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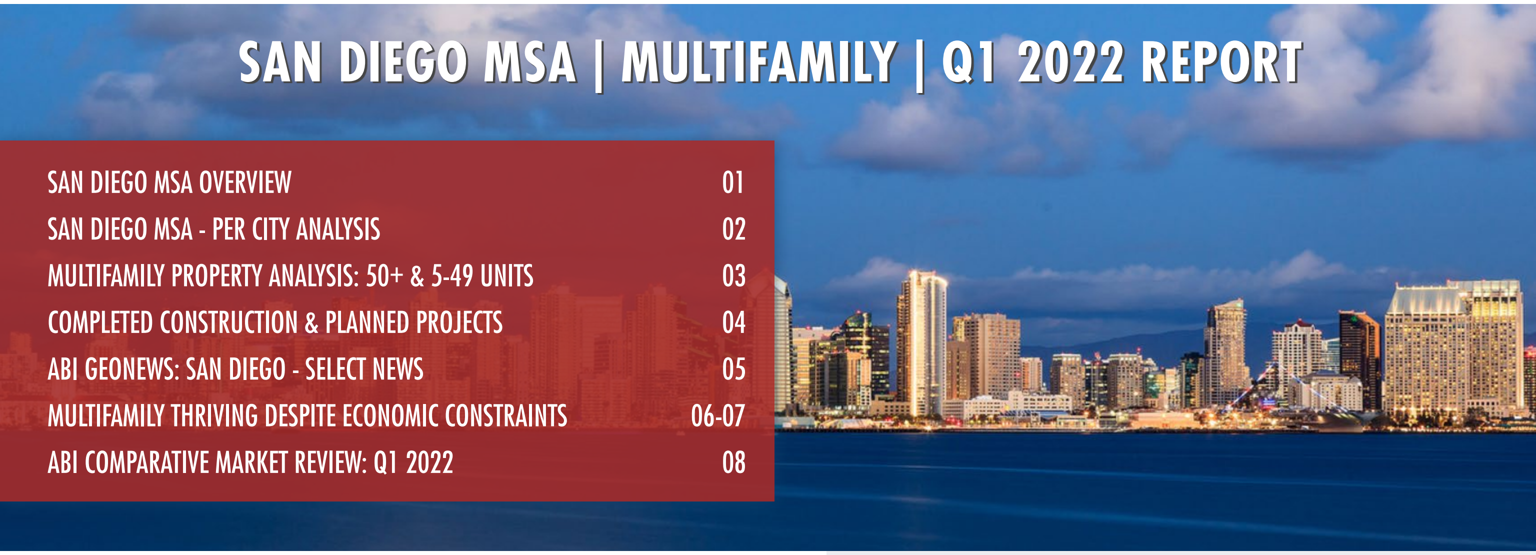

SAN DIEGO MSA | MULTIFAMILY | Q1 2022 REPORT

5+ UNIT PROPERTIES	Q1 2022	INCREASE/DECREASE	Q1 2021
Total Sales Volume	$1.26B	+127.8%	$553M
AVERAGE Price/Unit	$411,967	+51.2%	$272,438
AVERAGE Price/SF	$516.74	+54.6%	$334.23
AVERAGE Year Built	1962	-4 Yrs	1966
Average Rent	$2,128	+13.0%	$1,883
Occupancy Rate	97.5%	+0.7%	96.8%
Units Delivered (YTD)	1,250	--	--

3,301,573
POPULATION
COSTAR

3.4%
-0.7%
UNEMPLOYMENT
Q-O-Q AS OF MAR 2022 - BLS

3.7%
EMPLOYMENT GROWTH
Y-O-Y AS OF MAR 2022 - BLS

$95,595
MEDIAN HH INCOME
COSTAR

$35,384
PER CAPITA INCOME
2020 ACS 5-YEAR ESTIMATE

9,652
Units (5+)
UNDER CONSTRUCTION
COSTAR

358,313
Units (5+)
TOTAL INVENTORY
AS OF APR 2022 - COSTAR

ABI GEONEWS: SAN DIEGO MSA - SELECT NEWS

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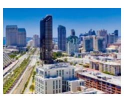
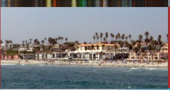
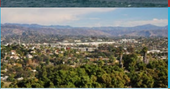
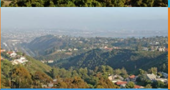
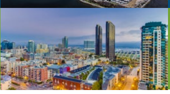

