



SAN DIEGO MSA | MULTIFAMILY | YE 2020 REPORT

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ABInsight® RESILIENCY TESTED IN UNPRECEDENTED YEAR	06-08

	5+ UNIT PROPERTIES	YE 2020	INCREASE/DECREASE	YE 2019
	Total Sales Volume	\$2.42B	-11.9%	\$2.74B
A V E R A G E	Price/Unit	\$284,233	+6.7%	\$266,349
	Price/SF	\$330.91	-0.6%	\$332.95
	Year Built	1967	-3 Yrs	1970
	Average Rent	\$1,891	+1.6%	\$1,861
	Occupancy Rate	95.6%	+0.6%	95.0%
	Units Delivered	3,346	-14.8%	3,925

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San Diego Renters Making Payments More During Covid Than Other Cities



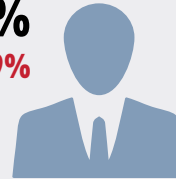
SD Leaders Back Freeze on Evictions Tied to Covid Outbreak Despite Landlord Concerns



How Measure B Will Guarantee Affordable Housing Development

3,362,665 **POPULATION**
COSTAR

8.0%
-0.9%



UNEMPLOYMENT
Q-0-Q AS OF DEC 2020 - BLS

-8.9%



EMPLOYMENT GROWTH
Y-0-Y AS OF DEC 2020 - BLS

\$86,595



MEDIAN HH INCOME
COSTAR

\$34,103



PER CAPITA INCOME
2019 ACS 5-YEAR ESTIMATE

9,674
Units (5+)









UNDER CONSTRUCTION
COSTAR

348,796
Units (5+)



TOTAL INVENTORY
AS OF DEC 2020 - COSTAR

SAN DIEGO MSA - PER CITY ANALYSIS

SAN DIEGO MSA QUICK STATS	MEDIAN HH INCOME	5+ UNIT PROPERTIES	
		TOTAL INVENTORY	UNDER CONSTRUCTION
 San Diego MSA	\$86,595	348,796	9,674
 North County Coastal	\$110,000	37,152	98
 North County Inland	\$85,100	49,359	538
 East County	\$80,900	37,106	535
 South Bay	\$69,200	47,143	170
 Metro San Diego	\$93,900	166,326	8,691

SAN DIEGO MSA - PER SUBMARKET ANALYSIS

RENT & OCCUPANCY STATS

	North County Coastal	North County Inland	East County	South Bay	Metro San Diego
Average Rent (YE 2020)	\$1,932	\$1,672	\$1,594	\$1,667	\$1,962
% Change (y-o-y)	+2.7%	+4.2%	+3.2%	+5.4%	+3.1%
Occupancy Rate (YE 2020)	96.7%	96.4%	97.1%	96.7%	95.4%
% Change (y-o-y)	+0.9%	+0.8%	+1.1%	+1.0%	+0.2%
Units Delivered (YE 2020, 50+)	439	521	10	488	1,562

SALES DATA (50+)

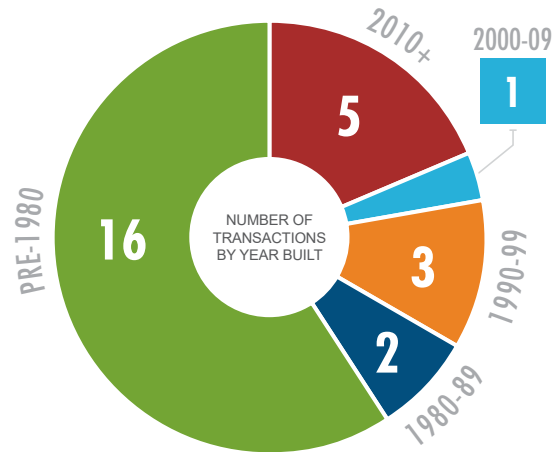
Total Sales Volume (YE 2020, 50+)	\$40,800,000	\$176,670,351	\$78,857,500	\$42,837,500	\$1,165,485,590
Total Sales Volume (YE 2019, 50+)	\$251,418,182	\$80,900,000	\$229,075,666	\$212,400,000	\$883,381,092
% Change (y-o-y)	-83.8%	+118.4%	-65.6%	-79.8%	+31.9%
Avg P/U (YE 2020, 50+)	\$400,000	\$179,361	\$162,929	\$152,991	\$369,995
Avg P/U (YE 2019, 50+)	\$296,484	\$181,390	\$250,356	\$214,329	\$304,195
% Change (y-o-y)	+34.9%	-1.1%	-34.9%	-28.6%	+21.6%

