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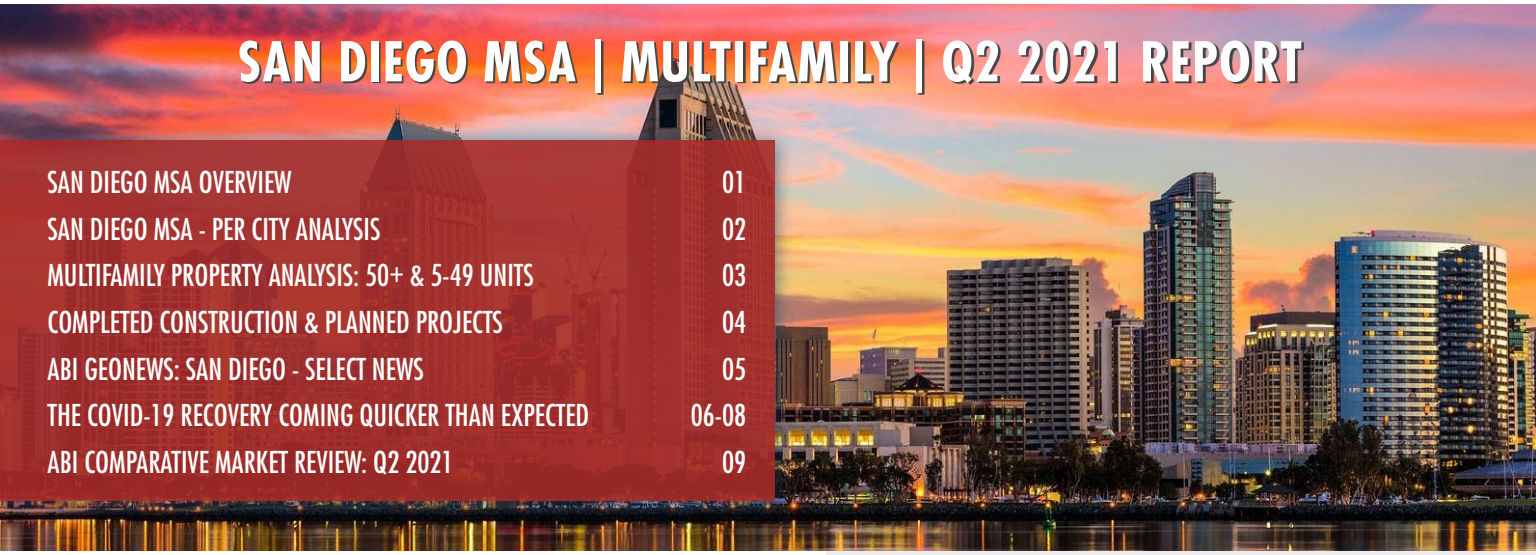
SAN DIEGO MSA | MULTIFAMILY | Q2 2021 REPORT



5+ UNIT PROPERTIES	Q2 2021	INCREASE/DECREASE	Q2 2020
Total Sales Volume	$895M	+155.0%	$351M
AVERAGE Price/Unit	$309,517	+39.1%	$222,554
AVERAGE Price/SF	$349.62	+6.9%	$327.11
AVERAGE Year Built	1964	-8 Yrs	1972
Average Rent	$2,049	+9.7%	$1,867
Occupancy Rate	96.8%	+1.9%	95.0%
Units Delivered (YTD)	3,738	--	--

