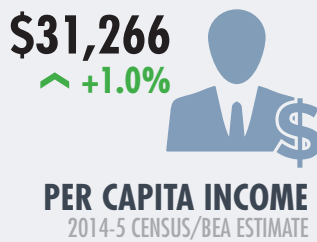
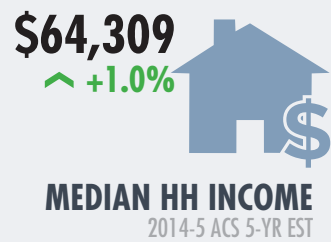
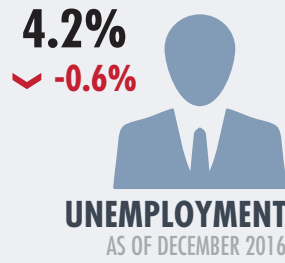


SAN DIEGO MSA | MULTIFAMILY | 2016 YEAR END REPORT




| | |
|---|----|
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| | 5+ UNIT PROPERTIES | YE 2016 | INCREASE/DECREASE | YE 2015 |
|---------------------------------|---------------------------|------------------|-------------------|------------------|
| | Total Sales Volume | \$2.81B | 13% | \$3.22B |
| A V E R A G E | Price/Unit | \$239,071 | 1% | \$235,804 |
| | Price/SF | \$286.47 | 3% | \$296.16 |
| | Year Built | 1967 | NO CHANGE | 1967 |
| 5+ | Average Rent | \$1,741 | 6.3% | \$1,638 |
| | Occupancy Rate | 96.9% | 0.5% | 96.4% |
| | Units Delivered | 3,539 | 13% | 3,125 |




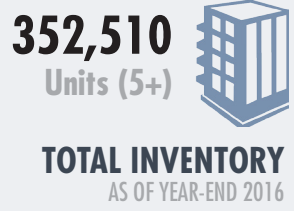
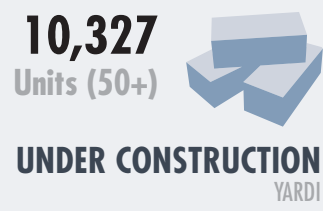
ABI GEONEWS - SAN DIEGO MSA YE 2016 SELECT NEWS

CONTINUED ON PAGE 05

 Ritz Carlton, Whole Foods OK'd for East Village, \$400M highrise to include apartments, condos, offices

 Work begins on \$100M Residential Community in San Marcos

 \$1 Billion Federal Grant to Fund Mid-Coast Trolley Extension new stations in Mission-Pacific Beaches, VA Medical Center, UCSD and Genesee Ave



SAN DIEGO MSA - PER SUBMARKET ANALYSIS

| SAN DIEGO MSA QUICK STATS | UNEMPLOYMENT RATE | MEDIAN HH INCOME | PER CAPITA INCOME | 50+ | |
|---------------------------|-------------------|------------------|-------------------|-------------------|--------------------|
| | | | | TOTAL INVENTORY * | UNDER CONSTRUCTION |
| San Diego MSA | 4.2% | \$64,309 | \$31,266 | 175,376 | 10,327 |
| North County Coastal | 4.8% | \$87,548 | \$54,058 | 16,723 | 144 |
| North County Inland | 4.5% | \$61,807 | \$26,835 | 28,370 | 416 |
| East County | 5.6% | \$62,058 | \$27,789 | 23,789 | 84 |
| South Bay | 6.8% | \$51,094 | \$21,023 | 18,727 | 839 |
| Metro San Diego | 4.2% | \$84,197 | \$51,081 | 74,387 | 8,844 |

