, to July 1, 2027.
Source: Estimates by the analyst

Economic Conditions

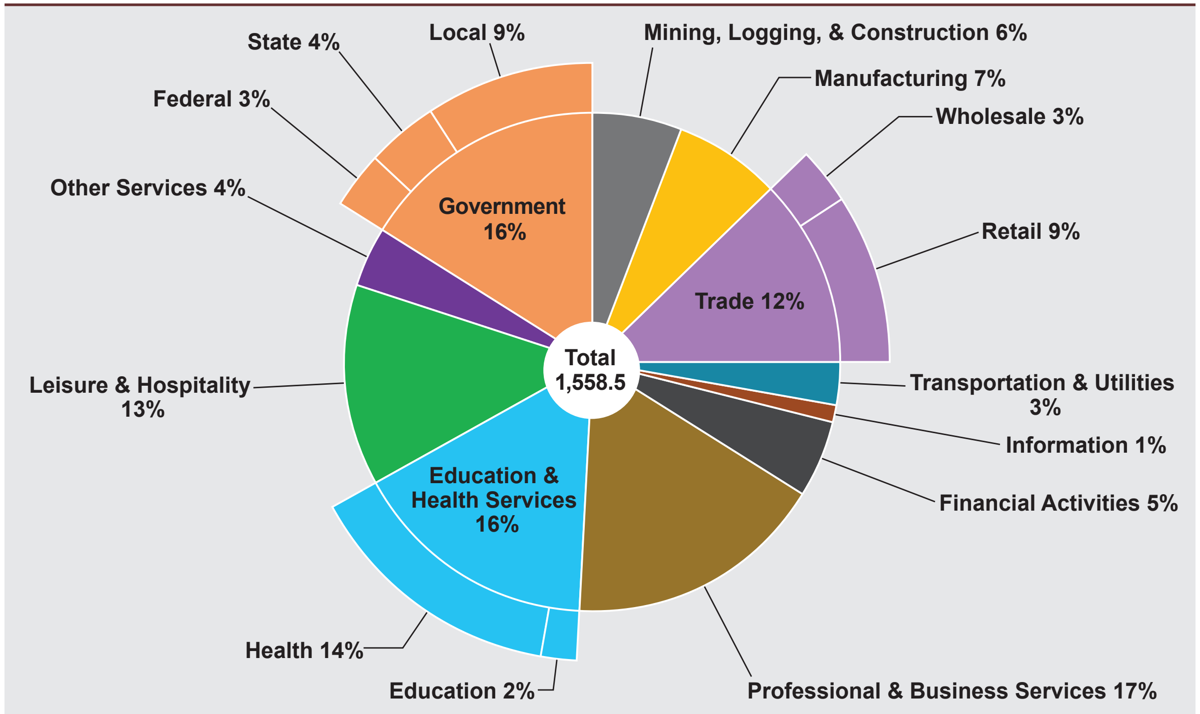
Largest Sector: Professional and Business Services

> U.S. Department of Defense (DoD) contracts in the San Diego HMA support more than 2,000 local businesses in the defense industry (SDMAC).

Primary Local Economic Factors

The military presence in the HMA is among the largest in the nation and includes numerous installations along the Pacific Coast. In fiscal year (FY) 2024, more than 111,000 active-duty service members were stationed in the HMA, and 6,000 military reservists and 30,000 civilian employees of the military resided in the HMA (SDMAC). Payrolls for military personnel and civilian employees totaled $15.6 billion in FY 2024, up 16 percent from a year ago. In addition, DoD contracts totaled $20.6 billion, which indirectly supported approximately 222,000 jobs, many in the professional and business services sector, the largest payroll sector in the HMA (Figure 1). The combined estimate of direct and indirect jobs totaled 373,500 in FY 2024, reflecting a 5-percent increase from a year ago. The annual economic impact of the military on the HMA increased 12 percent from a year ago to $64.2 billion in FY 2024. The largest military installations, Naval Base San Diego and Marine Corps Base Camp Pendleton (hereafter, Camp Pendleton), are the first and second largest employers in the HMA, respectively (Table 1).

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



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through June 2024.
Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the San Diego HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Naval Base San Diego	Government	55,000
Marine Corps Base Camp Pendleton	Government	43,000
University of California San Diego	Government	38,700
Naval Base Coronado	Government	38,000
Naval Base Point Loma	Government	19,000
Sharp HealthCare	Education & Health Services	19,000
Scripps Health	Education & Health Services	14,000
Qualcomm Technologies, Inc.	Manufacturing	11,500
Marine Corps Air Station Miramar	Government	10,000
Kaiser Permanente	Education & Health Services	10,000

Notes: Includes active-duty military personnel, who are generally not included in nonfarm payroll totals, in addition to civilian employees. Excludes local school districts.
Sources: San Diego Military Advisory Council, *2024 Military Economic Impact Report*; City of San Diego

The HMA is home to two major public universities—the University of California San Diego (UC San Diego) and San Diego State University (SDSU). Enrollment at both universities trended upward from 2013 through 2023, providing a steady source of renter demand in the areas near each campus (Figure 2). Partnerships between the military and universities have fostered growth in scientific research, specifically in the life sciences industry. The industry supported an estimated 178,100 jobs in the HMA in 2023, with a total economic impact of $56.6 billion (Biocom California). Jobs in this industry contribute to payrolls in the professional and business services, the education and health services, and the manufacturing sectors. Biotechnology is the largest component within the life sciences industry in the HMA, accounting for 43 percent of industry jobs.

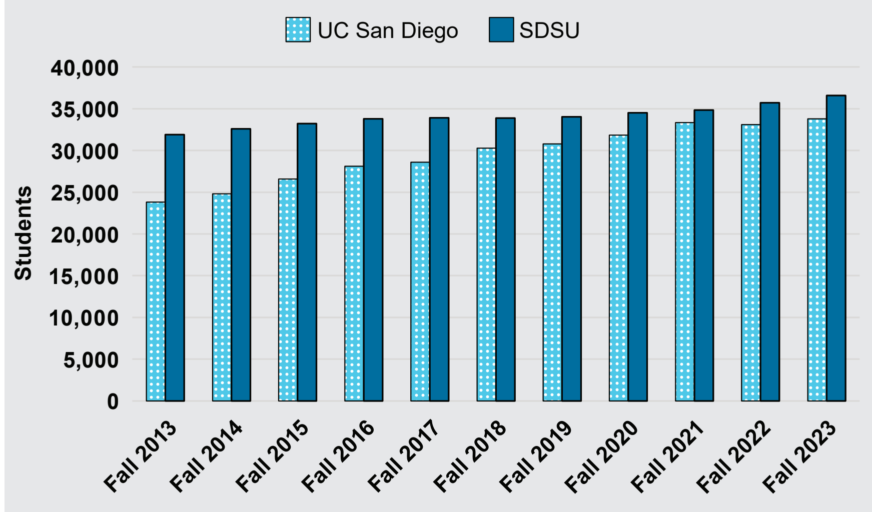
With more than 70 miles of coastline on the Pacific Ocean, a warm climate, and a plethora of recreational activities in the HMA, the San Diego HMA has a thriving tourism industry. Tourism supported more than 214,000 jobs and had an annual estimated economic impact of $23.4 billion in 2023, hosting 30.5 million visitors and including $14.3 billion in visitor spending (San Diego Tourism Authority). The share of workers in the leisure and hospitality sector in the HMA is higher than that of the nation, with respective shares of 13 and 11 percent.

Current Conditions—Nonfarm Payrolls

Economic conditions in the HMA are currently stable, with modest payroll growth during the past year. During the 12 months ending June 2024, nonfarm payrolls increased year over year by 13,100 jobs, or 0.8 percent, to 1.56 million jobs compared with annual growth of 3.1 percent a year earlier (Table 2). Nationally, payrolls increased 1.9 percent year over year during the past 12 months compared with 3.2-percent growth a year earlier. In California, annual payroll growth slowed from 2.6 to 0.8 percent.

Job growth slowed in the HMA during the past year because only 6 of the 11 payroll sectors added jobs compared with 10 sectors a year ago. The largest increase occurred in the education and health services sector, which added 14,700 jobs year over year during the 12 months ending June 2024, reflecting a 6.2-percent increase. During the previous 12 months, payrolls in the sector rose by 14,100 jobs, or 6.4 percent. In the fall of 2023, the Kaiser Permanente

