

2022 MID-YEAR

SAN DIEGO CA

Multifamily Report

BERKADIA[®]
INSTITUTIONAL SOLUTIONS

a Berkshire Hathaway and Jefferies Financial Group company





SAN DIEGO, CA EMPLOYMENT

Jobs Added / Lost

LAST 12 MONTHS

76,800

↑ 5.3%

NEXT 12 MONTHS*

24,900

↑ 1.6%

Unemployment

MID-YEAR 2022

3.6%

↓ 320 BPS YOY

MID-YEAR 2023*

3.1%

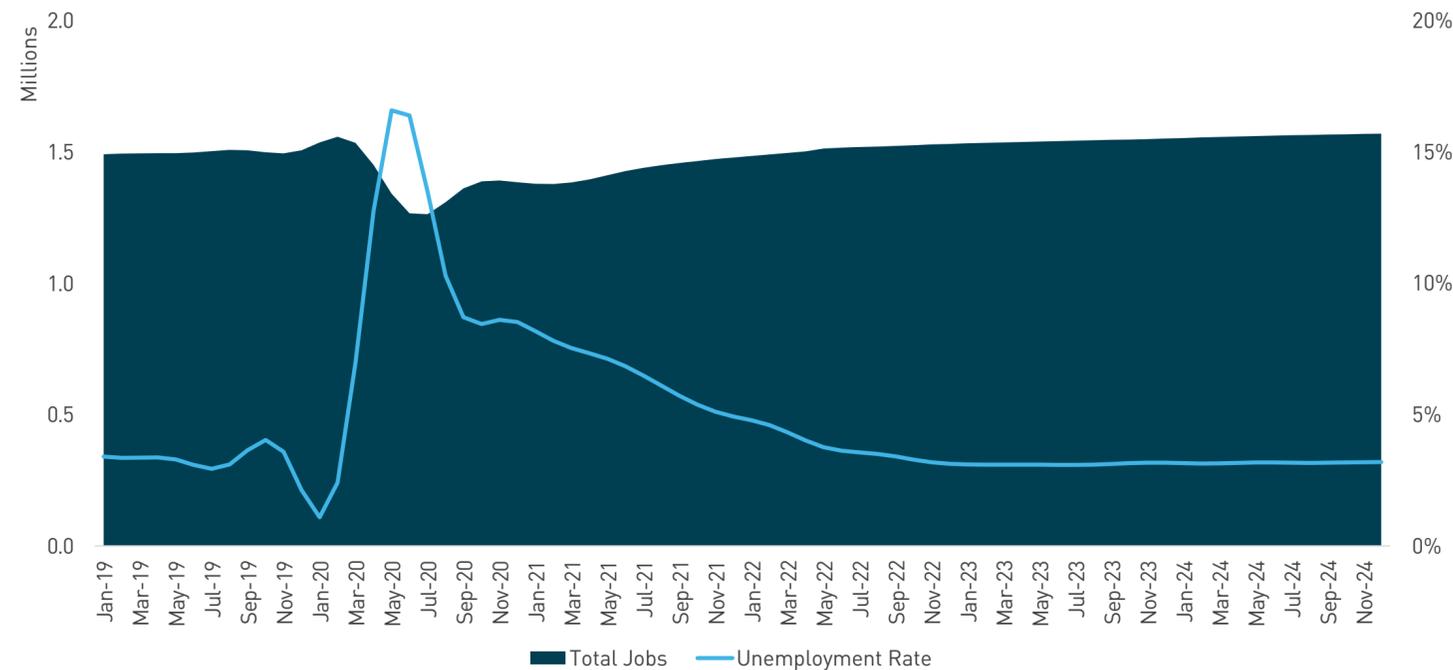
↓ 50 BPS YOY

*Projected

San Diego's diverse economic landscape helped it bounce back faster from the pandemic than many coastal cities. The region added 76,800 net new jobs, a 5.3% expansion since June 2021. Local payrolls contained 1.5 million employees, just 18,300 positions shy of where it was before the pandemic-induced contraction. Anchoring the recovery were key industries such as high-tech businesses, biotech, defense, tourism, and education. The metro area was a magnet for venture capital and other business investments. San Diego-based start-ups raised over \$9 billion last year, and high-profile technology companies, including Apple Inc., Alphabet Inc., and Amazon.com Inc., announced expansions. As part

