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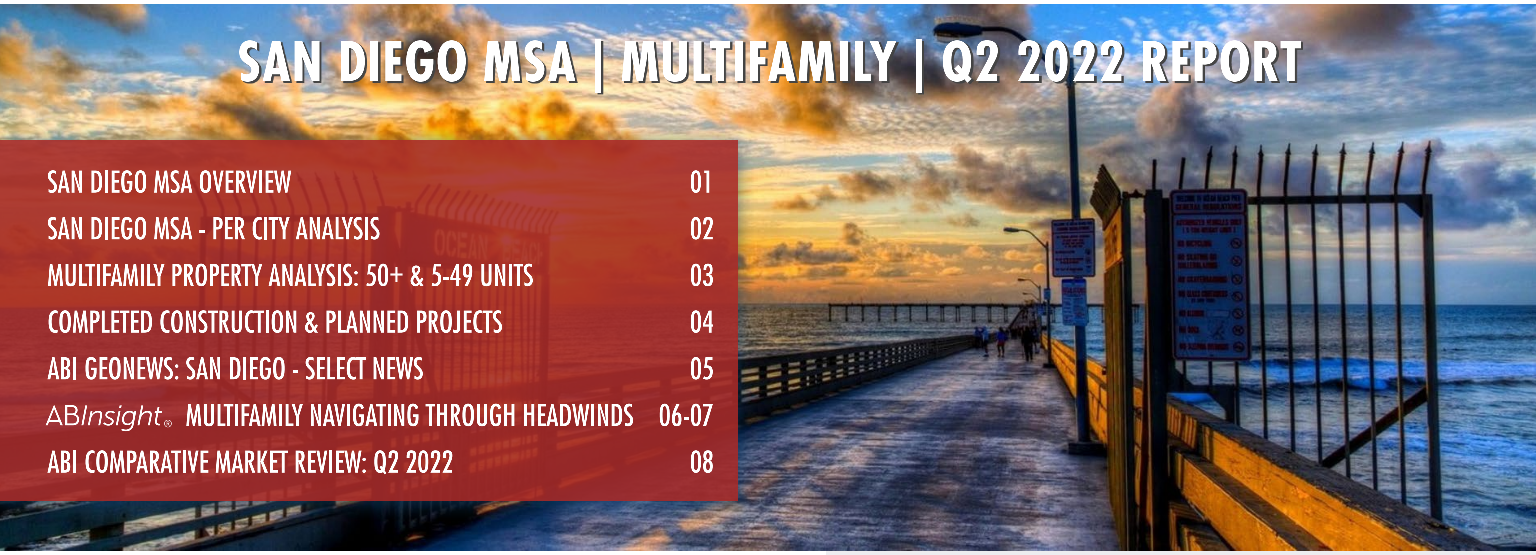


SAN DIEGO MSA | MULTIFAMILY | Q2 2022 REPORT

5+ UNIT PROPERTIES	Q2 2022	INCREASE/DECREASE	Q2 2021
Total Sales Volume	$1.20B	+33.6%	$898M
AVERAGE Price/Unit	$345,931	+12.0%	$308,918
AVERAGE Price/SF	$444.52	+26.8%	$350.70
AVERAGE Year Built	1969	+6 Yrs	1963
Average Rent	$2,214	+12.5%	$1,968
Occupancy Rate	97.6%	+0.5%	97.1%
Units Delivered (YTD)	2,179	--	--

3,280,419
POPULATION
2020 ACS 5-YEAR ESTIMATE

3.2%
-0.2%
UNEMPLOYMENT
Q-O-Q AS OF JUN 2022 - BLS

5.5%
EMPLOYMENT GROWTH
Y-O-Y AS OF JUN 2022 - BLS

$98,290
MEDIAN HH INCOME
COSTAR

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

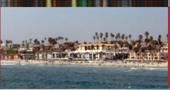
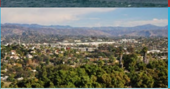
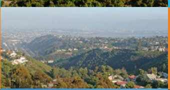
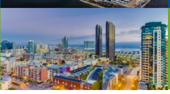
9,635
Units (5+)
UNDER CONSTRUCTION
COSTAR; ABI RESEARCH

