

SAN DIEGO CA

INSTITUTIONAL MULTIFAMILY REPORT

BERKADIA[®]

INSTITUTIONAL SOLUTIONS

powered by MORAN

a Berkshire Hathaway and Jefferies Financial Group company



SAN DIEGO, CA EMPLOYMENT

JOBS ADDED / LOST

LAST 12 MONTHS

143,900

↑ 11.4%

NEXT 12 MONTHS*

67,600

↑ 4.8%

UNEMPLOYMENT

MID-YEAR 2021

6.6%

↓ 970 BPS YOY

MID-YEAR 2022*

3.8%

↓ 280 BPS YOY

*PROJECTED

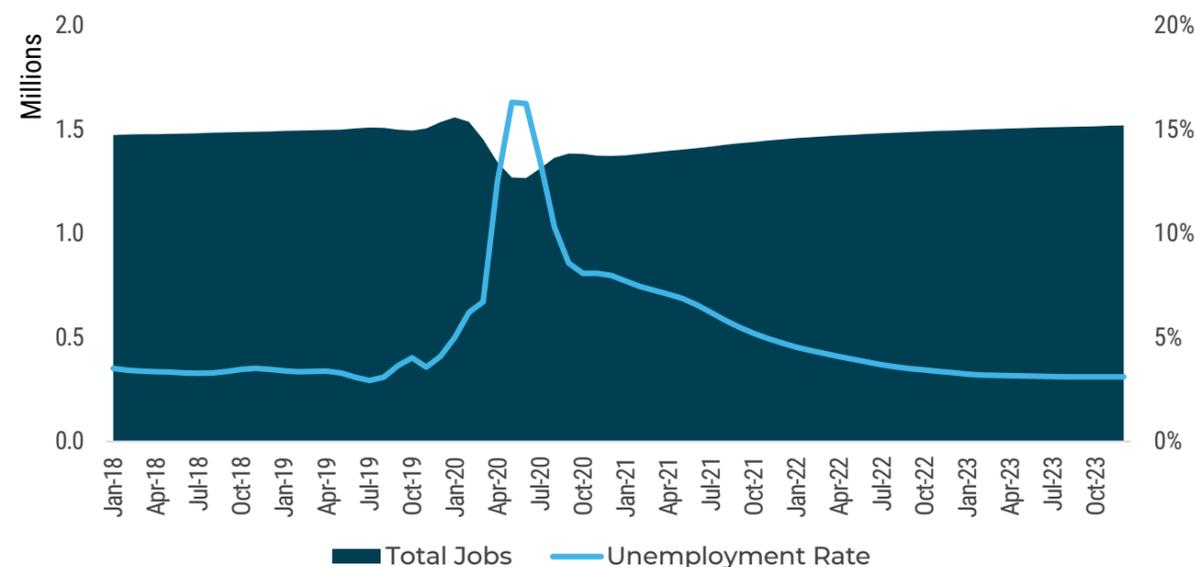
With an active labor force of 1.4 million workers, Greater San Diego is a major employment center in Southern California. Dozens of new developments are underway, and employers created or restored 143,900 net jobs to the market in the last year.

A higher percentage of telework-capable occupations, coupled with San Diego's main economic engines of military and defense-related activities, helped the metro to better withstand pandemic headwinds. Although the pandemic struck San Diego's tourism industry hard, California is now fully reopened for the first time in 15 months. Leisure and conference travel is quickly picking up, and tourism-dependent companies rehired or newly hired 50,400 service

workers. The boost in tourism spending will spur activity at the Port of San Diego. The port is a significant portion of the metro economy—800 companies, \$10 billion of economic activity, and 70,000 jobs pre-pandemic.

Buttressing future white-collar employment, downtown office building is booming with developers banking on new-to-market technology and biotech companies. So far, hiring has been robust among typical office jobs. Professional and business service employers added 16,200 net personnel to the local workforce in the last 12 months, while the financial activities sector grew by 2,700 additional employees at the same time.