of its Southern California growth plan, Amazon leased space at University Town Center and began hiring for 700 San Diegans. Meanwhile, Apple has been underway to vastly increase its engineering hub, adding nearly 4,000 jobs through 2026 and making it one of the city's biggest tech tenants. The leisure and hospitality sector roared back as pandemic restrictions lifted. San Diego-based tourism companies added 30,000 jobs, marking an 18.1% expansion, above the 11.5% U.S. figure. San Diego tourism improved to 23.8 million visitors in 2021 from 14.3 million the year before. The largest share of total nonfarm employment are firms in the professional and business services industry which added 19,600 jobs.

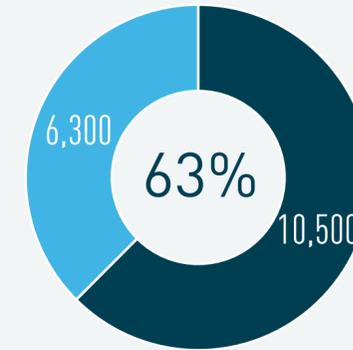
Employment Trends



SOURCE: Moody's Analytics

Who's Hiring?

LEISURE & HOSPITALITY INDUSTRY



13%
OF ALL JOBS IN THE METRO

\$34,810
AVERAGE ANNUAL SALARY

Top Leisure & Hospitality Employers



In The News

- Amazon's major SoCal expansion, including 700 jobs in San Diego
- 500 new Apple employees to be in San Diego by 2026
- Gaylord Pacific Resort will support 4,000 permanent jobs



SAN DIEGO, CA

DELIVERIES & ABSORPTION

2022 Units*

DELIVERIES

3,612

ABSORPTION

2,610

2023 Units*

DELIVERIES

5,625

ABSORPTION

-553

*Projected

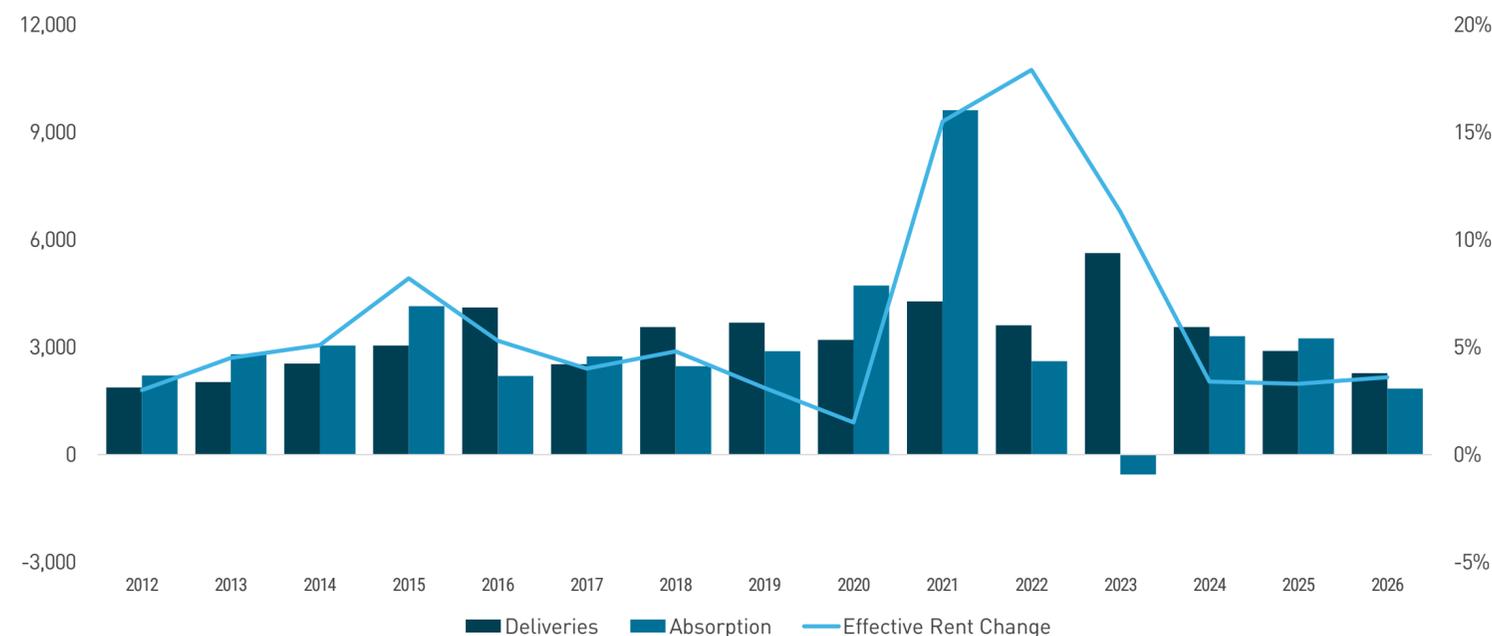
Multifamily developers continued its blistering pace of deliveries in Greater San Diego that is set to reach an apex next year. Builders ramped up completions in response to peak demand in 2021 that was more than double new supply. Inventory expanded by 1,773 units year to date, and an additional 1,839 units are slated to complete in the second half of 2022. Five projects completed in the first half of 2022; the largest was the 560-unit, 22-story LUX UTC situated in a San Diego hotspot just east of La Jolla.