359,589
Units (5+)
TOTAL INVENTORY
AS OF JULY 2022 - COSTAR; ABI RESEARCH

ABI GEONEWS: SAN DIEGO MSA - SELECT NEWS

CONTINUED ON PAGE 05

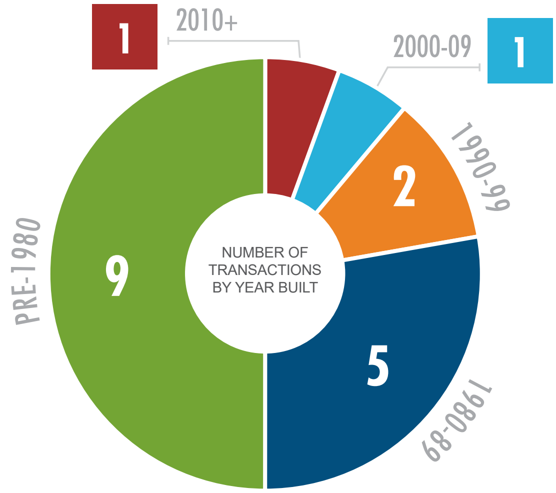
- San Diego Apartment Demand Accelerates, Bucking National Trend
- Developer Looks To Boost Apartment Supply in Busy San Diego Neighborhood
- Rents Continue To Climb in San Diego's Apartment Sector

SAN DIEGO MSA QUICK STATS		MEDIAN HH INCOME	5+ UNIT PROPERTIES	
			TOTAL INVENTORY	UNDER CONSTRUCTION
	San Diego MSA	$98,290	359,589	9,635
	North County Coastal	$117,000	37,686	458
	North County Inland	$93,500	50,252	398
	East County	$87,400	50,003	118
	South Bay	$74,800	44,936	2,431
	Metro San Diego	$98,700	173,587	5,698

	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 2022)	$2,414	$2,017	$1,851	$2,044	$2,424
	% Change (y-o-y)	+12.1%	+12.0%	+9.6%	+11.0%	+9.8%
	Occupancy Rate (Q2 2022)	98.3%	98.2%	97.9%	98.1%	96.9%
	% Change (y-o-y)	+0.3%	+0.1%	-0.2%	-0.4%	-0.4%
	Units Delivered (YTD, 50+)	5	126	230	29	2,120
SALES DATA (50+)	Total Sales Volume (Q2 2022, 50+)	$0	$110,531,017	$220,700,000	$203,054,098	$246,700,000
	Total Sales Volume (Q2 2021, 50+)	$29,300,000	$0	$140,850,000	$0	$296,979,500
	% Change (y-o-y)	--	--	+56.7%	--	-16.9%
	Avg P/U (Q2 2022, 50+)	--	$305,334	$350,874	$385,302	$324,179
	Avg P/U (Q2 2021, 50+)	$332,955	--	$269,312	--	$392,311
	% Change (y-o-y)	--	--	+30.3%	--	-17.4%
SALES DATA (5-49)	Total Sales Volume (Q2 2022, 5-49)	$13,625,000	$37,603,500	$96,514,273	$51,203,000	$246,724,000
	Total Sales Volume (Q2 2021, 5-49)	$20,548,561	$39,506,500	$91,355,366	$24,236,662	$227,973,183
	% Change (y-o-y)	-33.7%	-4.8%	+5.6%	+111.3%	+8.2%
	Avg P/U (Q2 2022, 5-49)	$567,708	$318,674	$265,880	$227,569	$409,841
	Avg P/U (Q2 2021, 5-49)	$331,428	$278,215	$246,906	$295,569	$308,489
	% Change (y-o-y)	+71.3%	+14.5%	+7.7%	-23.0%	+32.9%