* Total inventory numbers may vary due to zip/city overlap

SAN DIEGO MSA - PER SUBMARKET ANALYSIS

RENT & OCCUPANCY STATS

| | N County Coastal | N County Inland | East County | South Bay | Metro San Diego |
|--------------------------|------------------|-----------------|-------------|-----------|-----------------|
| Average Rent (YE 2016) | \$1,751 | \$1,579 | \$1,466 | \$1,511 | \$1,965 |
| % Change (y-o-y) | +6.8% | +7.8% | +6.5% | +5.2% | +4.0% |
| Occupancy Rate (YE 2016) | 96.9% | 97.2% | 97.4% | 97.3% | 96.3% |
| % Change from 2010 | +0.1% | -0.2% | +0.3% | +0.0% | -0.3% |
| Units Delivered (50+) | 66 | 431 | 370 | 381 | 2,291 |

SALES DATA (50+)

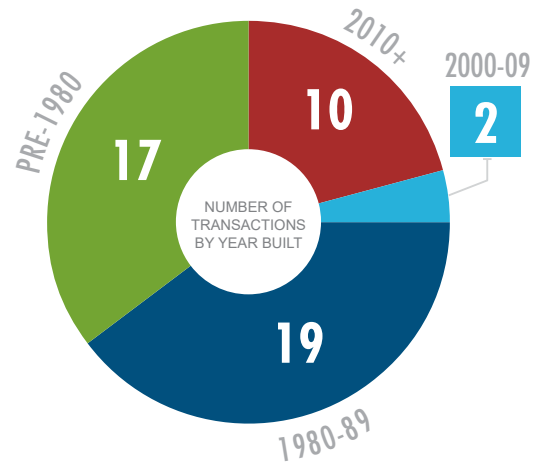
| | | | | | |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Total Sales Volume (YE 2016, 50+) | \$114,055,000 | \$218,915,818 | \$509,079,783 | \$265,884,960 | \$809,748,000 |
| Total Sales Volume (YE 2015, 50+) | \$233,792,500 | \$348,648,198 | \$200,174,545 | \$376,077,500 | \$591,440,227 |
| % Change (y-o-y) | -51% | -37% | +154% | -29% | +37% |
| Avg P/U (YE 2016, 50+) | \$226,300 | \$183,808 | \$222,890 | \$238,248 | \$335,161 |
| Avg P/U (YE 2015, 50+) | \$249,778 | \$196,200 | \$163,541 | \$200,361 | \$202,756 |
| % Change (y-o-y) | -9% | -6% | +36% | +19% | +65% |

SALES DATA (5-49)

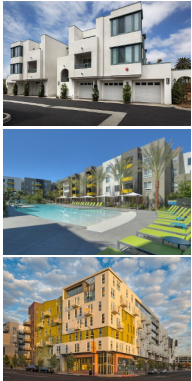
| | | | | | |
|------------------------------------|--------------|---------------|---------------|--------------|---------------|
| Total Sales Volume (YE 2016, 5-49) | \$90,938,500 | \$114,566,500 | \$62,071,500 | \$72,663,000 | \$558,411,314 |
| Total Sales Volume (YE 2015, 5-49) | \$62,992,996 | \$90,909,500 | \$142,468,910 | \$83,464,000 | \$468,651,530 |
| % Change (y-o-y) | +44% | +26% | -56% | -13% | +19% |
| Avg P/U (YE 2016, 5-49) | \$372,699 | \$174,113 | \$163,777 | \$175,514 | \$216,775 |
| Avg P/U (YE 2015, 5-49) | \$209,279 | \$151,264 | \$147,331 | \$165,932 | \$184,508 |
| % Change (y-o-y) | +78% | +15% | +11% | +6% | +18% |

50+ UNIT PROPERTIES

| | YE 2016 | INCREASE/DECREASE | YE 2015 |
|---------------------------|------------------|-------------------|------------------|
| Total Sales Volume | \$1.92B | 19% | \$2.37B |
| AVERAGE Price/Unit | \$255,317 | 16% | \$271,219 |
| AVERAGE Price/SF | \$292.46 | 10% | \$326.18 |
| AVERAGE Year Built | 1987 | 4 yrs | 1983 |



TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)