Residential Towers Proliferate in Downtown San Diego


How San Diego became one of the nation's hottest life-sciences real estate markets

Michaels
San Diego Taps The Michaels Organization to Provide Housing in Downtown Redevelopment

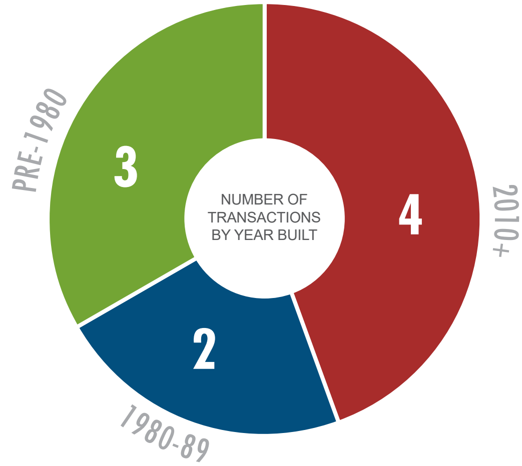
SAN DIEGO MSA - PER CITY ANALYSIS

SAN DIEGO MSA QUICK STATS		MEDIAN HH INCOME	5+ UNIT PROPERTIES	
			TOTAL INVENTORY	UNDER CONSTRUCTION
	San Diego MSA	$95,595	358,313	9,652
	North County Coastal	$117,000	37,715	423
	North County Inland	$93,500	50,258	482
	East County	$86,000	49,865	135
	South Bay	$74,800	44,314	2,530
	Metro San Diego	$98,700	172,391	6,086

	SAN DIEGO MSA - PER SUBMARKET ANALYSIS	North County Coastal	North County Inland	East County	South Bay	Metro San Diego
RENT & OCCUPANCY STATS	Average Rent (Q1 2022)	$2,357	$1,959	$1,806	$1,974	$2,384
	% Change (y-o-y)	+13.2%	+12.3%	+9.9%	+10.4%	+14.2%
	Occupancy Rate (Q1 2022)	98.4%	98.2%	97.8%	98.7%	96.9%
	% Change (y-o-y)	+0.4%	+0.4%	0.0%	+0.8%	+0.9%
	Units Delivered (YTD, 50+)	0	42	230	0	978
SALES DATA (50+)	Total Sales Volume (Q1 2022, 50+)	$293,500,000	$0	$0	$0	$635,572,000
	Total Sales Volume (Q1 2021, 50+)	$94,100,000	$55,750,000	$13,750,000	$0	$56,661,000
	% Change (y-o-y)	+211.9%	--	-100.0%	--	+1021.7%
	Avg P/U (Q1 2022, 50+)	$455,745	--	--	--	$442,599
	Avg P/U (Q1 2021, 50+)	$480,102	$27,363	$137,500	--	$220,471
	% Change (y-o-y)	-5.1%	--	--	--	+100.8%
SALES DATA (5-49)	Total Sales Volume (Q1 2022, 5-49)	$68,634,093	$7,791,000	$46,370,000	$29,205,000	$179,135,488
	Total Sales Volume (Q1 2021, 5-49)	$26,063,160	$19,147,907	$42,888,000	$37,062,500	$207,898,210
	% Change (y-o-y)	+163.3%	-59.3%	+8.1%	-21.2%	-13.8%
	Avg P/U (Q1 2022, 5-49)	$434,393	$311,640	$260,506	$283,544	$347,836
	Avg P/U (Q1 2021, 5-49)	$434,386	$185,902	$225,726	$224,621	$273,911
	% Change (y-o-y)	+0.0%	+67.6%	+15.4%	+26.2%	+27.0%