50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q2 2022	INCREASE/DECREASE	Q2 2021
Total Sales Volume	$781M	+67.2%	$467M
AVERAGE Price/Unit	$342,688	+0.4%	$341,469
AVERAGE Price/SF	$445.59	+30.3%	$342.09
AVERAGE Year Built	1978	-5 Yrs	1983



Q2 2022 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	1	$455K	$459
2000-09	1	$515K	$558
1990-99	2	$252K	$547
1980-89	5	$280K	$370
Pre-1980	9	$355K	$455

TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)

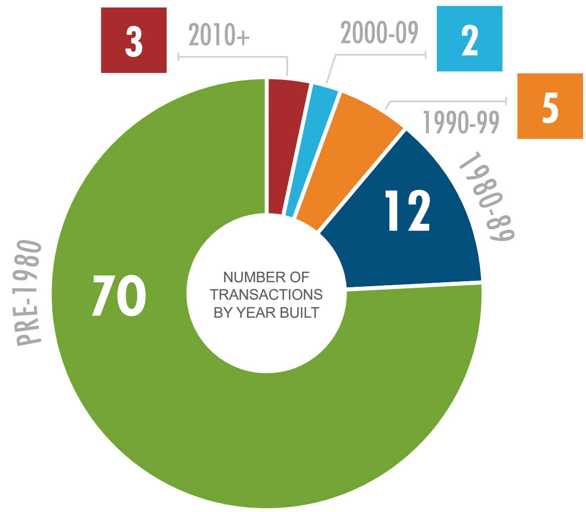
The Heritage
San Diego, 230 Units | $118,500,000
$515,217/Unit | $557.63/SF | Built 2002

Point Bonita
Chula Vista, 295 Units | $136,354,098
$462,217/Unit | $641.20/SF | Built 1972

City Plaza at Escondido
Oceanside, 55 Units | $25,000,000
$454,545/Unit | $458.87/SF | Built 2018

5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

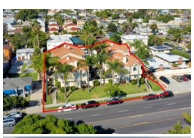
	Q2 2022	INCREASE/DECREASE	Q2 2021
Total Sales Volume	$419M	-2.8%	$431M
AVERAGE Price/Unit	$352,148	+25.8%	$279,965
AVERAGE Price/SF	$442.55	+22.7%	$360.55
AVERAGE Year Built	1968	+6 Yrs	1962



Q2 2022 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	3	$683K	$744
2000-09	2	$354K	$469
1990-99	5	$339K	$371
1980-89	12	$320K	$347
Pre-1980	70	$336K	$459

