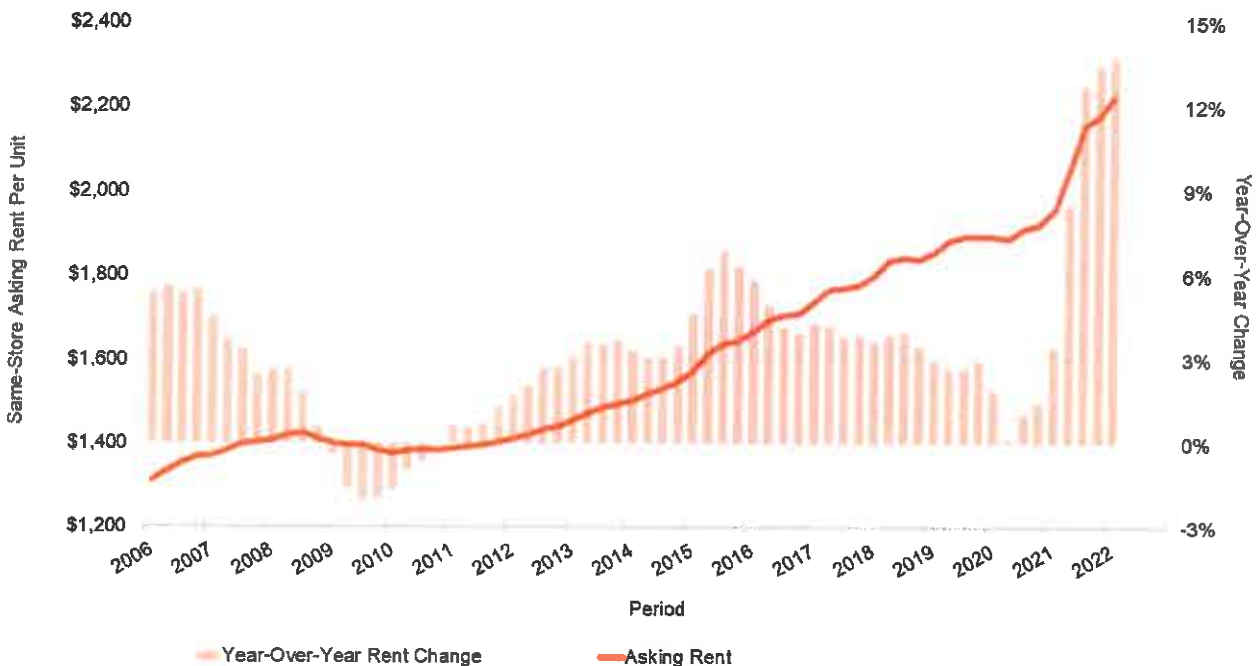


# San Diego Apartment Rent Growth Trends at Record High

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## Apartment Rent Growth Soars to Record High in San Diego



Source: Costar, April



Have we reached a point where apartment landlords in San Diego can name their price and renters will pay it regardless of how high it is?

Well, not quite, but it's not too far off the reality in the region, either. The vacancy rate has fallen 70 basis points in the past 12 months, and it's trending near an all-time low. While demand has moderated, that has been driven more by near-full occupancy than by a waning of interest, with an unquestionably low level of new inventory exacerbating the issue.

The number of renters seeking out apartments in San Diego remains historically high, according to search activity on Apartments.com, an online apartment listing website owned by CoStar Group, the publisher of CoStar News. When a unit opens, many local landlords will send out a text message to those on a waiting list and receive a flurry of responses within minutes, with completed applications arriving shortly thereafter.

Landlords, thusly, find themselves in a favorable position with nearly unparalleled pricing power. At the end of the first quarter, rent growth on a year-over-year basis was up 13.9%. That's a record for the region, and marked the seventh straight quarter that rent growth increased from the prior quarter on an annualized basis.