50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

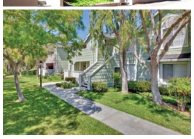
	Q1 2022	INCREASE/DECREASE	Q1 2021
Total Sales Volume	$929M	+321.8%	$220M
AVERAGE Price/Unit	$446,669	+52.9%	$292,123
AVERAGE Price/SF	$537.76	+56.2%	$344.38
AVERAGE Year Built	1988	+8 Yrs	1980



TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)

Jefferson Pacific Beach
San Diego, 172 Units | $113,000,000
$656,977/Unit | $666.39/SF | Built 2020

Avana La Jolla
San Diego, 312 Units | $168,500,000
$540,064/Unit | $677.64/SF | Built 1986



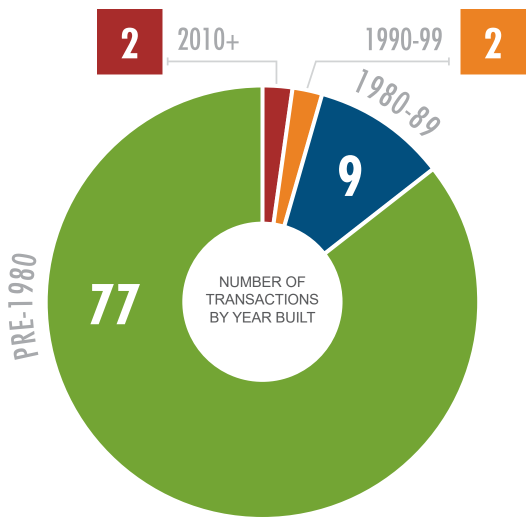
Windrift
Oceanside, 404 Units | $196,000,000
$485,149/Unit | $559.54/SF | Built 1986

Q1 2022 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	4	$423K	$519
2000-09	--	--	--
1990-99	--	--	--
1980-89	2	$509K	$609
Pre-1980	3	$392K	$459

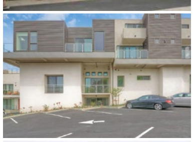
5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q1 2022	INCREASE/DECREASE	Q1 2021
Total Sales Volume	$331M	-0.6%	$333M
AVERAGE Price/Unit	$338,239	+29.7%	$260,814
AVERAGE Price/SF	$465.35	+42.0%	$327.73
AVERAGE Year Built	1960	-5 Yrs	1965