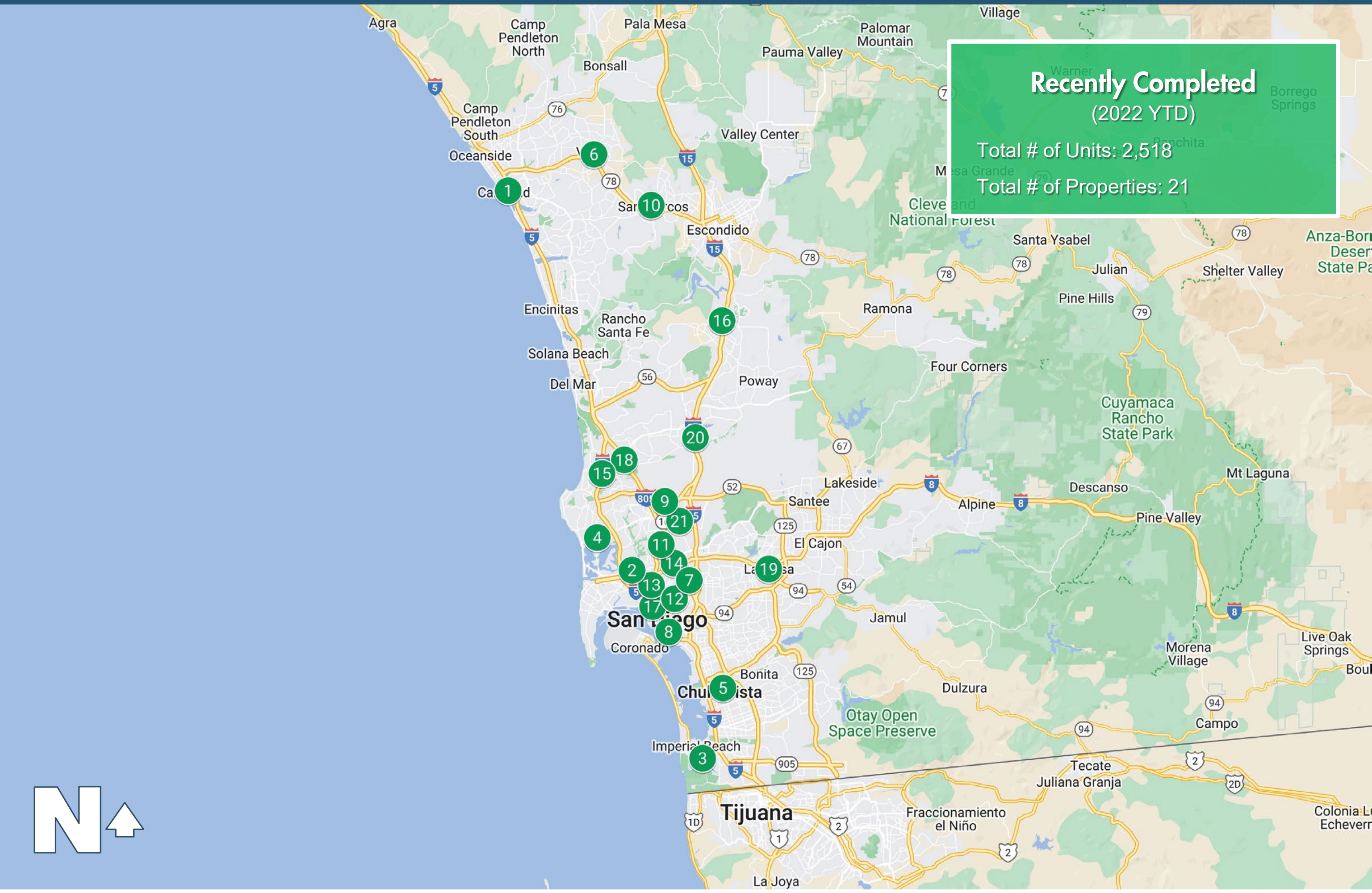
TOP 3 TRANSACTIONS BY PRICE/UNIT (5-49)