SALES DATA (5-49)

Total Sales Volume (YE 2020, 5-49)	\$48,715,000	\$96,775,265	\$114,845,250	\$73,808,500	\$578,036,805
Total Sales Volume (YE 2019, 5-49)	\$83,824,500	\$113,851,648	\$138,640,499	\$86,795,661	\$662,845,185
% Change (y-o-y)	-41.9%	-15.0%	-17.2%	-15.0%	-12.8%
Avg P/U (YE 2020, 5-49)	\$371,870	\$221,454	\$194,653	\$229,933	\$285,732
Avg P/U (YE 2019, 5-49)	\$331,322	\$223,677	\$207,546	\$207,150	\$282,543
% Change (y-o-y)	+12.2%	-1.0%	-6.2%	+11.0%	+1.1%

50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	YE 2020	INCREASE/DECREASE	YE 2019
Total Sales Volume	\$1.50B	-9.2%	\$1.66B
AVERAGE Price/Unit	\$300,870	+10.8%	\$271,490
Price/SF	\$328.40	+0.5%	\$326.62
Year Built	1984	-3 Yrs	1987

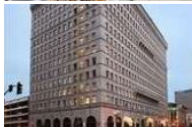


TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)



Valentina by Alta

San Diego, 110 Units | \$78,000,000
\$709,091/Unit | \$644.72/SF | Built 2019



625 Broadway

San Diego, 232 Units | \$143,000,000
\$616,379/Unit | \$621.74/SF | Built 2020



Park & Polk

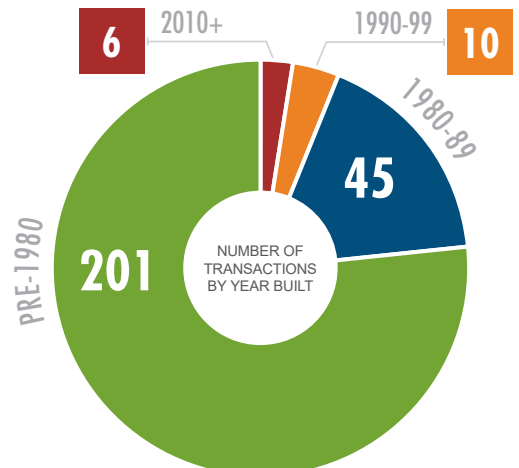
San Diego, 84 Units | \$32,148,090
\$595,335/Unit | \$633.19/SF | Built 2017

YE 2020 Transactions by Year Built

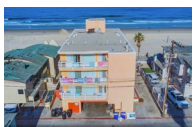
	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	5	\$415K	\$408
2000-09	1	\$460K	\$429
1990-99	3	\$120K	\$204
1980-89	2	\$228K	\$236
Pre-1980	16	\$267K	\$301

5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

	YE 2020	INCREASE/DECREASE	YE 2019
Total Sales Volume	\$912M	-16.0%	\$1.09B
AVERAGE Price/Unit	\$260,474	+0.6%	\$258,869
Price/SF	\$335.12	-2.3%	\$342.98
Year Built	1965	-3 Yrs	1968

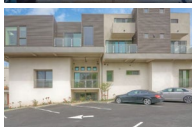


TOP 3 TRANSACTIONS BY PRICE/UNIT (5-49)