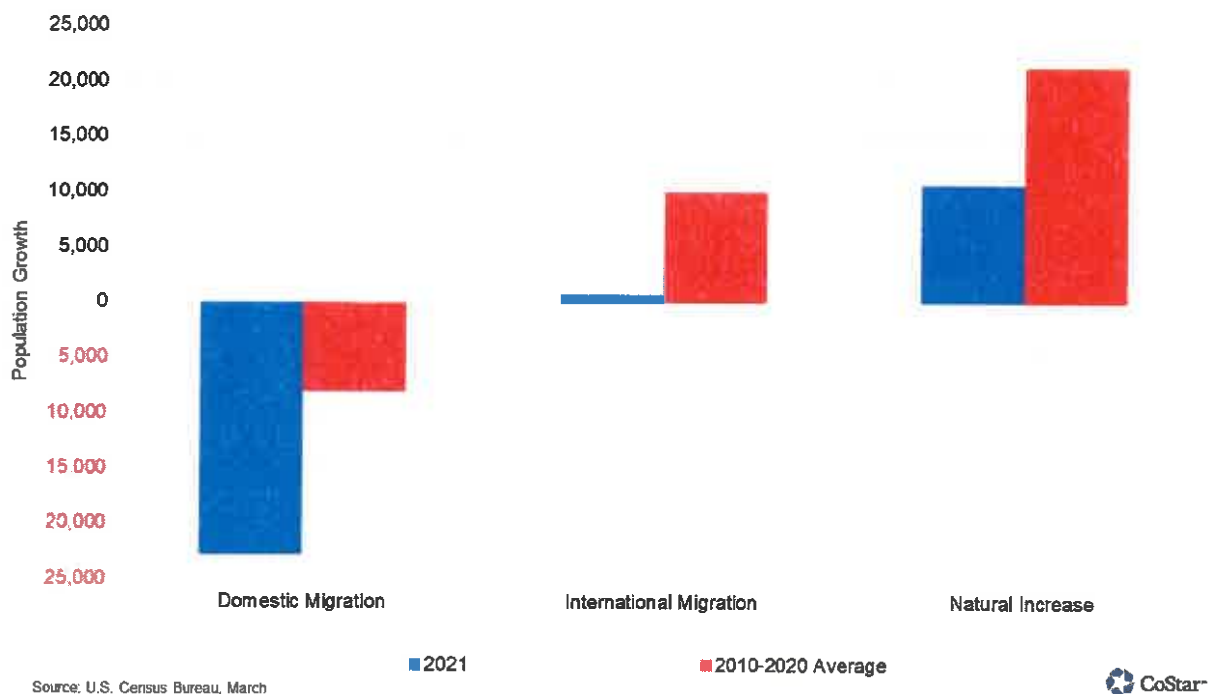
The historically strong growth is being driven by mid-tier properties and luxury apartments, where rents have grown 16.5% and 17.2%, respectively, year over year.

The one-month blip in October 2021, the first month since April 2020 that rents fell, seems to have been an aberration. Rent growth is tracking at a similar trajectory during the first quarter of 2022 compared to the same period in 2021, which could be a harbinger of another strong year.

While that's welcome news for landlords, it spells deep concern for area renters who have seen their rents rise faster than their incomes. The spike also coincides with rising inflation that has led prices in San Diego to increase more than 8% since last year — the highest level in 40 years.

Although prices at the gas pumps are beginning to come down, they still average more than \$5.75 per gallon in San Diego, a further burden for area residents who are finding fewer market-rate apartments that won't break the bank.

## Population Growth Turns South in 2021



Rising housing prices are contributing to structural population shifts in San Diego. The market shed residents in 2021, driven by domestic outmigration of nearly 23,000 residents, according to the U.S. Census Bureau. International migratory trends are typically positive, although in 2021 they were marginal.

Similarly, the natural increase, essentially the difference in the number of births versus deaths, fell by 50% compared to the prior 10-year average, and as a result, the region saw its population decline by more than 10,000 last year.

If there's a silver lining for San Diego's renters by necessity, it may be that rent increases are highest in the region's most expensive areas. The top five most expensive areas in San Diego have an average asking market rent of more than \$2,860 per month, and rents have grown an average of 18.1% year over year.

Conversely, the top five most-affordable areas of San Diego, on a relative basis, have an average asking market rent of \$1,785 per month, and rents have grown 8.1% in the past 12 months.