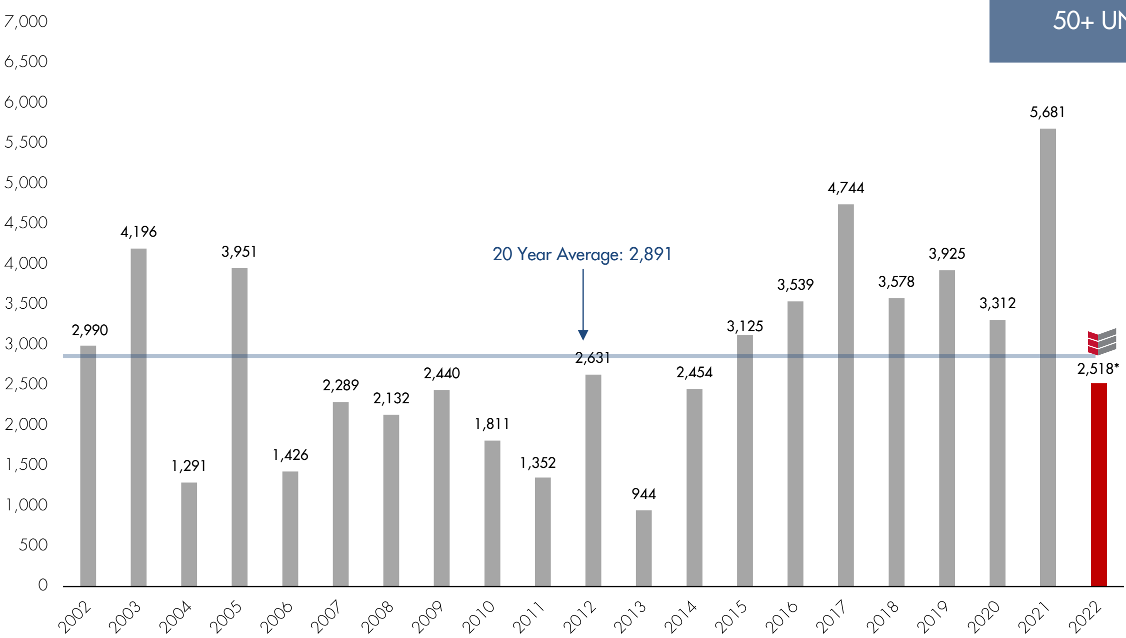
Pacific Beach Townhomes (8 of 35)
San Diego, 8 of 35 Units | $7,330,000
$916,250/Unit | $627.48/SF | Built 1995

Nimitz Crossing
San Diego, 36 Units | $30,000,000
$833,333/Unit | $937.50/SF | Built 2020

344 G Avenue
Coronado, 5 Units | $4,025,000
$805,000/Unit | $1052.29/SF | Built 1932



SAN DIEGO MULTIFAMILY CONSTRUCTION PIPELINE
Q2 2022



TOTAL UNIT INVENTORY

5+ UNIT PROPERTIES: **359,589**

50+ UNIT PROPERTIES: **243,025**

ABSORPTION PER MARKET (12 MONTHS)