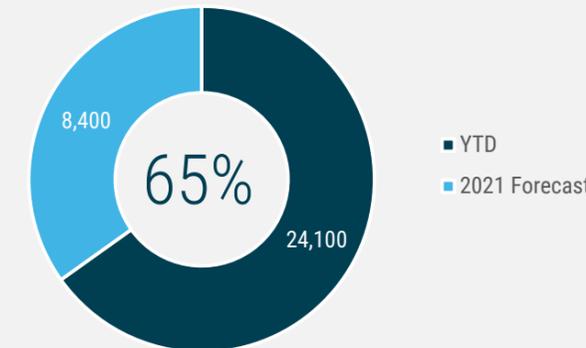
EMPLOYMENT TRENDS



SOURCE: MOODY'S ANALYTICS

WHO'S HIRING?

LEISURE & HOSPITALITY INDUSTRY



11%
OF ALL JOBS IN THE METRO

\$31,000
AVERAGE ANNUAL SALARY

TOP LEISURE & HOSPITALITY EMPLOYERS

	4,300 JOBS
	3,000 JOBS
	2,500 JOBS

IN THE NEWS

- Apple plans to expand San Diego workforce by 5K
- Home Depot hiring 630 in San Diego
- \$100M Otay Mesa industrial park breaks ground
- Amazon facility in Otay Mesa has summer 2021 completion
- TigerGraph opening innovation hub in San Diego



SAN DIEGO, CA

DELIVERIES & ABSORPTION

2021 UNITS*

DELIVERED

4,827

ABSORBED

6,646

2022 UNITS*

DELIVERED

4,571

ABSORBED

1,449

*PROJECTED

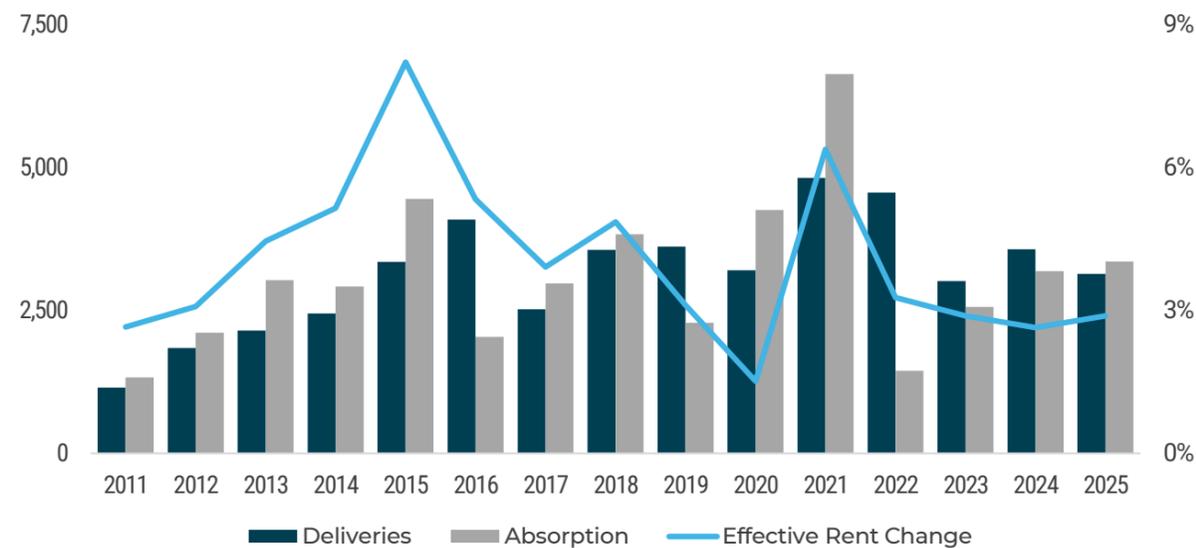
Apartment construction is set to reach an apex this year across the San Diego metropolitan area. So far this year, builders completed 1,875 units, part of 4,800 units scheduled to come online in 2021, up 50% from deliveries last year. Contributing to the peak this year were last year's supply chain disruptions and labor force shortages caused by the pandemic.

