

Q3'20 San Diego Multi-Family Market Report



12 Mo. Delivered Units

4,209

12 Mo. Absorption Units

2,843

Vacancy Rate

5.2%

12 Mo. Asking Rent Growth

0.7%

Schools, businesses, and just about every other venture have transitioned into a new normal to combat the spread of the coronavirus. After an initial slowdown in demand following the county-wide shutdown, demand returned to the region during 20Q3. However, demand patterns have shifted toward the suburbs, and away from high-cost employment hubs, as many of the region's office workers continue working from home. Low interest rates are also pulling renters-by-choice away from apartments toward homeownership.

Rents declined in the spring when they are typically surging heading into the prime leasing season. Although rents have since stabilized and exceeded the pre-Covid peak by the end of 20Q3, seasonality could impact rents toward the end of the year as typically happens. However, because the spring leasing season was delayed, rental demand could continue through the

winter, buoying rent levels and growth.

Even as developers continue focusing on building apartments in Downtown and Mission Valley, construction starts have cooled since last year, and only about 3,100 units are expected to deliver in 2020. But that delivery schedule could help keep the region's vacancy rate from unravelling amid the pandemic. Even so, San Diego has increasingly fewer affordable areas to live, compelling many to leave San Diego for more affordable areas of the country.

Investment has slowed since the second quarter, as investors not only have to navigate an uncertain economic environment and eviction moratorium, but also a new rent cap in 2020. Underwriting deals has been increasingly difficult as a result and many participants have taken to the sidelines.

KEY INDICATORS

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	52,461	10.9%	\$2,531	\$2,494	35	0	6,272
3 Star	84,209	4.4%	\$1,883	\$1,875	8	0	654
1 & 2 Star	129,906	3.5%	\$1,465	\$1,463	0	0	0
Market	266,576	5.2%	\$1,880	\$1,868	43	0	6,926

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.4%	4.4%	5.6%	5.4%	2009 Q4	2.3%	2000 Q2
Absorption Units	2,843	1,893	2,357	4,765	2016 Q1	(1,827)	2009 Q2
Delivered Units	4,209	2,414	2,536	5,781	2001 Q2	237	2011 Q2
Demolished Units	17	97	100	341	2009 Q3	0	2019 Q4
Asking Rent Growth (YOY)	0.7%	2.8%	1.8%	7.1%	2015 Q3	-2.6%	2009 Q4
Effective Rent Growth (YOY)	0.8%	2.8%	1.8%	7.0%	2015 Q3	-2.8%	2009 Q4
Sales Volume	\$1.7 B	\$1.6B	N/A	\$3B	2018 Q1	\$478.5M	2009 Q4

A steady flow of millennials has poured into San Diego. The county includes one of the heaviest concentrations of this cohort in the country, accounting for 25% of the population, according to the latest U.S. Census Bureau estimates, supported by the heavy military infrastructure here. Even so, population growth has fallen over the past five years and is driven primarily by natural growth as the cost of living continues to price people out of the market. That trend may accelerate as people work from home and are no longer tethered to their physical work location amid the pandemic.

Workers of all ages are attracted to San Diego because it is firmly cemented as a bastion of high tech and life science research. Firms such as Northrop Grumman, Amazon and Apple are expanding here and will add hundreds of new tech positions, especially in the UC San Diego area. These jobs have faced fewer headwinds from the pandemic even as economic dislocation hangs over the region.

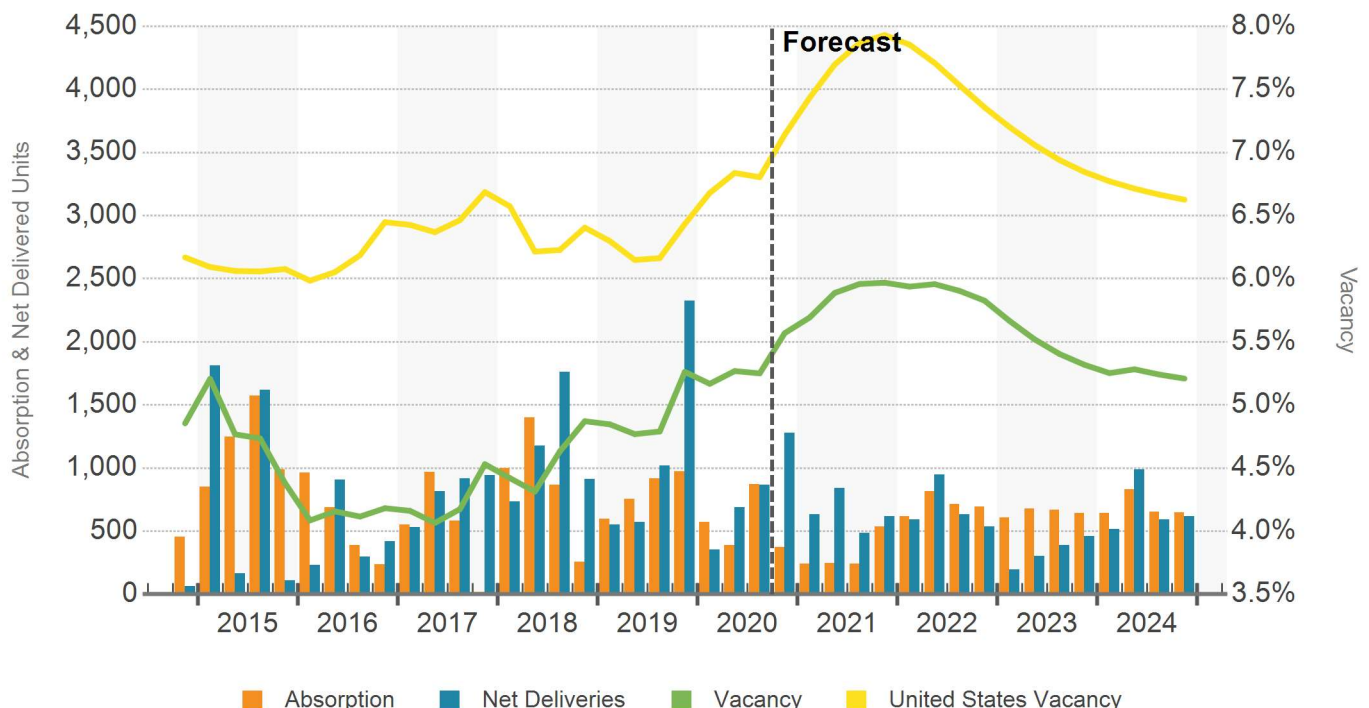
Demand has proven strongest in Downtown San Diego over the past few years, even as the vacancy rate has settled into double digits, where it will likely average through the forecast. Downtown is primarily responsible for San Diego's overall rising vacancy rate, although the stabilized vacancy rate has also ticked up since the end

of last year. Renters are not only shifting away from Downtown into the suburbs, but they are also chasing after high concessions and relocating from stabilized communities into ones in lease up.