Dylan Point Loma

San Diego, 180 Units | \$90,000,000
\$500,000/unit | \$335.04/SF | Built 2016

BLVD63

San Diego, 332 Units | \$156,000,000
\$469,880/unit | \$374.85/SF | Built 2014

Form 15

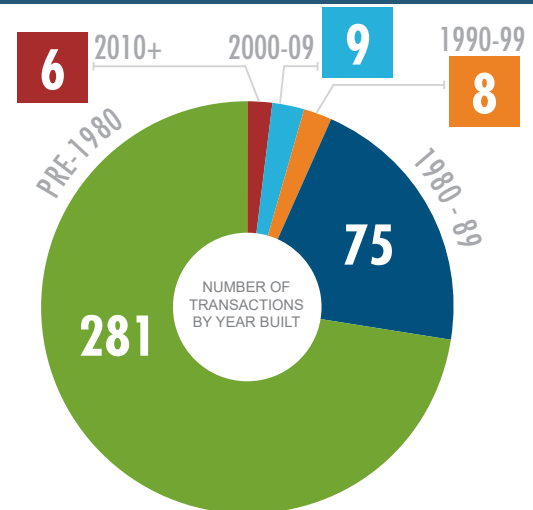
San Diego, 242 Units | \$97,648,000
\$403,504/unit | \$536.71/SF | Built 2014

YE 2016 Transactions by Year Built

| | # of Transactions | Avg Price/Unit | Avg Price/SF |
|-----------------|-------------------|----------------|--------------|
| 2010+ | 10 | \$374K | \$356 |
| 2000-09 | 2 | \$235K | \$219 |
| 1990-99 | - | - | - |
| 1980-89 | 19 | \$224K | \$244 |
| Pre-1980 | 17 | \$188K | \$239 |

5 - 49 UNIT PROPERTIES

| | YE 2016 | INCREASE/DECREASE | YE 2015 |
|---------------------------|------------------|-------------------|------------------|
| Total Sales Volume | \$899M | 6% | \$847M |
| AVERAGE Price/Unit | \$210,358 | 22% | \$172,765 |
| AVERAGE Price/SF | \$274.52 | 17% | \$235.42 |
| AVERAGE Year Built | 1965 | NO CHANGE | 1965 |



