

San Diego Market Insights

San Diego's reliance on the tourism industry has made the region a great place to visit, but the local economy has made finding a home increasingly difficult for local residents.

As a popular vacation spot, San Diego's labor force is largely dependent on the tourism and service sectors. Service employees – hired by local bars, restaurants and hotels – are creating a strong demand for housing. Unfortunately, these workers are typically low-wage earners and have been priced out of home ownership due to San Diego's growing real estate prices.

Lacking the money to buy a home, many residents have opted to rent, which has created a strong demand for apartment homes. Developers are looking to meet the need for additional apartments by completing a five-year-high for new unit completions in 2017. According to *Marcus & Millichap's 2017 U.S. Multifamily Investment Forecast*, developers will bring 5,800 new apartments online this year.

By contrast, the number of new units completed in 2017 is expected to equal the same amount of new apartments brought online in 2015 and 2016, combined. While the new inventory might appear to be just what San Diego needed, the types of new buildings isn't satiating the region's appetite for more housing options. Residents working in the tourism or service industries have shown a preference toward more affordable Class B and C properties, while developers have been primarily focused on building more expensive luxury apartments.

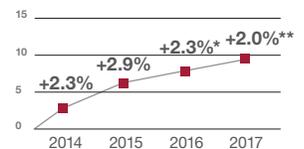


Rather than building a balanced and diverse inventory of new apartments, San Diego developers are focused on constructing high-end properties hoping to turn a faster return on their investments.

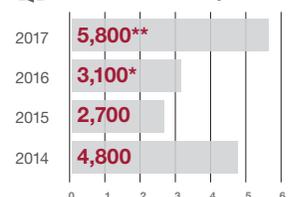
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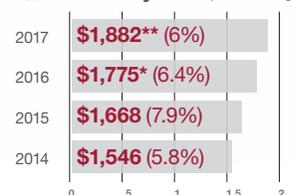
Employment Growth Year-Over-Year



New Unit Completions



Average Effective Monthly Rate (Y-O-Y change)



*estimate | **forecast

reservations

800 600 1115 | reservations@synergyhousing.com

www.synergyhousing.com

“There isn’t much development for Class B and C properties, because you need land to build and land is really expensive in San Diego,” Synergy General Manager M.J. Myers said. “Developers that want to build want to build new, high-end buildings that will return their investment a lot faster than developing less expensive buildings.”

The heavy wave of Class A completions will test overall vacancy levels. Marcus & Millichap predict the San Diego market will finish the year with a vacancy rate close to 3.4 percent, up from the 2.9 percent vacancy rate in 2015. That vacancy growth can almost entirely be attributed the Class A inventory being constructed in the area. Class A properties ended 2016 just under 4 percent vacancy, while B and C apartment buildings had a vacancy rate closer to 3.5 percent. The new deliveries in 2017 are expected to increase the vacancy gap among luxury buildings and older apartment communities.

AGE IS JUST A NUMBER



One of the primary differentiators among Class A and B properties is the age of the buildings. Class A properties have generally been completed within the previous 10 years, while Class B apartment communities may have been built within the last 20.

The age difference, however, isn’t as important in a market like San Diego as in other markets. The region’s year-round mild climate and lack of heavy participation reduces the gaining effects on San Diego’s buildings, and a lack of evolving style had led developers into building relatively similar communities. These two trends allow a 15-year-old building to have the same look and feel as newer properties.

“There’s a lot of really nice Class B properties that have that label simply because of their age,” Synergy’s Business Development Associate Rochelle Tirado said. “But most guests are concerned with what it’s like to live there, rather than how old the property is.”

Myers adds that while newer buildings might offer more modern amenities like a coffee bar or yoga studio, the majority of her corporate housing customers only have three amenity necessities – a pool, Jacuzzi and on-site fitness center – all available in most Class B properties.

With minimal quality difference among Class A and B properties in San Diego, Myers notes many of her clients are beginning to request short-term furnished housing solutions that meet their needs and budgets, regardless of the availability of luxury accommodations. This trend has Myers and Synergy looking for new opportunities in some of San Diego’s older apartment communities.

While Synergy explores opportunities at these older buildings, Myers has taken on the responsibility of ensuring these apartments still meet Synergy’s high standards. Once Myers has identified a potential opportunity, she will conduct an on-site inspection of the community and its amenities, as well as a security audit for features such as controlled-access entries, on-site security patrols and closed-circuit television monitoring.

“Once you’ve actually walked the units you can tell if they are a Class B property in age only,” Tirado says. “This is something that someone looking for a more moderate price would be able to feel comfortable in.”

It takes an experienced corporate housing professional to know the market, its inventory and its opportunities to best serve the business travel community. This knowledge is also required in building The Synergy Collection.





THE SYNERGY COLLECTION

The better provide its customers with a variety of housing options in any desired San Diego submarket, Synergy has created The Synergy Collection, a portfolio of furnished apartments broken down into three distinct tiers based on their varying levels of service and offerings. Each of the three groupings – **Elements, Elevate and Experience** – combines a fully-furnished



apartment with a dedicated guest support team, while providing varying levels of high-end amenities and resident services.

These three classifications prioritize the need for a variety of housing options in the same San Diego submarkets. Synergy now has a more diverse inventory within the same San Diego neighborhoods, allowing us to meet any need or budget.

"I hear a lot of my clients tell me that they don't really need anything posh or upscale," Myers said. "They really just need cost-effective housing close to their new office. The Synergy Collection is our answer to their requests and their needs. Simply put, The Synergy Collection gives more choices to more people."

YOUR LOCAL MARKET EXPERT



M.J. Myers has been focused on furnished housing for almost 20 years, having been with Synergy for five years. She oversees Synergy's inventory and operations in San Diego, as well as Orange County. Myers works collaboratively with her clients and internal team to build custom-tailored solutions based on the individual guest throughout Southern California.



Rochelle Tirado has more than a decade of experience providing guests with short-term furnished housing. Beginning as a guest services coordinator, Tirado has served in almost every possible role within corporate housing, giving her a unique top-to-bottom perspective to better serve Synergy's customers. She has been a member of the Corporate Housing Providers Association for the past two years.

More than just a furnished apartment, Synergy Global Housing provides the ultimate corporate housing experience by combining the comforts of "home" with exceptional customer support. Through listening to the needs of the individual guest, Synergy builds custom-tailored housing programs and supports each reservation with an experienced, dedicated team of customer service professionals. With Global Solution Centre offices in the United States, Ireland, India and Singapore, Synergy has the global scalability to service any housing need, anywhere in the world.

To learn more about **The Synergy Collection** and our **fully furnished housing options in San Diego**, please contact **M.J. Myers** or **Rochelle Tirado** at (858) 242-5900.

2017 Market Update

SAMPLE SAN DIEGO PROPERTIES FROM THE SYNERGY COLLECTION



www.synergyhousing.com