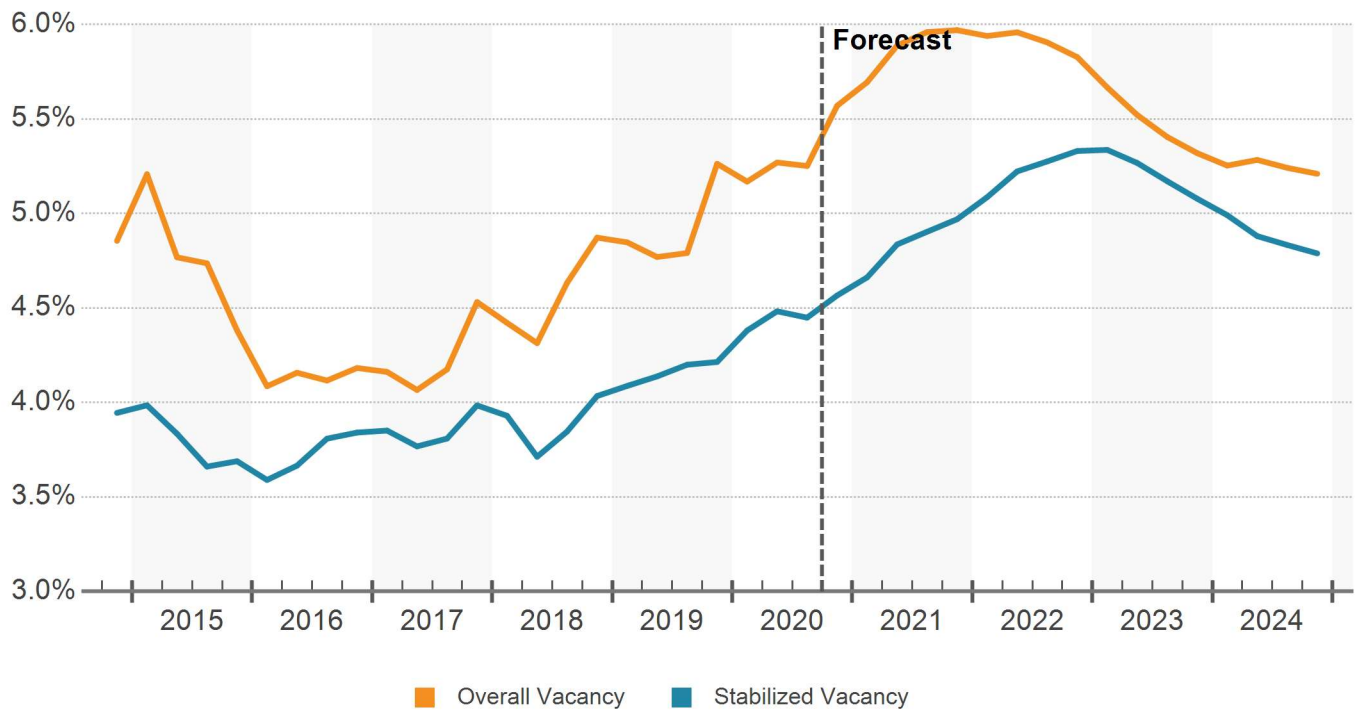
But both rates are expected to rise even further in the first half of the forecast as the coronavirus' economic shock continues to weigh on local employment and household formation. The vacancy rate is expected to rise above the level recorded during the Great Recession in the process. Demand patterns have also changed following the outbreak of the coronavirus, and more people appear inclined to choose suburban apartments with larger floor plans since they are no longer tied to their physical office location. That could continue pushing more renters toward areas like Chula Vista, La Mesa, and El Cajon.

But those same interior submarkets could encounter their own hurdles. The demographics are heavily weighted toward workers employed in industries most impacted by the recession. And although the county has re-opened to varying degrees, lingering effects from the shutdown are likely to persist. Many of these interior cities posted the highest unemployment rates in the region following the outbreak, reaching close to 20% before pulling back toward 10%.