Another 5,625 deliveries are forecast for 2023. If all units complete as planned, metro inventory is set to expand 2.3% by year-end 2023. With another 27,700 rentals in the planning phase, a notable increase in future development

is expected as lawmakers in Sacramento are trying to ease development impediments across the state.

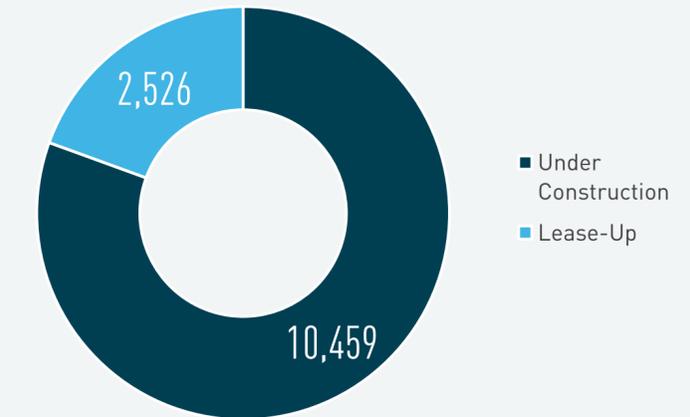
Leasing activity nearly kept pace with new supply year to date. Buttressing a portion of demand has been competition within the single-family housing market, where prices blew past almost all national markets, forcing many households to rent. The housing market favors renting over homeownership with renters saving an average of \$2,688 per month.