5,666

UNDER CONSTRUCTION

TOTAL # OF UNITS: 9,373

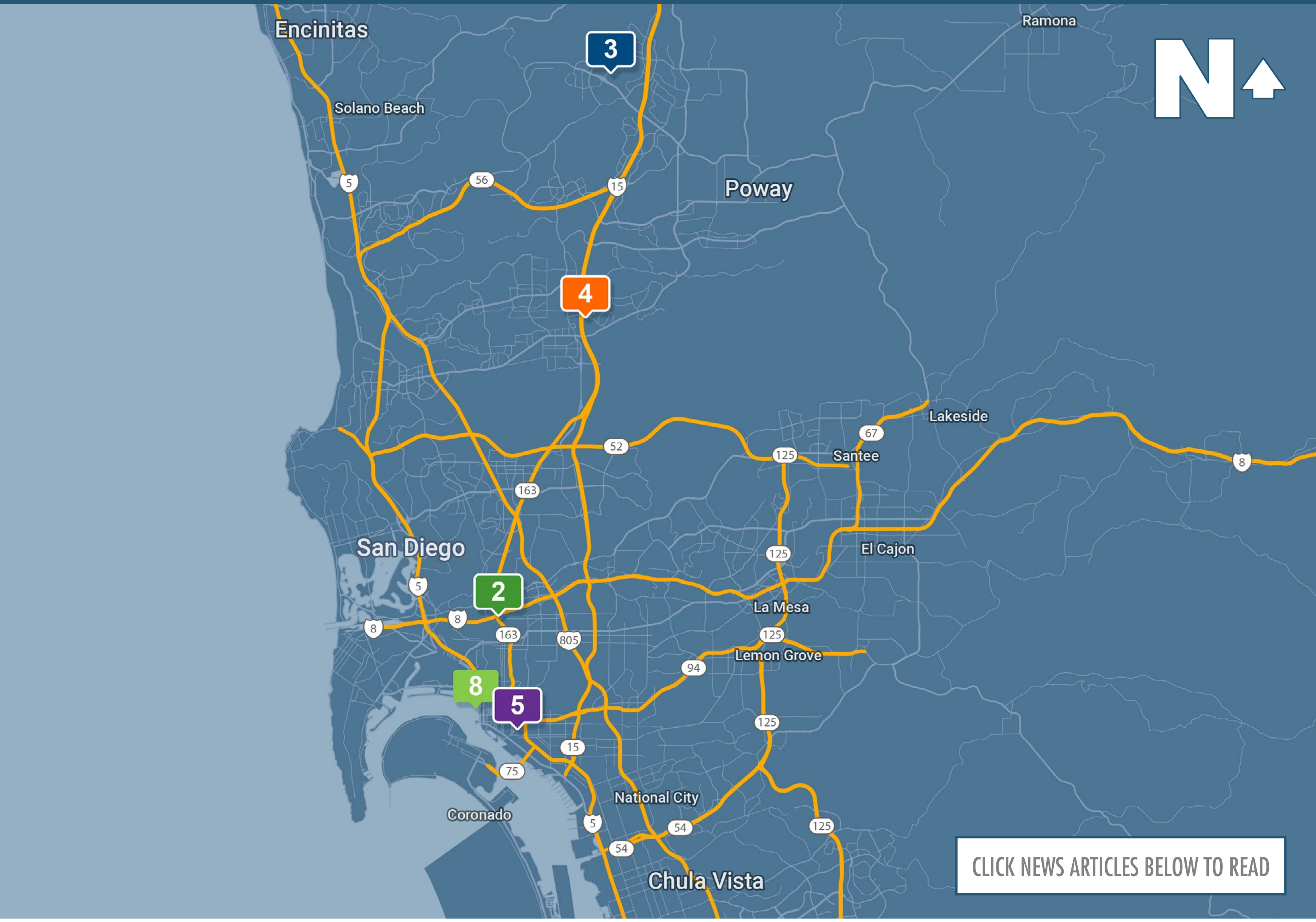
TOTAL # OF PROPERTIES: **60**

PLANNED

TOTAL # OF UNITS: 15,294

TOTAL # OF PROPERTIES: **71**

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



Regional	**San Diego** San Diego County tackles housing shortage with general plan changes	Regional	**Trammell Crow Residential** Developer Looks To Boost Apartment Supply in Busy San Diego Neighborhood
2	**Apple** Apple's big expansion in San Diego will be a boon for the region's universities	8	**The Michaels Organization** San Diego Taps The Michaels Organization to Provide Housing in Downtown Redevelopment
3	**Amazon** Amazon keeps growing in San Diego and Tijuana. Chances are it won't stop	Regional	**San Diego** California Gov. Signs Landmark Duplex and Lot-Split Legislation into Law
4	**San Diego** Court upholds density bonus law that exempts certain housing projects from local restrictions	Regional	**San Diego** San Diego Apartment Demand Accelerates, Bucking National Trend
5	**Downtown San Diego** Residential Towers Proliferate in Downtown San Diego	Regional	**San Diego** How San Diego became one of the nation's hottest life-sciences real estate markets
Regional	**San Diego** Rents Continue To Climb in San Diego's Apartment Sector	Regional	**San Diego** San Diego County's housing future: Building up, not out

BY: DREW RICCIARDI

ABI RESEARCH MANAGER

MULTIFAMILY NAVIGATING THROUGH HEADWINDS

The multifamily sector is currently facing a number of obstacles. Rising interest rates, inflation, cost of materials, regulations, and supply chain constraints are all creating challenges for multifamily investors. Despite these hurdles, however, the second quarter of 2022 still delivered robust numbers, relative to past years, illustrating why multifamily is considered one of the most resilient sectors in commercial real estate.