ABI GEONEWS: SAN DIEGO MSA - SELECT NEWS

CONTINUED ON PAGE 05

California to pay off unpaid rent accrued during COVID-19 pandemic

San Diego Seeing Tightest Housing Market in Years

San Diego County tackles housing shortage with general plan changes

3,335,230
POPULATION
COSTAR

6.9%
+0.2%
UNEMPLOYMENT
Q-O-Q AS OF JULY 2021 - BLS

4.5%
EMPLOYMENT GROWTH
Y-O-Y AS OF JULY 2021 - BLS

$94,628
MEDIAN HH INCOME
COSTAR

$34,103
PER CAPITA INCOME
2019 ACS 5-YEAR ESTIMATE

9,481
Units (5+)
UNDER CONSTRUCTION
COSTAR

352,806
Units (5+)
TOTAL INVENTORY
AS OF JULY 2021 - COSTAR

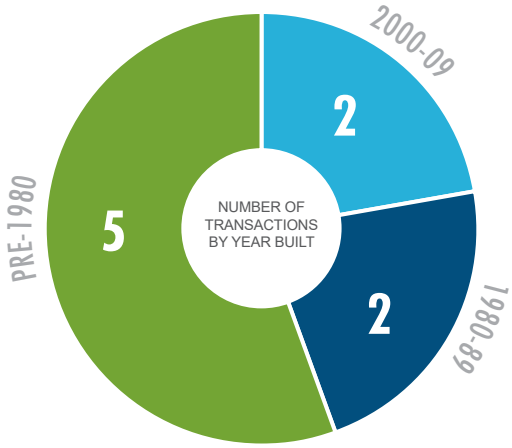
SAN DIEGO MSA - PER CITY ANALYSIS

SAN DIEGO MSA QUICK STATS	MEDIAN HH INCOME	5+ UNIT PROPERTIES: TOTAL INVENTORY	5+ UNIT PROPERTIES: UNDER CONSTRUCTION
San Diego MSA	$94,628	352,806	9,481
North County Coastal	$118,000	37,242	336
North County Inland	$91,700	49,494	548
East County	$85,900	37,230	249
South Bay	$73,200	47,285	1,579
Metro San Diego	$99,300	169,675	6,872

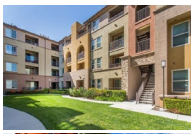
SAN DIEGO MSA - PER SUBMARKET ANALYSIS	North County Coastal	North County Inland	East County	South Bay	Metro San Diego
RENT & OCCUPANCY STATS					
Average Rent (Q2 2021)	$2,076	$1,758	$1,665	$1,743	$2,133
% Change (y-o-y)	+10.6%	+7.5%	+5.9%	+6.3%	+11.1%
Occupancy Rate (Q2 2021)	98.0%	98.0%	98.3%	98.0%	95.9%
% Change (y-o-y)	+2.2%	+2.2%	+1.4%	+1.7%	+1.5%
Units Delivered (Q2 2021, 50+)	251	440	148	91	2,930
SALES DATA (50+)					
Total Sales Volume (Q2 2021, 50+)	$29,300,000	$0	$140,850,000	$0	$296,979,500
Total Sales Volume (Q2 2020, 50+)	$0	$58,715,328	$36,107,500	$0	$48,598,090
% Change (y-o-y)	--	--	+290.1%	--	+511.1%
Avg P/U (Q2 2021, 50+)	$332,955	--	$269,312	--	$392,311
Avg P/U (Q2 2020, 50+)	--	$167,280	$171,940	--	$237,064
% Change (y-o-y)	--	--	+56.6%	--	+65.5%
SALES DATA (5-49)					
Total Sales Volume (Q2 2021, 5-49)	$20,548,561	$39,506,500	$91,355,366	$49,903,000	$226,680,683
Total Sales Volume (Q2 2020, 5-49)	$4,550,000	$34,446,172	$44,021,250	$20,032,500	$104,497,410
% Change (y-o-y)	+351.6%	+14.7%	+107.5%	+149.1%	+116.9%
Avg P/U (Q2 2021, 5-49)	$342,476	$278,215	$246,906	$228,913	$308,829
Avg P/U (Q2 2020, 5-49)	$413,636	$242,579	$207,647	$270,709	$280,907
% Change (y-o-y)	-17.2%	+14.7%	+18.9%	-15.4%	+9.9%

50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

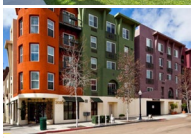
	Q2 2021	INCREASE/DECREASE	Q2 2020
Total Sales Volume	$467M	+225.7%	$143M
AVERAGE Price/Unit	$341,469	+82.4%	$187,234
AVERAGE Price/SF	$342.09	+4.8%	$326.43
AVERAGE Year Built	1983	+1 Yr	1982



TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)