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



3710-3720 Calrsbad Blvd

Carlsbad, 10 Units | \$11,200,000
\$1,120,000/unit | \$593.06/SF | Built 2006

5971 Mildred St

San Diego, 6 Units | \$4,500,000
\$750,000/unit | \$323.18/SF | Built 2010

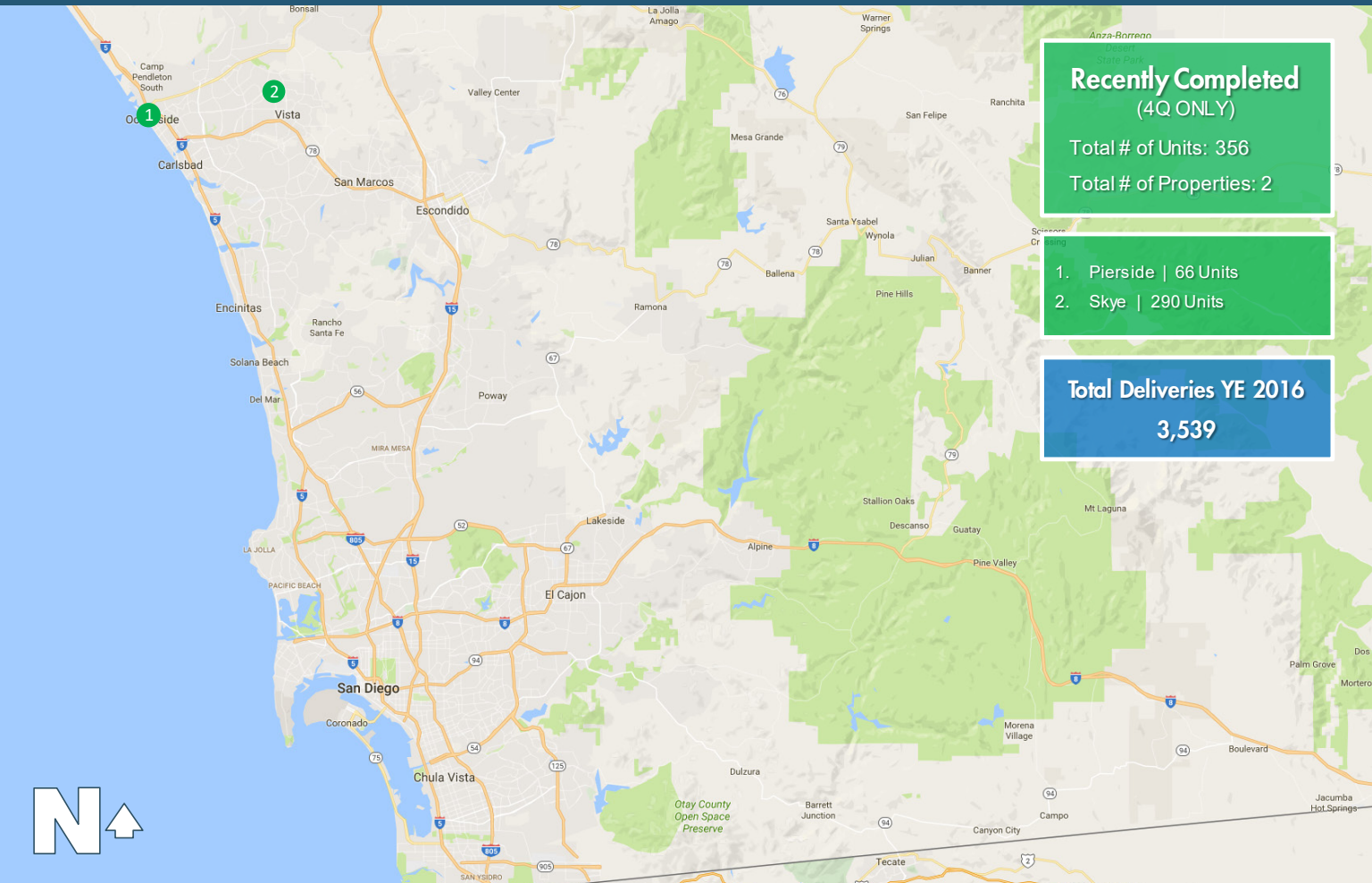
SL20

San Diego, 20 Units | \$14,225,000
\$711,250/unit | \$420.82/SF | Built 2015