Figure 2. Student Enrollment Trends in the San Diego HMA



Sources: University of California San Diego; San Diego State University

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

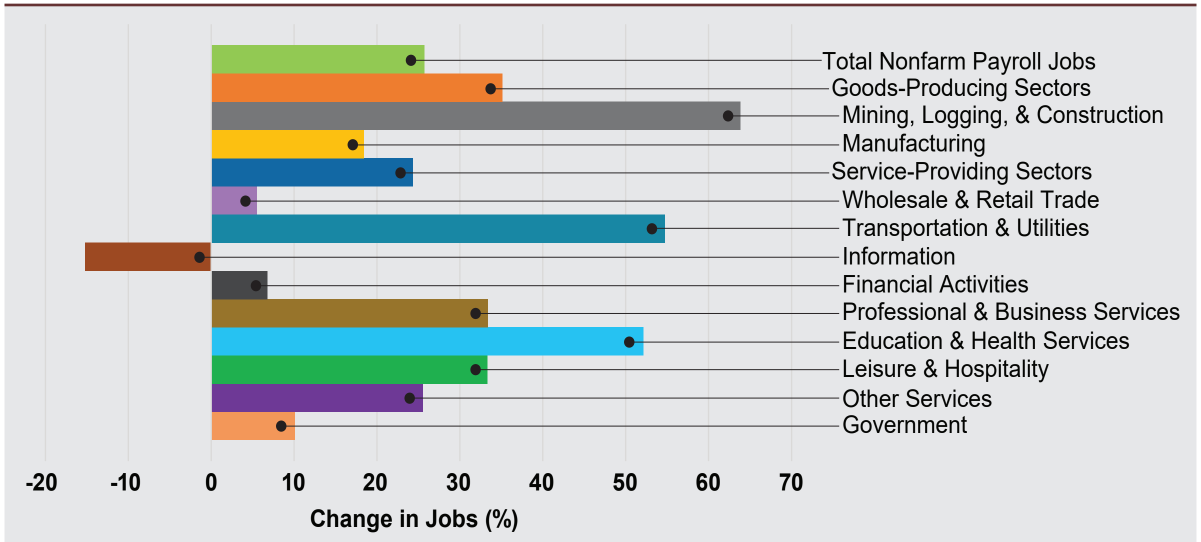
	12 Months Ending June 2023	12 Months Ending June 2024	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**1,545.4**	**1,558.5**	**13.1**	**0.8**
Goods-Producing Sectors	204.9	204.8	-0.1	0.0
Mining, Logging, & Construction	88.6	91.4	2.8	3.2
Manufacturing	116.3	113.3	-3.0	-2.6
Service-Providing Sectors	1,340.6	1,353.7	13.1	1.0
Wholesale & Retail Trade	182.4	182.2	-0.2	-0.1
Transportation & Utilities	40.3	41.0	0.7	1.7
Information	22.2	21.3	-0.9	-4.1
Financial Activities	74.7	71.8	-2.9	-3.9
Professional & Business Services	281.7	271.2	-10.5	-3.7
Education & Health Services	235.7	250.4	14.7	6.2
Leisure & Hospitality	198.4	204.2	5.8	2.9
Other Services	55.9	57.9	2.0	3.6
Government	249.2	253.7	4.5	1.8

Notes: Based on 12-month averages through June 2023 and June 2024. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

San Marcos Medical Center opened, creating 1,000 new jobs. The education and health services sector has been the third fastest growing sector since 2011 (Figure 3). The aging population in the HMA, who generally require a higher level of healthcare services, supports the relatively strong job growth. Notable job growth occurred in the leisure and hospitality sector because the tourism industry continued to expand after contracting significantly during the COVID-19 pandemic. The sector added 5,800 jobs, or 2.9 percent, during the past year, following an increase of 14,900 jobs, or 6.4 percent, a year ago. An annual increase of more than 10 percent in the number of visitors to the HMA in 2023 supported sector job gains, and the daily average hotel room rate increased 11 percent from a year earlier (San Diego Tourism Authority).

Payrolls increased in the mining, logging, and construction sector by 2,800 jobs, or 3.2 percent, following an increase of 2,000 jobs, or 2.3 percent, a year ago, with all job gains occurring in the construction subsector. Numerous large-scale commercial projects and elevated residential construction contributed to strong sector growth. Government sector payrolls also increased during the past year, up by 4,500 jobs, or 1.8 percent, compared with an increase of 5,800 jobs, or 2.4 percent, a year ago. Job growth in the sector during the past year was nearly evenly distributed between the state and the local government subsectors. Federal government payrolls fell by 200 jobs, or 0.4 percent—double the number of jobs lost in the subsector during the previous 12-month period.

Figure 3. Sector Growth in the San Diego HMA, 2011 to Current



Note: Current data are based on the 12-month averages ending June 2024.
Source: U.S. Bureau of Labor Statistics

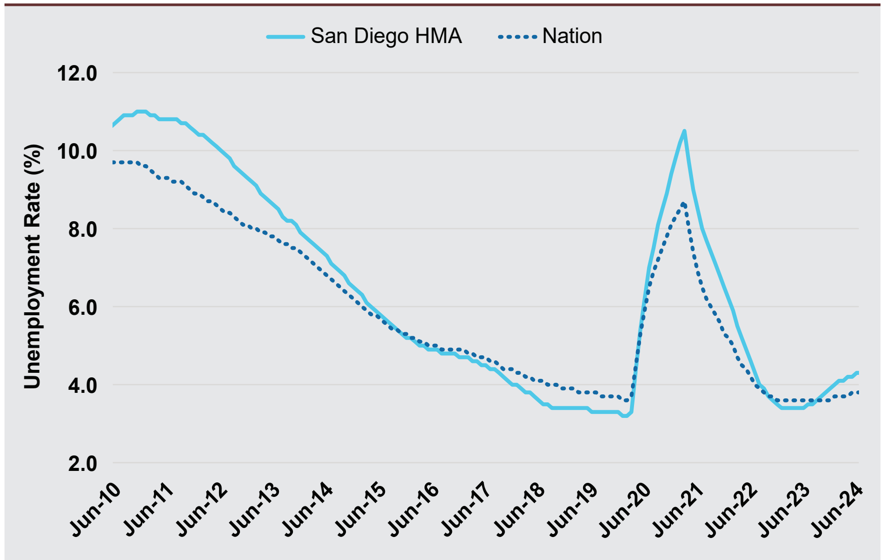
During the past 12 months, the professional and business services sector lost the greatest number of jobs, falling by 10,500, or 3.7 percent, compared with a 5.4-percent increase a year earlier. Nearly one-half of the jobs lost were in the professional, scientific, and technical services subsector because the tech industry has been contracting nationwide after overzealous hiring during the pandemic. A 2.0-percent reduction in jobs in the life sciences industry also contributed to the recent decline (Biocom California). Elevated interest rates have led to declines in venture capital investment, which is a major source of funding in the professional and business services and the information sectors, the latter of which lost jobs during the past year, down by 900, or 4.1 percent, after adding 500 jobs, or 2.3 percent, a year earlier. Venture capital investment in the HMA peaked in 2021 at $9.5 billion and declined each subsequent year to $4.1 billion in 2023 (Connect).

Manufacturing sector payrolls fell by 3,000 jobs, or 2.6 percent, during the past 12 months compared with a gain of 200 jobs a year ago. Dexcom, Inc., a local manufacturer of medical devices, moved its operations to Arizona during the past year, laying off 500 workers in the HMA (*The San Diego Union-Tribune*). The life sciences, aerospace, and tech industries are those with the highest concentration of manufacturing jobs in the HMA and, therefore, are affected by reduced venture capital investment. The financial services sector lost 2,900 jobs, or 3.9 percent, during the past year, following a loss of 2,700 jobs, or 3.4 percent, during the 12 months ending June 2023. These losses are largely attributable to elevated interest rates that have reduced the demand for financial services, including home mortgage lending.

Current Conditions—Unemployment

The unemployment rate in the HMA averaged 4.3 percent during the 12 months ending June 2024, up from an average of 3.4 percent during the previous 12-month period. The increase was the result of resident employment falling 0.4 percent during the past year and the labor force expanding 0.5 percent. The average unemployment rate rose from 3.3 percent in 2019 to 9.4 percent in 2020 because the countermeasures to slow the spread of COVID-19 led to many job losses. Following the pandemic, the unemployment rate fell consistently until the most recent 12-month period. Since 2021, the unemployment rate in the HMA has mostly been higher than that of the nation, in contrast to the trend from 2016 to 2020, when the HMA unemployment rate was generally lower (Figure 4).

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



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

2011 Through 2019: Economic Growth

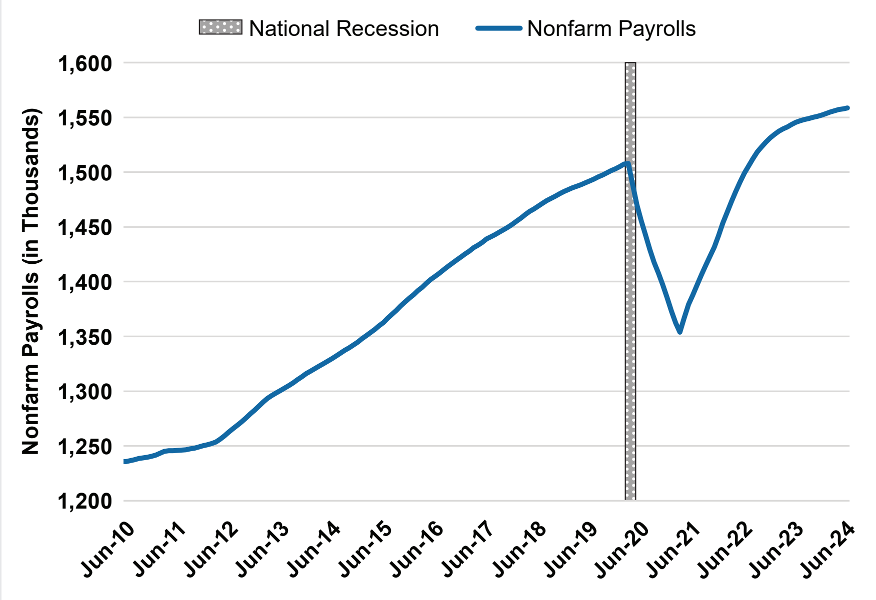
The HMA had job growth each year from 2011 through 2019 and fully recovered the jobs lost during the Great Recession by 2014. From 2011 through 2019, all sectors except the information sector had job gains, contributing to average annual nonfarm payroll growth of 29,200 jobs, or 2.2 percent. Nationally, nonfarm payrolls increased at an average annual rate of 1.6 percent during the same period. More than 58 percent of all jobs added in the HMA during the period were in the professional and business services, the education and health services, and the leisure and hospitality sectors. Gains in the professional and business services sector averaged 5,800 jobs, or 2.6 percent, annually, partly attributable to increased DoD contracts and venture capital investment. General Atomics, a firm founded in the city of San Diego in 1955 specializing in nuclear fission and fusion energy research, is the largest defense contractor in the HMA and added 500 jobs during the 9-year period. In addition, annual venture capital investment in the HMA increased from $0.8 billion in 2010 to $3.1 billion in 2019 (Connect). The education and health services sector increased by an average of 5,800 jobs, or 3.1 percent, a year from 2011 through 2019, largely supported by increased demand from the growing and aging population. The $850 million Kaiser Permanente San Diego Medical Center opened in 2017, adding 1,000 jobs. Increased tourism to the HMA during this period supported strong growth in the leisure and hospitality sector, which increased by an average of 5,400 jobs, or 3.1 percent, annually. The government sector gained an average of 2,000 jobs, or 0.8 percent, annually. More than one-half of the increase was due to growth in the local government subsector, and the state and federal government subsectors added respective averages of about 900 and 100 jobs each year.