The sharpest rise in construction activity is in the Downtown San Diego/Coronado submarket, where more than 1,500 units across five communities are under lease-up. These developments take advantage of the submarket's central location and a walkable lifestyle.

The additions in the Downtown San Diego/Coronado submarket will tap into unmet demand as the area's annual net absorption is forecast to lead the metro. Following the submarket trend, overall apartment demand has eclipsed peak construction and is projected to continue through year-end. Competition within the single-family housing market, where prices blew past almost all national markets, forced many households to rent.

Apartment deliveries are expected to taper next year as nearly 4,600 units are scheduled to come online in 2022.

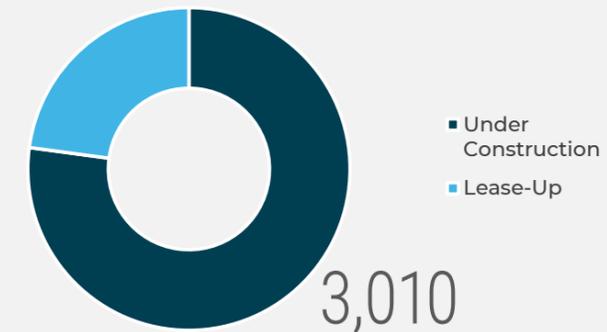
DELIVERIES, ABSORPTION, & EFFECTIVE RENT CHANGE



SOURCE: REALPAGE

MARKET PIPELINE

10,148



TOP 10 SUBMARKET PIPELINES



For a complete list of properties in the pipeline, [CLICK HERE](#)



SAN DIEGO, CA

RENT & OCCUPANCY

EFFECTIVE RENT

2Q 2021

\$2,101

↑ 6.4% YOY

OCCUPANCY

2Q 2021

97.4%

↑ 150 BPS YOY

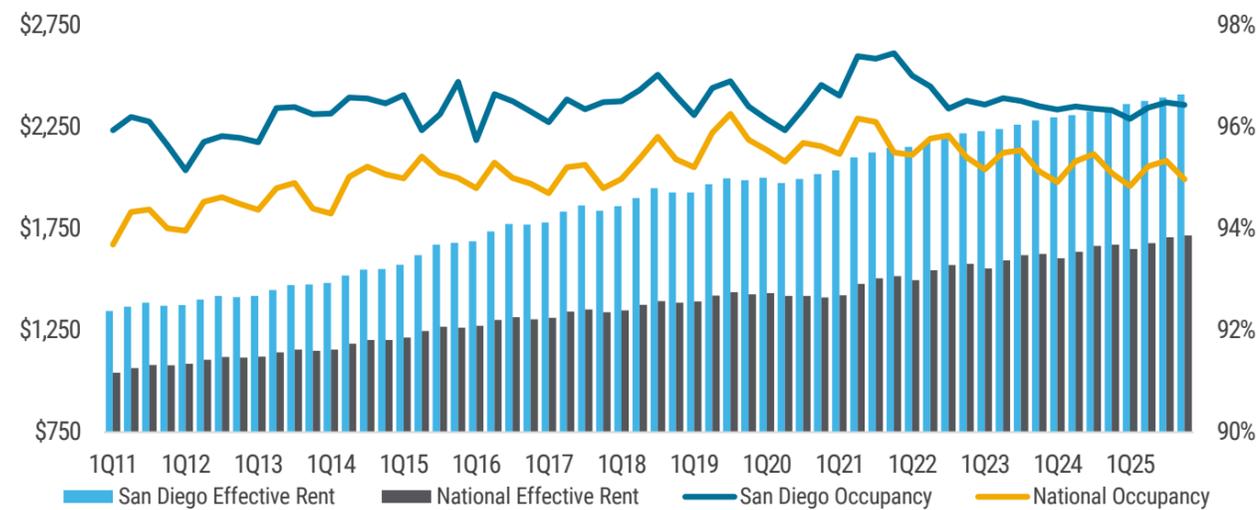
As the health crisis receded and San Diego's economy recovered more than half of the jobs lost at the beginning of the pandemic, the metro's booming rental market kept occupancy elevated. Operators recorded a 150-basis-point, year-over-year rise in the occupancy rate, ending the second quarter of 2021 at 97.4%. Occupancy simultaneously exceeded the five-year average of 96.5%.