YE 2016 Transactions by Year Built

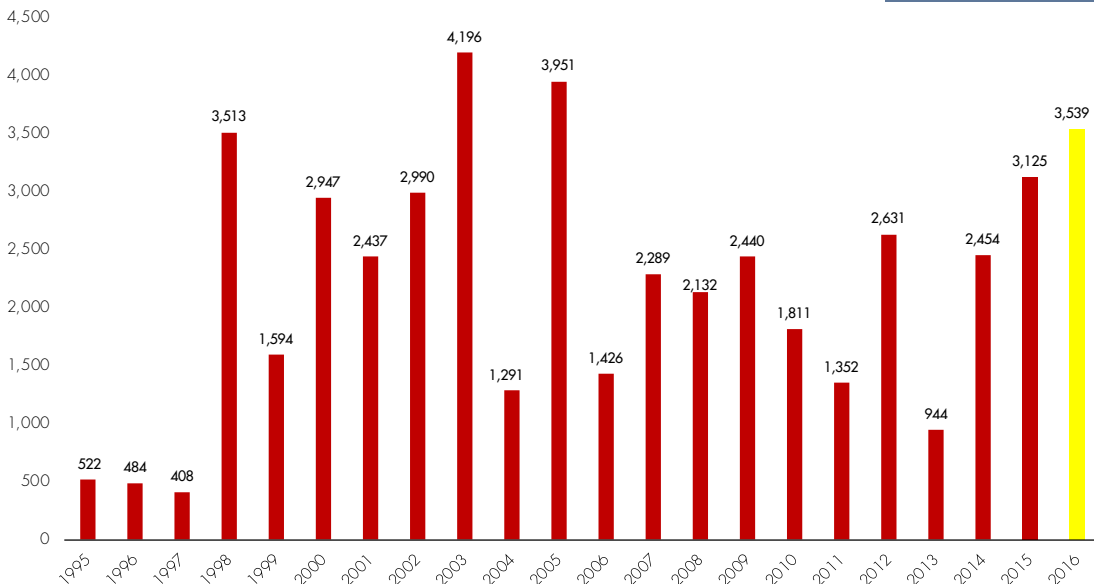
| | # of Transactions | Avg Price/Unit | Avg Price/SF |
|-----------------|-------------------|----------------|--------------|
| 2010+ | 6 | \$569K | \$424 |
| 2000-09 | 9 | \$425K | \$325 |
| 1990-99 | 8 | \$202K | \$246 |
| 1980-89 | 75 | \$190K | \$250 |
| Pre-1980 | 281 | \$196K | \$311 |