2020 Through 2023: Pandemic and Recovery

In 2020, countermeasures to slow the spread of COVID-19 caused payrolls in the HMA to fall by 117,300 jobs, or 7.8 percent, compared with a 5.8-percent decline nationally (Figure 5). The local impact was more severe than in the nation overall, partly because of the relatively high concentration of leisure and hospitality workers in the HMA, who were disproportionately affected by business closures. Nearly one-half of all jobs lost in 2020 were in the leisure and hospitality sector, which contracted 28 percent. Another 13 percent of jobs lost in 2020 were in the wholesale and retail trade sector. Although the government sector had a net loss of 11,500 jobs, the federal government subsector added 1,000 jobs, partly due to an increase of 1,925 DoD civilian employees (SDMAC).

Job growth resumed in 2021, and nonfarm payrolls recovered to prepandemic levels in 2022, strongly supported by 5.3-percent average annual increases in DoD contract defense spending from 2020 through 2023 (SDMAC). During 2021 and 2022, nonfarm payrolls increased by an average of 72,700 jobs, or 5.1 percent, a year compared with 3.6 percent nationally. Nearly one-fourth of the gains were in the professional and business services sector. Job growth was also strong in the leisure and hospitality sector, which added an average of 24,100 jobs, or 15.5 percent, each year in 2021 and 2022. However, leisure and hospitality sector payrolls did not fully recover to prepandemic levels until 2023. Nonfarm payroll growth slowed considerably in 2023, with jobs increasing by 20,900, or 1.4 percent, compared with 2.3 percent nationally. The slowdown in the HMA was largely the result of job losses in the professional and business services and the financial activities sectors, both of which were greatly affected by elevated interest rates.

Figure 5. 12-Month Average Nonfarm Payrolls in the San Diego HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

Forecast

Job growth during the 3-year forecast period is expected to be similar to recent trends, averaging a gain of 11,000 jobs, or 0.7 percent, annually. The swift increase in defense spending since the pandemic is expected to moderate, but the military will continue to provide a steady source of jobs. Trends during the past few quarters suggest a moderate resumption of venture capital investment, which will help curtail job losses in the professional and business services and the manufacturing sectors. An aging population will continue to support job gains in the education and health services sector. A $175 million expansion is underway at Scripps Memorial Hospital La Jolla in the city of San Diego, and a $75 million expansion is underway at the Scripps Memorial Hospital Encinitas. These expansions, along with student housing developments near UC San Diego, will contribute to continued payroll gains in the mining, logging, and construction sector. In addition, construction on the Navy Old Town Campus Revitalization Project—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 and add 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: 3.30 Million

Population growth in the San Diego HMA since 2016 has been entirely due to net natural increase.

Population Trends

The HMA population is estimated at 3.30 million as of July 1, 2024 (Table 3). Approximately 8 percent of the 39.13 million California residents reside in the HMA, and San Diego County is the second most populous county in the state, behind only Los Angeles County (California Department of Finance population estimates as of January 1, 2024). Approximately 42 percent of residents in the HMA live in the city of San Diego, which has 1.39 million residents. Economic conditions, housing affordability, and foreign immigration heavily influence population growth trends. Housing affordability has generally decreased since 2010, resulting in domestic net out-migration nearly every year since 2011. Changes to federal immigration policy influence the degree to which international net in-migration offsets domestic net out-migration.

Population growth from 2010 to 2016 was largely from net natural increase, although low levels of net in-migration also contributed to the gains (U.S. Census Bureau; California Department of Finance; Figure 6). From 2010 to 2016, the population increased by an average of 27,150, or 0.9 percent, annually, and 87 percent of the growth was from net natural increase that averaged 23,750 people each year. Domestic net out-migration increased each year but was more than offset by rising international net in-migration until 2016. Net out-migration from the HMA has occurred each year since 2016, coinciding with lower levels of international net in-migration and resulting in population declines by the end of the decade. The most popular destination

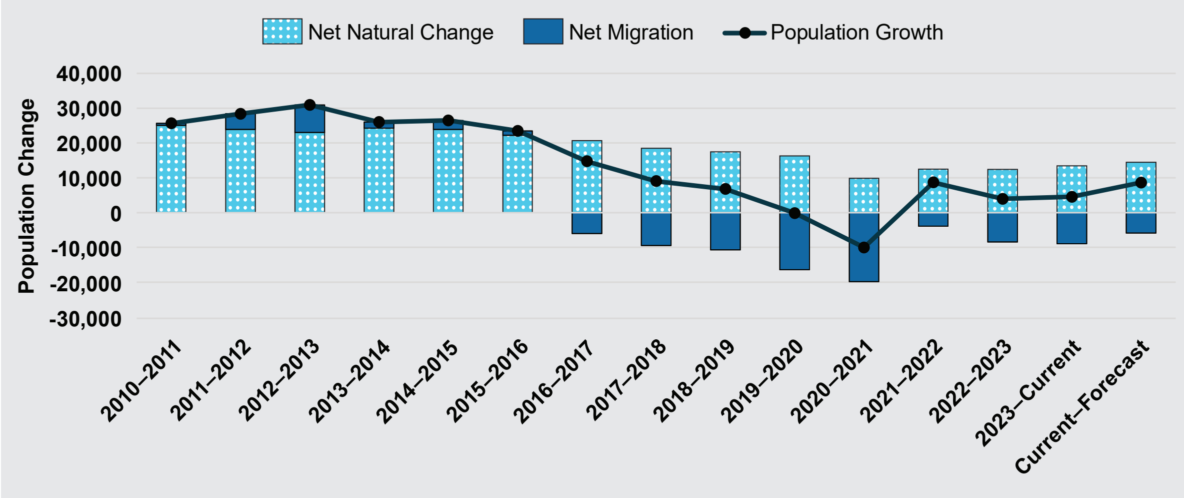
Table 3. San Diego HMA Population and Household Quick Facts

Population Quick Facts		2020	Current	Forecast
	Population	3,298,634	3,302,000	3,328,000
	Average Annual Change	20,350	880	8,625
	Percentage Change	0.6	0.0	0.3

Household Quick Facts		2020	Current	Forecast
	Households	1,158,764	1,198,900	1,214,000
	Average Annual Change	7,200	9,450	5,025
	Percentage Change	0.6	0.8	0.4

Notes: Average annual changes and percentage changes are based on averages from 2010 to 2020, 2020 to current, and current to forecast. The forecast period is the current date (July 1, 2024) to July 1, 2027.
Sources: 2010 and 2020—2010 Census and 2020 Census; current and forecast—estimates by the analyst

Figure 6. Components of Population Change in the San Diego HMA, 2010 Through the Forecast Period



Notes: Data displayed are average annual totals. The forecast period is the current date (July 1, 2024) to July 1, 2027.
Sources: U.S. Census Bureau; California Department of Finance; current to forecast—estimates by the analyst

for those leaving the HMA was the adjacent Riverside-San Bernardino-Ontario metropolitan area, largely because home sales prices are approximately 50 percent lower (Table 4; Zonda). From 2016 to 2019, population growth in the HMA averaged 10,150 people each year, reflecting an average annual increase of 0.3 percent. Net natural increase averaging 18,900 people a year more than offset net out-migration averaging 8,750 people annually. From 2016 to 2019, domestic net out-migration was accelerating because of rapidly rising home prices, and changes in federal immigration policy led to reduced international net in-migration at the same time. These trends intensified from 2019 to 2021, leading to population declines. Low mortgage interest rates and an increase in remote work opportunities during the COVID-19 pandemic spurred homebuying and incentivized people to leave the HMA, which is one of the most expensive housing markets in the nation. From 2019 to 2021, the HMA population fell by an average of 5,100 a year, reflecting a 0.2-percent average annual decline. Net out-migration averaged 18,200 people a year, and net natural increase fell to an average of 13,100 people annually, partially because of deaths attributable to COVID-19. From 2021 to the current date, population growth in the HMA averaged 5,700 people a year, reflecting a 0.2-percent average annual increase. Net natural increase remained subdued, averaging 12,800 people a year, and net out-migration slowed to an average of 7,100 people each year. The significant slowdown in net out-migration during this period was largely due to return-to-office mandates, rising mortgage rates, and less restrictive immigration policies.