Griffis Mission Valley
San Diego, 350 Units | $155,700,000
$444,857/Unit | $297.95/SF | Built 2006



Il Palazzo
San Marcos, 108 Units | $45,300,000
$419,444/Unit | $583.17/SF | Built 2003

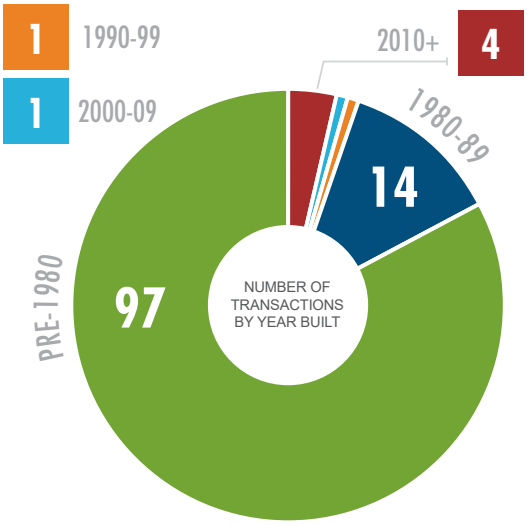
Stone Arbor
Oceanside, 88 of 176 Units | $29,300,000
$332,955/Unit | $330.80/SF | Built 1977

Q2 2021 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	2	$439K	$335
1990-99	--	--	--
1980-89	2	$231K	$275
Pre-1980	5	$314K	$373

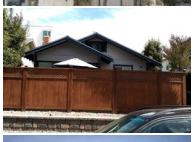
5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q2 2021	INCREASE/DECREASE	Q2 2020
Total Sales Volume	$428M	+106.2%	$208M
AVERAGE Price/Unit	$280,836	+9.7%	$255,915
AVERAGE Price/SF	$358.23	+9.4%	$327.59
AVERAGE Year Built	1962	-9 Yrs	1971



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

3970 Crown Point Drive
San Diego, 9 Units | $6,313,231
$701,470/Unit | $589.14/SF | Built 1969



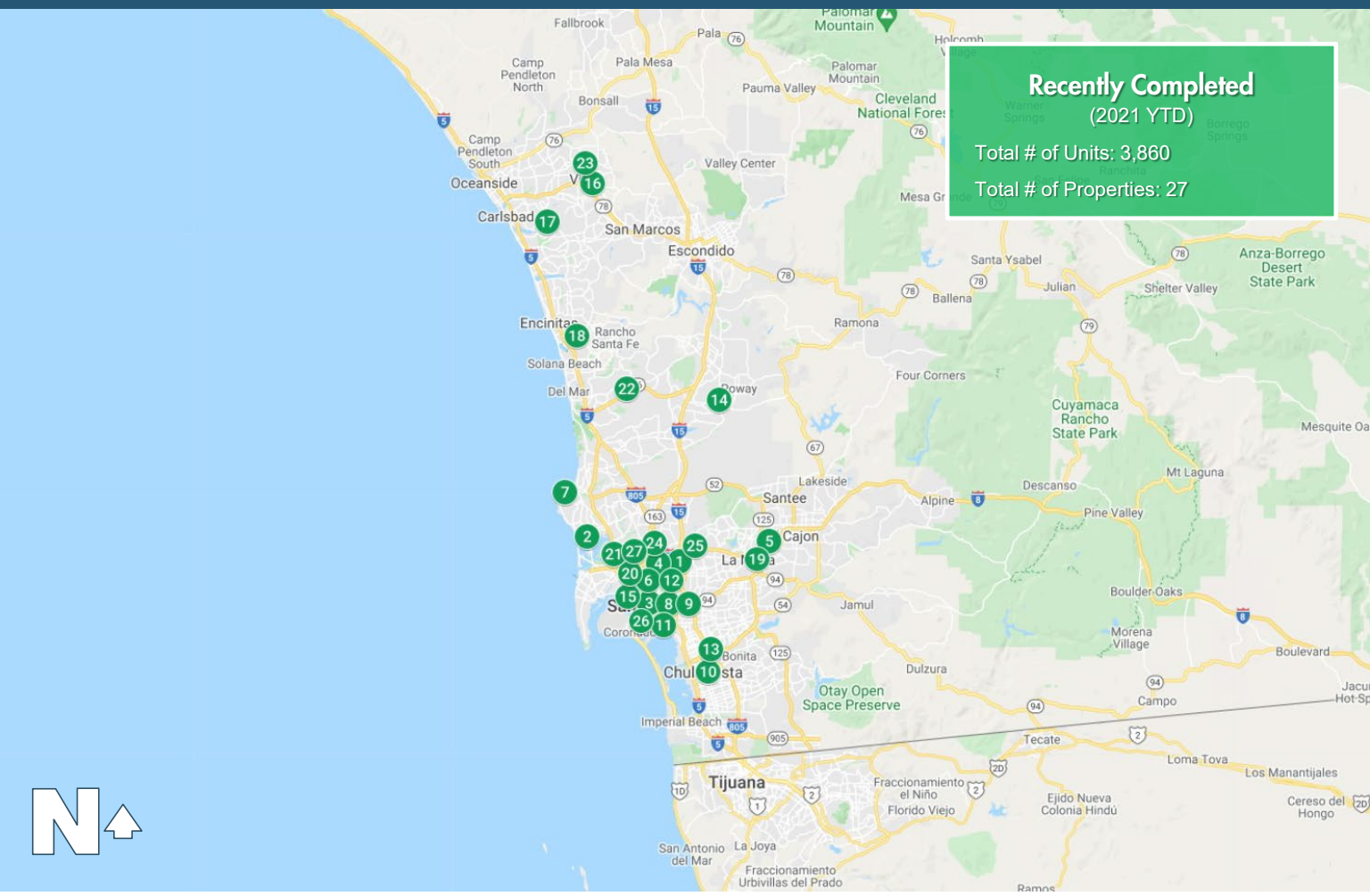
3967 - 3969 8th Avenue
San Diego, 5 Units | $3,000,000
$600,000/Unit | $1,295.34/SF | Built 1940