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

2633 Ocean Street
Carlsbad, 6 Units | $6,850,000
$1,370,000/Unit | $1,833.02/SF | Built 1960

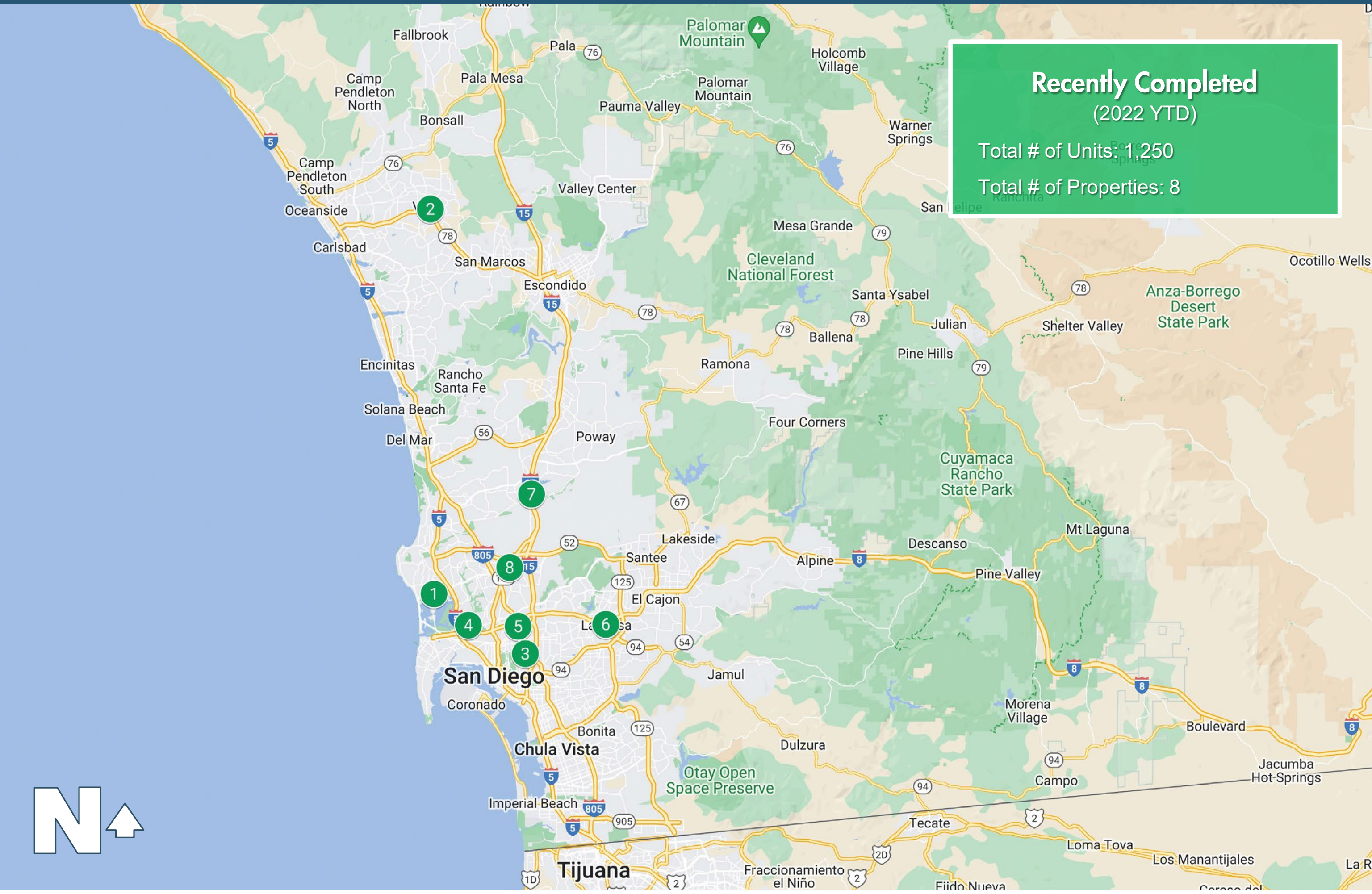


Lofts on Laurel
San Diego, 21 Units | $17,000,000
$809,524/Unit | $647.77/SF | Built 2018

