



## **MULTIFAMILY PERSPECTIVE:**

Sales velocity will remain sluggish through Q1 2023 similar to the 2nd half of 2022 however, opportunities remain for the astute and active investor as many buyers are on the sidelines. Sales volume has decreased due to the instability in the financing markets because of the uncertainty for what the cost of capital will actually be. Bullish investors are still aggressively seeking and purchasing multifamily assets in San Diego's top-tier sub-markets. With values dipping and cap rates rising a bit in the tertiary sub-markets of the county, this poses an opportune time for entry-level investors to build a multifamily investment portfolio.

## **CAPITAL MARKETS UPDATE:**


The Federal Reserve ended the year with a 50-basis-point rate hike to the federal funds rate after four consecutive 75-basis point rate hikes in an effort to fend off inflation. Further rate hikes are expected in 2023 but what does this mean for commercial real estate financing? The 10-Year Treasury peaked around 4.22% in late November and is currently in the 3.55%-3.85% range, so we anticipate lenders will keep their rates in line with current levels (4.75%-6.00%) and we will continue to see conservative underwriting parameters. Hopefully with new loan budgets and multifamily market fundamentals strong (especially locally) lenders will take a more common-sense approach and execute on a deal-by-deal basis. We also expect to see lenders focus their attention on borrowers with strong track-records and robust balance sheets.

## **RENT & VACANCY UPDATE:**

San Diego Annual Rent Growth had been in the 12%-15% range over the last 2 years bolstered by low vacancy (sub 3%) and a continued deficit of supply. In Q4 2022 signs of rent growth and vacancy rates have subsided closer to 5% while vacancy has ticked-up a bit to 4%. Looking into the future, a recent study from USC Lusk Center for Real Estate forecasts that San Diego Rent Growth will outpace Los Angeles and Orange County over the next two years due to strong market fundamentals regarding future supply and demand. Although recent reports state that San Diego rents dropped at the end of 2022, we see this data consistent with the traditional semi-annual ebbs and flows of rent growth that were consistently present in reports prior to 2020; and therefore we expect rents to grow by 5%-8% in 2023.

### **THE APARTMENT MARKET SPECIALISTS**

Apartment Realty Group, Inc. | DRE#: 01863733  
2831 Camino del Rio South, Suite 308, San Diego, CA 92108

 (619) 784-1031

 [Info@ARG1031.com](mailto:Info@ARG1031.com)

 [www.ApartmentRealtyGroup.com](http://www.ApartmentRealtyGroup.com)

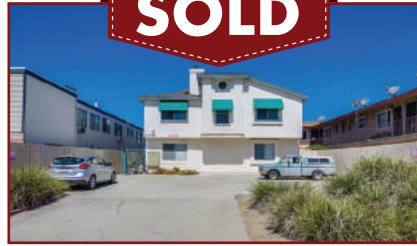


**SOLD**



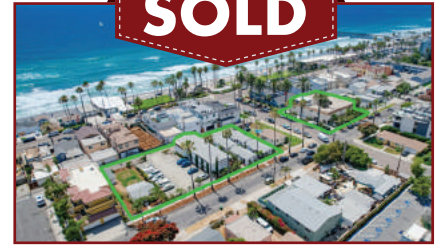
**PACIFIC BEACH  
SAN DIEGO, CA 92109**  
TYPE: MULTI-FAMILY | PRICE: \$3,550,000

**SOLD**



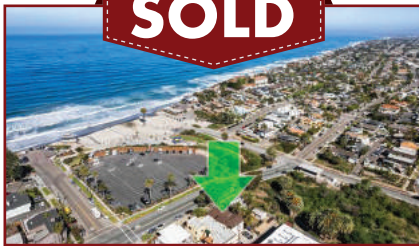
**NORTH PARK  
SAN DIEGO, CA 92104**  
TYPE: MULTI-FAMILY | PRICE: \$3,175,000

**SOLD**



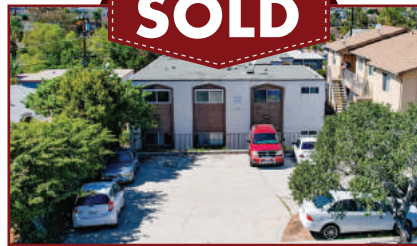
**OCEANSIDE PORTFOLIO  
OCEANSIDE, CA 92054**  
TYPE: MULTI-FAMILY | PRICE: \$11,000,000

**SOLD**



**MOONLIGHT BEACH  
ENCINITAS, CA 92024**  
TYPE: MULTI-FAMILY | PRICE: \$3,000,000

**SOLD**



**VALUE-ADD  
SAN DIEGO, CA 92104**  
TYPE: MULTI-FAMILY | PRICE: \$2,097,600

**SOLD**



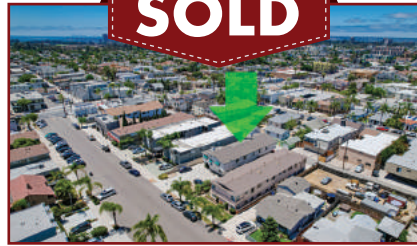
**BED & BREAKFAST  
CARLSBAD, CA 92009**  
TYPE: HOSPITALITY | PRICE: \$4,000,000

**SOLD**



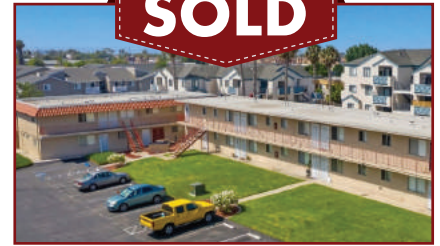
**EAST COUNTY TOWNHOMES  
EL CAJON, CA 92021**  
TYPE: MULTI-FAMILY | PRICE: \$6,300,000

**SOLD**



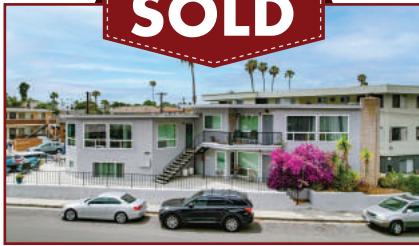
**NORTH PARK  
SAN DIEGO, CA 92104**  
TYPE: MULTI-FAMILY | PRICE: \$6,350,000

**SOLD**



**SOUTHBAY MULTIFAMILY  
CHULA VISTA, CA 91910**  
TYPE: MULTI-FAMILY | PRICE: \$5,750,000

**SOLD**



**CROWN POINT  
SAN DIEGO, CA 92109**  
TYPE: MULTI-FAMILY | PRICE: \$1,985,000

**SOLD**



**CARLSBAD VILLAGE  
CARLSBAD, CA 92008**  
TYPE: MULTI-FAMILY | PRICE: \$5,200,000

**SOLD**



**SERRA MESA  
SAN DIEGO, CA 92123**  
TYPE: MULTI-FAMILY | PRICE: \$1,800,000

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