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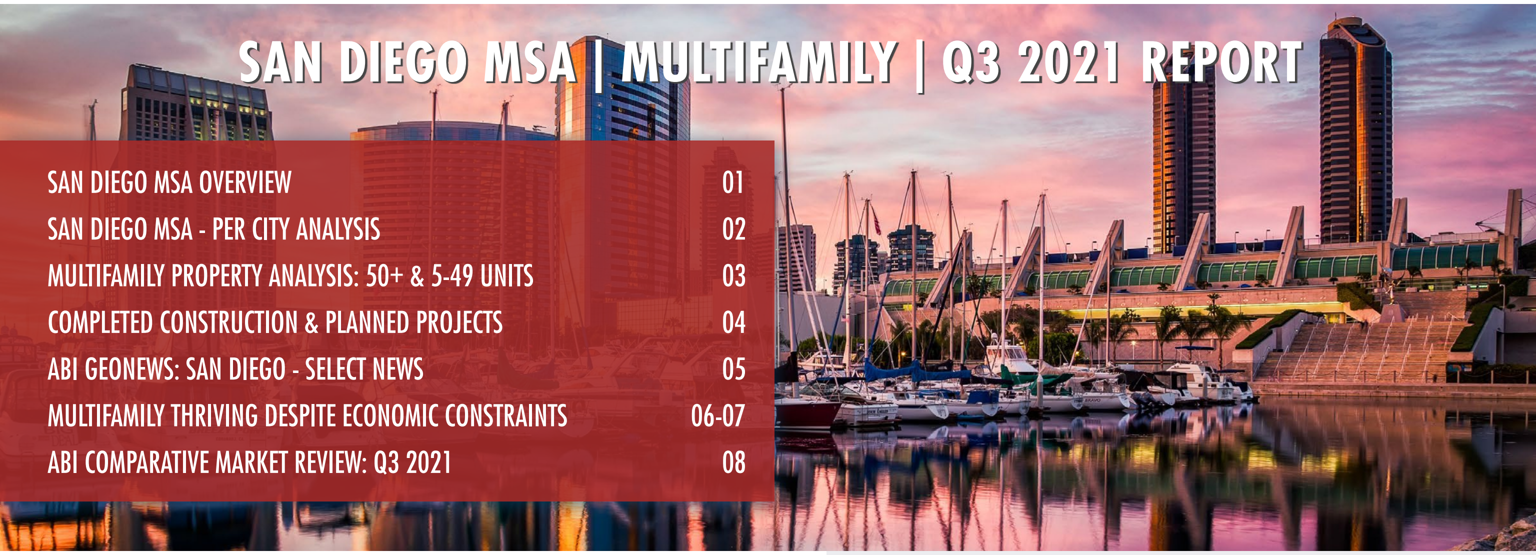


SAN DIEGO MSA | MULTIFAMILY | Q3 2021 REPORT

5+ UNIT PROPERTIES	Q3 2021	INCREASE/DECREASE	Q3 2020
Total Sales Volume	$2.16B	+552.0%	$332M
AVERAGE Price/Unit	$269,776	+18.7%	$227,346
AVERAGE Price/SF	$313.63	+17.4%	$267.23
AVERAGE Year Built	1970	+7 Yrs	1963
Average Rent	$2,147	+12.9%	$1,901
Occupancy Rate	97.6%	+2.2%	95.5%
Units Delivered (YTD)	5,365	--	--

3,339,333
POPULATION
COSTAR

5.6% -1.4%
UNEMPLOYMENT
Q-O-Q AS OF SEPT 2021 - BLS

4.6%
EMPLOYMENT GROWTH
Y-O-Y AS OF SEPT 2021 - BLS

$95,283
MEDIAN HH INCOME
COSTAR

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

8,879 Units (5+)
UNDER CONSTRUCTION
COSTAR

355,066 Units (5+)
TOTAL INVENTORY
AS OF SEPT 2021 - COSTAR

ABI GEONEWS: SAN DIEGO MSA - SELECT NEWS

CONTINUED ON PAGE 05

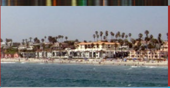
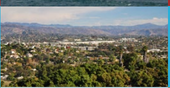
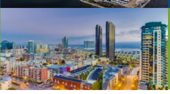
amazon