3570 Carlsbad Blvd
Carlsbad, 6 Units | $4,370,000
$728,333/Unit | $1,094.14/SF | Built 1959

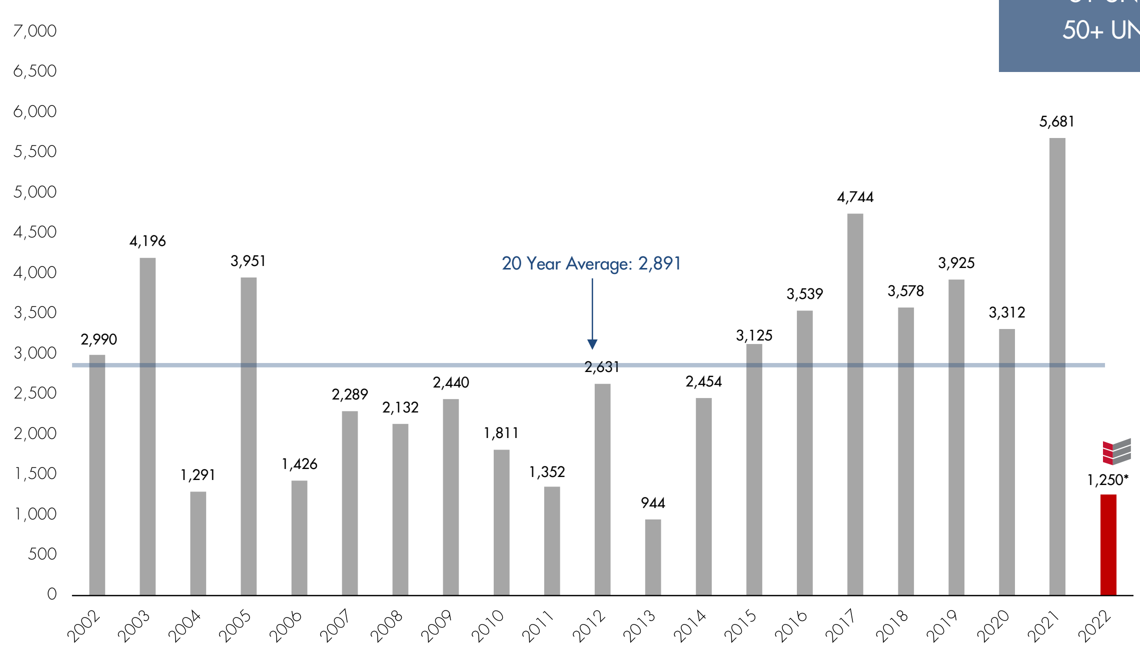
Q1 2022 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	2	$776K	$648
2000-09	--	--	--
1990-99	2	$411K	$404
1980-89	9	$340K	$417
Pre-1980	77	$323K	$464



Recently Completed
(2022 YTD)
Total # of Units: 1,250
Total # of Properties: 8

SAN DIEGO MULTIFAMILY CONSTRUCTION PIPELINE
Q1 2022



TOTAL UNIT INVENTORY
5+ UNIT PROPERTIES: **358,313**
50+ UNIT PROPERTIES: **241,796**

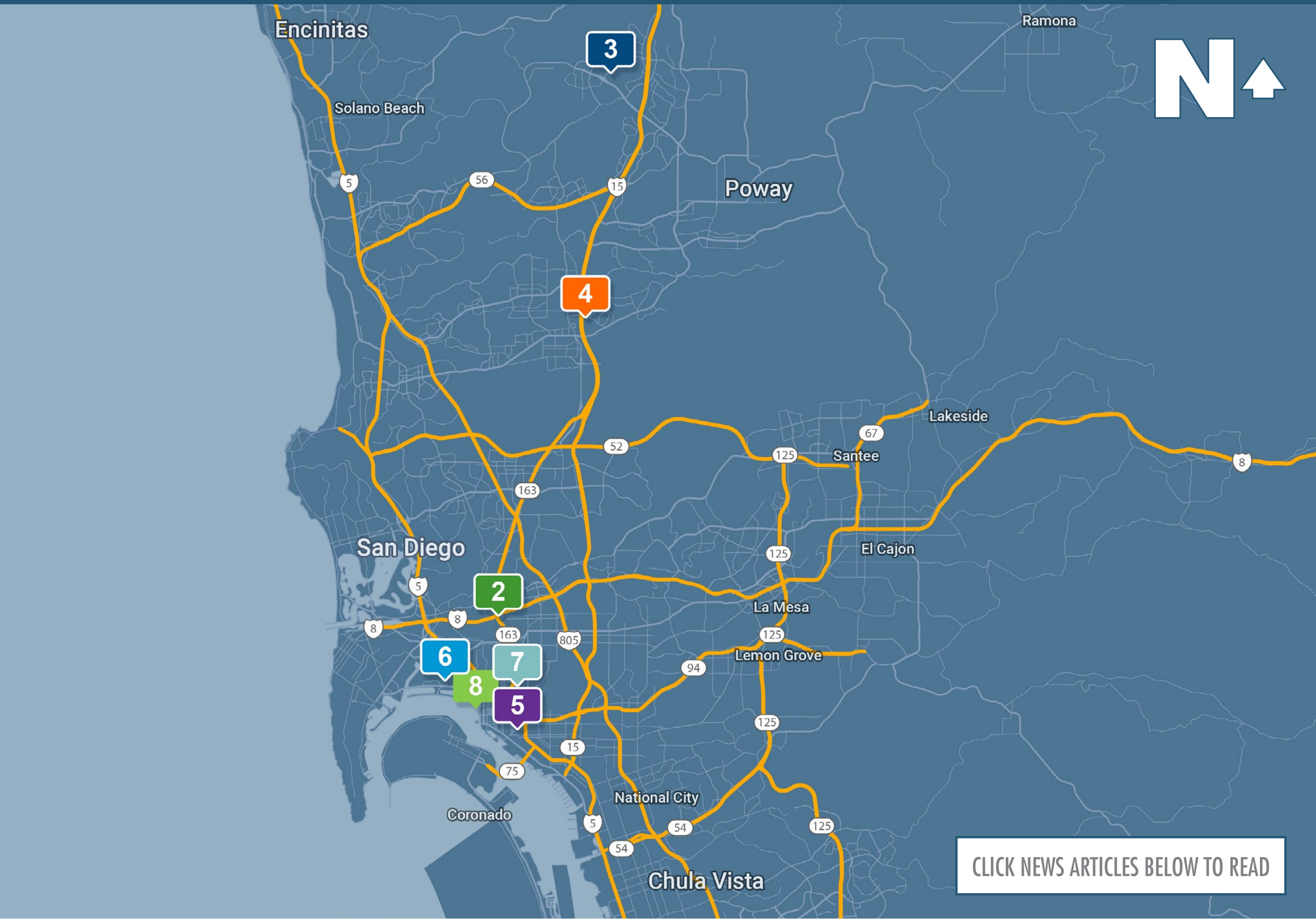
ABSORPTION PER MARKET (12 MONTHS)
7,648 Units