The Jackson
San Diego, 33 Units | $19,000,000
$575,758/Unit | $634.12/SF | Built 2019

Q2 2021 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	4	$471K	$518
2000-09	1	$257K	$257
1990-99	1	$310K	$337
1980-89	14	$270K	$336
Pre-1980	97	$273K	$362

COMPLETED CONSTRUCTION

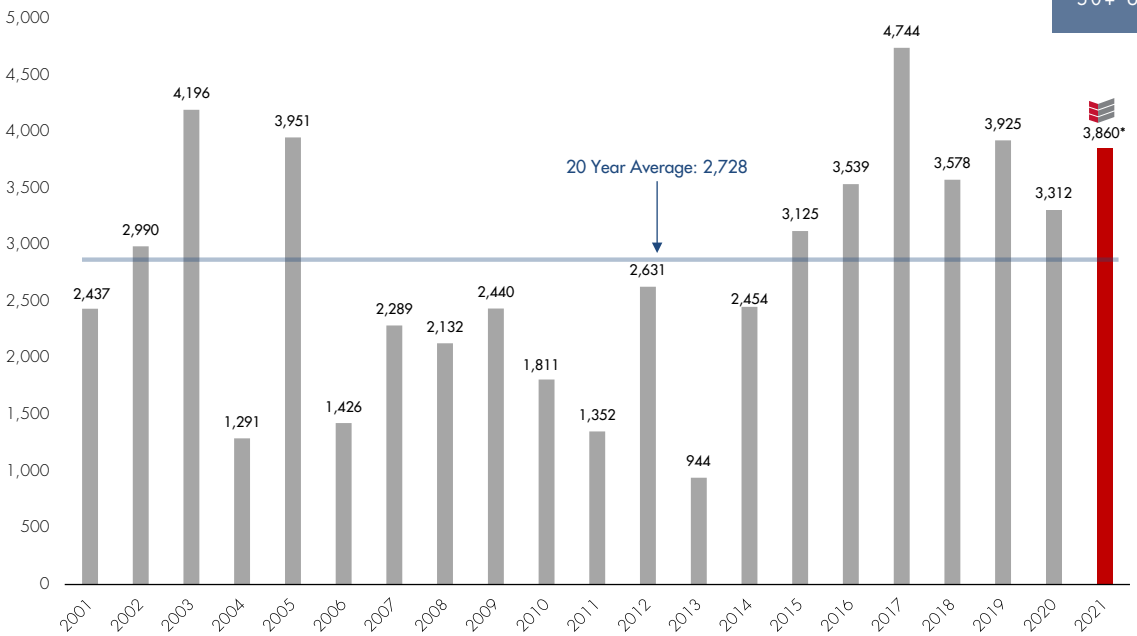


SAN DIEGO MULTIFAMILY CONSTRUCTION PIPELINE
Q2 2021

TOTAL UNIT INVENTORY

5+ UNIT PROPERTIES: 352,806

50+ UNIT PROPERTIES: 236,591



ABSORPTION PER MARKET (12 MONTHS)