Amazon keeps growing in San Diego and Tijuana. Chances are it won't stop

At long last, construction begins on San Diego airport's $3.4B Terminal 1 overhaul

San Diego's job outlook: 'There is still a sizable hole in the labor market'

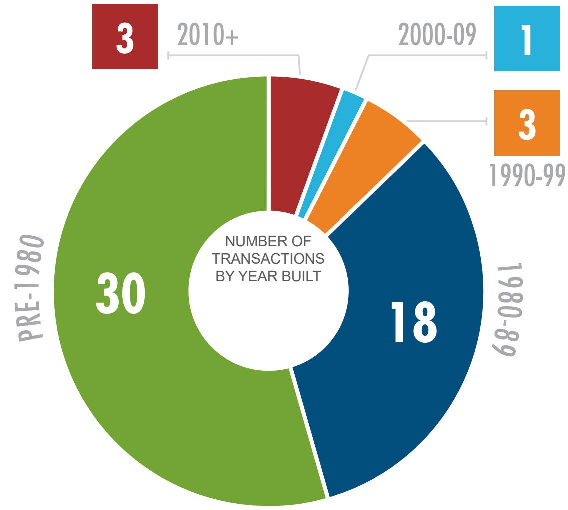
SAN DIEGO MSA - PER CITY ANALYSIS

SAN DIEGO MSA QUICK STATS		MEDIAN HH INCOME	5+ UNIT PROPERTIES: TOTAL INVENTORY	5+ UNIT PROPERTIES: UNDER CONSTRUCTION
	San Diego MSA	$95,283	355,066	8,879
	North County Coastal	$118,000	37,508	230
	North County Inland	$91,800	50,535	307
	East County	$86,000	37,258	363
	South Bay	$73,300	47,517	1,576
	Metro San Diego	$99,300	170,318	6,367

	SAN DIEGO MSA - PER SUBMARKET ANALYSIS	North County Coastal	North County Inland	East County	South Bay	Metro San Diego
RENT & OCCUPANCY STATS	Average Rent (Q3 2021)	$2,184	$1,820	$1,720	$1,817	$2,237
	% Change (y-o-y)	+11.9%	+10.4%	+7.6%	+8.1%	+15.2%
	Occupancy Rate (Q3 2021)	98.0%	98.2%	98.5%	98.5%	96.9%
	% Change (y-o-y)	+0.7%	+1.9%	+1.4%	+1.5%	+2.3%
	Units Delivered (YTD, 50+)	307	440	206	297	4,115
SALES DATA (50+)	Total Sales Volume (Q3 2021, 50+)	$229,600,000	$301,531,000	$504,110,002	$224,869,500	$354,865,000
	Total Sales Volume (Q3 2020, 50+)	$0	$76,955,023	$0	$0	$109,230,000
	% Change (y-o-y)	--	--	--	--	+224.9%
	Avg P/U (Q3 2021, 50+)	$380,132	$225,023	$239,824	$240,502	$319,410
	Avg P/U (Q3 2020, 50+)	--	$170,254	--	--	$307,690
	% Change (y-o-y)	--	--	--	--	+3.8%
SALES DATA (5-49)	Total Sales Volume (Q3 2021, 5-49)	$7,998,300	$45,090,000	$146,379,906	$59,296,500	$288,786,358
	Total Sales Volume (Q3 2020, 5-49)	$4,265,000	$12,845,000	$20,552,500	$29,771,000	$78,078,998
	% Change (y-o-y)	+87.5%	+251.0%	+612.2%	+99.2%	+269.9%
	Avg P/U (Q3 2021, 5-49)	$444,350	$278,333	$238,016	$242,027	$326,681
	Avg P/U (Q3 2020, 5-49)	$328,077	$221,466	$144,736	$217,307	$258,540
	% Change (y-o-y)	+35.4%	+25.7%	+64.4%	+11.4%	+26.4%