Table 4. Metro-to-Metro Migration Flows in the San Diego HMA: 2016–20

Into the HMA	
Los Angeles-Long Beach-Anaheim, CA	18,700
Riverside-San Bernardino-Ontario, CA	13,550
San Francisco-Oakland-Berkeley, CA	6,125
Washington-Arlington-Alexandria, DC-VA-MD-WV	4,350
Chicago-Naperville-Elgin, IL-IN-WI	3,675
Out of the HMA	
Riverside-San Bernardino-Ontario, CA	21,475
Los Angeles-Long Beach-Anaheim, CA	15,875
San Francisco-Oakland-Berkeley, CA	6,525
Phoenix-Mesa-Chandler, AZ	5,700
Washington-Arlington-Alexandria, DC-VA-MD-WV	3,675
Net Migration	
Los Angeles-Long Beach-Anaheim, CA	2,825
Chicago-Naperville-Elgin, IL-IN-WI	1,900
Hilton Head Island-Bluffton, SC	1,125
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	950
Pensacola-Ferry Pass-Brent, FL	950

Source: U.S. Census Bureau Migration Flows, 2016–2020 American Community Survey 5-year data

Population by Geography

In addition to San Diego, the largest cities in the HMA are Chula Vista and Oceanside, with respective estimated populations of 278,200 and 171,500 in 2024 (California Department of Finance population estimates as of January 1). Oceanside is home to a large proportion of residents who work at Camp Pendleton. The three largest cities combined are home to more than 55 percent of the HMA population. Cities along the Pacific Coast in the HMA generally lost population from 2021 to 2024, except for the cities of San Diego and Chula Vista, where the populations increased at respective average annual rates of 0.2 and 0.3 percent. Modest gains in the number of active-duty military personnel contributed to growth in both cities, and more affordable housing options supported growth in Chula Vista.

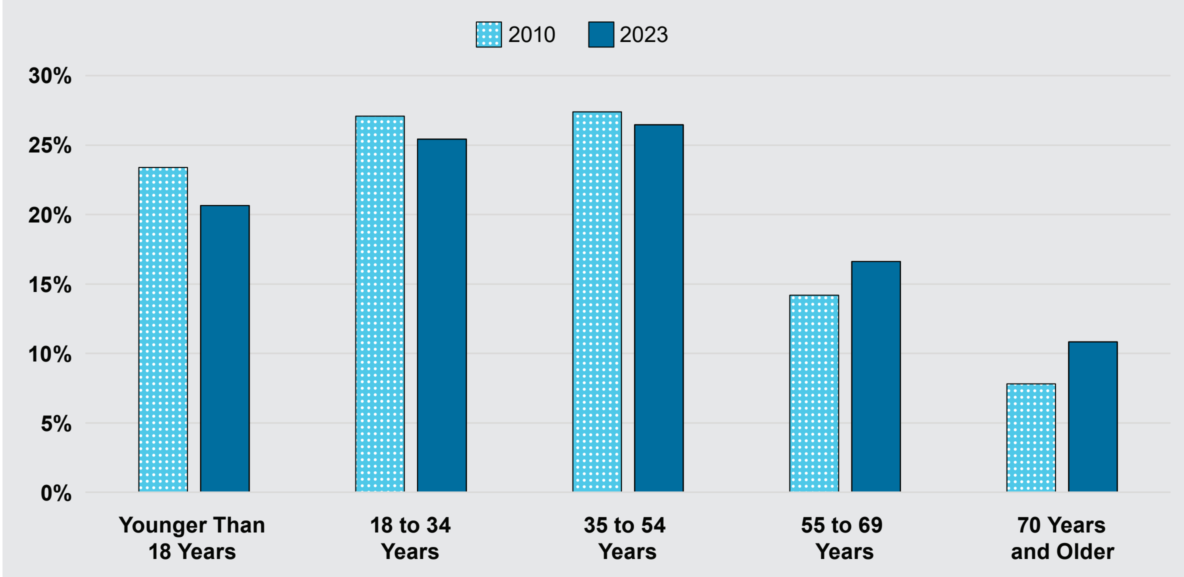
Age Cohort Trends

The share of residents in the HMA younger than age 55 declined from 2010 to 2023, whereas the share of residents aged 55 and older increased (American Community Survey [ACS] 1-year data; Figure 7). A falling birth rate contributed to a declining share of residents 18 and younger, and the high cost of living fueled a declining share of residents aged 18 to 54. Among metropolitan areas in the country with populations of 1.0 million or more, the HMA had the 10th largest increase in the cost of living from 2010 to 2020, at a cumulative 18.9 percent, contributing to housing costs 80.5 percent greater than the national average (2022 Filterbuy study based on U.S. Bureau of Economic Analysis data). The large military presence and student population contribute to the high share of residents aged 18 to 34, despite that share falling since 2010, and partly account for a lower median age in the HMA than in the nation (Table 5). The increase in the share of residents 55 and older is due to a large portion of residents aging in place, including former military members. Approximately 40,500 retired military personnel live in the HMA and have an economic impact estimated at $2.5 billion annually (SDMAC).

Household Trends

Household growth in the HMA reflected population growth trends during the 2010s. However, an increase in the number of smaller households has caused household growth to exceed population

Figure 7. Share of Population by Age Range in the San Diego HMA



Source: 2010 and 2023 American Community Survey 1-year data

Table 5. Selected Population and Household Demographics in the San Diego HMA

	San Diego HMA	Nation
Population Aged 18 and Younger	20.6%	21.7%
Population Aged 65 and Older	15.9%	17.7%
Median Age	37.6	39.2
White	67.0%	72.3%
Black	6.9%	14.4%
Asian	16.1%	7.4%
Other Race	28.9%	16.4%
Hispanic	34.9%	19.4%
Non-Hispanic	65.1%	80.6%
Median Household Income	$103,674	$77,719
Households With One or More Children Younger Than 18	30.5%	28.8%

Source: 2023 American Community Survey 1-year data growth since 2020. Despite population declines that began in 2019 and accelerated during the height of the pandemic, household growth continued because people sought more private space for their living arrangements, and increased household savings enabled some people in shared housing to disperse into separate households. As of July 1, 2024, an estimated 1.20 million households lived in the HMA, representing an average annual increase of 9,450 households, or 0.8 percent, since 2020, whereas the population was relatively unchanged. By comparison, households in the HMA increased by an average of 7,200, or 0.6 percent, annually from 2010 to 2020, equal to the rate of population growth.

Increasing home prices have reduced the rate of homeownership in the HMA nearly every year since the Great Recession. The proportion of owner households decreased to 52.9 percent as of the current date from 53.5 percent in 2020 and 54.4 percent in 2010 (Figure 8). Owner households have increased at an average annual rate of 0.5 percent since 2020, equal to the rate of growth from 2010 to 2020. By contrast, renter household growth strengthened considerably after the onset of the pandemic, averaging 1.1 percent annually since 2020 compared with 0.8 percent a year from 2010 to 2020. The increase in renter households stems from a prolonged shortage of for-sale housing and the recent elevated mortgage interest rates, making financing a home more costly and causing many renters to be priced out of homeownership.

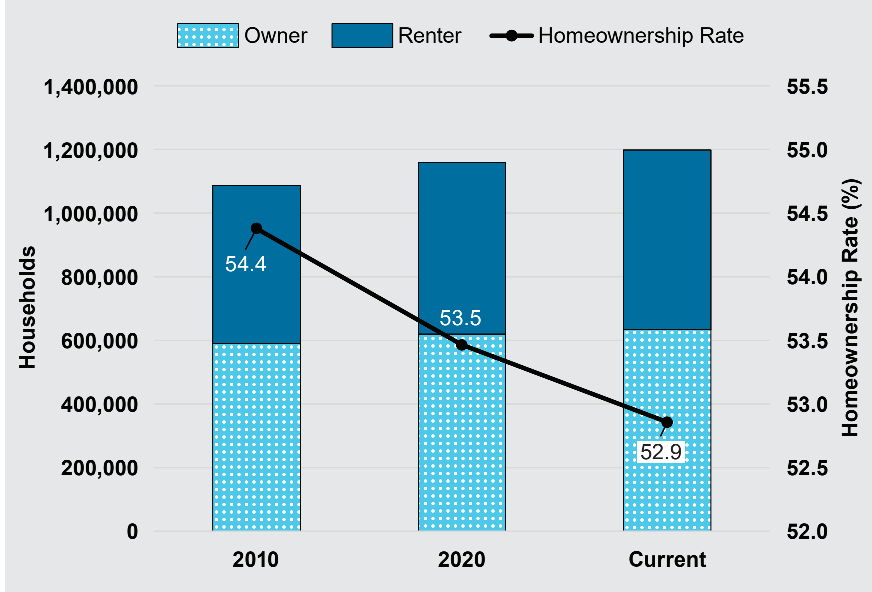
Military Households

The HMA is home to 24 percent of all U.S. Navy vessels, 17 percent of active-duty Navy personnel in the nation, and one-third of all active-duty U.S. Marine Corps personnel (SDMAC). Despite the large military presence, the number of direct military jobs has changed little since 2019, with the number of active-duty personnel increasing less than 1 percent a year to approximately 111,000 in FY 2024. Approximately two-thirds of service member-headed households are renters. Service members account for an estimated 9 percent of renter households and 4 percent of owner households in the HMA.

Forecast

During the next 3 years, the population of the HMA is expected to increase by an average of 8,625, or 0.3 percent, a year to reach nearly 3.33 million.

Figure 8. Households by Tenure and Homeownership Rate in the San Diego HMA



Note: The current date is July 1, 2024.
Sources: 2010 and 2020—2010 Census and 2020 Census; current—estimates by the analyst

Domestic out-migration is anticipated to slow as elevated mortgage rates make sales housing less affordable in lower cost metropolitan areas that previously attracted HMA residents. Net natural increase is anticipated to strengthen as the effects from the pandemic continue to wane, although it is unlikely to reach the peak levels of the early 2010s.