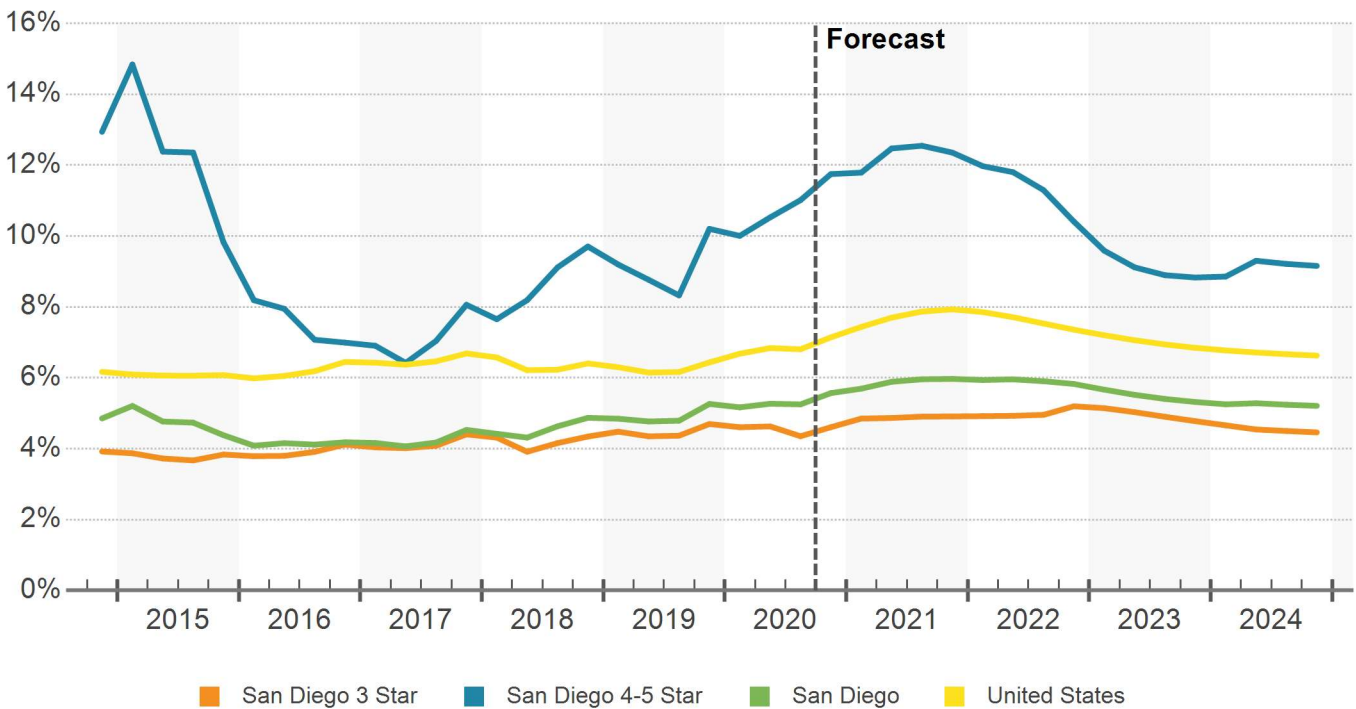
ABSORPTION, NET DELIVERIES & VACANCY



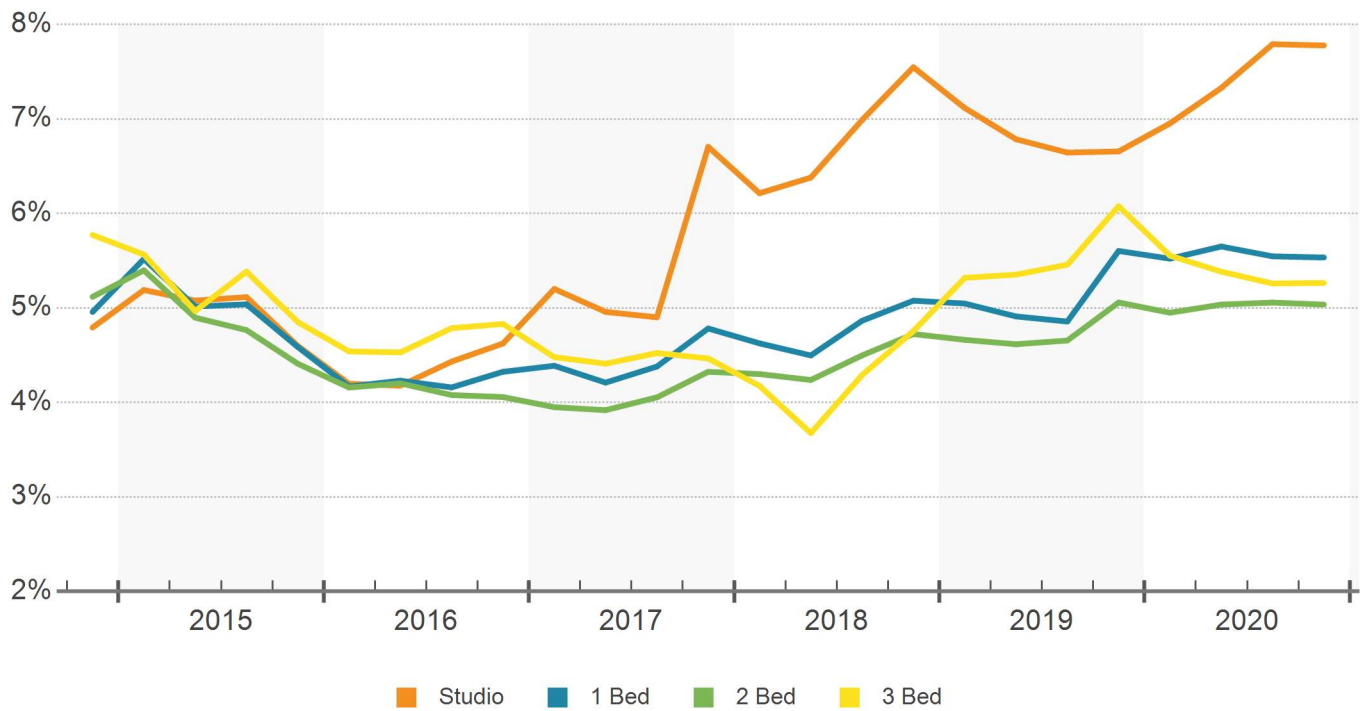
OVERALL & STABILIZED VACANCY



VACANCY RATE



VACANCY BY BEDROOM



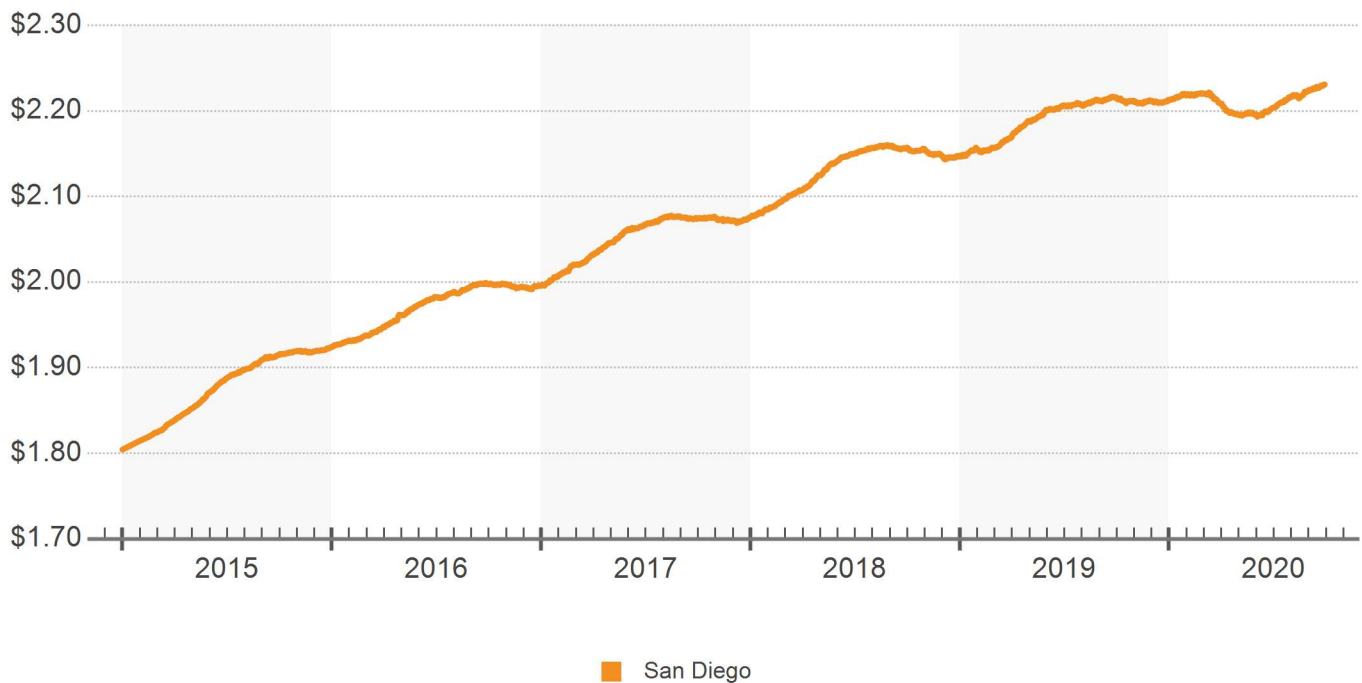
San Diego's city council voted to extend its eviction moratorium through the end of December. That prevents landlords from evicting tenants who are either unable or unwilling to pay their rents. That is just one of several new regulatory burdens that landlords have had to shoulder during the pandemic.