50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

		Q3 2021	INCREASE/DECREASE	Q3 2020
	Total Sales Volume	$1.61B	+767.4%	$186M
AVERAGE	Price/Unit	$265,098	+14.9%	$230,713
	Price/SF	$300.93	+21.7%	$247.29
	Year Built	1980	-4 Yrs	1984



Q3 2021 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	3	$285K	$285
2000-09	1	$387K	$403
1990-99	3	$374K	$400
1980-89	18	$236K	$271
Pre-1980	30	$264K	$302

TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)

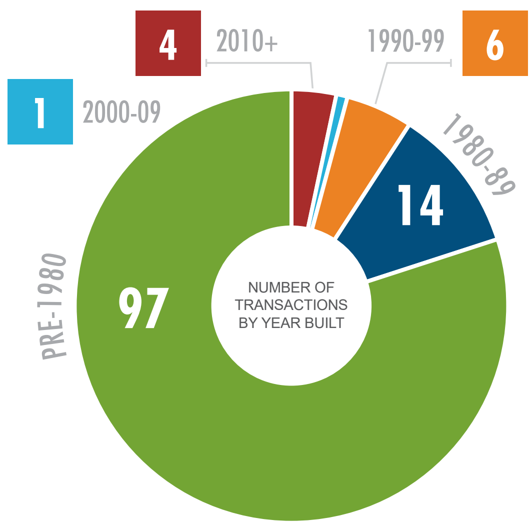
Fashion Terrace
San Diego, 73 Units | $32,600,000
$446,575/Unit | $442.85/SF | Built 1991

Bella Posta
Mission Valley, 344 Units | $145,500,000
$422,965/Unit | $471.01/SF | Built 1979

Sunset View
Oceanside, 112 of 184 Units | $45,500,000
$406,250/Unit | $410.95/SF | Built 1990

5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

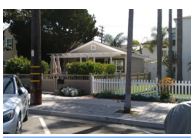
		Q3 2021	INCREASE/DECREASE	Q3 2020
	Total Sales Volume	$548M	+276.3%	$146M
AVERAGE	Price/Unit	$284,590	+27.5%	$223,179
	Price/SF	$358.23	+20.2%	$297.97
	Year Built	1965	+4 Yrs	1961



Q3 2021 Transactions by Year Built

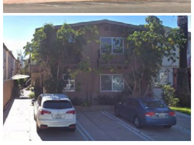
	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	4	$412K	$394
2000-09	1	$320K	$348
1990-99	6	$314K	$345
1980-89	13	$265K	$316
Pre-1980	97	$286K	$373