Household growth in the HMA is expected to mirror population growth trends during the 3-year forecast period as the pandemic-driven surge in household formation subsides. During the next 3 years, households are expected to increase by an average of 5,025, or 0.4 percent, annually, reaching 1.21 million. Owner household growth is expected to continue to slow, averaging 0.2 percent a year, because of a lack of affordable for-sale housing inventory. Renter household growth is also expected to slow, averaging 0.7 percent annually.

Home Sales Market

Market Conditions: Slightly Tight

Home sales price growth in the San Diego HMA accelerated during the past year, and sales declined at a considerably slower rate than a year ago.

Current Conditions

The sales housing market in the HMA is currently slightly tight compared with the balanced conditions of a year ago, but it is similar to conditions in 2020. The overall sales vacancy rate is estimated at 1.0 percent as of July 1, 2024, compared with 0.9 percent in April 2020 (Table 6). Market conditions eased when mortgage interest rates rose in 2022, causing home sales to decline and home price growth to slow considerably. Rates for 30-year fixed-rate mortgages averaged 7.02 percent during the past 12 months, up from 6.29 percent during the same period a year earlier and compared with a low of 2.96 in 2021 (Freddie Mac). The rise in rates also deterred many potential sellers from listing their homes if a subsequent purchase would require financing at a higher rate, restricting the supply of for-sale housing, which helped prevent market conditions from becoming soft. During the past year, however, active listings in the HMA rose 93 percent, price growth accelerated, and sales declined at a much slower pace compared with a year ago. Investors, who frequently pay cash and are therefore less affected by rising mortgage rates, make up a significant and growing share of the sales market, supporting home sales demand. Approximately 24 percent of homes sold in the HMA during the second quarter of 2024 were to investors, up from 22 percent a year ago and increasing considerably from 16 percent during the same period in 2019, before the COVID-19 pandemic (Redfin, a national real estate brokerage).

Table 6. Home Sales Quick Facts in the San Diego HMA

		San Diego HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	1.0%	NA
	Active Listings	7,350	618,000
	1-Year Change	93%	40%
	Months of Inventory	4.4	3.4
	Total Home Sales	27,700	4,563,000
	1-Year Change	-8%	-11%
	New Home Sales Price	$900,400	$504,900
	1-Year Change	-10%	-2%
	Existing Home Sales Price	$1,109,000	$463,200
	1-Year Change	10%	7%
	Mortgage Delinquency Rate	0.4%	0.9%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending June 2024; and months of inventory and mortgage delinquency data are as of June 2024. The current date is July 1, 2024.
Sources: Vacancy rate—estimates by the analyst; months of inventory and mortgage delinquency data—CoreLogic, Inc.; home sales and prices—Zonda

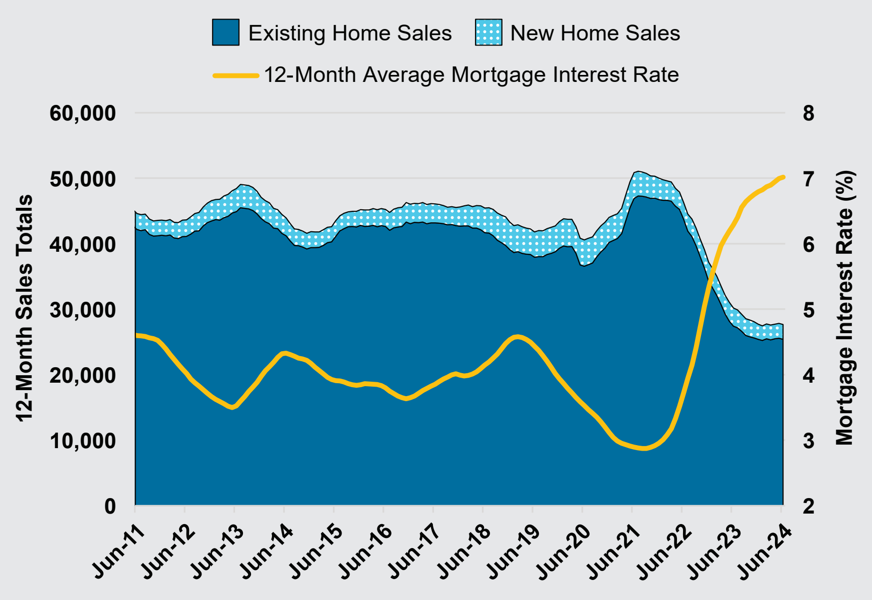
Existing Home Sales and Price Trends

Recent existing home sales trends in the HMA reflect high mortgage interest rates and reduced sales housing affordability. Existing home sales totaled 25,400 during the 12 months ending June 2024, down 7 percent year over year compared with a 37-percent annual decline during the 12 months ending June 2023 (Zonda).

From 2010 through 2017, existing home sales were relatively stable, averaging 42,600 homes sold each year. Population growth, reflecting moderate net in-migration during most of the period and strong job growth, contributed to steady existing home sales. Net out-migration accelerated beginning in 2017, and mortgage rates rose during 2018. Combined, these factors suppressed home sales demand and existing home sales averaged 39,200 a year in 2018 and 2019. Mortgage interest rates began to fall in 2019 and remained low through 2021. Existing home sales began to rise significantly in 2020, increasing an average of 9 percent a year through 2021, reaching a peak of 46,750 homes sold (Figure 9). Existing home sales fell 27 percent in 2022, when rates rose sharply.

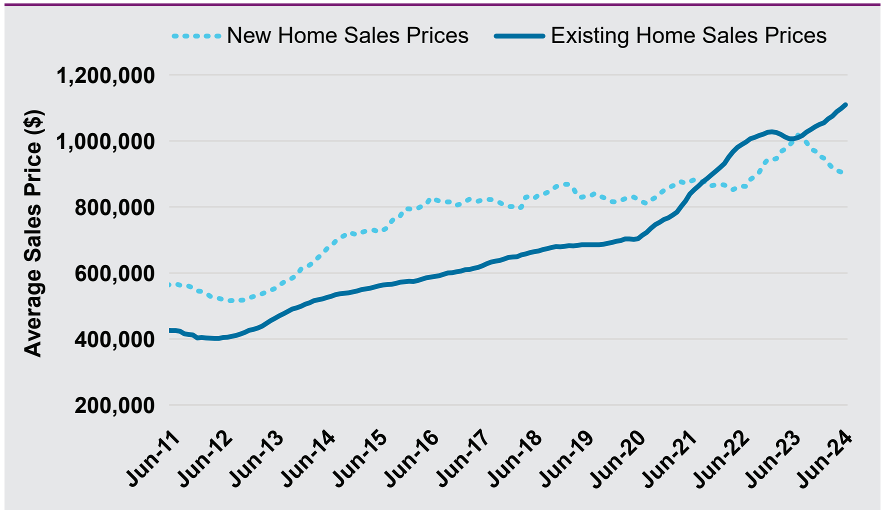
During the 12 months ending June 2024, the average price for an existing home rose 10 percent to $1.11 million compared with a 2-percent increase during the previous 12-month period (Figure 10). For context, existing home prices increased an average of 6 percent a year from $403,100 in 2011 to $692,200 in 2019. From 2020 through 2022, annual price growth averaged 14 percent despite declining home sales beginning in 2022. The current average existing home price in the HMA is 2.4 times greater than the national average. Most of the existing homes sold in the HMA during the past 12 months were priced between $500,000 and $999,999 (Zonda; Figure 11).

Figure 9. 12-Month Sales Totals by Type in the San Diego HMA



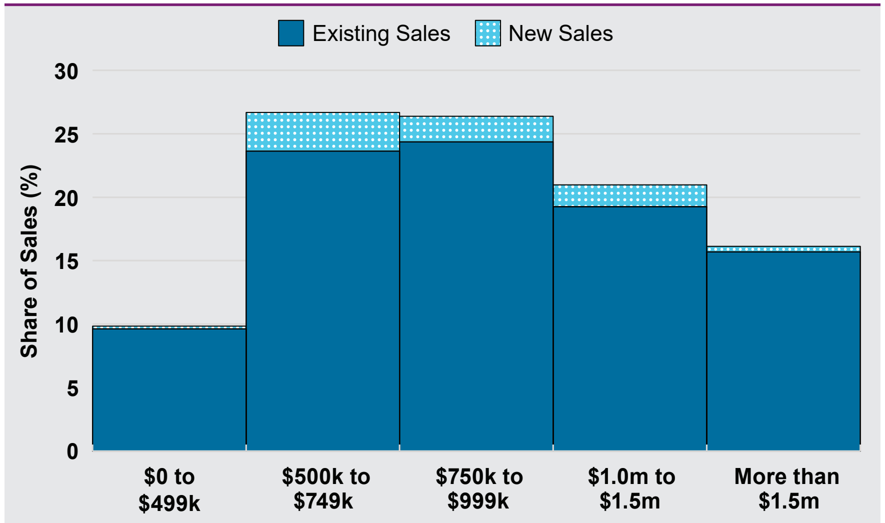
Note: The mortgage interest rate is the 12-month average rate for a 30-year fixed-rate mortgage.
Sources: Home sales and prices—Zonda, with adjustments by the analyst; mortgage interest rates—Freddie Mac

Figure 10. 12-Month Average Sales Price by Type of Sale in the San Diego HMA



Source: Zonda, with adjustments by the analyst

Figure 11. Share of Overall Sales by Price Range During the 12 Months Ending June 2024 in the San Diego HMA



Note: New and existing sales include single-family homes, townhomes, and condominiums.
Source: Zonda

New Home Sales and Price Trends

New home sales in the HMA have accounted for less than 10 percent of annual home sales since 2010. During the 12 months ending June 2024, new home sales totaled 2,275, down 18 percent from a year ago. By comparison, new home sales increased 8 percent year over year to 2,775 homes sold during the 12 months ending June 2023. A low inventory of existing homes for sale contributed to the increase in demand for new homes.