After average rent levels fell across the region following the outbreak of the coronavirus, rents recovered those losses by the end of 20Q3 and exceeded the pre-Covid peak in the process. But those rent losses in the spring came at a time when rents typically surge heading into the summer, with rent growth averaging about 2% during second quarters. And while most submarkets have since stabilized, rent growth in costlier employment hubs has turned negative as renters seek out more affordable options. For instance, one-bedroom units average about \$700 less in the suburbs than they do in Downtown or in La Jolla/UTC or North Shore Cities.

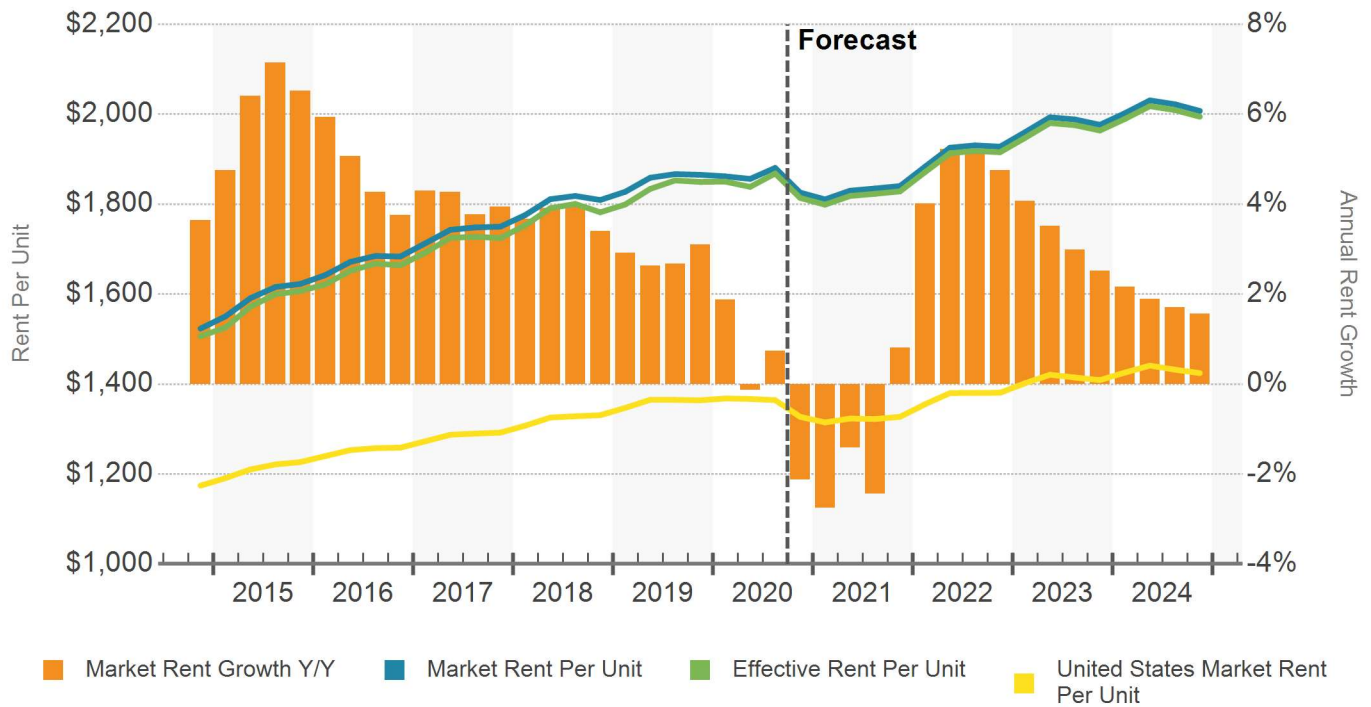
Concessions have traditionally been offered primarily in new deliveries and do not generally provide an outlet for savings in lower-tiered and older communities. Concessions are heaviest in the Downtown Submarket. Many communities in lease-up have bumped up concessions from six to eight weeks. But concessions have begun spreading across stabilized communities after the outbreak of the coronavirus, and one month of free rent has become more widespread, even for renewals.

In October 2019, California's governor signed into law a state-wide rent cap. It joined Oregon and New York, which passed similar restrictions in 2019. It placed a cap on raising rents above 5% plus inflation for buildings older than 15 years old. For 2020, that cap is set at 7.2% for San Diego. Since 2010, across the region, only 15Q3 came close to matching the rent cap number.