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

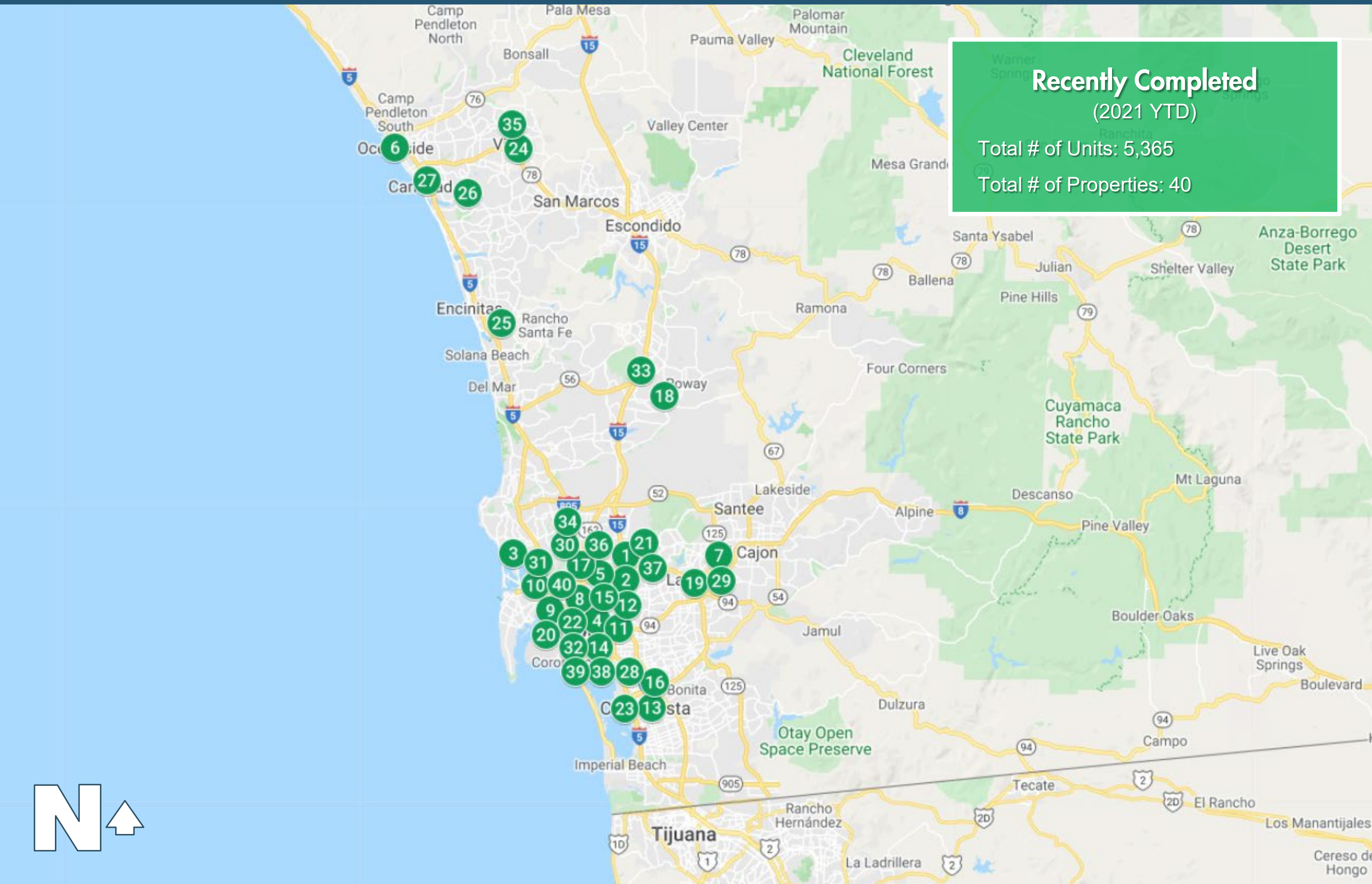


145 - 155 D Avenue
Coronado, 6 Units | $4,900,000
$816,667/Unit | $822.01/SF | Built 1944

The Tiffany at Bankers Hill
San Diego, 9 Units | $6,865,000
$762,778/Unit | $672.58/SF | Built 1979



920 10th Street
Coronado, 6 Units | $3,750,000
$625,000/Unit | $816.99/SF | Built 1957



Recently Completed
(2021 YTD)