Deliveries, Absorption, & Effective Rent Change

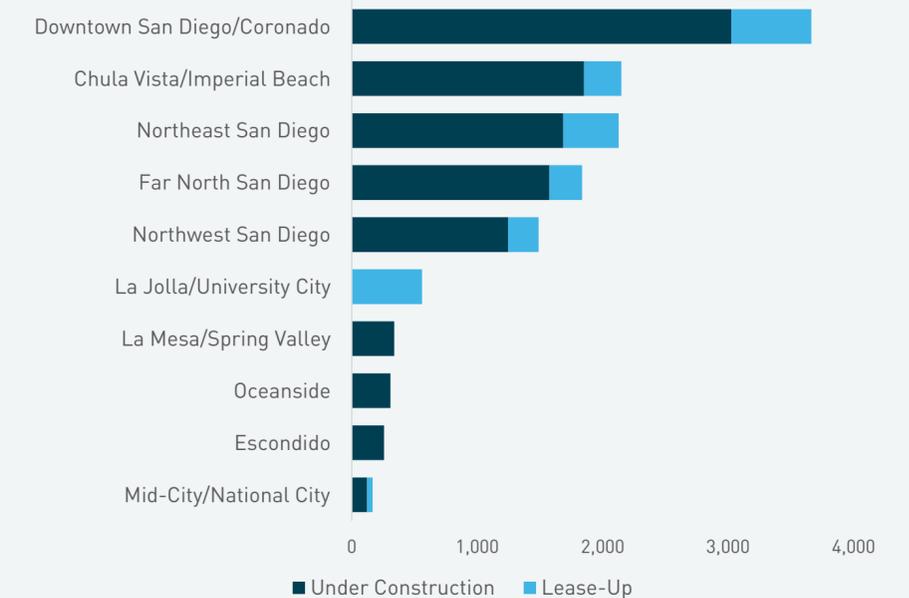


Source: RealPage

Market Pipeline



Top 10 Submarket Pipelines

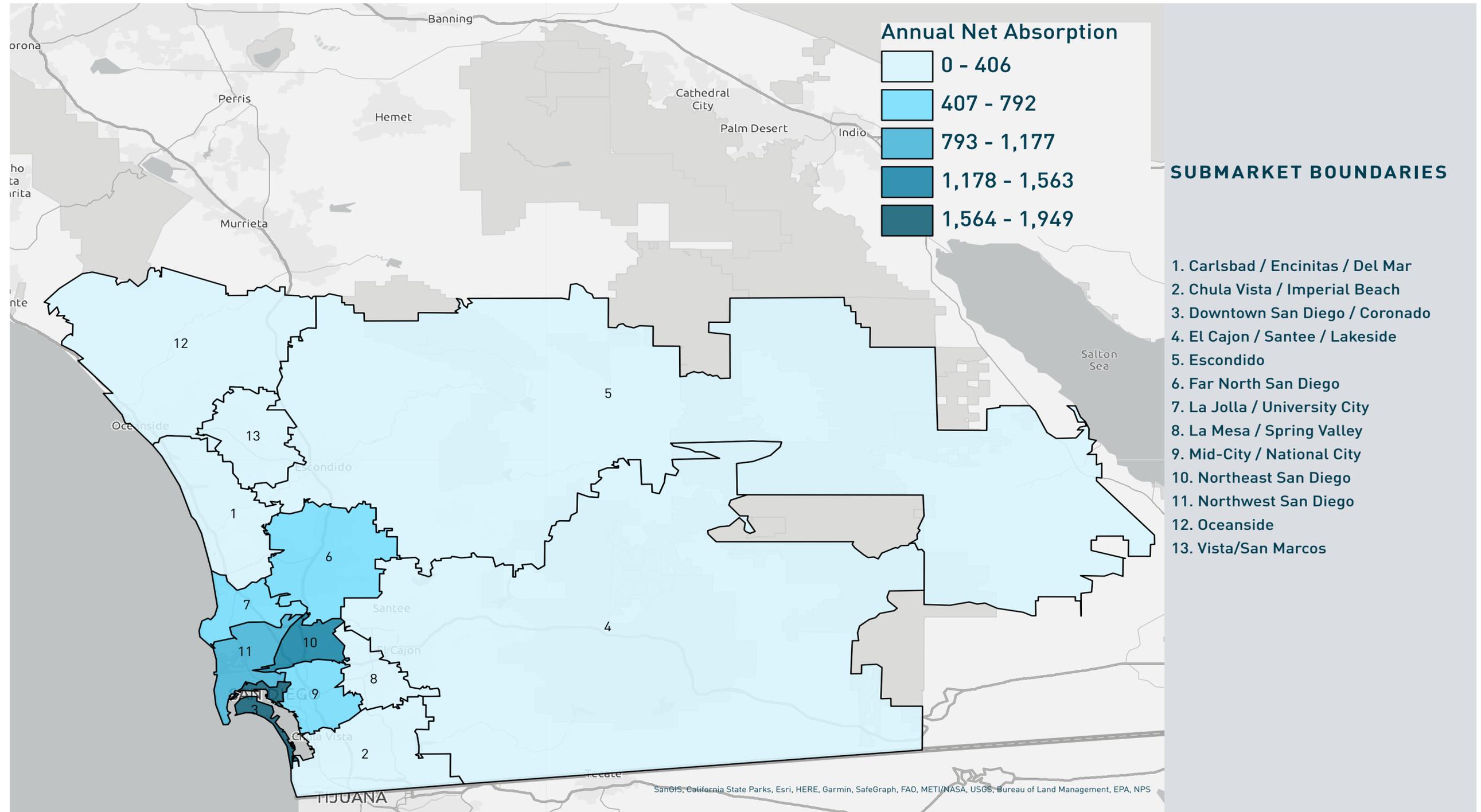




SAN DIEGO, CA

SUBMARKET ANNUAL ABSORPTION

Downtown is filled with neighborhood amenities, tourist attractions, and social venues, and it is the focal point of apartment construction in the San Diego metropolitan area. Downtown is luring renters desirous of a live-work-play environment. Since 2016, approximately 6,200 net units have been leased in the submarket, including net absorption of 212 apartments so far this year. The area is one of the major employment nodes in the county, home to major entities, including Sempra Energy, the city of San Diego, Hilton San Diego Bayfront, the U.S. Navy, and several federal and state agencies. Rental demand has held up well compared to the submarket's 170 new rentals and continued multifamily demand in the submarket is expected. The 1 million-square-foot Campus at Horton, a high-tech office park in the Gaslamp district, is on schedule to be finished in the third or fourth quarter of 2022, adding 4,000 high-paying jobs.





SAN DIEGO, CA