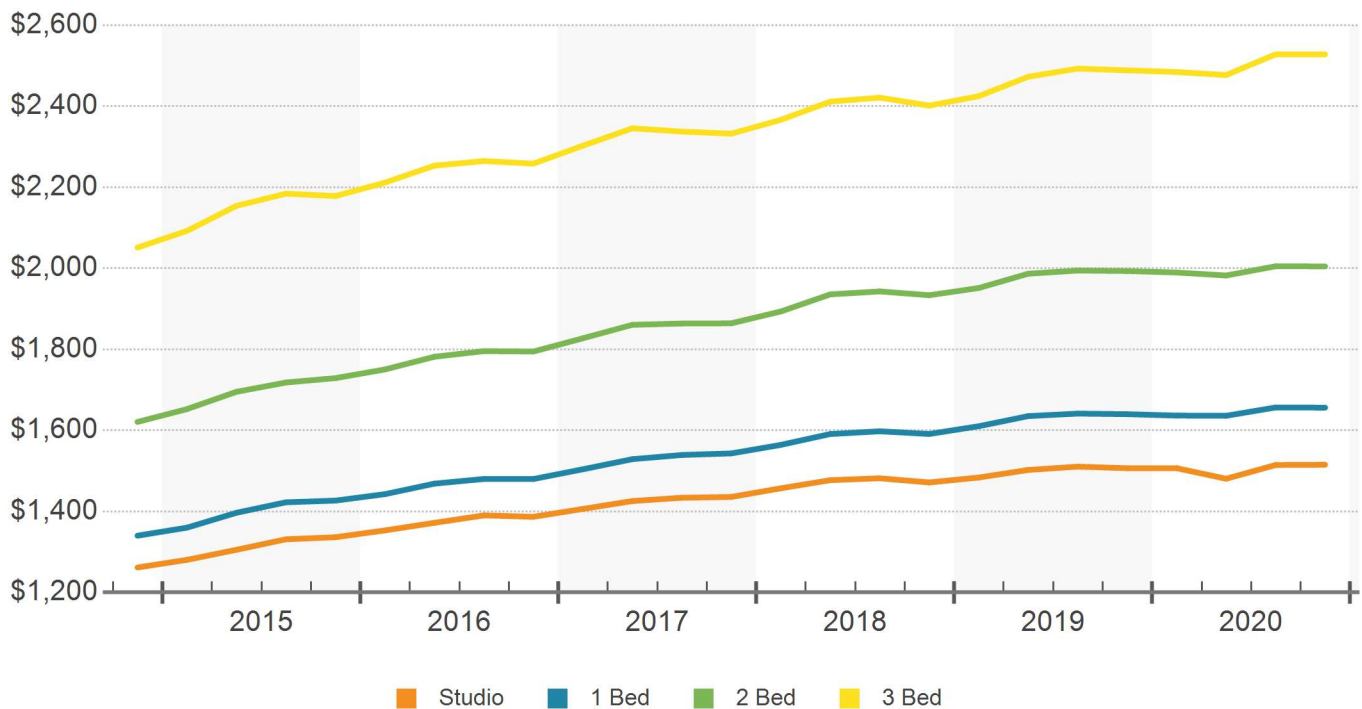
DAILY ASKING RENT PER SF



MARKET RENT PER UNIT & RENT GROWTH



MARKET RENT PER UNIT BY BEDROOM



4 & 5 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Operating Expenses								Capital Expenditures			Total
	Mgmt.	Admin.	Payroll	Water	Utilities	Maint.	Insurance	Taxes	Appliance	Structural	Other	
San Diego	\$0.85	\$0.80	\$0.85	\$0.84	\$1.28	\$1.74	\$0.37	\$1.60	\$0.12	\$0.16	\$0.72	\$9.33
Balboa Park	\$0.81	\$0.70	\$0.80	\$0.90	\$1.30	\$1.72	\$0.35	\$1.64	\$0.11	\$0.13	\$0.57	\$9.03
Chula Vista/Imperial...	\$0.81	\$0.83	\$0.80	\$0.90	\$1.30	\$1.72	\$0.35	\$1.64	\$0.15	\$0.13	\$0.57	\$9.20
Coronado/Point Loma	\$0.85	\$0.53	\$0.69	\$0.65	\$1.14	\$2.50	\$0.46	\$1.43	\$0.13	\$0.09	\$0.35	\$8.82
Downtown San Diego	\$0.81	\$0.70	\$0.80	\$0.90	\$1.30	\$1.72	\$0.35	\$1.64	\$0.11	\$0.13	\$0.57	\$9.03
East San Diego/El...	\$0.81	\$1.22	\$0.80	\$0.98	\$1.45	\$1.72	\$0.35	\$1.64	\$0.11	\$0.27	\$1.73	\$11.08
La Jolla/UTC	\$0.82	\$0.62	\$0.68	\$0.66	\$1.14	\$2.30	\$0.50	\$1.58	\$0.12	\$0.09	\$0.35	\$8.86
Mission Valley/Nort...	\$0.84	\$0.50	\$0.70	\$0.68	\$1.18	\$2.58	\$0.47	\$1.25	\$0.13	\$0.12	\$0.50	\$8.95
National City/South...	\$0.81	\$0.73	\$0.80	\$0.90	\$1.30	\$1.72	\$0.35	\$1.64	\$0.14	\$0.13	\$0.57	\$9.09
North County	\$0.77	\$0.55	\$0.64	\$0.74	\$1.10	\$1.27	\$0.31	\$1.66	\$0.14	\$0.13	\$0.57	\$7.88
North I-15 Corridor	\$1.19	\$1.29	\$1.52	\$1.11	\$1.50	\$1.05	\$0.29	\$1.77	\$0.08	\$0.27	\$1.16	\$11.23
North Shore Cities	\$0.75	\$0.55	\$0.58	\$0.73	\$1.10	\$1.31	\$0.31	\$1.65	\$0.14	\$0.13	\$0.57	\$7.82
South I-15 Corridor	\$0.86	\$1.16	\$1.11	\$0.82	\$1.37	\$1.24	\$0.34	\$1.89	\$0.08	\$0.26	\$0.89	\$10.02

Expenses are estimated using NCREIF, IREM, and CoStar data using the narrowest possible geographical definition from Zip Code to region.

3 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Operating Expenses								Capital Expenditures			Total
	Mgmt.	Admin.	Payroll	Water	Utilities	Maint.	Insurance	Taxes	Appliance	Structural	Other	
San Diego	\$0.73	\$0.65	\$0.77	\$0.81	\$1.22	\$1.20	\$0.23	\$1.38	\$0.12	\$0.17	\$0.77	\$8.05
Balboa Park	\$0.75	\$0.63	\$0.75	\$0.83	\$1.24	\$1.30	\$0.26	\$1.37	\$0.11	\$0.13	\$0.58	\$7.95
Chula Vista/Imperial...	\$0.74	\$0.65	\$0.76	\$0.86	\$1.24	\$1.32	\$0.26	\$1.39	\$0.14	\$0.12	\$0.54	\$8.02
Coronado/Point Loma	\$0.80	\$0.51	\$0.66	\$0.63	\$1.10	\$1.51	\$0.40	\$1.30	\$0.12	\$0.09	\$0.34	\$7.46
Downtown San Diego	\$0.74	\$0.63	\$0.76	\$0.84	\$1.24	\$1.31	\$0.25	\$1.39	\$0.11	\$0.12	\$0.54	\$7.93
East San Diego/El...	\$0.72	\$0.99	\$0.76	\$0.96	\$1.38	\$1.02	\$0.12	\$1.35	\$0.10	\$0.29	\$1.49	\$9.18
La Jolla/UTC	\$0.61	\$0.48	\$0.65	\$0.60	\$1.10	\$1.39	\$0.47	\$1.29	\$0.11	\$0.09	\$0.33	\$7.12
Mission Valley/Nort...	\$0.79	\$0.38	\$0.65	\$0.59	\$1.08	\$1.34	\$0.38	\$1.11	\$0.12	\$0.09	\$0.33	\$6.86
National City/South...	\$0.74	\$0.64	\$0.76	\$0.86	\$1.24	\$1.30	\$0.25	\$1.38	\$0.13	\$0.12	\$0.54	\$7.96
North County	\$0.71	\$0.52	\$0.61	\$0.70	\$1.04	\$1.16	\$0.15	\$1.55	\$0.13	\$0.12	\$0.54	\$7.23
North I-15 Corridor	\$0.63	\$0.40	\$1.42	\$0.83	\$1.19	\$0.89	\$0.19	\$1.40	\$0.08	\$0.25	\$1.11	\$8.39
North Shore Cities	\$0.68	\$0.52	\$0.55	\$0.69	\$1.05	\$1.22	\$0.18	\$1.54	\$0.13	\$0.12	\$0.54	\$7.22
Outlying San Diego...	\$0.74	\$1.00	\$0.76	\$1.00	\$1.41	\$0.97	\$0.13	\$1.35	\$0.10	\$0.34	\$1.61	\$9.41
Poway/Santee/Ram...	\$0.77	\$0.99	\$0.76	\$1.04	\$1.44	\$0.99	\$0.15	\$1.37	\$0.10	\$0.37	\$1.64	\$9.62
South I-15 Corridor	\$0.80	\$0.71	\$1.13	\$0.80	\$1.33	\$1.03	\$0.23	\$1.54	\$0.08	\$0.25	\$0.90	\$8.80