3449 Ocean Front Walk

San Diego, 6 Units | \$7,450,000
\$1,241,667/Unit | \$1,118.62/SF | Built 1971



Lofts on Laurel

San Diego, 21 Units | \$19,000,000
\$904,762/Unit | \$723.98/SF | Built 2018



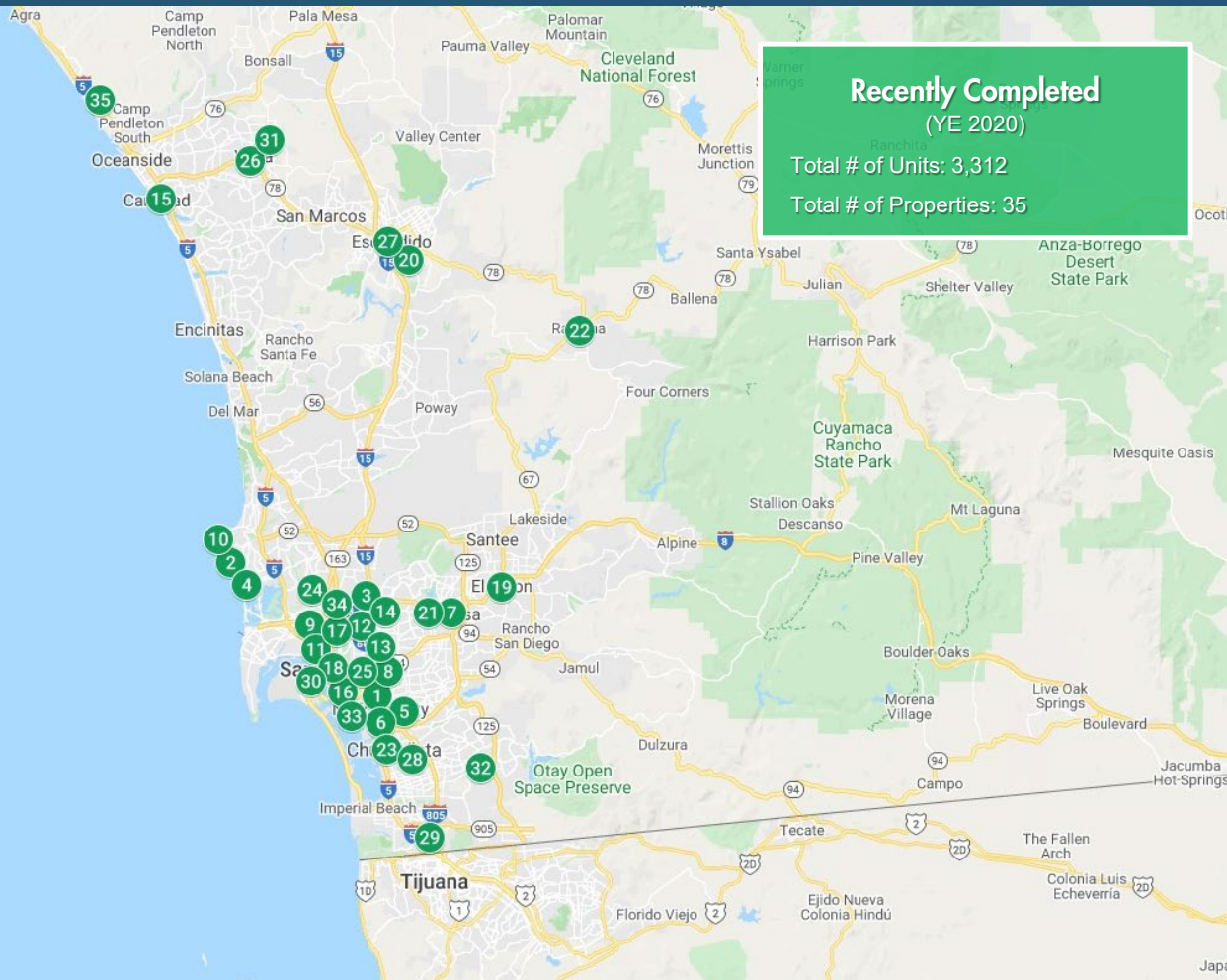
2121 Newcastle Avenue

Cardiff, 18 Units | \$11,700,000
\$650,000/Unit | \$764.71/SF | Built 1976

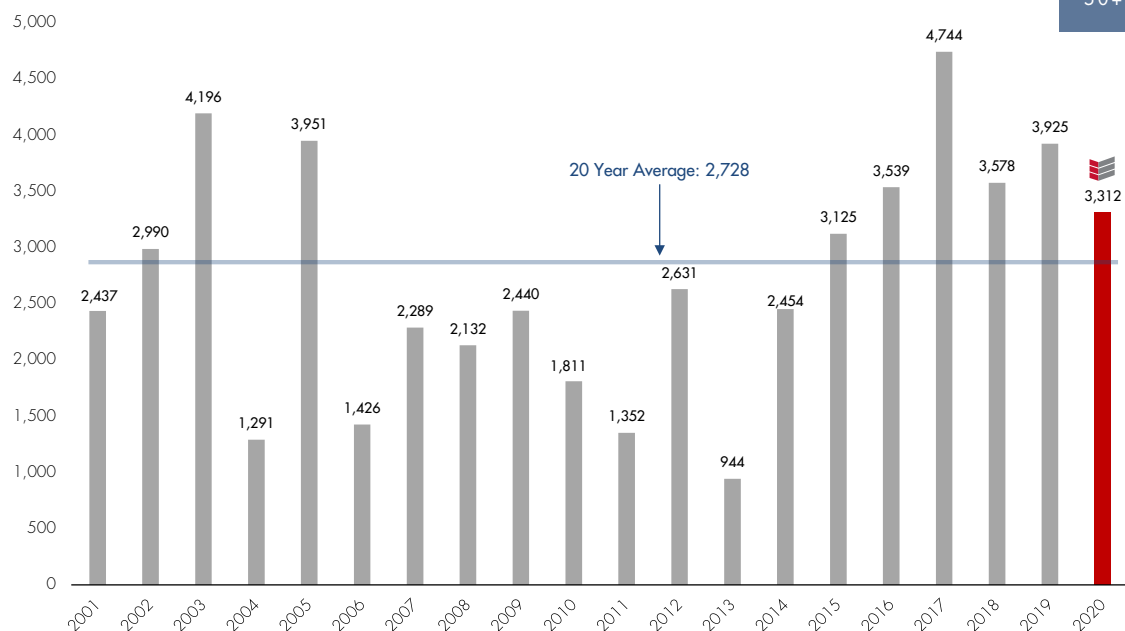
YE 2020 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	6	\$548K	\$530
2000-09	--	--	--
1990-99	10	\$253K	\$297
1980-89	45	\$237K	\$285
Pre-1980	201	\$258K	\$343

COMPLETED CONSTRUCTION



SAN DIEGO MULTIFAMILY CONSTRUCTION PIPELINE YEAR END 2020



TOTAL UNIT INVENTORY

5+ UNIT PROPERTIES: **348,796**

50+ UNIT PROPERTIES: **233,045**

ABSORPTION PER MARKET

4,456

Units/Property
(12 Months)