UNDER CONSTRUCTION
TOTAL # OF UNITS: **9,606**
TOTAL # OF PROPERTIES: **58**

PLANNED
TOTAL # OF UNITS: **12,579**
TOTAL # OF PROPERTIES: **70**

*** 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



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4 **San Diego**
Court upholds density bonus law that exempts certain housing projects from local restrictions

5 **Downtown San Diego**
Residential Towers Proliferate in Downtown San Diego

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

7 **Greystar**
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San Diego Taps The Michaels Organization to Provide Housing in Downtown Redevelopment

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ABInsight®

BY: DREW RICCIARDI, ABI RESEARCH MANAGER

DEMAND FOR MULTIFAMILY RISES AS MARKET FACTORS DETER HOME BUYING

The trajectory of the market we have become comfortable with is changing rapidly. A brutal war in Ukraine, rising interest rates, and high inflation has steered many to reevaluate their decisions in an evolving market. How do these market factors affect multifamily investment, specifically during the first quarter of 2022?

NATIONAL MULTIFAMILY OUTLOOK

The start of 2022 delivered what many expected for multifamily investment -- substantial volume. After riding the wave of a record year for multifamily investment in 2021, Q1 picked up right where it left off reporting some record numbers of its own.

2022 broke the record for the strongest first quarter of multifamily transaction volume reporting $63 billion nationally, according to Real Capital Analytics. That volume accounted for 37% of all commercial real estate investments, beating all other CRE sectors. Low unemployment rates, significant job growth, and wage growth continues to bode well for multifamily investment and the overall economy.

However, there are some headwinds on the horizon with the Federal Reserve pledging to gradually hike interest rates to combat inflation. A 0.25% increase came in March and the latest hike reported a 0.50% increase at the start of May.

This may have some ripple effects down the stretch in the 2022 CRE market with the possibility of investment activity slowing. Investors may decide to be patient with the uncertainty of what exit cap rates will look like a couple of years down the road. This may be similar to what investors did during the COVID-19 recession for about a three-month period, before quickly resuming explosive investment activity.