Heightened stats continued to be observed among San Diego's rent trends. The average San Diego rent was up 6.4% year over year to end the first half of 2021 at \$2,101 per month, outperforming the 4.3% nationwide growth rate. Monthly rent in noncore San Diego submarkets with large workforce components fared best in

the 12 months ending June 2021: Oceanside at 11.5%, Carlsbad/Encinitas/Del Mar at 8.8%, and Northeast at 9.0% recorded the strongest gains. After contracting 0.8% in 2020, rent growth shifted positive across the Downtown San Diego/Coronado submarket, up 3.1% annually to end at \$2,496 per month.

Healthy apartment demand is forecast to persist over the next four quarters, though net absorption is forecast to trail inventory growth. As a result, apartment operators are expected to taper effective rent growth as the metrowide occupancy rate shifts closer to the preceding five-year average.

SAN DIEGO VS. NATIONAL EFFECTIVE RENT & OCCUPANCY



SOURCE: REALPAGE

SUBMARKET PERFORMANCE

SUBMARKET NAME	2Q21 OCCUPANCY	YOY (BPS)	2Q21 EFFECTIVE RENT	YOY
Carlsbad/Encinitas/Del Mar	98.0%	320	\$2,670	8.8%
Chula Vista/Imperial Beach	98.2%	150	\$2,024	7.2%
Downtown San Diego/Coronado	92.8%	-60	\$2,496	3.1%
El Cajon/Santee/Lakeside	98.6%	90	\$1,713	6.1%
Escondido	98.5%	200	\$1,794	6.7%
Far North San Diego	97.9%	170	\$2,295	6.9%
La Jolla/University City	95.8%	240	\$2,431	6.7%
La Mesa/Spring Valley	98.2%	110	\$1,878	7.1%
Mid-City/National City	97.9%	80	\$1,768	3.9%
Northeast San Diego	97.3%	240	\$2,422	9.0%
Northwest San Diego	97.1%	120	\$2,113	3.2%
Oceanside	98.5%	200	\$2,026	11.5%
Vista/San Marcos	98.5%	300	\$2,044	8.4%



SAN DIEGO, CA

POPULATION & MIGRATION

2021 RESIDENTS*

3,377,000

↑ 0.5% YOY

2022 RESIDENTS*

3,390,000

↑ 0.4% YOY

*PROJECTED

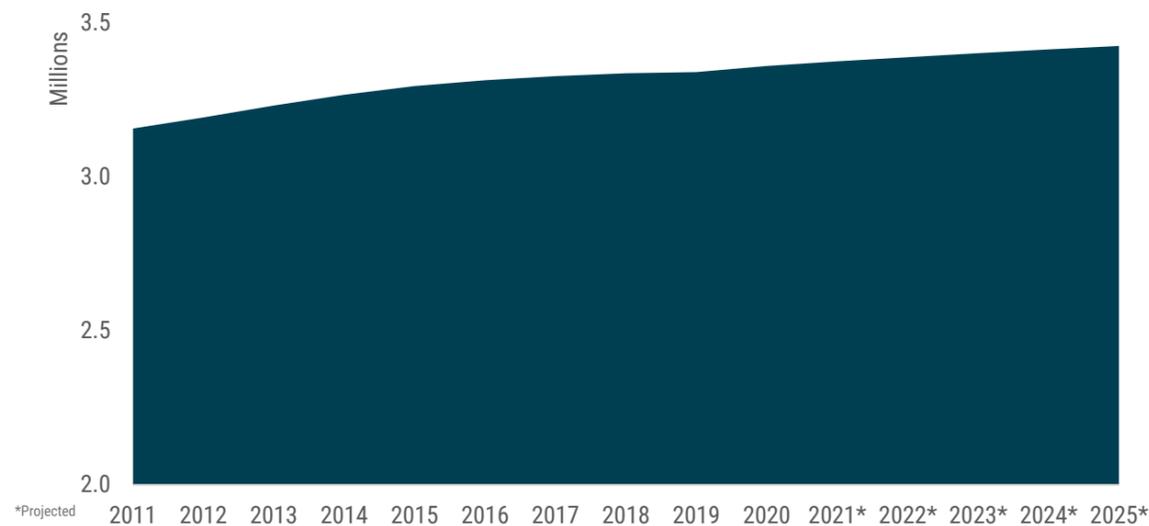
The city of San Diego has a population over 1.4 million; San Diego ranks as the second-most-populous city in California and eighth largest city by population in the United States. Greater San Diego's metrowide population of 3,361,600 residents at year-end 2020 accounts for 8.5% of the state population. Population gains are projected to continue, albeit slow but consistent, ranging from 0.3% to 0.5%, adding around 11,600 to 15,400 people each year to the overall population.