RENT & OCCUPANCY

Effective Rent

2Q 2022

\$2,530

↑ 19.2% YOY

Occupancy

2Q 2022

98.3%

↑ 90 BPS YOY

Leading up to the summer leasing season, San Diego multifamily fundamentals continued to strengthen, following a relatively swift recovery. Although there has been a steady addition of new units, deliveries lagged compared to Greater San Diego's strong demographic trends, and strained existing supply throughout the metro. Additionally, the high cost of homeownership priced many would-be homeowners into renting, as median home sale price reached \$950,000 in June of 2022, up 9.8% year over year.

These dynamics have kept apartment demand elevated and emboldened landlords to maintain upward pressure on rent. The average effective rent in Greater San

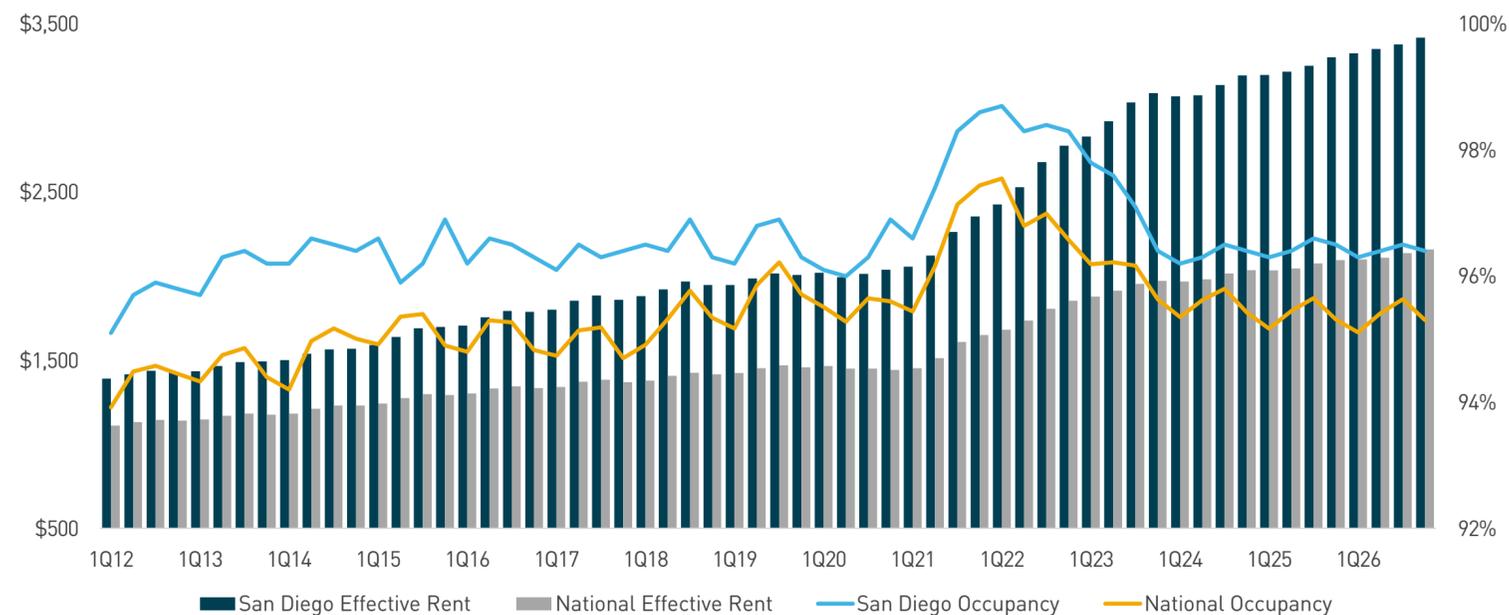
Diego increased 19.2% annually to \$2,530 per month, outperforming nearby Los Angeles, Inland Empire, and Orange County. The average size for a San Diego apartment is 875 square feet; and although the cost of rent varies depending on location, size, and quality, studio apartments saw the biggest jump, going up 21% from last year to \$2,378 per month, and a one-bedroom was up 18% to \$2,707 per month.