COMPLETED CONSTRUCTION



SAN DIEGO MULTIFAMILY CONSTRUCTION PIPELINE YE 2016

TOTAL UNIT INVENTORY
 5+ UNIT PROPERTIES: **352,510**
 50+ UNIT PROPERTIES: **175,376**

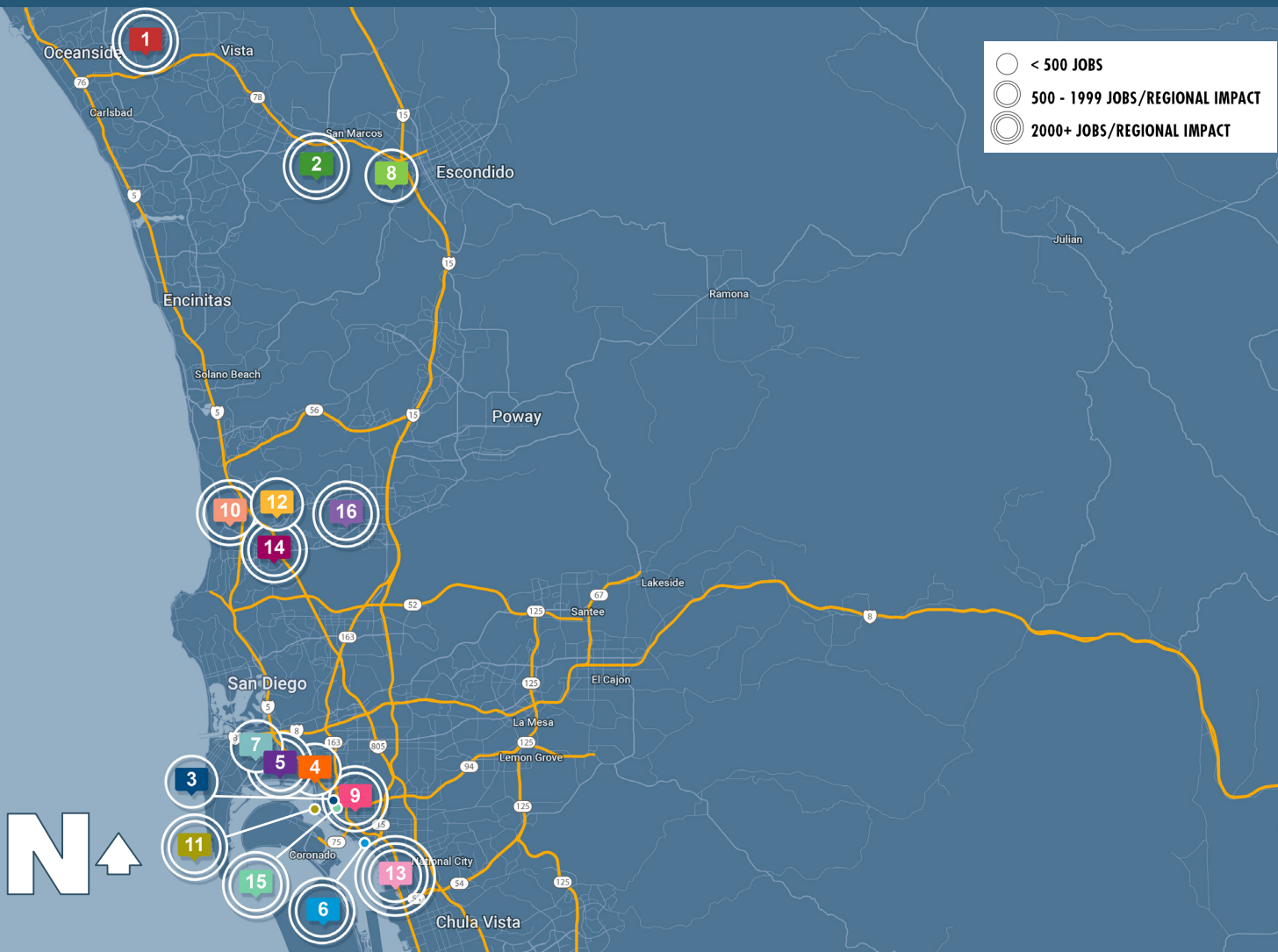


Under Construction
 Total # of Units: 10,327
 Total # of Properties: 36

Planned
 Total # of Units: 7,055
 Total # of Properties: 40

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

YE 2016 SELECT NEWS



1 Cornerstone Communities | Construction Begins on \$57M Oceanside Townhome Development

2 Brookfield Residential | Work begins on \$100M Residential Community in San Marcos

3 WeWork | Coworking Leader WeWork to Occupy Six Floors of Downtown Building

4 DeskHub | Expands its Little Italy Coworking Space by 8,000sf

5 San Diego County | Construction Begins on \$127.8M Airport Parking Plaza

6 NASSCO | Receives a \$511M Ship Building Contract for Two Vessel

7 McMillin LLC | Barracks to be Converted into \$20M Hotel at Liberty Station

8 Badiie Development, Inc. | Developer Plans \$13.5M Industrial Park in Escondido after Land Purchase

9 Cisterra | Ritz Carlton, Whole Foods OK'd for East Village, \$400M highrise to include Apartments, Condos, Offices

10 LabCorp | Sequenom Acquired by LabCorp for \$371 Million

11 Protea | Waterfront Development Selected to Redevelop Seaport Village

12 Nervana Systems | Deep Learning Start-Up Nervana Systems Acquired by Intel Corp.

13 SANDAG | \$1B Fed Grant to Fund Mid-Coast Trolley Ext. New Stations in Mission-Pacific Beaches, VA Medical Ctr., UCSD & Genesee Ave

14 Alexandria | Property Owner Alexandria Completing \$353M in Building Projects at University Town Center

15 UCSD | Opening a Permanent Downtown Outpost

16 Google | Plans to Open Office in Sorrento Mesa

By: Thomas M. Brophy, Director of Research

The San Diego MSA multifamily market, unlike other areas of California and the West more prone to the speculative fits of the boom and bust cycle, has been a consistent performer in both good and bad economic conditions. Whereas many Western markets suffered from decreased rents and occupancy during and after the 2008/9 Great Recession, the San Diego MSA, on the whole, maintained rents with relatively mild occupancy contractions. Although 2016 was less active, in terms of overall sales volume when compared to 2015, the region continued to perform well and saw continued, albeit muted, increases in both jobs and population.