9,013 Units

Under Construction

Total # of Units: 9,584

Total # of Properties: 61

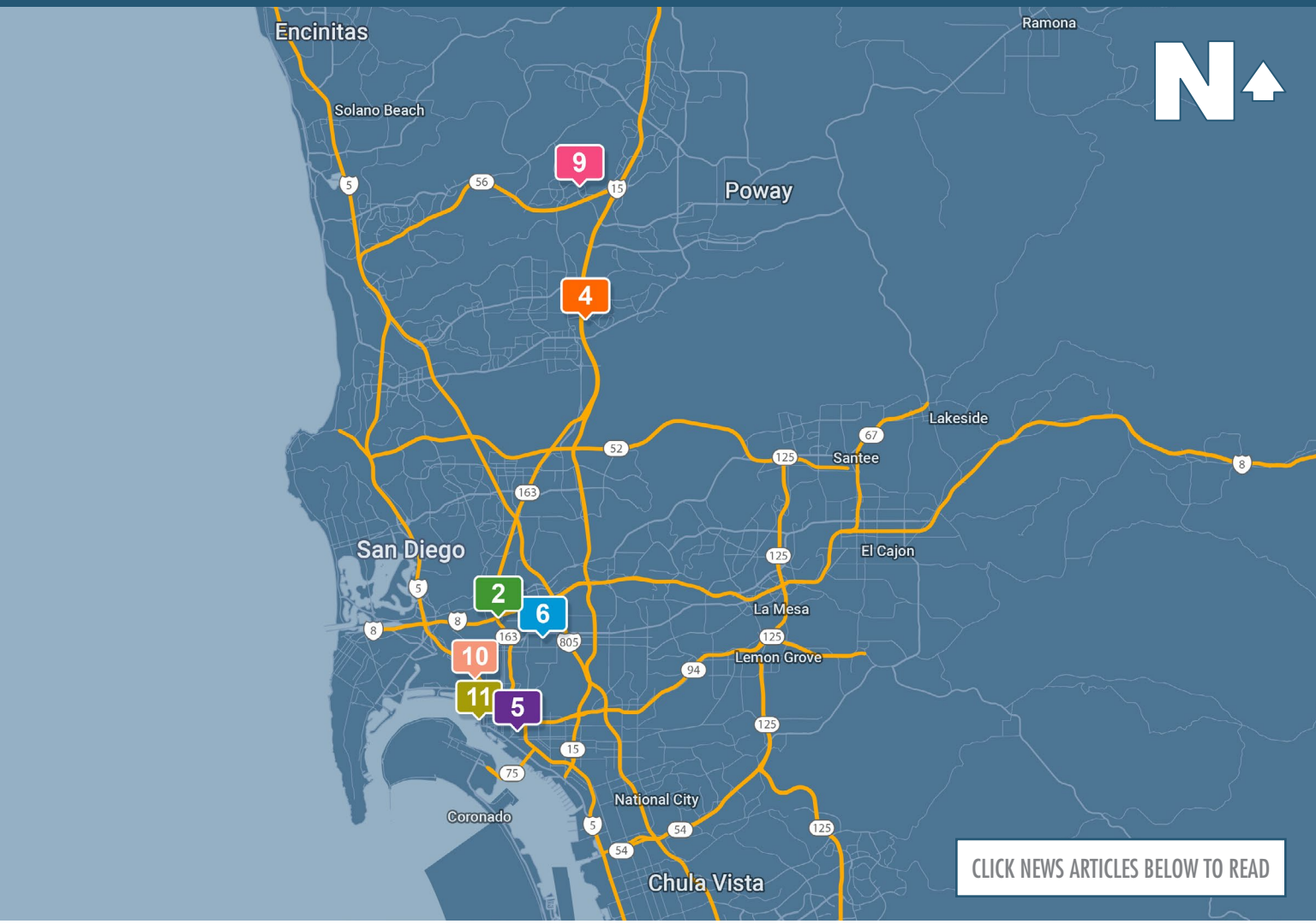
Planned

Total # of Units: 14,450

Total # of Properties: 77

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

ABI GEONEWS: SAN DIEGO MSA - SELECT NEWS



Regional — **San Diego**
San Diego County tackles housing shortage with general plan changes

2 — **Apple**
Apple's big expansion in San Diego will be a boon for the region's universities

Regional — **San Diego**
SD Leaders Back Freeze on Evictions Tied to Covid Outbreak Despite Landlord Concerns

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

5 — **Trammell Crow Residential**
TCR Breaks Ground on 36-Story Multifamily High-Rise in San Diego's Little Italy

6 — **San Diego Planning Commission**
Planning Commission OKs proposed 404-unit subsidized complex in Clairemont

Regional — **San Diego**
San Diego Population Growth Is Slowing

Regional — **City of San Diego**
San Diego Seeing Tightest Housing Market in Years

9 — **San Diego**
Rancho Peñasquitos emerging as new battleground for local housing crisis

10 — **San Diego**
Rents Weaken, Investors Stay Active in San Diego Multifamily Market

11 — **Forge Development Partners**
Forge Hammers out a Deal for Workforce Housing in San Diego

Regional — **State of California**
California to pay off unpaid rent accrued during COVID-19 pandemic

BY: DREW RICCIARDI, ABI RESEARCH MANAGER

Multifamily on Track to Be a Record Year

Multifamily Excelling Overall

Despite the challenges of the pandemic, the multifamily industry continues to prove itself as one of the healthiest commercial real estate sectors, reporting record numbers throughout 2021.

Sun Belt markets including Phoenix, Dallas, Austin, and Atlanta, lead the pack, however the national multifamily market as a whole is also performing well.

As apartment demand remains robust, limited inventory to meet the strong demand, rents continue to rise, with apartment sales, multifamily development, and apartment appreciation reaping the benefits.