Under Construction

Total # of Units: 9,674

Total # of Properties: 52

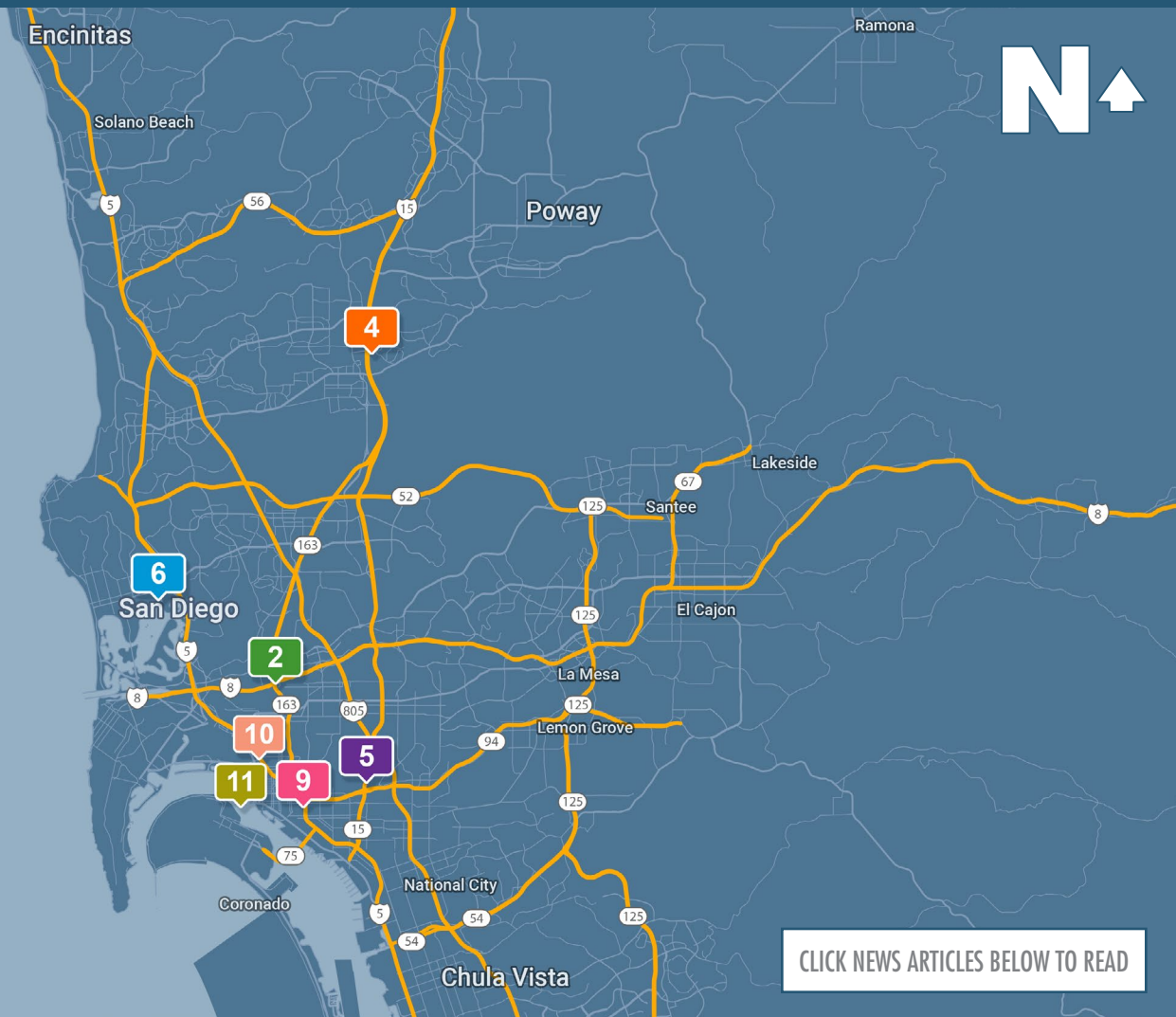
Planned

Total # of Units: 19,332

Total # of Properties: 88

* Project Units Delivered. Project units delivered is based on when the total project is completed, not as individual buildings/units are delivered

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Regional San Diego
San Diego Renters Making Payments More During Covid Than Other Cities

Regional Various
San Diego Mid-year Housing: Fewer Sales, Rising Prices

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Can Mission Valley Handle 50,000 More Residents

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San Diego Loosens Zoning to Encourage Neighborhoods Combining Housing with Jobs

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SD Leaders Back Freeze on Evictions Tied to Covid Outbreak Despite Landlord Concerns

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Apartment Complex with Separate Low-income Building Denied Approval

4 Sudberry Properties
Scripps Ranch Business Park is Toast with 260 Luxury Apartments on the Way

10 Bridge Housing Corp.
County Supervisors OK Lease for Future Affordable Housing Project

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North Park Residents File Lawsuit over SD Plan to Remove 100s of Parking Spaces

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Seaport San Diego Tower is Like Nothing else on California's Coast. That's the Problem

6 Protea Properties
Is This Bay Park Apartment Complex a Model for Transit Development?

Regional San Diego
How Measure B Will Guarantee Affordable Housing Development



BY: DREW RICCIARDI, ABI RESEARCH MANAGER

Resiliency Tested in Unprecedented Year

National Outlook

It's no secret COVID-19 took its economic toll in 2020. The pandemic impacted some areas in the nation harder than other regions, mainly depending on the outbreak's scope and the severity of each state's restrictions.

Many lost their jobs as businesses started to shut down and stay-at-home orders swept the nation, propelling unemployment rates to record levels. Augmented unemployment benefits, eviction moratoriums, stimulus checks, and paycheck protection programs helped keep the economy and renters afloat, while The Federal Reserve pledged to keep interest rates low for years to come, but damage still ensued.

