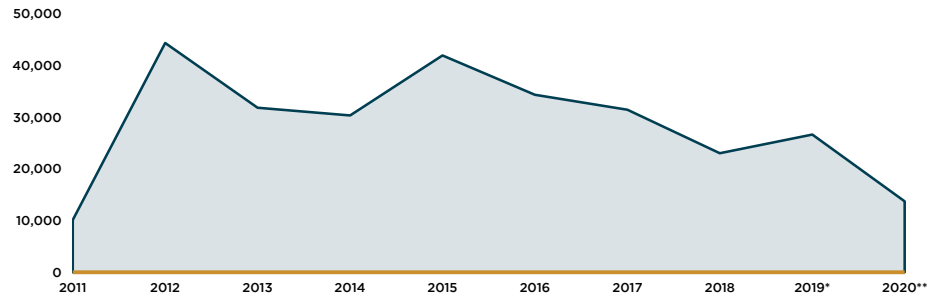


## 2019 REVIEW

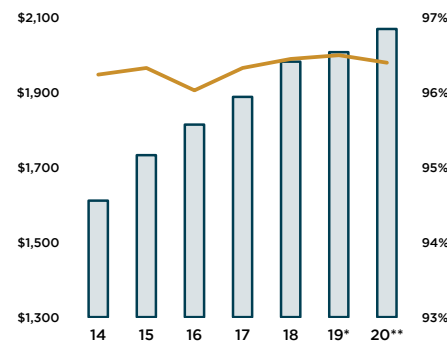
An abundance of tech jobs, a community of highly educated millennials, and record-breaking residential home prices translated to reliable demand for multifamily housing in the San Diego metro. Occupancy was a stout 96.5% in December, the same rate as one year ago, as net absorption was near equilibrium with rising apartment deliveries. Occupancy rose 40 basis points to a metro-leading 98.1% in the Mid-City/National City submarket, a neighborhood popular with younger renters seeking an urban lifestyle with more affordable rents. While new supply was spread throughout the metro, the Downtown San Diego/Coronado submarket has been the focal point of apartment construction, as existing stock expanded 6% annually in the submarket. Pent-up demand in the submarket raised occupancy to 95.4%, the highest year-end rate in six years. Underpinning leasing activity was accelerated job growth. A total of 26,600 workers were added to the market, advancing 1.8% annually. A 3.5% increase in household income accommodated rent growth. Effective rent increased 1.3% annually to \$2,008 per month by year-end.

## EMPLOYMENT CHANGE



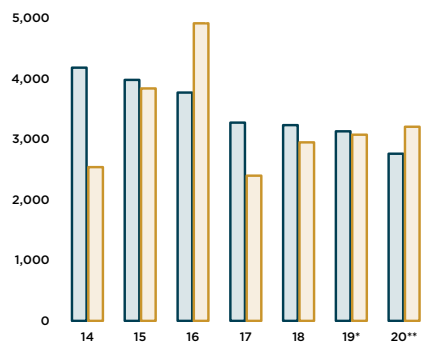
\*Estimate; \*\*Forecast | Source: Berkadia, Moody's Analytics

## EFFECTIVE RENT AND OCCUPANCY



\*Estimate; \*\*Forecast | Source: Berkadia, Axiometrics

## ABSORPTION AND DELIVERIES



\*Estimate; \*\*Forecast | Source: Berkadia, Axiometrics

## 2019 PERFORMANCE HIGHLIGHTS

### EMPLOYMENT CHANGE

**26,600**  
▲ 1.8% YOY

### UNEMPLOYMENT RATE

**3.4%**  
▲ 10 BPS YOY

### OCCUPANCY

**96.5%**  
0 BPS YOY

### EFFECTIVE RENT

**\$2,008**  
▲ 1.3% YOY

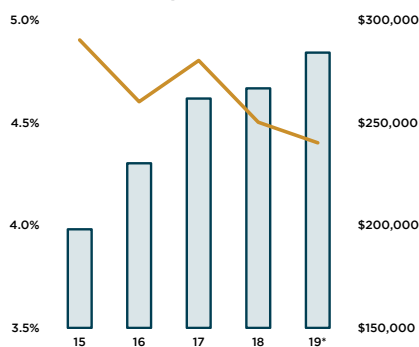
### ABSORPTION

**3,133 Units**

### CONSTRUCTION

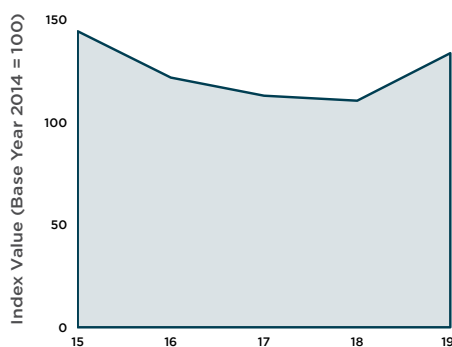
**3,077 Units**  
▲ 4.3% YOY

## CAP RATE | PRICE PER UNIT



\*Estimate | Source: Berkadia, Real Capital Analytics

## SALES ACTIVITY INDEX



\*Estimate | Source: Berkadia, Real Capital Analytics

## MARKET FACTS

### POPULATION

**3,370,000**  
YE 2019 ▲ 0.5% YOY

### HOUSEHOLDS

**1,199,500**  
YE 2019 ▲ 1.2% YOY

### MEDIAN HOUSEHOLD INCOME

**\$78,208**  
YE 2019 ▲ 3.5% YOY

### RENT SHARE OF WALLET

**30.8%**  
YE 2019 ▼ 70 BPS YOY

## 2020 PREVIEW

With San Diego's economy well diversified, apartment fundamentals are on firm footing, and demand remains largely inelastic. Occupancy rates are anticipated to remain healthy to end 2020 at 96.4% as local employers add 13,700 jobs this year, equating to a 0.9% annual increase. Continuing to spur office-using tenants in the near term will be The Campus at Horton, the redevelopment of a distressed urban mall into a \$275 million high-tech office campus expected to create 4,000 jobs downtown. Government payrolls will expand as the U.S. Navy continues to transition ships to the Pacific Fleet area of operation. By 2023, 60% of the Navy's surface fleet will be based in the Pacific, further solidifying San Diego's status as a major Navy hub. Supporting the construction trades, multifamily developers are underway on 30 apartment communities. Healthy occupancy rates and sustained job growth will support metrowide effective rent reaching \$2,070 per month by year-end, a 3.1% annual increase. To address housing affordability, the California legislature passed a statewide rent cap measure that limits annual rent increases to 5% plus CPI. Landlords in the downtown submarket wanting to offset the last few years of limited rent growth may feel the most constrained from the new rent control law.