Total # of Units: 5,365

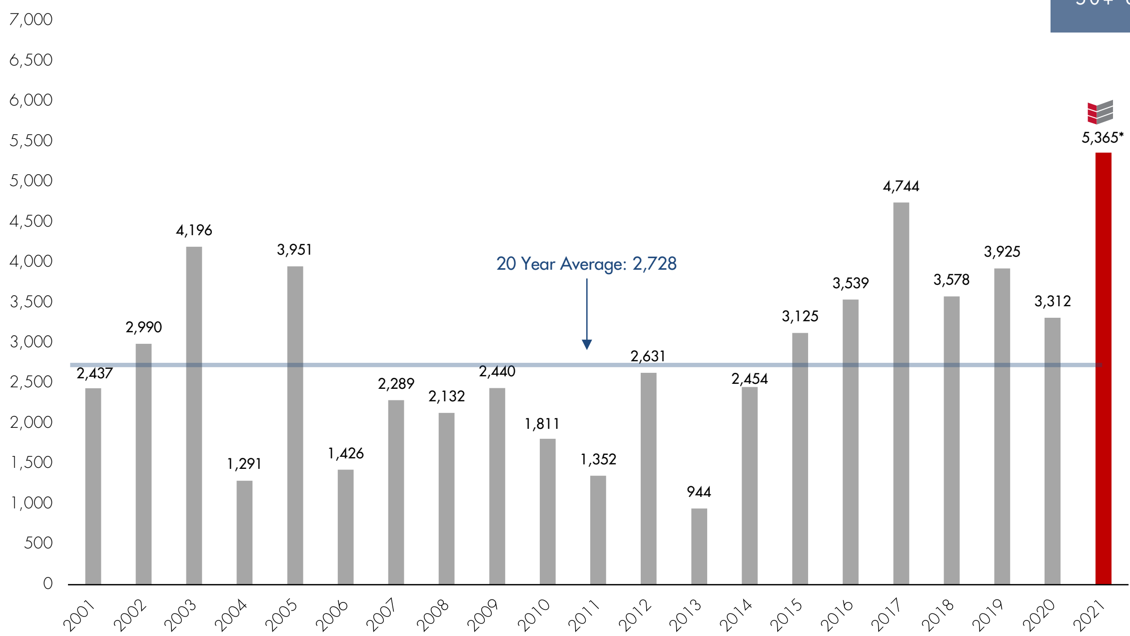
Total # of Properties: 40

SAN DIEGO MULTIFAMILY CONSTRUCTION PIPELINE
Q3 2021

TOTAL UNIT INVENTORY

5+ UNIT PROPERTIES: 355,066

50+ UNIT PROPERTIES: 238,757



ABSORPTION PER MARKET (12 MONTHS)