NEW SUPPLY REQUIRED TO MEET FUTURE DEMAND

In a time when housing construction is desperately needed, many developers/home builders are navigating through significant hurdles. According to the National Multifamily Housing Council and National Apartment Association, the United States will need approximately 4.3 million new apartments by 2035 to meet rising demand.

A significant factor that contributed to this imbalance between supply and demand was The Great Recession in 2008, which nearly put a halt to all home building, ultimately putting the nation behind the eight ball today.

There is a common consensus that more housing is needed, but hurdles like supply chain constraints, cost of materials/debt, labor shortages, local pushback, and government regulations keep hindering the construction sector. Creative developments, incentives, and an easing of regulations are imperative to ramping up the construction needed to meet demand.

According to the National Multifamily Housing Council, government-imposed regulations account for more than 40% of all multifamily development costs. These costs cause developers to avoid areas with policies like rent control and inclusionary zoning. In addition, the mounting issue of local pushback (or NIMBYism) when a neighborhood discovers plans for new rental housing in the area, has proved to be a significant thorn in developer's sides.

The lack of supply has helped multifamily owners with high occupancy rates and substantial rent growth that, in turn, pushes price appreciation. That being said, the imbalance/growth is not sustainable, and more affordable housing needs to be infused into the future housing supply.

Fortunately, the U.S. Department of the Treasury announced new plans to "increase the ability of state, local, and tribal governments to use American Rescue Plan funds to boost the supply of affordable housing in their communities."

This call to action will become very beneficial for the housing supply gap in the years to come. Hopefully, in the near future, the supply chain will return to normal, and the cost of construction materials will come down to ease the pressure on developers.

MIXED FEELINGS ON SLOWDOWN IN DEAL FLOW

There are varying predictions on how severe a slowdown in multifamily deal flow will be. Some believe that this is a minor market correction to the unsustainable growth witnessed over the past few years in multifamily metrics. Others think we're in for the darker days of a prolonged recession. What do I expect?

I am no fortune teller, but I genuinely believe that this slowdown is a minor market correction that was needed. Many markets in the country were experiencing unsustainable growth in real estate metrics like rent growth and price appreciation.

The slowdown, triggered by sharp hikes in interest rates by the Federal Reserve, shell shocked some investors and added uncertainty about what to expect with exit cap rates in the future. Similar to the pandemic recession, many investors want to wait on the sidelines until the storm clouds clear up.

The fact is, multifamily fundamentals are still extremely robust and multifamily rents generally remain more stable in response to rising interest rates, especially in markets in the Sun Belt region. Now, some markets may not recover as quick as others, but demand still outpaces supply across the country.

Unemployment rates are low and employment growth is strong even in sectors that have replaced all the jobs lost during the pandemic. According to Yardi Matrix's U.S. Multifamily Outlook report, rents are expected to increase about 8% by year's end despite ongoing inflation and recession concerns.

According to a report from Moody's Analytics, there is "little evidence of a housing bubble that is about to burst." The report also states "we still have not seen the extreme speculation and overbuilding that inflated the housing bubble in the mid-2000s."

No one truly knows how long or prominent this slowdown will be, the data should provide optimism for the future health of the multifamily sector.

SAN DIEGO MARKET METRICS: BY THE NUMBERS

San Diego reported a healthy second quarter following a blistering start to year in terms of multifamily performance, further establishing itself as a top multifamily market in California.

For 5-49 unit properties, Q2 2022 saw a transaction volume of approximately $419 Million, which was comparable to what was delivered in Q2 2021, a -2.8% decrease. In the 50+ unit category, the quarter brought in a significant $781 Million, up 67.2% YoY.

Even though the volume was similar, the average Price-Per-Unit amounts were up in the 5-49 segment, rising 25.8% YoY to $352,148, and remained static in the 50+ segment with a 0.4% increase to $342,688. This translated to an Average Price/SF of $442.55 in 5-49 (up 22.7%) and $445.59 (up 30.3%) in 50+.