Expenses are estimated using NCREIF, IREM, and CoStar data using the narrowest possible geographical definition from Zip Code to region.

1 & 2 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Operating Expenses								Capital Expenditures			Total
	Mgmt.	Admin.	Payroll	Water	Utilities	Maint.	Insurance	Taxes	Appliance	Structural	Other	
San Diego	\$0.65	\$0.47	\$0.72	\$0.65	\$1.07	\$0.99	\$0.20	\$0.99	\$0.10	\$0.13	\$0.62	\$6.59
Balboa Park	\$0.70	\$0.48	\$0.71	\$0.56	\$1.20	\$1.11	\$0.24	\$1.15	\$0.10	\$0.11	\$0.51	\$6.87
Chula Vista/Imperial...	\$0.67	\$0.61	\$0.72	\$0.80	\$1.12	\$1.23	\$0.24	\$0.80	\$0.13	\$0.11	\$0.51	\$6.94
Coronado/Point Loma	\$0.70	\$0.52	\$0.62	\$0.59	\$1.09	\$0.96	\$0.26	\$1.16	\$0.11	\$0.09	\$0.33	\$6.43
Downtown San Diego	\$0.71	\$0.51	\$0.72	\$0.58	\$1.22	\$1.15	\$0.24	\$1.17	\$0.10	\$0.11	\$0.51	\$7.02
East San Diego/El...	\$0.69	\$0.42	\$0.72	\$0.62	\$1.00	\$0.83	\$0.11	\$0.78	\$0.09	\$0.14	\$0.92	\$6.32
La Jolla/UTC	\$0.58	\$0.44	\$0.62	\$0.56	\$1.06	\$0.89	\$0.27	\$1.07	\$0.10	\$0.08	\$0.32	\$5.99
Mission Valley/Nort...	\$0.70	\$0.36	\$0.62	\$0.57	\$1.06	\$0.90	\$0.26	\$1.10	\$0.12	\$0.08	\$0.32	\$6.09
National City/South...	\$0.71	\$0.57	\$0.72	\$0.71	\$1.18	\$1.21	\$0.24	\$0.86	\$0.11	\$0.11	\$0.51	\$6.93
North County	\$0.50	\$0.48	\$0.60	\$0.64	\$1.01	\$1.01	\$0.14	\$1.25	\$0.12	\$0.12	\$0.55	\$6.42
North I-15 Corridor	\$0.51	\$0.29	\$1.20	\$0.73	\$0.92	\$0.69	\$0.17	\$1.06	\$0.07	\$0.24	\$1.05	\$6.93
North Shore Cities	\$0.50	\$0.49	\$0.54	\$0.63	\$1.03	\$1.04	\$0.16	\$1.28	\$0.12	\$0.11	\$0.49	\$6.39
Outlying San Diego...	\$0.71	\$0.42	\$0.72	\$0.64	\$1.02	\$0.72	\$0.12	\$0.73	\$0.09	\$0.17	\$0.98	\$6.32
Poway/Santee/Ram...	\$0.73	\$0.42	\$0.72	\$0.64	\$1.00	\$0.74	\$0.15	\$0.74	\$0.09	\$0.16	\$0.99	\$6.38
South I-15 Corridor	\$0.53	\$0.30	\$0.94	\$0.65	\$0.92	\$0.72	\$0.18	\$1.25	\$0.08	\$0.23	\$0.80	\$6.60

Expenses are estimated using NCREIF, IREM, and CoStar data using the narrowest possible geographical definition from Zip Code to region.

San Diego is notable for its lack of multifamily development. The widely recognized housing shortage has been broadly described as a crisis. The level of total housing permits topped out at 10,000 annually and has fallen for four straight years. New supply in 2019 was only about half of the 15,000 total housing units the county estimates it needs annually. And while the city approved a blueprint that would triple housing production annually to meet state-mandated goals in June 2020, from 4,000 to 13,500, the previous decade fell short of its goal by more than half.

The city council is trying to do its part to address the lack of affordable supply in the region. It passed a measure in March 2019 that overhauled the city's minimum parking requirements for dense, urban housing. The plan eliminated the need to build off-street parking for communities built close to transit priority areas, both trolley and bus routes, with the expectation that it will increase density and lower rents. The policy also set a maximum of one parking space per unit for new Downtown projects.

About 3,100 units are scheduled for delivery in 2020, and the majority of new inventory is being built in Downtown and Mission Valley. When 4th & J delivered in May 2020, it offered eight weeks of free rent, and leasing picked up during 20Q3 after only a few units were leased following delivery. The Merian, a mid-summer delivery in the East Village, came to market offering six weeks free on 12-month leases and tacked on another two weeks for a 16-month lease. The Holland Partner project leased at a better pace than 4th & J out of the gate. Even with the possibility of over supply, regional, national, and international developers are expected to continue