10,367 Units

Under Construction

Total # of Units: 8,879

Total # of Properties: 58

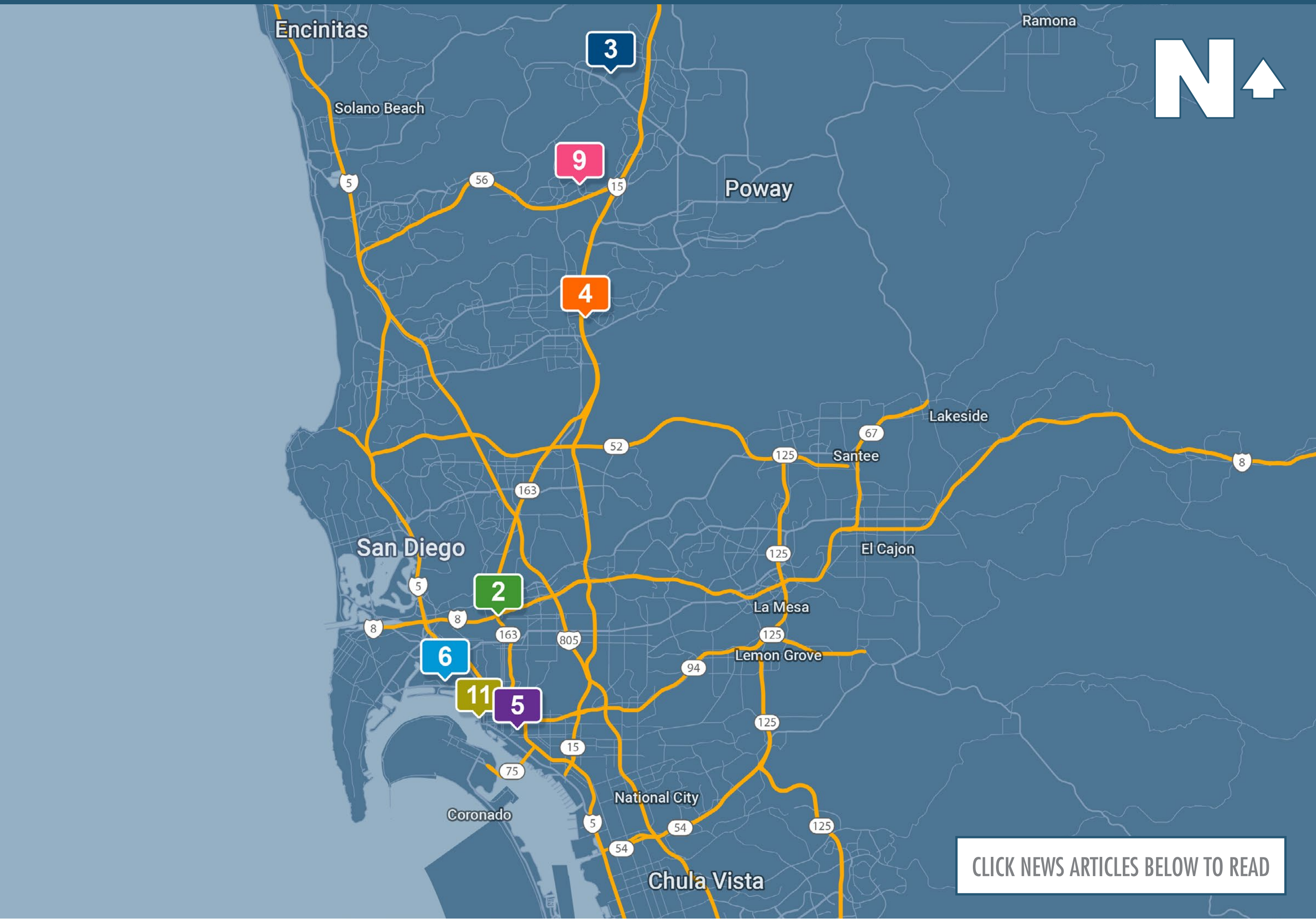
Planned

Total # of Units: 15,262

Total # of Properties: 83

*** 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	Regional	**San Diego** San Diego Population Growth Is Slowing
2	**Apple** Apple's big expansion in San Diego will be a boon for the region's universities	Regional	**City of San Diego** San Diego Seeing Tightest Housing Market in Years
3	**Amazon** Amazon keeps growing in San Diego and Tijuana. Chances are it won't stop	9	**San Diego** Rancho Peñasquitos emerging as new battleground for local housing crisis
4	**Sudberry Properties** Scripps Ranch Business Park is Toast with 260 Luxury Apartments on the Way	Regional	**San Diego** San Diego's job outlook: 'There is still a sizable hole in the labor market'
5	**Trammell Crow Residential** TCR Breaks Ground on 36-Story Multifamily High-Rise in San Diego's Little Italy	11	**Forge Development Partners** Forge Hammers out a Deal for Workforce Housing in San Diego
6	**San Diego International Airport** At long last, construction begins on San Diego airport's $3.4B Terminal 1 overhaul	Regional	**State of California** California to pay off unpaid rent accrued during COVID-19 pandemic

BY: DREW RICCIARDI, ABI RESEARCH MANAGER

Multifamily Thriving Despite Economic Constraints

The multifamily industry has pleasantly outperformed even the brightest projections to start the year. It was clear 2021 was slated to be a robust year barring any more shutdowns, but not to the magnitude witnessed year to date. Demand from renters, investors, and developers is catapulting to new heights as total sales volume, rent growth, and apartment construction reach record highs.

A few macro-economic issues have arisen from the pandemic, giving some pause initially, but proving to be minor speedbumps in the path of the semi-truck that is the multifamily industry.

THE EFFECTS OF INFLATION, SUPPLY CONSTRAINTS, AND THE LABOR SHORTAGE ON MULTIFAMILY

The effects of inflation on our everyday lives are becoming more prevalent than ever. Filling up a tank of gas or a trip to the grocery store may seem substantially more expensive than recent memory… because it is.

The U.S. inflation rate has reached its highest level in past 39 years. A significant result of overall demand outpacing supply created some lingering effects like bottlenecks at shipping ports, a labor shortage leading to a reduction in the number of truck drivers available to deliver goods, and sharp wage increases.