San Diego Market Metrics: By the Numbers

The MSA's total sales volume (5+ unit properties) decreased (12.5%), year-over-year, to \$2.8Bn across 427 total transactions with 11,782 total units sold. 5 to 49 unit properties witnessed a 6% year-over-year increase in sales volume rising to \$899M. Additionally, 5 to 49 unit properties saw the highest increase in y-o-y sales price per unit amounts rising 22% to \$210,358. 50+ unit properties, on the other hand, saw a significant decrease in sales volume declining (19%) y-o-y to \$1.9Bn, additionally average sales price per unit amounts contracted (6%) to \$255,317.

The East County submarket saw the most dramatic increase in total sales volume rising 67% to \$571M and was 2nd in the region for average sales price per unit rising 37% to \$214,477/unit. Metro San Diego submarket which accounted for just under half of the MSA's transactional volume, increased 29% to \$1.37Bn in total sales. Additionally, Metro San Diego narrowly bested North County Coastal with the highest averages sales price per unit rising 41% to \$274,070/unit.

In regards to new construction, San Diego MSA had 3,539 new units delivered in 2016, which is well above both the region's 20 year average and is the most deliveries since 2005. Despite elevated construction delivery schedules, both average rent and occupancy increased for the MSA, by 6.3% to \$1,741 and 1.5% to 96.9% respectively. The Metro San Diego submarket once again retained the #1 spot for highest average rent paid rising 4% to \$1,965. North County Inland saw the highest percentage increase in rent, rising 7.8% to \$1,579, while East County leapt ahead of North County Inland to retain the top spot for occupancy currently at 97.4%.

Market Comparisons

The San Diego MSA when compared to other Western MSA's, as evidenced in the chart, is an average of 8% above peak 2007 sales price per unit amounts which retreated (18%) from 2015's high \$260,304/unit. San Diego has, over the years, performed better in terms of both occupancy and rents than the other compared markets. As such, it is not surprising that San Diego was the first to experience investor resurgence following the Great Recession.

The Road Ahead

As stated in our 2017 Market Forecast, it is unlikely the Fed will continue its announced interest rate increases in 2017, having stated so the previous



| SAN DIEGO MSA YE 2016 QUICK STATS | | EAST COUNTY YE 2016 QUICK STATS | |
|--------------------------------------|--------------------------------|-------------------------------------|--------------------------------|
| 5+ SALES | RENT / OCCUPANCY | 5+ SALES | RENT / OCCUPANCY |
| \$2.8B TOTAL SALES VOLUME | \$1,741 AVERAGE RENT | \$571M TOTAL SALES VOLUME | \$1,466 AVERAGE RENT |
| \$239K AVERAGE PPU | 96.9% OCCUPANCY RATE | \$214K AVERAGE PPU | 97.4% OCCUPANCY RATE |

| NORTH COUNTY COASTAL YE 2016 QUICK STATS | | NORTH COUNTY INLAND YE 2016 QUICK STATS | |
|---|--------------------------------|--|--------------------------------|
| 5+ SALES | RENT / OCCUPANCY | 5+ SALES | RENT / OCCUPANCY |
| \$205M TOTAL SALES VOLUME | \$1,751 AVERAGE RENT | \$333M TOTAL SALES VOLUME | \$1,579 AVERAGE RENT |
| \$274K AVERAGE PPU | 96.9% OCCUPANCY RATE | \$180K AVERAGE PPU | 97.2% OCCUPANCY RATE |