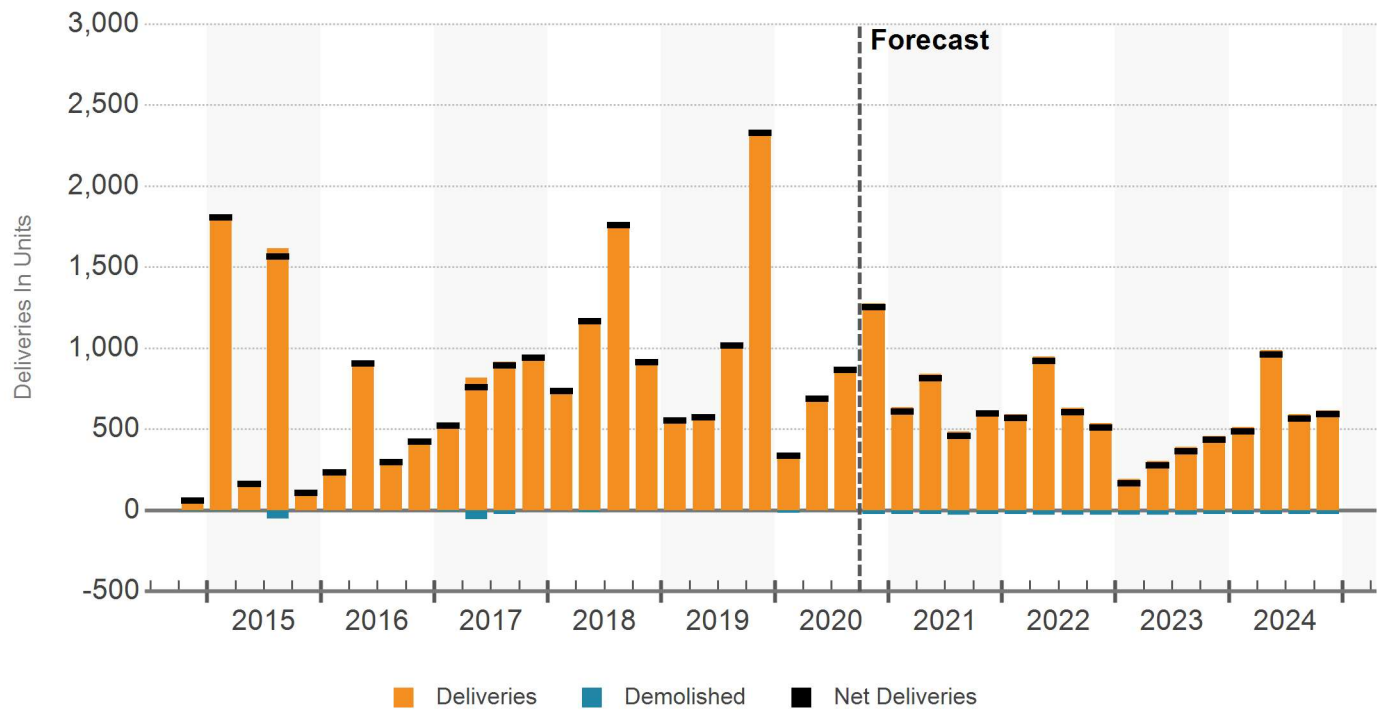
breaking ground on new projects in the submarket. One of those was R&V Management's first downtown community, Block A at Makers Quarter in 20Q2.

Mission Valley has more than 6% of its inventory under construction. Holland Partners' 840-unit Town and Country will not only be one of the largest transit-oriented developments when it delivers, but also one of the the biggest communities in the region. It broke ground in 2019, and its first units could be ready by 2021. The nine trolley stops and eventual connection to UTC's job hub could increase demand here once the Trolley's Blue Line finishes.

Several master plans are currently under review or have recently been updated to add more density. The Midway District's update increases housing by upwards of 10,000 units. Other areas include the Morena Corridor, the Balboa Avenue Station Area in Pacific Beach, Linda Vista, Old Town, Mission Valley, and Kearny Mesa, to name a few. Mission Valley's, alone, adds more than 28,000 housing units. Since 2014, updates have added the capacity for more than 74,000 additional housing units.

An often exhaustive entitlement process (entitling a property for higher densities can often drag on for years, and permitting fees can run upwards of 40% of the development cost), neighborhood opposition to increased density, and the generally high cost of development are all barriers to outsized growth. With these added costs, workforce housing becomes extremely difficult to pencil out, which is why more than 90% of stock in the past decade has consisted of luxury units.

DELIVERIES & DEMOLITIONS



There is uncertainty in the multifamily market surrounding the spread of the coronavirus. Valuations have remained sensitive to investor sentiment, and sellers have found that buyer uncertainty has impacted underwriting assumptions, bids, and negotiations. Pricing power has been restrained as buyers and lenders have taken to the sidelines and maintained caution during this period of economic dislocation. Those issues have led to a notable slowdown in deal flow since the outbreak.

Market cap rates sit at 4.4%, and market pricing is roughly \$330,000/unit. CoStar expects cap rates to face upward pressure amid restrained credit conditions, reduced volume, and softening price pressures. In fact, deal flow has fallen to a decade low since the outbreak.

Several of Balboa Park's newest properties have sold since the end of last year as investors are increasingly attracted to the new boutique communities and value-add opportunities found there. In June 2020, in a deal that started and closed during the pandemic, San Diego-based AL Group purchased two of Jonathan Segal's properties in the submarket, Park + Polk and The Fort, for \$45.1 million. They are located in the Uptown and Mission Hills neighborhoods, and they delivered in 2017

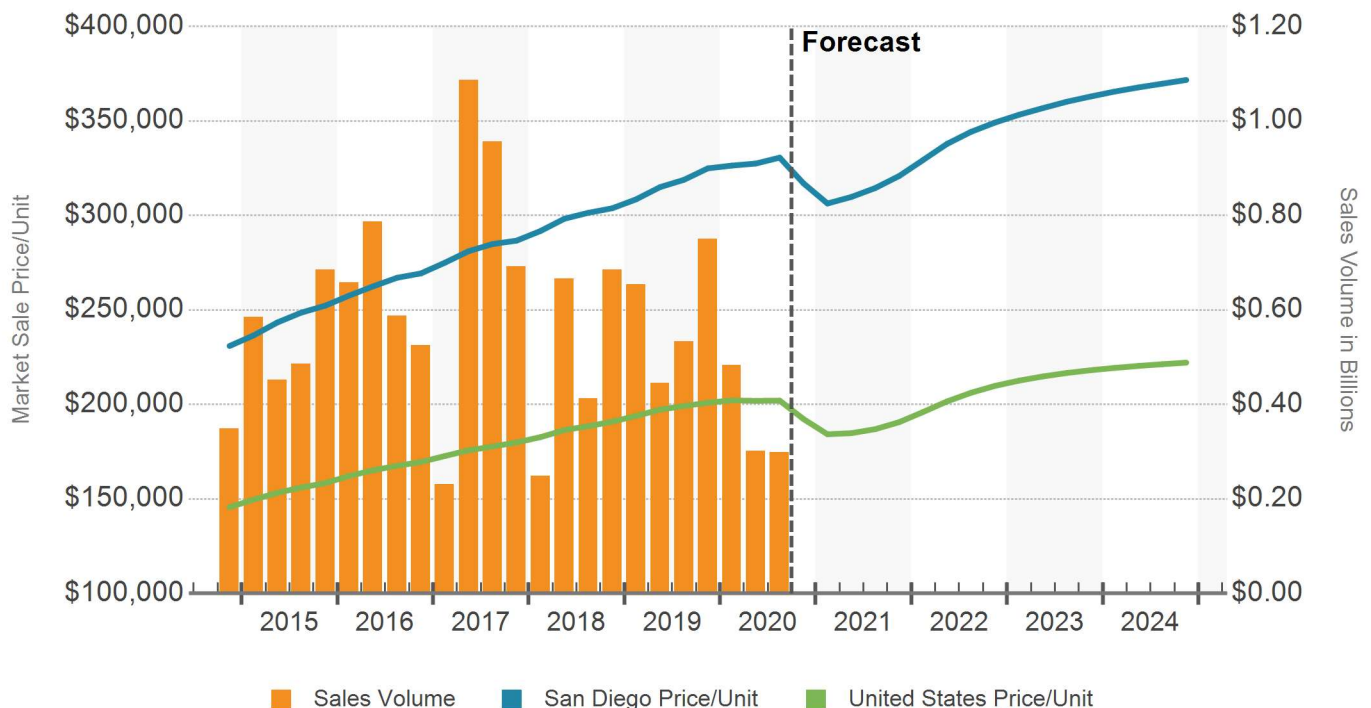
and 2018 with a total of 84 units. The cap rate was 4.85%.