Multiple factors have contributed to the labor shortage, including enhanced unemployment benefits, baby boomers retiring, and fewer immigrants entering the country. Now, with unemployment benefits expiring and wages increasing rapidly, economists believe many of the effects of the labor shortage and supply constraints will subside during the second half of 2022.

But how does it all relate to multifamily real estate at the moment?

The combination of the rise in the cost of materials, energy prices, and wages – along with a shortage of skilled labor -- has slowed down the supply of single-family housing construction overall. Strong demand for housing persists as more young adults look to move out of their parent's homes or from urban apartments to suburban homes.

As a result, home prices in September jumped a staggering 18% year-over-year nationally, according to the S&P CoreLogic Case-Shiller U.S. National Home Price NSA index. At the same time, the supply of homes for sale went down 13.4%, according to the National Association of Realtors, forcing many to wait and continue to rent.

From an investor's perspective, it makes sense to put their capital into an appreciating asset like multifamily real estate during times of inflation, with the expectation cap rates will compress and rents will increase from here. Fortunately, the abundance of multifamily debt capital remains as Freddie Mac and Fannie Mae raised their cap an additional $8 billion each for 2022. On the other hand, interest rates will likely go up eventually.

It is no secret multifamily continues to be one of the most resilient sectors throughout the pandemic, posting significant growth in total sales volume, development, occupancy, and rents.

It is likely that current inflation, supply constraints, and labor shortages will have no dramatic long-term negative effects on the multifamily industry.

MULTIFAMILY CONSTRUCTION TRYING TO KEEP UP WITH DEMAND

Demand for apartments is reaching an all-time high after 255,000 multifamily units were absorbed (newly completed units leased) nationally during the third quarter. That figure marks the largest single-quarter absorption since 1990, according to RealPage data, indicating the supply of apartment construction has become more paramount than ever.

Apartment construction appears to have overcome the cost of materials and labor shortage dilemma better than single-family construction. According to U.S. Census Bureau data, new multifamily construction permits were issued nationally for 57,000 units in August 2021, signifying it as the hottest month since June 2015. For single family housing construction, housing starts fell in September and permits dropped to a one-year low, according to a report from the U.S. Department of Commerce.

Multifamily developers recognize the disparity in current supply/demand levels and are getting creative to keep up with demand. Select developers are taking underperforming commercial spaces and converting them into apartments at a record rate. Obsolete office buildings, old industrial facilities, underperforming malls, and out-of-date hotels are all prospects for potential apartment conversions.

It is projected that 20,100 units will be converted into apartments from commercial spaces by the end of the year nationally, according to a new report by RentCafe.

Creative methods like this will become imperative moving forward if the multifamily industry has any chance of matching supply with demand. Expect multifamily construction to remain active especially, as supply chain constraints diffuse.

SAN DIEGO MARKET METRICS: BY THE NUMBERS

Q3 2021 delivered an abnormal amount of multifamily deal floor in San Diego due to a significant portfolio executed between The Blackstone Group and Progress Management. The massive portfolio purchased by The Blackstone Group consisted of 64 properties, 5,651 units, and a total sale price of approximately $1.45 Billion.

For 5-49 unit properties, Q3 saw a transaction volume of approximately $548 Million, which represented a 276.3% Year-over-Year increase from Q3 2020. In the 50+ unit category, the quarter brought in a staggering $1.6 Billion, up 767.4% YoY.

Average Price-Per-Unit amounts were up significantly in the 5-49 segment, rising 27.5% YoY to $284,590, and showing another increase of 14.9% to $265,098 for 50+. This translated to an Average Price/SF of $358.23 in 5-49 (up 20.2%) and $300.93 (up 21.7%) in 50+.

Inventory age saw an increase in 5-49 and a decrease in 50+ unit segments Year-over-Year. Average Year Built for 5-49 reported the year 1965, versus 1961. The Average Year Built in 50+ reported the year 1980, versus 1984.