Multifamily continues to be a solid investment against inflation as rent growth persists and demand for rentals triumphs. Investors are starting to come to terms with the fact that the appreciation and growth witnessed over the past few years may not be sustainable. Growth will still occur – just not at the same rate.

For the time being, it may be more difficult for value-add investments. Fuel and construction costs have been high and unpredictable, while the supply chain for timely materials continues to be an issue.

Stakeholders should be prepared for an eventual slowdown in investment activity but expect markets in the Sunbelt region like Phoenix, Dallas, Atlanta, and Tampa to bounce back faster.

AFFORDABILITY DETERRING HOME OWNERSHIP

Lately, it has become increasingly difficult for first-time home buyers to purchase a home. Dramatic single-family price appreciation, a low housing inventory, and rising mortgage rates have forced the millennial generation to postpone a home purchase or submit to being a renter for a longer period.

The housing market has been on a steep incline over the past couple of years as home price appreciation has skyrocketed due to a supply and demand imbalance and the benefit of historically low interest rates. To combat this appreciation, mortgage rates have been gradually increasing throughout 2022 to help offset the demand and lower prices. But that is not working.

Instead, home prices and interest rates are currently rising in tandem, especially in high population growth markets in the Sun Belt region, making it increasingly difficult for first-time home buyers. According to a recent Redfin study, home buyers in the Sun Belt need 40% more income than they did a year ago, while across the U.S., they need 34% more income.

For example, in Phoenix, buyers must earn $87,026 to afford the metro's average monthly mortgage payment of $2,176, up 45.7% annually. Phoenix has a median household income of $67,068 and an average rental rate of $1,667.

Institutional investors have also contributed to pricing first-time home buyers out of the market by purchasing 18.2% of U.S. homes in Q3 2021 while inventory was minimal. These factors have left many no choice but to resign their current lease or explore the popular trend of build-to-rent communities.

A recent study by RealPage Inc. found that more than 57% of tenants in market-rate units with an expiring lease chose to renew in the past year compared to 51% between 2010 and 2019. Now, these renters still face significant rent increases, but it is still less costly than the type of mortgage payments they would have to endure coupled with a down payment.

The majority of these first-time home buyers are a part of the millennial generation. A new report from Apartment List shows millennials are being deterred from home ownership by current market factors. To put this in perspective, the millennial homeownership rate is reported at 48.6%, more than 20% lower than Gen X and 30% lower than Baby Boomers. A staggering 22% of Millennial renters say they will never own.

With time, interest rates will help lower home prices and moderate appreciation, but it may take longer for high-demand Sun Belt markets than other U.S. markets. Despite concerted efforts by state officials to create more market-rate and affordable inventory to help offset demand, we simply do not have enough housing being created. Persisting supply chain constraints, labor shortages, and high costs for materials continue to put pressure on developers.

SAN DIEGO MARKET METRICS: BY THE NUMBERS

San Diego had a blistering start to year in terms of multifamily performance, further establishing itself as a top multifamily market in California. Here is the data that illustrates the impressive first quarter.

For 5-49 unit properties, Q1 2022 saw a transaction volume of approximately $331 Million, which was comparable to what was delivered in Q1 2021, a 0.6% decrease. In the 50+ unit category, the quarter brought in a staggering $929 Million, up 321.8% YoY.

Even though the volume was the same, the average Price-Per-Unit amounts were up in the 5-49 segment, rising 29.7% YoY to $338,239, and showing another large increase of 52.9% to $446,669 for 50+. This translated to an Average Price/SF of $465.35 in 5-49 (up 42.0%) and $537.76 (up 56.2%) in 50+.

Inventory age decreased in the 5-49 segment and increased significantly in the 50+ unit segment Year-over-Year. Average Year Built for 5-49 reported the year 1960, versus 1965. The Average Year Built in 50+ reported the year 1988, versus 1980.