The National Multifamily Housing Council Rent Payment Tracker consistently reported 2020 monthly rent collections as being just slightly lower than 2019. However, the tracker analyzes professionally managed properties, so smaller privately-owned properties may be facing a more significant drop-off in rent payments, hurting landlords' incomes more severely.

At the time of publication for this report, another stimulus package worth \$1.9 trillion has passed in Washington. The

package includes enhanced unemployment benefits, direct rental assistance, \$1,400 stimulus checks to qualifying individuals, and expanded child tax credits of up to \$3,600 per child.

In other news, a U.S. District Judge ruled to overturn the CDC Eviction Moratorium, stating it exceeded the federal government's constitutional authority. Many believe the ruling will be appealed and certain states will continue to enforce their own statewide eviction bans.

For multifamily construction, COVID-19 hit developers hardest in states that did not define construction as a form of essential business. Now that most construction activity is allowed to resume, developers are experiencing a sharp spike in the cost of materials and supply chain delays.

Signs indicate markets will return to pre-pandemic levels by the end of 2021.

Accelerated Outflow Continues in California

For years, the state of California has been experiencing some

sort of negative outflow of major companies relocating to other states. Investors tend to take their money to markets deemed more profitable, and they head to markets experiencing population migration.

As a result of the unprecedented and tumultuous year that 2020 delivered, the outflow was somewhat amplified.

During the pandemic, certain industries were deemed “essential business,” meaning some companies were able to leave their doors open and conduct business during statewide lockdown orders and heightened restrictions.

Depending on the state, definitions of “essential business” were either stricter or more relaxed. California fell into the stricter category.

This factor may have been the final straw for companies debating a relocation of headquarters or entire operations that were previously frustrated with the typical high taxes, high cost of living, and a harsher business regulatory environment.

Some notable major companies that fled California were Tesla, Digital Realty Trust, Stitch Fix, Charles Schwab, Oracle, Hewlett Packard Enterprise, and many others. The states with more favorable business environments, like Texas, Arizona, Tennessee, and Florida, have benefited from this relocation trend.

That is not to say all companies are fleeing the state. Many CA companies plan to continue to stay put and further invest/expand in the state. For example, Google has announced that they plan to invest \$1 Billion on California real estate in 2021.

Regarding investors, new rent control and eviction laws have left some multifamily property investors unsatisfied and looking elsewhere.

The Tenant Protection Act of 2019, which went into effect at the start of 2020, implemented new statewide rent control laws that placed strict limits on rent increases by landlords in an effort to address housing and homelessness issues.

According to the act, a landlord may not raise rental rates over a 12-month period by a cap of 5% plus the CPI (CPI generally averages 2.5% in CA). In addition, some individual counties are imposing even harsher rent control measures. Stricter rules and requirements to terminate leases are a part of the act as well.

There are exemptions to this law like condos, single-family homes, units built within 15 years, and owner-occupied buildings.

In turn, these new measures have diminished investors' ROIs and have caused them to ponder pivoting to a more business-friendly environment.

Population migration is another issue that has been heightened

from the effects of 2020. Data suggests more and more people are escaping dense high-cost CA markets for more affordable options.

The rise of remote working in a post-COVID world is a big factor and has people reconsidering their living situation. According to a Redfin study, Los Angeles and The Bay Area were in the top 4 for metro areas with the largest net outflow in 2020.

Some may argue that the data doesn't necessarily mean they're leaving the state altogether but moving to secondary markets like Sacramento and San Diego. If true, that migration could prove to be very beneficial to the metro areas of Sacramento and San Diego.

Company relocation, multifamily investment activity, and population migration will all be important market indicators to follow in 2021.

Rent Payments Remained Steady

It wasn't all bad for the Sacramento and San Diego markets. According to Yardi matrix, Sacramento was among the top three in year-over-year occupancy growth and showed a huge jump in rent growth to finish out the 2020 year.

San Diego and Sacramento, had some of the smallest percentage drops in regards to residents paying rent according to the National Multifamily Housing Council.

Rent payments were a major data point to watch during 2020 as unemployment rates sky rocketed. The San Diego and Sacramento markets were impacted minimally relative to other regions.

Markets more dependent on tourism, like Las Vegas and New Orleans, were impacted more severely from decreased rent payments.

San Diego posted some of the lowest unemployment rates during the Pandemic compared to the rest of the nation's metros.