Multiple factors are correlated to driving the intense renter and investor demand multifamily markets are experiencing.

Two significant reasons for renter demand are skyrocketing home prices and low housing supply. The U.S. median home price rose to a new high in June, increasing 23.4% year-over-year.

This development has forced potential first-time homebuyers to continue to rent, despite record low interest rates, as they wait it out hoping the single-family housing market will temper.

Investors are hungrier than ever as they witness extremely high occupancy rates, significant rent growth, low supply, and a record number of job openings.

2021's current national sales volume is outpacing what was a record year for sales volume in 2019, as apartment appreciation accelerates at a staggering pace.

Ultimately, this surge in demand has fueled developers to strive to overcome the supply-demand imbalance in both market-rate and affordable properties. According to Yardi Matrix, apartment completions from the second half of 2020 to the first half of 2021 set a 20-year record for units delivered over four quarters.

Now, with lumber prices finally coming back down, multifamily development will continue to flourish with an added focus on developing more affordable units. Supply of affordable housing units are alarmingly low at the moment.

Expect the multifamily market to remain vigorous and active

to close out the year.

Eviction Ban Potential Fallout

The federal eviction moratorium has undoubtedly been a thorn in the side of landlords. Some media reports suggest we are in the wake of an eviction tidal wave once the moratorium expires.

The federal eviction moratorium was set to expire on July 31st but was extended through October 3rd. Following the extension, the Supreme Court overturned the federal ban on evictions stating, "the CDC has exceeded its authority," and for the extension to continue, "congress must specifically authorize it." This is a developing situation as this is written.