The market's occupancy rate took a big jump in the right direction. Q1 2022 occupancy averaged 97.5%, up from 96.8% in Q1 2021. Average rent took a positive bump as well, reporting $2,128, up $245 (13.0%) from last year.

San Diego MSA demographics reported solid employment to finish the quarter. The unemployment rate finished the quarter at 3.4% and employment growth at 3.7%, according to Bureau of Labor Statistics numbers. The CoStar estimate of total population was 3,301,573.

Median Household Income was $95,595, and Per Capita Income came in at $35,384.

In the realm of new construction for 5+ unit properties, a robust 1,250 units were delivered YTD across 8 projects.

Currently, a pipeline of 12,579 units is estimated to be in the Planning stages across 70 properties. A total of 9,606 units are listed as Under Construction across 58 properties.

Pre-lease absorption per market (12 month), according to CoStar, reported 7,648 units.

Total Unit Inventory for 5+ properties ended the quarter at 358,313 units, and 50+ came in at 241,796 units.

ABI COMPARATIVE MARKET REVIEW: Q1 2022

		SAN DIEGO	PHOENIX	TUCSON
DEMOGRAPHICS	Total Population	3,301,573	4,948,203	1,047,279
DEMOGRAPHICS	Unemployment Rate (as of Mar 2022)	3.4%	2.4%	2.8%
DEMOGRAPHICS	Employment Growth (y-o-y)	7.3%	3.7%	3.5%
DEMOGRAPHICS	Median HH Income	$95,595	$67,068	$55,023
DEMOGRAPHICS	Per Capita Income	$35,384	$34,378	$30,747
RENT/OCC/CONST (50+)	Rent (Q1 2022)	$2,128	$1,669	$1,226
RENT/OCC/CONST (50+)	% Increase/Decrease	+13.0%	+25.3%	+21.1%
RENT/OCC/CONST (50+)	Occupancy (Q1 2022)	97.5%	95.6%	96.3%
RENT/OCC/CONST (50+)	% Increase/Decrease	+0.7%	-0.4%	NO CHANGE
RENT/OCC/CONST (50+)	Total Inventory (50+)	241,796	333,007	69,771
RENT/OCC/CONST (50+)	Total Under Construction (50+)	9,652	37,349	536
RENT/OCC/CONST (50+)	Units Delivered (50+, YTD)	1,250	2,772	245
SALES (50+)	Total Sales Volume (Q1 2022)	$929M	$3.03B	$347M
SALES (50+)	y-o-y % Increase/Decrease	+321.8%	+45.0%	+66.3%
SALES (50+)	Average P/U (Q1 2022)	$446,669	$306,969	$158,951
SALES (50+)	y-o-y % Increase/Decrease	+52.9%	+43.0%	+59.0%

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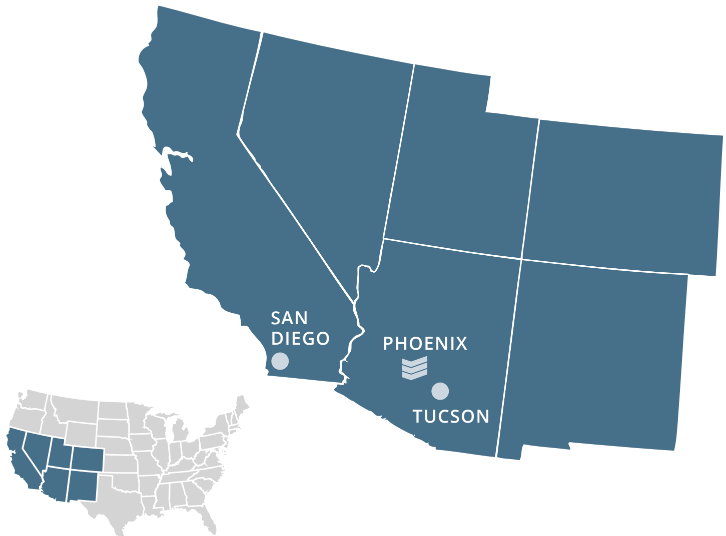

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