Inventory age increase in the 5-49 segment and decreased in the 50+ unit segment Year-over-Year. Average Year Built for 5-49 reported the year 1968, versus 1962. The Average Year Built in 50+ reported the year 1978, versus 1983.

The market's occupancy rate took a jump in the right direction. Q2 2022 occupancy averaged 97.6%, up from 97.1% in Q2 2021. Average rent took a positive bump as well, reporting $2,214, up $246 (12.5%) from last year.

San Diego MSA demographics reported solid employment to finish the quarter. The unemployment rate finished the quarter at 3.2% and employment growth at 5.5%, according to Bureau of Labor Statistics numbers. The CoStar estimate of total population was 3,280,419.

Median Household Income was $98,290, and Per Capita Income came in at $35,384.

In the realm of new construction for 5+ unit properties, a robust 2,179 units were delivered YTD across 21 projects.

Currently, a pipeline of 15,294 units is estimated to be in the Planning stages across 71 properties. A total of 9,373 units are listed as Under Construction across 60 properties.

Pre-lease absorption per market (12 month), according to CoStar, reported 5,666 units.

Total Unit Inventory for 5+ properties ended the quarter at 359,589 units, and 50+ came in at 243,025 units.

		SAN DIEGO	PHOENIX	TUCSON
DEMOGRAPHICS	Total Population	3,280,419	4,948,203	1,047,279
	Unemployment Rate (as of Jun 2022)	3.2%	3.4%	4.0%
	Employment Growth (y-o-y)	5.5%	4.0%	2.7%
	Median HH Income	$98,290	$67,068	$55,023
	Per Capita Income	$35,384	$34,378	$30,747
RENT/OCC/CONST (50+)	Rent (Q2 2022)	$2,214	$1,702	$1,258
	% Increase/Decrease	+12.5%	+19.7%	+18.5%
	Occupancy (Q2 2022)	97.6%	95.0%	95.7%
	% Increase/Decrease	+0.5%	-1.4%	-0.7%
	Total Inventory (50+)	243,025	338,016	69,826
	Total Under Construction (50+)	9,635	34,762	1,131
	Units Delivered (50+, YTD)	2,179	6,398	55
SALES (50+)	Total Sales Volume (Q2 2022)	$781M	$5.40B	$338M
	y-o-y % Increase/Decrease	+67.2%	+57.3%	+62.6%
	Average P/U (Q2 2022)	$342,688	$345,234	$143,369
	y-o-y % Increase/Decrease	+0.4%	+59.6%	-2.6%

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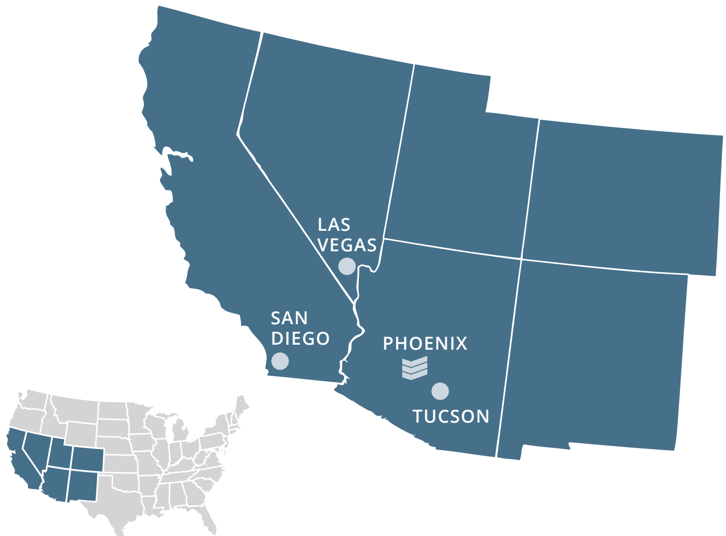

APARTMENT BROKERAGE & ADVISORY FIRM

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