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UPDATE

Apt. Projects Coming Online in SD

By [Carrie Rossenfeld](#) | San Diego

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Wermers: "The 35-and-under demographic is centered on mobility options."

SAN DIEGO—As [GlobeSt.com](#) [reported earlier this month](#), **Wermers Multi-Family Corp.**, a specialist in **multifamily** construction, has begun work on **Cielo Carmel**, a community of **197 apartment** units in Carmel Valley area. We spoke with CEO **Tom Wermers** about the climate for multifamily development in San Diego and the trends he's noticing in this market.

GlobeSt.com: What is the climate like for multifamily development in the San Diego?

Wermers: There's a lot going on. From our perspective, we've been building **apartments** since the '80s, and it's nothing like 1989 where there were four times as many projects going on, but there's been a steady increase in the number of multifamily permits each year. There was a projection in 2014 that there will be a lower number of permits pulled, so 2014 may be the current peak year in number of permits pulled. We tend to track land entitled for apartments and what stages they're in. Rent growth is solid in San Diego, particularly

in class-A markets, which may be to the benefit of B and C properties that haven't risen as much as A. We tend to sit at the corner of A and A.

GlobeSt.com: Which submarkets are faring best for this development?

Wermers: If you drop a pin anywhere Downtown, the submarket is hot. The beach cities are strong because everybody wants to live there and anywhere close to public transit, too. The 56 corridor has the best school district, so people with kids are drawn there, and there's been a trend toward mixed-use urban there, too—there's been a lot of talk about **One Paseo**, but it's consistent with what people want: to come home on a Friday and not have to get in their car all weekend. Plus, there's the job growth, particularly in Del Mar, where some of the highest-paying jobs are. It's a fantastic location, and there are no problems leasing in that market. These are the positives.

GlobeSt.com: What are the negatives, and how are you dealing with them?

Wermers: One of the drags to this submarket is there's a lot of product coming online right now, which creates a short-term issue with absorption, but the long-term fundamentals are solid. There's not a lot of land available, and long-term assets are well positioned. The other thing that's changed a bit—and it's an interesting phenomenon—is that **Millennials** don't want to own; they want to be mobile and able to move from point A to point B when they want to. Today, young people don't desire to get on the treadmill of homeownership—they want to rent, and they look at it as a lifestyle choice. So, many of the projects we're doing are centered around **transit-oriented design and mixed-use**. Everything we're doing is about smart growth.

GlobeSt.com: What else can you tell us about the types of properties being built these days?

Wermers: Everything is centered on lifestyles. You park your car, live, work and play in the same area. Everything is within walking distance, and the food choices, lifestyle and nightlife are vibrant. No matter where you are, that's what people are looking for. You have to be fully connected, with **Wi-Fi** areas for people to socialize. You need to be green for the environment—not just because it's right for the environment, but all of the residents appreciate that, and they will pay a premium to have solar and bike shops to encourage not driving. We're putting charging stations in for electric cars, and this will continue with upgrades. In the future, a large percentage of vehicles will be electric.

There are gathering spaces with indoor/outdoor gyms, and we're putting rooftop decks on top of parking garages. We're designing a project right now with a rooftop deck that is about 15,000 feet. That whole lifestyle is coming from downtown urban translated into suburban. It's part of what people want—they want these communities with schools, **retail**, a library and parks all within 200 yards of the center, so it has to be well planned. We're big believers in being pet friendly, too, offering everything from dog-play areas to dog spas to everything in between. It's a huge trend, and it's not going anywhere.

The 35-and-under demographic is centered on mobility options. They don't want to have to clean the pool and mow the grass, but they still want everything they want. For our markets, in general the units have shrunk to provide amenity space. If you design a unit and you come up with a really good design, residents won't feel the size difference, but they're smaller. It's allowed us to take the same footprint and add more common space. Also, this demographic wants smart connections with solar, heating and air systems—there's a big push for this, and we're leaning on that. We're working on two projects where we're putting in those systems, and we expect them to get better and better. Now, it's in the nuances of the developers; most folks have subscribed to this new methodology.

GlobeSt.com: As Millennials mature and begin to have children, are you thinking about the next phase of apartment development?

Wermers: It's somewhat of a predictable surprise that the world changes for people when they have children. In a sense, there is an extended adolescence happening right now for this age group, and what they are trying to do is prolong moving into that next phase. In anticipation of when that happens, we are currently building some product to condo spec that's larger with three bedrooms. On a long-term basis, there will be a shift, and when that happens where will they go? Will the market have the product to accommodate that? So, we are building some larger units in a different configuration, but only one in 10 projects is being built like that. **Developers** are focusing on current yield, and what's hot one year is not 10 years later. Currently, one-bedrooms, studios and smaller units are the approach.

It's not too early to register for [RealShare APARTMENTS](#) on October 21-22 in Los Angeles.

About Our Columnist



Carrie Rossenfeld is a reporter for the West Coast region of GlobeSt.com and Real Estate Forum. She was a trade-magazine and newsletter editor in New York City before moving to Southern California to become a freelance writer and editor for magazines, books and websites. Rossenfeld has written extensively on topics including commercial real estate, running a medical practice, intellectual-property licensing and giftware. She has edited books about profiting from real estate and has ghostwritten a book about starting a home-based business.

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