From 2011 through 2013, when the economy recovered from the Great Recession, new home sales rose an average of 6 percent a year to 3,250. Competition from lower priced existing homes led to relatively low levels of new home sales from 2014 through 2017, with an average of 2,675 homes sold each year. New home sales rose to an average of 4,125 homes sold each year in 2018 and 2019, reflecting rising demand and following an increase in building activity a year earlier. From 2020 through 2022, new home sales declined an average of 11 percent a year to 2,900 homes sold, partly because home sales demand was strongest in areas of the HMA that were predominately built out with limited land for new construction.

During the 12 months ending June 2024, the average price for a new home fell 10 percent to $900,400 after increasing 16 percent year over year during the previous 12-month period. For context, new home prices fell an average of 3 percent a year in 2011 and 2012 before rising an average annual 15 percent from 2013 through 2015. Price growth moderated to an average of 2 percent a year from 2016 through 2022. Since mid-2021, the average new home price has been less than that of an existing home, partly because new home development is limited in dense areas with high land costs. In addition, recently built homes have smaller square footage. During the past 12 months, 80 percent of new homes sold were 2,500 square feet or less compared with 72 percent during the previous 12-month period. The current average new home sales price in the HMA is 78 percent greater than the national average, however. Most new homes sold in the HMA during the past 12 months were priced between $750,000 and $1.5 million.

Condominium Home Sales and Price Trends

A limited supply of developable land around job centers and high land costs near the coast contribute to the demand for condominiums in the HMA. Condominium sales have accounted for approximately one-third of total home sales in the HMA since 2010 (Zonda). During the 12 months ending June 2024, 7,975 condominiums sold, down 7 percent from a year ago. By comparison, condominium sales fell 39 percent year over year during the 12 months ending June 2023. Condominium sales averaged 13,250 annually from 2011 through 2020 and subsequently increased 19 percent to 15,350 in 2021, when demand was strong. Condominium sales fell 30 percent to 10,800 in 2022 in response to rising mortgage interest rates.

The average price of a condominium is considerably less than that of a single-family home, but price trends are similar to those for single-family homes and townhomes. During the past 12 months, the average condominium price rose 10 percent to $800,900, approximately 36 percent less than the current average price of a single-family home. By comparison, the average condominium price increased 3 percent year over year during the previous 12 months and was similarly 36 percent less than the average for a single-family home. Condominium prices averaged $295,000 in 2010 and increased at an average annual rate of 7 percent through 2020 before surging to an average annual increase of 15 percent in 2021 and 2022.

Home Sales Trends by Geography

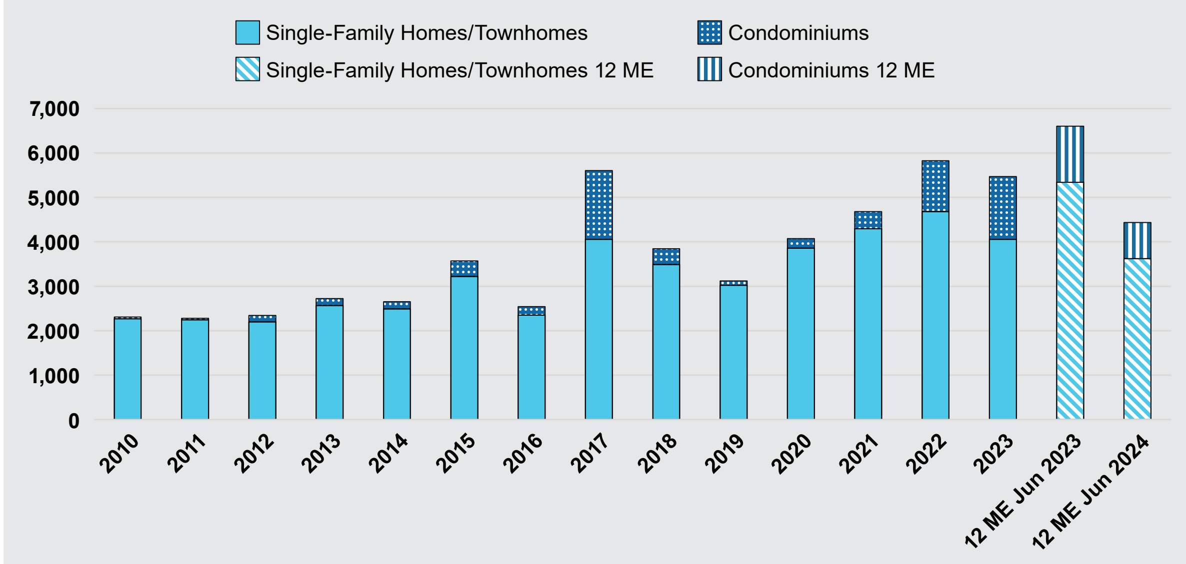
Most home sales in the HMA are in the city of San Diego, with 10,100 homes sold during the past year, down 11 percent from a year ago. Home sales fell in the cities of Chula Vista and Carlsbad by respective rates of 17 and 6 percent from a year ago to 1,850 and 1,125 homes. Proximity to the coast and to the city of San Diego heavily influences home prices. In the cities of San Diego and Carlsbad, prices averaged $1.11 and $1.60 million, respectively, during the past 12 months, up by 7 and 9 percent compared with a year ago. The city of Chula Vista, also on the Pacific Coast, has comparatively more affordable housing, with an average price of $843,900 during the past year, up 10 percent year over year. Average home prices were lower in the inland cities of El Cajon and Santee at $792,700 and $764,600, respectively, during the past 12 months, reflecting year-over-year increases of 9 and 8 percent.

Sales Construction

Home construction in the HMA, as measured by the number of homes permitted, has been relatively high since 2020 (Figure 12). However, home construction fell considerably during the past year in response to declining home sales demand and continued net out-migration. Approximately 4,425 homes were permitted during the 12 months ending June 2024, down 33 percent from the recent high of 6,600 homes permitted during the previous 12 months. Condominiums accounted for 23 percent of all sales units permitted during the past 24 months.

During the first half of the 2010s, sales construction activity was subdued in the HMA as the economy recovered from the recession of the late 2000s. An average of 2,450 units were permitted each year from 2010 through 2014 of which 4 percent were condominiums. Construction from 2015 through 2019 was generally higher than during the previous 5 years, and an average of 3,725 units were permitted annually, with the condominium share of sales units rising to 14 percent. Increased sales demand from the more favorable lending

Figure 12. Annual Sales Permitting Activity in the San Diego HMA



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–23—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

standards resulted in greater permitting from 2020 through 2022, with construction activity increasing an average of 23 percent annually to 5,825 units permitted.

Since 2021, the number of sales units permitted has exceeded the number of new home sales. This was partly because developers of subdivisions applied for permits in batches when beginning construction, and delays caused by shortages and other supply chain issues during the pandemic extended the time required to complete the units. In addition, the inventory of unsold new homes has increased recently in the HMA.

Current Construction and Completed Developments

Single-family home construction in the HMA is generally concentrated in the city of San Diego and in unincorporated areas of the county. Combined, these areas account for approximately one-half of all single-family home development in the HMA. Townhomes are a significant share of sales housing construction, especially in the city of San Diego due to higher land costs, and include recent developments such as Everly at Civita, which opened in the fall of 2023. Of the 103 lots in the community, 63 have sold, and 40 are still available. Prices range from $1.24 million to $1.74 million for 1,458- to 2,301-square-foot townhomes (Zonda).

The city of Chula Vista is also an active market in terms of new home development. The Otay Ranch master-planned community includes Corta Bella II, a single-family home development at the eastern edge of the city with 31 lots. Ten homes have sold, 2 are under construction, and 19 lots are available for development. Prices range from $808,000 to $844,000 for 2,465- to 2,652-square-foot homes. Prism, in the Sunbow master-planned community—also in the city of Chula Vista—includes 184 townhomes, with 29 homes sold. The remaining lots have homes under construction or are ready for development. Prices range from $582,000 to $661,000 for 1,141- to 1,633-square-foot homes.

Housing Affordability: Sales

Homeownership in the HMA has become increasingly less affordable since 2011 because wage growth has not kept pace with home price growth. Annual wages in the HMA increased an average of 5 percent a year from 2011 through 2019 compared with 6-percent average annual home price growth (U.S. Bureau of Labor Statistics, Quarterly Census of Earnings and Wages; Zonda). Similarly, wages increased at an average annual rate of 5 percent from 2020 through 2023 compared with a 10-percent average annual increase in home prices. The HMA has a considerably lower homeownership rate than the national average, especially for households headed by people aged 25 to 34 (Table 7).