This is significant because government rental assistance funds have barely been spent and a postponement can provide more time to process aid to renters that prove they've been affected financially by the pandemic.

In an attempt to play devil's advocate, some data may indicate the eviction tidal wave will not be as dramatic as previously forecasted.

According to the Census Household Pulse Survey, an estimated 11 million renters are subject to the risk of eviction once the moratorium is lifted, but is it as dire as the data suggests?

According to RealPage Analytics, The Census survey was administered to 70,000 respondents per surveyed period. The survey did not consist solely of renters but all households. RealPage's analysis assumed that 35% of the sample were renters based on the national rentership rate, ultimately equating that the study only surveyed 0.05% of the nation's 47.2 million tracked rental units.

A more comprehensive study on rent payments would be the National Multifamily Housing Council Payment Tracker, which tracks all large, professionally managed rental properties. NMHC's study found that 95.6% of renters paid in full in June 2021. Comparing that data to before the pandemic in June 2019, rent payments were at 96%, just a 0.4% decrease. This minimal decrease has been consistent throughout the majority of months during the pandemic.

A caveat to the study would be it does not include smaller mom-and-pop rental communities that may have been hit harder by missed payments compared to large professionally managed properties.

A couple of trends observed that may be a factor in rent collection are job openings and income levels on the rise. Job openings are at an all-time high as the world progressively opens its doors. As a result of the labor shortage, companies in desperate need of employees are starting to scale up pay to attract workers.

Another trend is that personal savings have increased. According to the Federal Reserve, the personal savings rate hit 12.4% in May, outperforming the historical average of 9.0% significantly.

In addition, personal debt is declining. According to the Federal Reserve, credit card delinquency rates fell to a record low of 1.89% during the first quarter of the year -- largely due to the government injecting stimulus checks into the economy.

Regardless, there will most likely be an abnormal number of evictions once the ban lifts, which is never a good thing for the real estate market.

All in all, it is a challenging proposition to accurately forecast the fallout from the eventual expiration of the eviction moratorium when factoring in that the eviction process takes time and local eviction bans may persist past the federal ban.

The San Diego Rebound Continues

The San Diego multifamily market was a market, along with many others, that witnessed significant growth across almost all metrics. Total sales volume, the average price per unit/square foot, average rent, and the average occupancy rate all saw major increases year-over-year.

These increases are a combination of the county beginning to gain footing from the COVID-19 Recession and contrasting against a down quarter a year ago. Unemployment rates are down, and high-paying job positions are up.

Some landlords and renters are dealing with missed rent payments. Fortunately, the state of California has agreed to pay off unpaid rent accrued during the pandemic using the $5.2 billion from various federal aid packages.

Additionally, the reporting of robust multifamily metrics is contributed to a sharp uptick in San Diego home prices. According to the S&P CoreLogic Case-Shiller Indices report, the San Diego metro area had the second largest home price increase in the nation at 25%, behind Phoenix. High demand and low housing inventory are responsible for the price hike, ultimately forcing many to continue renting.

The shortage of affordable housing inventory has forced the

San Diego County Board of Supervisors to update housing plans. One significant update is a newly approved amendment that focuses on accelerating housing construction in areas with access to transportation and utilities, including an emphasis on more affordable housing.

Furthermore, Governor Newson recently signed a bill that will permit denser housing by allowing up to four units per single-family lot. This new law is a game-changer for California multifamily housing to combat a low housing supply.

San Diego is poised to continue to rebound following the negative economic effects it faced during the pandemic.

San Diego Market Metrics: By the Numbers

For 5-49 unit properties, Q1 saw a transaction volume of approximately $331 Million, which represented a 23.6% Year-over-Year increase from Q1 2020. In the 50+ unit category, the quarter brought in about $220 Million, down 11.8% YoY.

Average Price-Per-Unit amounts were down slightly in the 5-49 segment, falling 3.1% YoY to $262,645, and showing another decrease of 13.9% to $292,123 for 50+. This translated to an Average Price/SF of $327.96 in 5-49 (down 7.4%) and $344.38 (down 13.7%) in 50+.