The main drivers of recent renter migration to San Diego were better housing costs than other major California markets and good employment prospects. Last year, San Diego took the sixth spot of top inbound renters. According to Yardi Matrix, only 30% of renters came from suburban areas, and 62% were in-state movers. Nearby, smaller cities, such as Chula Vista, La Mesa, and Oceanside accommodate regular move-ins, but Angelenos also flock to San Diego proper. The move from

L.A. to San Diego comes with a significant 25% financial improvement in median household earnings.

This in-migration trend of renters is forecast to continue again this year. As a result, annual net absorption of apartments is forecast to reach a historic high totaling more than 6,600 units across Greater San Diego in 2021. Driving apartment leasing activity will be the return of renters to the urban core. Annual net absorption is anticipated to be highest in the Downtown San Diego/Coronado submarket, where nearly 1,500 units are scheduled to come online. Serving as the cultural and financial center of the metro, Downtown San Diego is home to approximately 4,000 businesses.

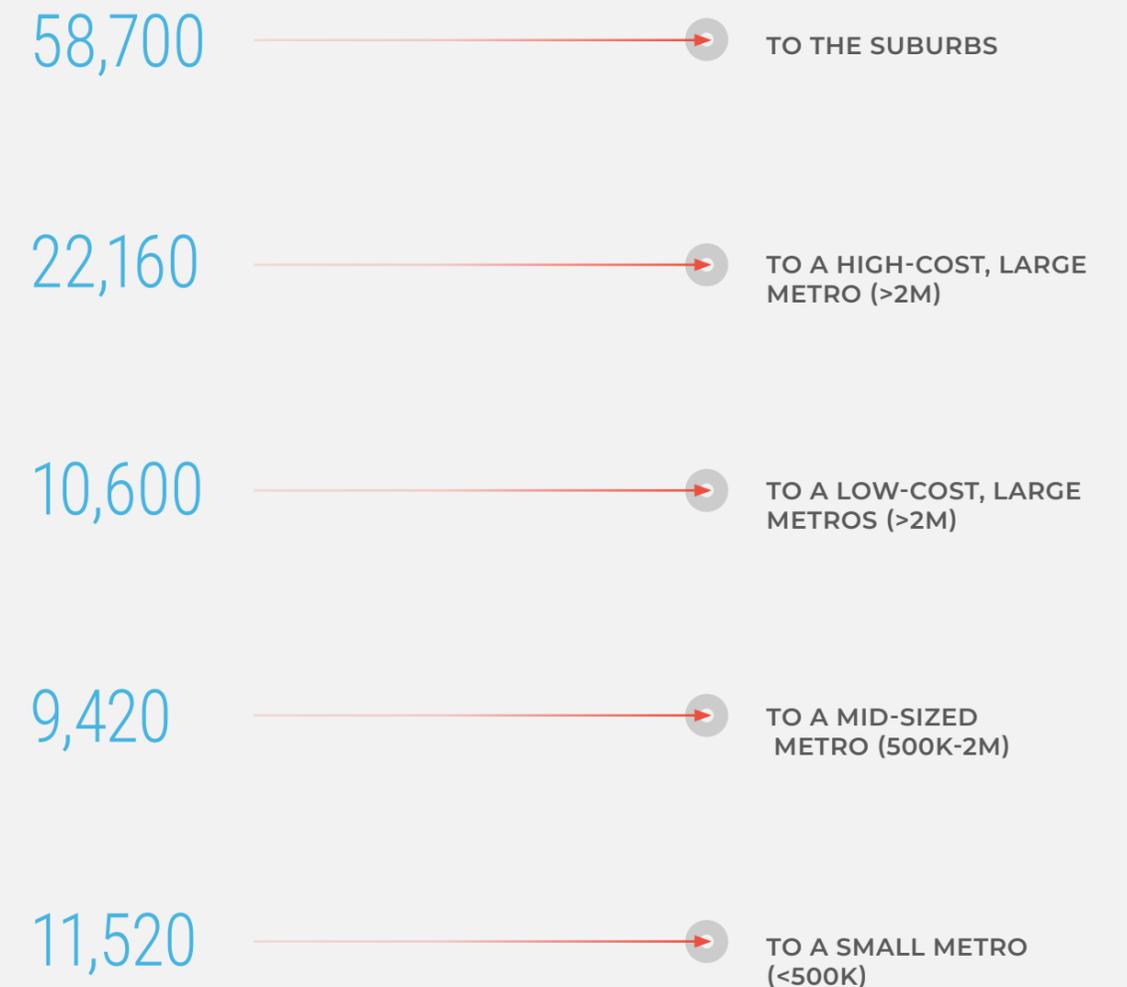
SAN DIEGO POPULATION



SOURCE: MOODY'S ANALYTICS

URBAN MIGRATION DURING THE PANDEMIC

2Q 2020 - 1Q 2021



SOURCE: FEDERAL RESERVE BANK OF CLEVELAND



SAN DIEGO, CA SALES

2021 YEAR TO DATE*



VOLUME

\$345.7M



PRICE PER AVERAGE (AVG)

\$415,264



TRANSACTIONS

3



CAP RATE (AVG)

3.6%

WHAT'S TRADING?*



UNITS (AVG)

282



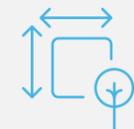
YEAR BUILT (AVG)

1980's



BUILDINGS (AVG)

9



ACRES (AVG)

8.87

*\$50M+
SOURCE: REAL CAPITAL ANALYTICS

TOP BUYERS**

BUYER	LOCATION
Brookfield AM	Toronto, CAN
R&V Management Corp	San Diego, CA
Abacus Capital Group	New York, NY