Table 7. Homeownership Rates by Age of Householder in the San Diego HMA

	San Diego HMA			Nation		
	2010	2020	2023	2010	2020	2023
Householder Aged 25 to 34	25.8	23.0	23.8	42.0	38.3	41.3
Householder Aged 35 to 44	48.6	44.8	47.1	62.3	57.3	61.1
Total Households	54.4	53.5	54.5	65.1	63.1	65.2

Sources: 2010 and 2020 decennial census; 2023 American Community Survey 1-year data

Measured on a price-to-income ratio, the HMA is the ninth most unaffordable housing market in the world (*Demographia International Housing Affordabilit*y 2023 annual report). San Jose, Los Angeles, San Francisco, and Honolulu were the only U.S. cities that were more unaffordable. The housing affordability index (HAI) from the California Association of REALTORS® measures the percentage of households earning the minimum income necessary to afford a median-priced single-family home. In the second quarter of 2024, the HAI for the HMA fell to 11 percent from 13 percent a year ago—meaning only about 1 in 9 households could afford a home at the median price. The annual income needed to afford a median-priced home was $274,000 in the second quarter of 2024. By comparison, the median household income in the HMA was $103,650 in 2023.

Forecast

During the next 3 years, demand is expected for 7,525 new homes (Table 8). The estimated 2,925 homes under construction will satisfy a portion of that demand. Townhomes are expected to account for a high concentration of sales housing construction because of their lower price point.

Table 8. Demand for New Sales Units in the San Diego HMA During the Forecast Period

	Sales Units
Demand	7,525 Units
Under Construction	2,925 Units

Note: The forecast period is July 1, 2024, to July 1, 2027.
Source: Estimates by the analyst

Rental Market

Market Conditions: Slightly Soft

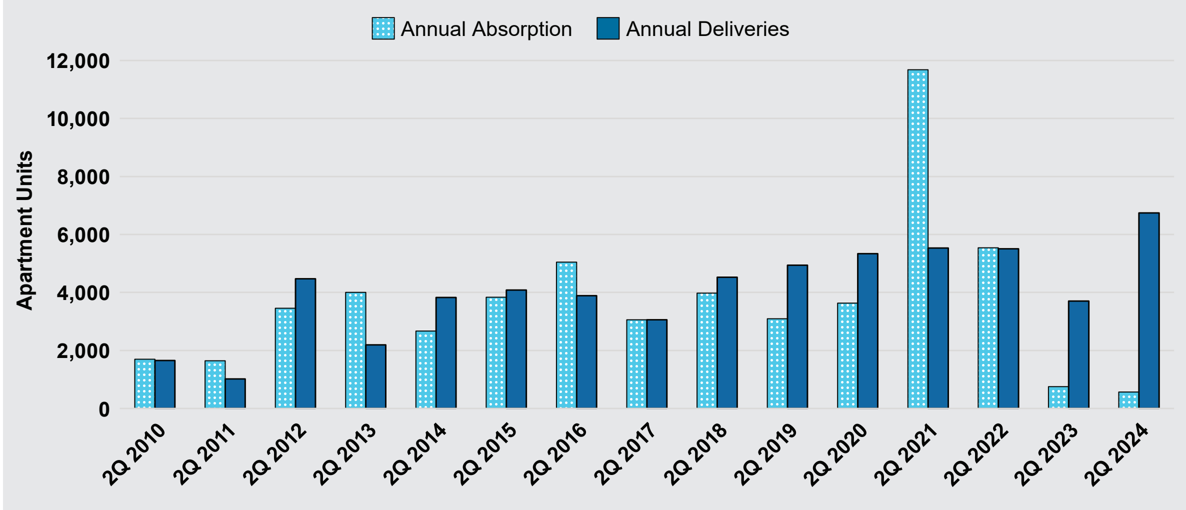
> The overall rental market has an estimated vacancy rate of 5.0 percent compared with 4.7 percent in 2020.

Current Conditions and Recent Trends

The overall rental housing market in the San Diego HMA—including apartments, single-family homes, and other housing units available for rent—is slightly soft. Rental market conditions tightened in 2021 when demand increased, partly because of a low supply of for-sale housing and stronger household growth, concurrent with an increase in smaller households as people sought more living space, and some people in shared housing dispersed into separate households. Market conditions have softened in the past year, largely because apartment absorption has plummeted since 2023 (Figure 13).

In 2023, approximately 31 percent of renter households in the HMA lived in single-family homes compared with 34 percent in 2010, and 67 percent lived in multifamily structures with two or more units per building, including apartments, compared with 64 percent in 2010 (ACS 1-year data; Table 9). As of June 2024, the vacancy rate for professionally managed single-family home rentals, which represent a small portion of all single-family homes for rent in the HMA, was 1.6 percent compared with 1.5 percent a year ago, and the rate has been less than 2.0 percent since 2014 (CoreLogic, Inc.). Rent growth for these homes has been considerably stronger since 2020 compared with the earlier decade. From June 2020 to June 2024, rents increased an average of 8 percent annually, double the average annual growth from June 2013 through June 2019.

Figure 13. Apartment Deliveries and Absorption in the San Diego HMA



2Q = second quarter.
Source: CoStar Group

Table 9. Rental and Apartment Market Quick Facts in the San Diego HMA

Rental Market Quick Facts		2020 (%)	Current (%)
	Rental Vacancy Rate	4.7	5.0
		2010 (%)	2023 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	34	31
	Multifamily (2–4 Units)	13	12
	Multifamily (5+ Units)	51	55
	Other (Including Mobile Homes)	2	2

Notes: The current date is July 1, 2024. Percentages may not add to 100 due to rounding.
Sources: 2020 vacancy rate—2020 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2023 American Community Survey 1-year data

Apartment Market Conditions

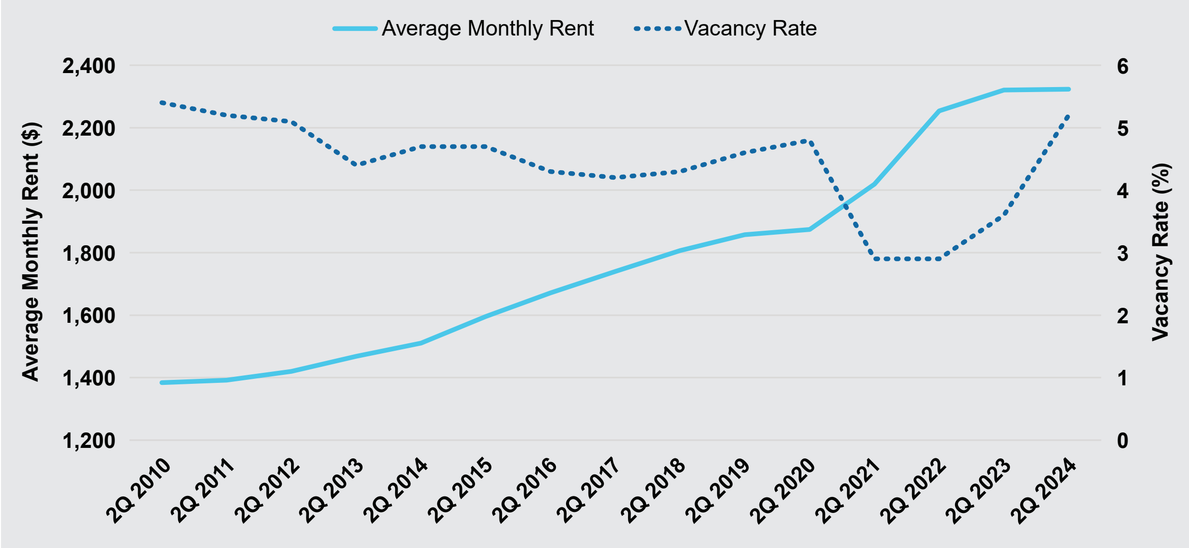
Apartment market conditions in the HMA are currently slightly soft, easing from tight conditions from 2021 through 2023. The apartment vacancy rate was 5.2 percent as of the second quarter of 2024, up from 3.6 percent a year earlier and an average rate of 2.9 percent in the second quarters of 2021 and 2022 (Figure 14). During the past year, the average second quarter apartment rent in the HMA was relatively unchanged at $2,323 compared with a 3-percent annual increase as of the second quarter of 2023. However, rent growth was significantly faster in 2021 and 2022, when apartment absorption was stronger, with average annual second quarter increases of 10 percent.

For much of the mid- to late-2010s, apartment market conditions in the HMA were balanced, with relatively stable vacancy rates and rent growth, as apartment construction kept pace with moderate renter household growth. The second quarter apartment vacancy rate stayed in a relatively narrow band, ranging from 4.3 to 4.8 percent from 2013 through 2020. During this period, the average rent increased at an average annual rate of 4 percent.

Market Conditions by Geography

During the past year, apartment vacancy rates increased in all but 1 of the 14 CoStar Group-defined market areas in the HMA. Average rents declined in one-half of the market areas, and rent growth was slower than a year ago in the other market areas. The tightest markets are north and east of downtown San Diego, where rents are generally the lowest in the HMA. The North I-15 Corridor, the National City/South Central, and the East County market areas had some of the lowest vacancy rates in the second quarter of 2024 at 3.7, 4.1, and 4.3 percent, respectively, and rents increased 1 percent from a year ago in all three market areas to $2,406, $1,881, and $1,933, respectively. The Downtown San Diego market area had the highest vacancy rate at 13.9 percent compared with 7.6 percent a year ago. The increase was largely because 1,575 units were completed but only 420 units were absorbed, compared with average absorption of 1,300 units annually from the second quarter of 2019 through 2022. Despite a 2-percent decline from a year ago, the average rent of $3,022 in the Downtown San Diego market area was the third highest in the HMA. The highest rents are in the North Shore Cities market area, which includes some northern neighborhoods in the city of San Diego along the Pacific Coast. In the Chula Vista/Imperial Beach market area, the vacancy rate rose from 3.4 to 6.1 percent, and rents were unchanged, averaging $2,355. The North County market area, which includes Camp Pendleton, had a vacancy rate of 4.3 percent as of the second quarter of 2024, and the average rent was unchanged at $2,472. The vacancy rate in the La Jolla/UTC market area of the city of San Diego, which is near University Town Center and UC San Diego and has

Figure 14. Apartment Rents and Vacancy Rates in the San Diego HMA



2Q = second quarter.
Source: CoStar Group

a large student population, averaged 4.8 percent, and rents fell 1 percent to $3,290. Student housing units recently completed at UC San Diego contributed to negative net absorption in the area during the past year.