The occupancy rate in the San Diego metro apartment market shifted up 90 basis points to 98.3% as absorption outpaced new inventory on a one-year basis. At the end of the year, the market's occupancy rate is projected to remain unchanged amid supply-side pressure.

Submarket Performance

SUBMARKET NAME	2022 OCCUPANCY	YOY (BPS)	2022 EFFECTIVE RENT	YOY
Carlsbad/Encinitas/Del Mar	98.5%	50	\$3,240	16.6%
Chula Vista/Imperial Beach	98.3%	20	\$2,369	17.7%
Downtown San Diego/Coronado	96.4%	360	\$2,998	13.6%
El Cajon/Santee/Lakeside	98.8%	20	\$2,018	17.3%
Escondido	99.0%	50	\$2,078	13.4%
Far North San Diego	98.4%	50	\$2,828	23.9%
La Jolla/University City	98.4%	260	\$3,265	34.1%
La Mesa/Spring Valley	98.5%	30	\$2,259	17.8%
Mid-City/National City	98.8%	110	\$1,992	14.2%
Northeast San Diego	98.0%	80	\$2,914	20.3%
Northwest San Diego	98.4%	130	\$2,645	24.5%
Oceanside	98.6%	10	\$2,418	18.6%
Vista/San Marcos	98.1%	-40	\$2,445	18.2%