Millennials Electing to Rent Instead of Owning

Preliminary stereotypes of the millennial generation have suggested millennials prefer to rent instead of owning a home, and new data may be backing up that hypothesis.

The generation grew up witnessing one of the worst financial crises in U.S. history due to the housing market and is now living through an unpredictable global pandemic that has turned the world upside down.

A recent new survey from Apartment List analyzing

homeownership trends found that 18% of millennials expect to rent forever. At age 30, only 42% of millennials own a home, compared to 48% of generation X and 51% of baby boomers at the same age.

One reason for this gap is an affordability issue. 63% of millennials have no down payment saved, and only 15% have more than \$10,000 in a down payment saved.

In California, renting may be viewed as more beneficial to millennials versus buying because rent control laws inhibit a sharp increase in rental rates.

San Diego Market Metrics: By the Numbers

2020 delivered one of the most turbulent years in modern history. Some quarters data faced harsher repercussions as a result of the COVID-19 pandemic but overall, the year fared rather well relative to recent past years and given the circumstances.

For 5-49 unit properties, 2020 saw a transaction volume of approximately \$912 Million, which represented a 16.0% Year-over-Year decrease from 2019. In the 50+ unit category, 2020 brought in \$1.5 Billion, down 9.2% YoY.

Average Price-Per-Unit amounts were up slightly in the 5-49 segment, rising 0.6% YoY to \$260,474, and showing a robust increase of 10.8% to \$300,870 for 50+. This translated to an Average Price/SF of \$335.12 in 5-49 (down 2.3%) and \$328.40 (up 0.5%) in 50+.

Inventory age saw a decrease in both 5-49 and 50+ unit segments Year-over-Year. Average Year Built for 5-49 reported the year 1965, versus 1968. The Average Year Built in 50+ reported the year 1984, versus 1987.

The market's occupancy rate also took a jump in the right direction. 2020 occupancy averaged 95.6%, up from 95.0% in 2019. Average rent took a positive bump, reporting \$1,891, up \$30 (1.6%) from last year.

San Diego MSA demographics reported poor employment numbers due to the COVID-19 Recession. The unemployment rate finished the year at 8.0%, according to Bureau of Labor Statistics numbers. The CoStar estimate of total population was 3,362,665.

Median Household Income was \$86,595, and Per Capita Income came in at \$34,103.

In the realm of new construction for 5+ unit properties, a low 3,312 units were delivered across 35 projects for the year. This represented an 15.6% decrease compared to 2019 in terms of deliveries.

Currently, a pipeline of 19,332 units is estimated to be in the Planning stages across 88 properties. A total of 9,674 units are listed as Under Construction across 52 properties.

Pre-lease absorption per market (12 month), according to CoStar, reported 4,456 units.

Total Unit Inventory for 5+ properties ended the year at 348,796 units, and 50+ came in at 145,888 units.

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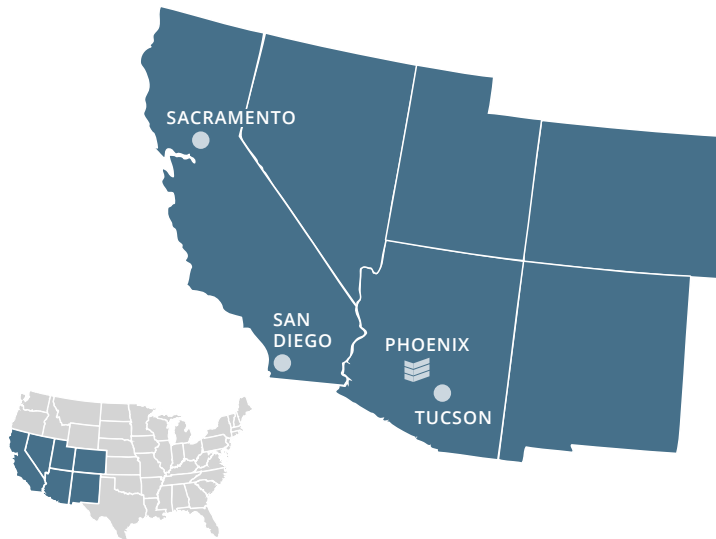
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