


Investors Are Scooping Up Commercial Sites To Convert to Housing in San Diego

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San Diego's development pipeline for apartment supply isn't adequate to match the housing necessary to keep pace with household formation, not to mention the supply shortfall locally over the past two decades.

Wide-open developable parcels are most prevalent in the interior areas of San Diego and are often in the path of wildfires. That often places additional regulatory hurdles in the path of development. The lack of open land has led many investors to target commercial infill sites across the region. Those include inner ring neighborhoods such as Hillcrest and North Park and other cities in North County, including Vista and Oceanside.

Investors are scooping up everything from industrial facilities and office buildings to shuttered country clubs and car repair shops, and the pace of those investments accelerated in 2021.

More than \$500 million was invested in commercial properties with the intention of redeveloping them into housing. That's more than the amount invested in 2018 and 2019 combined.

Buyers are paying a premium for sites located in downtown San Diego, while suburban sites offer a more affordable route that often includes replacing a property that has become uncompetitive.

Given the lack of developable land in San Diego, this trend is likely to continue.