San Diego vs. National Effective Rent & Occupancy



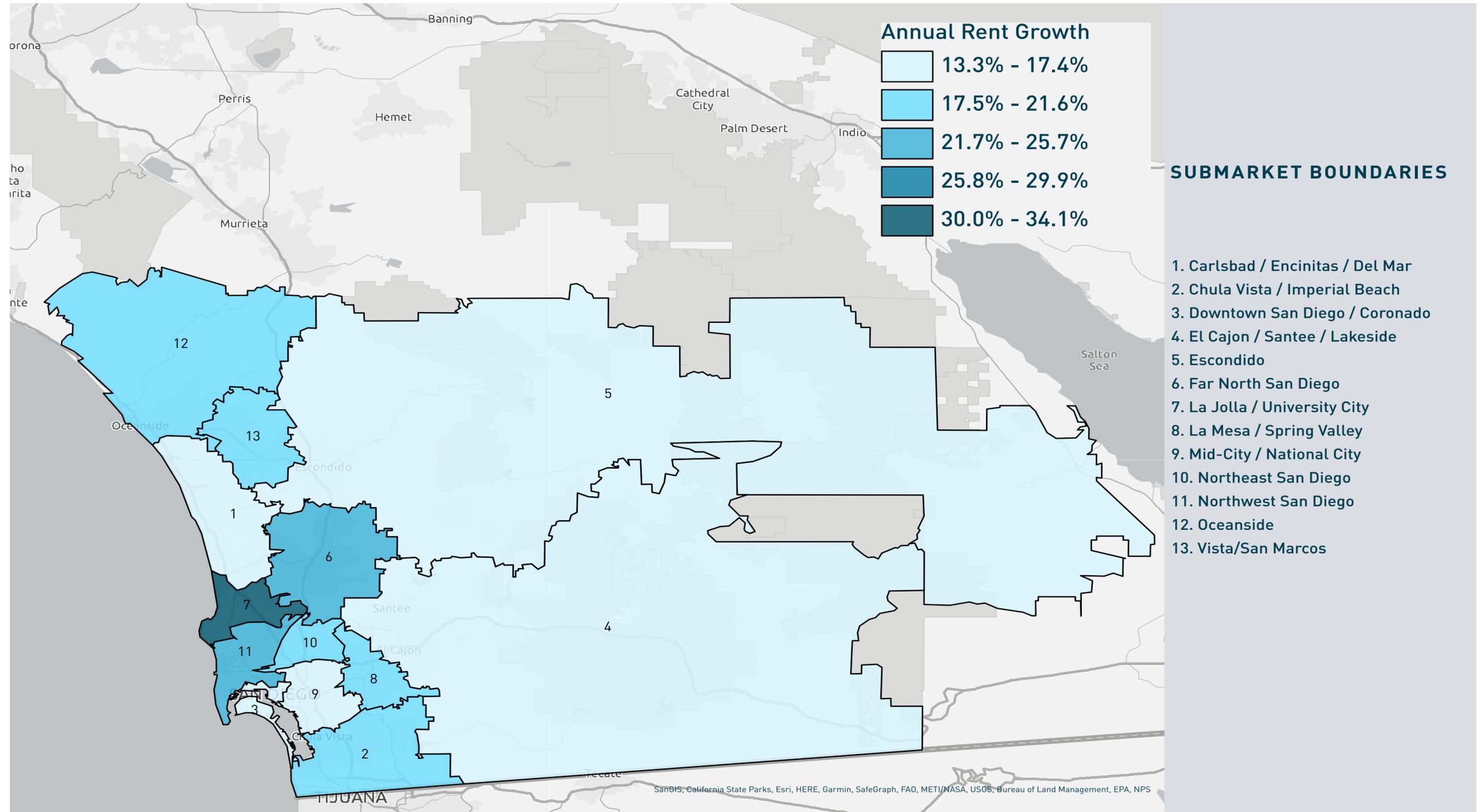
Source: RealPage



SAN DIEGO, CA

SUBMARKET ANNUAL RENT CHANGE

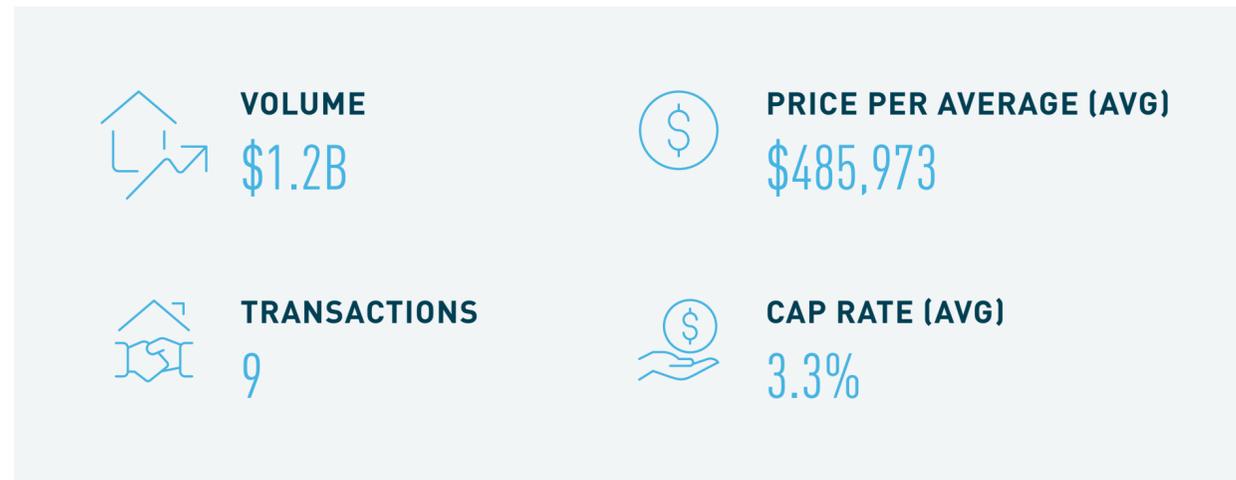
Multifamily developers took advantage of favorable market conditions, particularly in the La Jolla/University City submarket. Renters returned in waves to the submarket's luxury units seemingly unconcerned by increased rental rates. With a metro-leading rent raise of 34.1% annually to \$3,265 per month, La Jolla/University City emerged as the costliest of San Diego's 13 apartment submarkets. Rent performance was aided by workers returning to the office and classroom in the submarket's primary employment nodes: the University of California San Diego, Qualcomm Technologies headquarters, UC San Diego Health, VA San Diego Healthcare System, and Scripps Memorial Hospital. Furthermore, San Diego Trolley's new Blue Line connection downtown to and from UTC, Torrey Pines, and the University of California San Diego provides a key link to the center of San Diego's life science and high-tech cluster.