Griffis Residential	Greenwood Village, CO
Cain International	London, GBR

TOP SELLERS**

SELLER	LOCATION
Equity Residential	Chicago, IL
Alliance Residential	Phoenix, AZ
PGIM Real Estate	Newark, NJ
AEW	Boston, MA
The Hanover Co	Houston, TX

**Past 24 Months

BERKADIA®

INSTITUTIONAL SOLUTIONS

powered by MORAN

Sources: RealPage; Moody's Analytics; Real Capital Analytics; Federal Reserve Bank of Cleveland

© 2021 Berkadia Real Estate Advisors LLC

Berkadia® is a trademark of Berkadia Proprietary Holding LLC

Commercial mortgage loan origination and servicing businesses are conducted exclusively by Berkadia Commercial Mortgage LLC and Berkadia Commercial Mortgage Inc. This website is not intended to solicit commercial mortgage loan brokerage business in Nevada. Investment sales and real estate brokerage businesses are conducted exclusively by Berkadia Real Estate Advisors LLC and Berkadia Real Estate Advisors Inc. For state licensing details for the above entities, visit: www.berkadia.com/legal/licensing.aspx

The information contained in this flyer has been obtained from sources we believe to be reliable; however, we have not conducted any investigation regarding these matters and make no warranty or representation whatsoever regarding the accuracy or completeness of the information provided. While we do not doubt its accuracy, we have not verified it and neither we, nor the Owner, make any guarantee, warranty or representation of any kind or nature about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example and do not necessarily represent past, current or future performance of the property. You and your advisors should conduct a careful and independent investigation of the property to determine to your satisfaction the suitability of the property and the quality of its tenancy for your records.