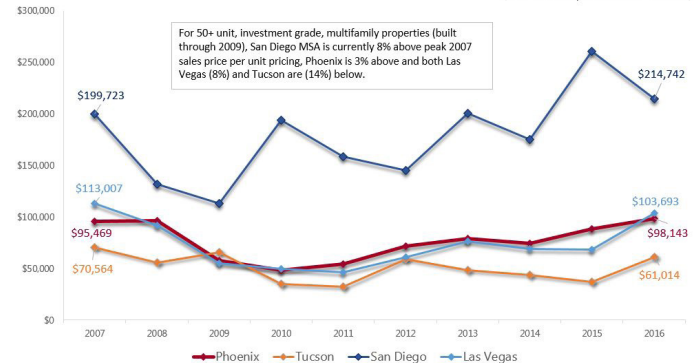
| METRO SAN DIEGO YE 2016 QUICK STATS | | SOUTH BAY YE 2016 QUICK STATS | |
|--|--------------------------------|-------------------------------------|--------------------------------|
| 5+ SALES | RENT / OCCUPANCY | 5+ SALES | RENT / OCCUPANCY |
| \$1.4B TOTAL SALES VOLUME | \$1,965 AVERAGE RENT | \$339M TOTAL SALES VOLUME | \$1,511 AVERAGE RENT |
| \$274K AVERAGE PPU | 96.3% OCCUPANCY RATE | \$221K AVERAGE PPU | 97.3% OCCUPANCY RATE |

two years with nary a hike made. Despite this assessment, 2017 should prove to be a highly volatile year especially in international markets, i.e. Europe and Asia. The EU, already in a precarious state over Brexit and the Italian Referendum, will see continued instability and uncertainty especially with both German and French elections just on the horizon. Asia, and specifically China, has and will continue to see reduced growth with various asset bubbles in danger of bursting. The net result will be continued capital flight from both regions to more stable areas in the West.

San Diego is poised for continued economic gains, comparative to the region, as both people and businesses have headed south down the coast. As of December 2016, San Diego had the 2nd lowest unemployment rate in California at 4.2% trailing only San Francisco at 2.8%. Given the recent change in US political affairs, San Diego stands to benefit if the proposed increases to defense spending actually materialize. 2017 should see continued strength, however with projected completions expected to double by the end of year (approximately 7,000 units) both occupancy and average rents could see minor contractions as these new units come online.

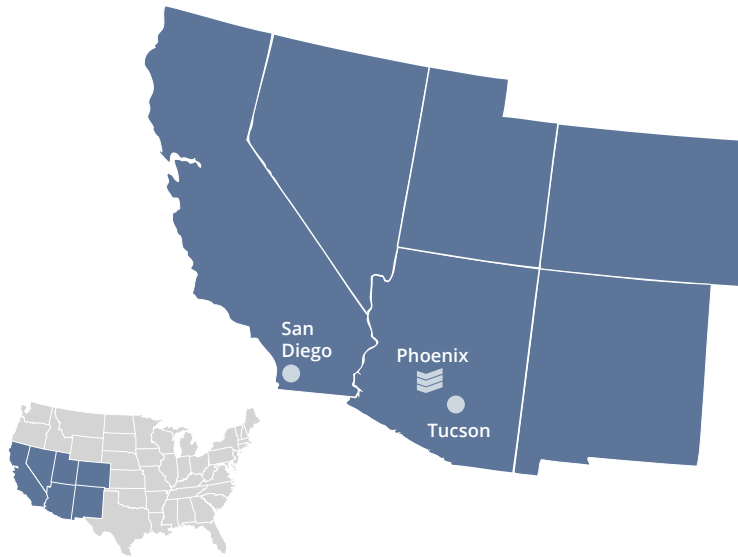


Phoenix v Las Vegas v San Diego v Tucson MSA
Multifamily Market Analysis - Avg Sales Price/Unit
(50+ Unit Properties, 2007 to 2016)



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SAN DIEGO ADVISORS

PATRICK J. DOYLE, CCIM

PARTNER

858.256.7690

patrick.doyle@abimultifamily.com

CA BRE Broker #01162107

ERIC TURNER

VICE PRESIDENT

858.256.7691

eric.turner@abimultifamily.com

CA BRE Broker #01387179

PHOENIX HEADQUARTERS

4715 N. 32nd Street, Suite 105
Phoenix, AZ 85018

602.714.1400

SAN DIEGO OFFICE

1012 2nd Street, Suite 100
Encinitas, CA 92024

858.256.7690

CA Lic #02015648

TUCSON OFFICE

1650 North Kolb Road, Suite 230
Tucson, AZ 85715

520.265.1945

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