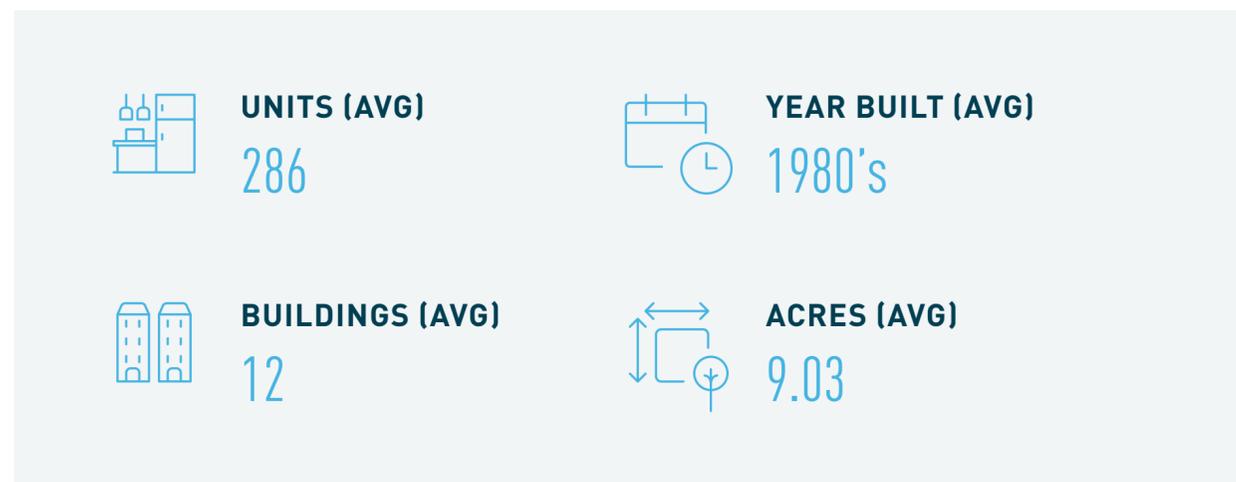


SAN DIEGO, CA SALES

2022 Year to Date*



What's Trading?*



Source: Real Capital Analytics
*\$50m+

Top Buyers**

BUYER	LOCATION
Brookfield AM	Toronto, Ontario, CAN
R&V Management Corp	San Diego, CA
TruAmerica Multifamily	Los Angeles, CA
Guardian Life Insurance	New York, NY
Blackstone Inc.	New York, NY

Top Sellers**

SELLER	LOCATION
Conrad Prebys	San Diego, CA
Lyon Capital Ventures	Newport Beach, CA
Equity Residential	Chicago, IL
Holland Partners	Vancouver, WA
Blackstone Inc.	New York, NY

**Past 24 Months



Sources: RealPage; Moody's Analytics; Real Capital Analytics

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