The market's occupancy rate took a big jump in the right direction. Q3 2021 occupancy averaged 97.6%, up from 95.5% in Q3 2020. Average rent took a positive bump, reporting $2,147, up $246 (12.9%) 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 5.6%, according to Bureau of Labor Statistics numbers. The CoStar estimate of total population was 3,339,333.

Median Household Income was $95,283, and Per Capita Income came in at $34,103.

In the realm of new construction for 5+ unit properties, a high 5,365 units were delivered YTD across 40 projects for the year.

Currently, a pipeline of 15,262 units is estimated to be in the Planning stages across 83 properties. A total of 8,879 units are listed as Under Construction across 58 properties.

Pre-lease absorption per market (12 month), according to CoStar, reported 10,367 units.

Total Unit Inventory for 5+ properties ended the year at 355,066 units, and 50+ came in at 238,757 units.

ABI COMPARATIVE MARKET REVIEW: Q3 2021

		SAN DIEGO	PHOENIX	TUCSON	SACRAMENTO
DEMOGRAPHICS	Total Population	3,339,333	4,948,203	1,047,279	2,405,603
	Unemployment Rate (as of Sept 2021)	5.6%	3.8%	4.3%	5.5%
	Employment Growth (y-o-y)	4.6%	6.0%	4.0%	3.6%
	Median HH Income	$95,283	$63,883	$53,379	$81,696
	Per Capita Income	$34,103	$32,522	$29,707	$35,563
RENT/OCC/CONST (50+)	Rent (Q3 2021)	$2,147	$1,536	$1,130	$1,698
	% Increase/Decrease	+12.9%	+22.8%	+18.4%	+11.7%
	Occupancy (Q3 2021)	97.6%	96.5%	96.6%	96.6%
	% Increase/Decrease	+2.1%	+1.1%	+1.0%	+0.5%
	Total Inventory (50+)	238,757	327,355	68,774	149,418
	Total Under Construction (50+)	8,879	34,059	979	6,514
	Units Delivered (50+, YTD)	5,365	7,829	1,009	1,779
SALES (50+)	Total Sales Volume (Q3 2021)	$1.61B	$4.28B	$342M	$538M
	y-o-y % Increase/Decrease	+767.4%	+248.2%	+122.8%	+213.0%
	Average P/U (Q3 2021)	$265,098	$284,597	$180,906	$255,007
	y-o-y % Increase/Decrease	+14.9%	+71.1%	+49.4%	-10.9%

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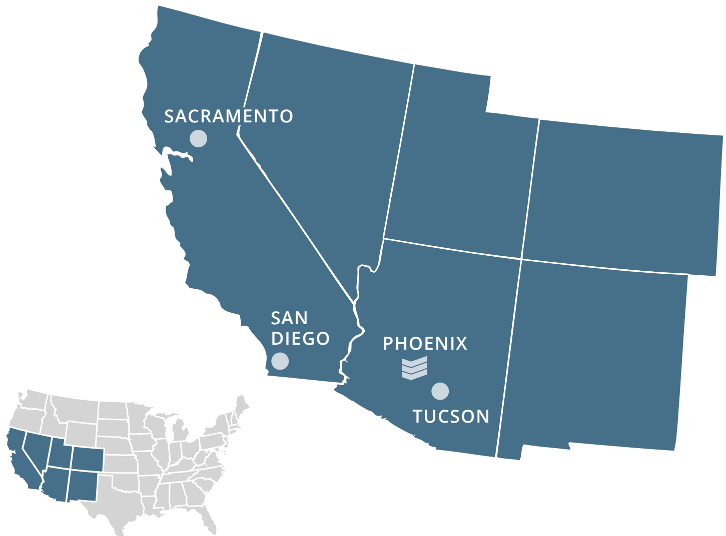

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ABI Multifamily is a brokerage and advisory services firm that focuses exclusively on apartment investment transactions. The experienced advisors at ABI Multifamily have completed billions of dollars in sales and thousands of individual multifamily transactions.

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