Student Housing

The HMA has more than 20 colleges and universities, nearly all of which serve students who are commuters, except for some of the largest, including UC San Diego in the La Jolla neighborhood of the city of San Diego and SDSU in the Mid-City neighborhood. Of the 33,800 students at UC San Diego, an estimated 39 percent of undergraduates and one-half of graduate students live in university-owned housing. UC San Diego ranks third in the nation for the most students housed on campus and will have enough space to house 22,000 students when the Pepper Canyon West Living and Learning Neighborhood and the Theater District Living and Learning Neighborhood are complete in the fall of 2024, which will accommodate 3,300 undergraduate students. Additional university housing under construction in the Ridge Walk North Living and Learning Neighborhood will accommodate 2,400 UC San Diego students when completed in the fall of 2025. SDSU, with fall enrollment of 36,600 students in 2023, has 6,800 beds in 16 residence halls, suites, and university apartments. The university added approximately 1,700 beds from 2017 through 2019 and is expected to add 3,600 beds when Evolve Student Housing, a multiphase development, is built between 2025 and 2030.

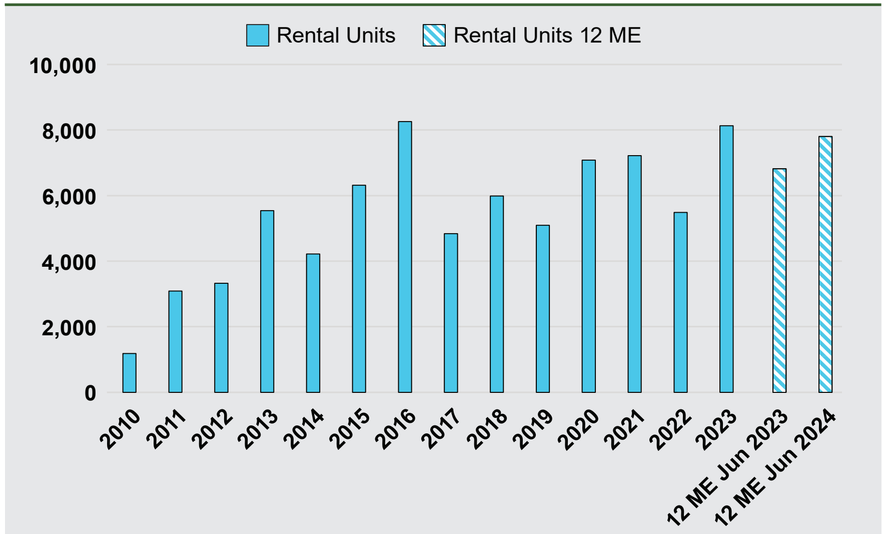
Military Housing

The HMA is home to approximately 111,000 active-duty military personnel. The largest military bases are Camp Pendleton near the city of Oceanside and Naval Base San Diego in the city of San Diego. Approximately two-thirds of military personnel are renters. The personnel stationed at 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. Although military personnel may rent in the private market, a portion live in either on-base barracks or off-base housing reserved for military personnel. The current supply of on-base housing for military members has changed little since 2010 and includes 12,280 beds for junior personnel. Off-base housing includes approximately 11,000 single-family rental homes and apartment units in 50 privately owned rental communities throughout the HMA. The apartment vacancy rate in the city of Oceanside averaged 4.5 percent in the second quarter of 2024, up from 3.8 percent a year ago, and the average rent fell 1 percent to $2,283. Approximately 650 apartment units are under construction in the city. A large share of military personnel stationed at Naval Base San Diego rent in the CoStar Group-defined Central Coast market area, which had a vacancy rate of 6.5 percent as of the second quarter of 2024, up from 3.9 percent a year ago, largely because apartment absorption lagged behind the more than 500 units completed during the past year. The average rent was relatively unchanged at $2,384.

Rental Construction

Rental construction in the HMA, as measured by the number of rental units permitted, has been elevated since 2020, which was supported by increasing absorption until 2023. During the 12 months ending June 2024, 7,800 rental units were permitted (Figure 15). Despite softening rental market conditions,

Figure 15. Annual Rental Permitting Activity in the San Diego HMA



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–23—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

current permitting reflects a 14-percent increase from the 6,825 units permitted during the previous 12-month period. An average of 6,600 units were permitted annually from 2020 through 2022, reaching a recent peak of 8,125 units in 2023. From 2011 through 2016, rental production increased at an average annual rate of 38 percent in response to moderate vacancies and rent growth supported by net in-migration, reaching 8,250 rental units permitted. When net migration turned negative, rental construction slowed to an average of 5,300 units permitted annually from 2017 through 2019.

Seventy percent of the rental units completed in the HMA since 2020 have been in the city of San Diego and 10 percent have been in the city of Chula Vista. Of the 9,300 units under construction, about two-thirds are in the city of San Diego. The cities of Chula Vista and Oceanside account for 12 and 8 percent, respectively, of the units under construction. Bevel Apartments, in the Central Coast market area of the city of San Diego, is one of the largest developments recently completed in the HMA, with 405 units. The property opened in 2024, with rents for studios and one- and two-bedroom units ranging from $2,574 to $3,858. In the city of Chula Vista, the recently completed Enclave Heritage Flats opened in 2023 with 312 units. Rents start at $2,836 for one-bedroom units and increase to $4,341 for three-bedroom units.

Housing Affordability: Rental

A relatively high percentage of all renter households in the HMA were cost burdened during the period from 2017 to 2021 (Table 10). An estimated 30.5 percent of all renter households had moderate to high cost burdens, spending between 31 and 50 percent of income toward rent, and 21.9 percent of renter households were severely cost burdened, spending 51 percent or more of income toward rent. By comparison, 21.7 percent of renter households nationally had moderate to high cost burdens, and 22.2 percent of renter households were severely cost burdened. Compared with the nation, a significantly larger share of lower income renter households in the HMA—those with incomes less than 50 percent of the Area Median Family Income (AMFI)—had severe cost burdens. Approximately 60.6 percent of renter households with incomes less than 50 percent of the AMFI in the HMA pay 51 percent or more of income toward rent compared with 49.9 percent nationally.

Table 10. Percentage of Cost-Burdened Renter Households in the San Diego HMA by Income, 2017–21

	Moderate to High Cost Burden: 31–50 Percent of Income Toward Housing Costs		Severe Cost Burden: 51 Percent or More of Income Toward Housing Costs	
	San Diego HMA	Nation	San Diego HMA	Nation
Renter Households with Income <50% HAMFI	23.2	25.9	60.6	49.9
Total Renter Households	30.5	21.7	21.9	22.2

HAMFI = HUD area median family income.
Sources: Consolidated Planning/Comprehensive Housing Affordability Strategy data; 2017–2021 American Community Survey 5-year estimates

Renters in the HMA need to earn $47.67 per hour, or 2.8 times the minimum wage in the city of San Diego, to afford the average monthly asking apartment rent of $2,479 (California Housing Partnership, *San Diego County 2024 Affordable Housing Needs Report* based on CoStar Group apartment market data, U.S. Bureau of Labor Statistics wage data, and data from the State of California Employment Development Department). A 71-percent increase in Low-Income Housing Tax Credit funding from 2022 to 2023 through the State of California led to increased production and preservation of affordable units, including the acquisition and rehabilitation of existing units. The approximately 4,300 units funded represented a more-than-twofold increase from the year before.

Forecast

During the next 3 years, demand is expected for 10,900 rental units (Table 11). The 9,300 units under construction and an additional 2,050 planned completions will more than satisfy that demand. Demand for new rental units is expected to be relatively stable during each year of the 3-year forecast period. A large share of rental demand will be concentrated in the cities of San Diego and Chula Vista. New apartment construction near UC San Diego is expected to be limited during the forecast period because the university continues expanding its supply of student housing, including group quarters housing such as dormitories.

Table 11. Demand for New Rental Units in the San Diego HMA During the Forecast Period

	Rental Units
Demand	10,900 Units
Under Construction	9,300 Units

Note: The forecast period is July 1, 2024, to July 1, 2027.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Absorption	The net change, positive or negative, in the number of occupied units in a given geographic range.
Apartment Vacancy Rate/ Average Monthly Rent	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease up. A property is stabilized once the occupancy rate reaches 90 percent or above or at least 18 months have passed since the property was changed from “under construction” to “existing” on the CoStar Group website.
Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
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	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period, given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Existing Home Sales	Includes regular resales and real estate owned sales. Regular resales are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party and include short sales.
Forecast Period	7/1/2024–7/1/2027—Estimates by the analyst.

Home Sales/ Home Sales Prices	**Includes single-family home, townhome, and condominium sales.**
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.**
Net Natural Increase	**Resident births are greater than resident deaths.**
Rental Market/ Rental Vacancy Rate	**Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.**
Tech Industry	**Includes companies that specialize in electronics, software, computers, artificial intelligence, and other areas related to information technology.**

B. Notes on Geography

1.	**The metropolitan statistical area definitions noted in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.**
2.	**Urbanized areas are defined using the U.S. Census Bureau's 2020 Census Urban and Rural Classification and the Urban Area Criteria.**

C. Additional Notes

1.	**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.**
2.	**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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