Inventory age saw an increase in 5-49 and a small decrease in 50+ unit segments Year-over-Year. Average Year Built for 5-49 reported the year 1965, versus 1962. The Average Year Built in 50+ reported the year 1980, versus 1981.

The market's occupancy rate took a big jump in the right direction. Q1 2021 occupancy averaged 96.2%, up from 94.9% in Q1 2020. Average rent took a positive bump, reporting $1,938, up $79 (4.2%) from last year.

San Diego MSA demographics reported improved employment numbers following abysmal 2020 data due to the COVID-19 Recession. The unemployment rate finished the year at 6.9%, according to Bureau of Labor Statistics numbers. The CoStar estimate of total population was 3,334,380.

Median Household Income was $93,676, and Per Capita Income came in at $34,103.

In the realm of new construction for 5+ unit properties, a high 1,455 units were delivered across 13 projects for the year. This is almost 50% of the number of units were delivered in all of 2020.

Currently, a pipeline of 17,371 units is estimated to be in the Planning stages across 89 properties. A total of 10,066 units are listed as Under Construction across 53 properties.

Pre-lease absorption per market (12 month), according to CoStar, reported 6,274 units.

Total Unit Inventory for 5+ properties ended the year at 350,591 units, and 50+ came in at 234,405 units.

ABI COMPARATIVE MARKET REVIEW: Q2 2021

		SAN DIEGO	PHOENIX	TUCSON	SACRAMENTO
DEMOGRAPHICS	Total Population	3,335,230	4,948,203	1,047,279	2,367,300
	Unemployment Rate (as of July 2021)	6.9%	6.6%	7.4%	6.7%
	Employment Growth (y-o-y)	4.5%	7.6%	4.9%	3.5%
	Median HH Income	$94,627	$63,883	$53,379	$88,032
	Per Capita Income	$34,103	$32,522	$29,707	$35,563
RENT/OCC/CONST (50+)	Rent (Q2 2021)	$2,049	$1,413	$1,057	$1,667
	% Increase/Decrease	+9.7%	+15.0%	+13.0%	+13.1%
	Occupancy (Q2 2021)	96.8%	96.4%	96.6%	96.5%
	% Increase/Decrease	+1.8%	+1.1%	+1.3%	+1.2%
	Total Inventory (50+)	236,591	324,649	68,020	148,256
	Total Under Construction (50+)	9,254	33,554	1,765	4,904
	Units Delivered (50+, Q2 2021)	3,406	4,664	0	971
SALES (50+)	Total Sales Volume (Q2 2021)	$467M	$3.43B	$208M	$169M
	y-o-y % Increase/Decrease	+225.7%	+454.6%	+368.5%	+9.6%
	Average P/U (Q2 2021)	$341,469	$216,538	$147,240	$144,440
	y-o-y % Increase/Decrease	+82.4%	+25.3%	+172.2%	-32.3%

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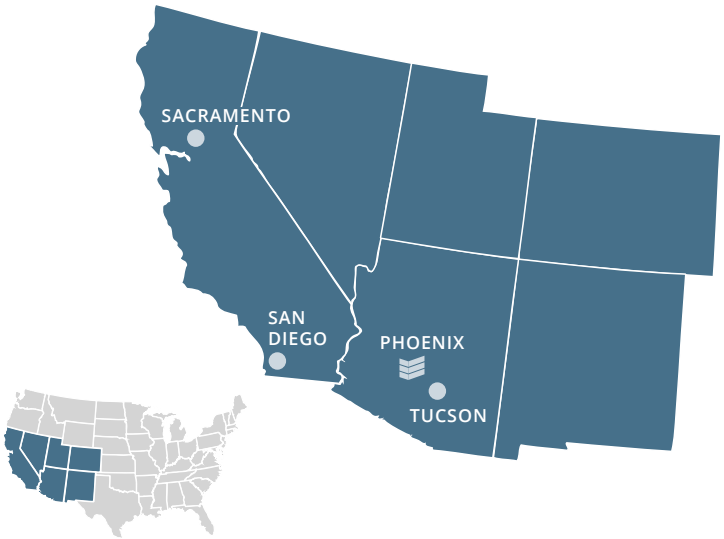

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