In December 2019, Alliance Residential sold Broadstone North Park, built in 2018, for \$61.6 million (\$521,610/unit) to New York Life Insurance Company. It was the highest-valued sale in Balboa Park in the past 15 years. New York Life rebranded the property Vida North Park.

The former Spreckels building at 625 Broadway in Downtown San Diego sold in February 2020. The former office building, and newly converted apartment community by Hammer Ventures, sold for \$143 million. A partnership that includes investment firm Cain International and developer Balthus acquired the building with the issuance of the Certificate of Occupancy. Included in the sale was a 378-space parking garage and some ground-floor retail space. That property was reportedly converted to Airbnb rentals ahead of the pandemic. Hammer Ventures purchased the property in 2014 for \$52.5 million.

That was one of two new communities to sell Downtown in 2020. The AV8, built in 2018 in Little Italy, sold in 20Q3 to R&V Management for roughly \$70 million.

SALES VOLUME & MARKET SALE PRICE PER UNIT



Sales Past 12 Months

San Diego Multi-Family

Sale Comparables

Avg. Price/Unit (thous.)

Average Price (mil.)

Average Vacancy at Sale

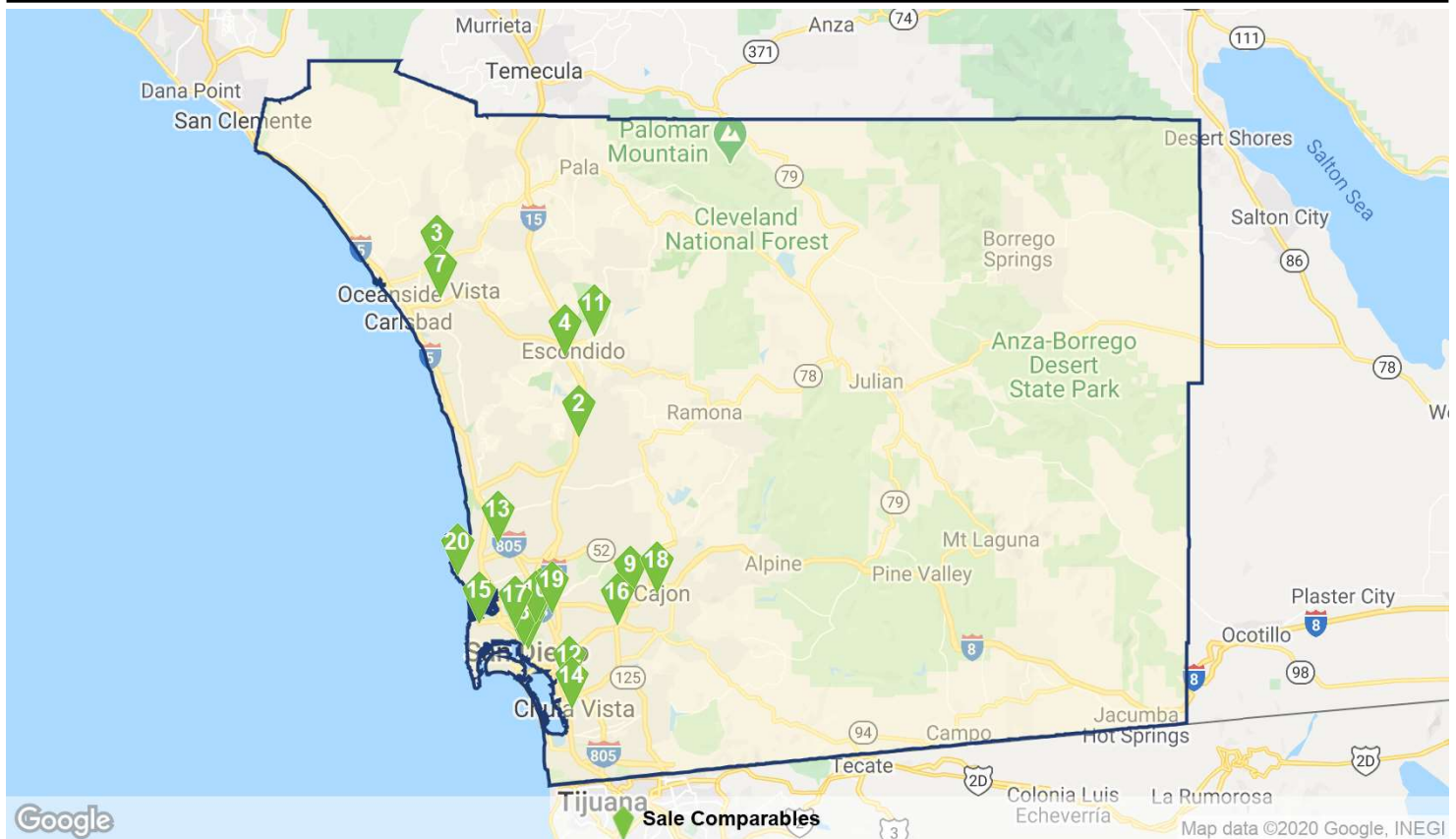
369

\$271

\$5.6

7.6%

SALE COMPARABLE LOCATIONS



SALE COMPARABLES SUMMARY STATISTICS

Sales Attributes	Low	Average	Median	High
Sale Price	\$300,000	\$5,644,083	\$2,250,000	\$143,025,000
Price/Unit	\$33,333	\$270,923	\$241,666	\$1,137,083
Cap Rate	2.0%	4.4%	4.4%	8.2%
Vacancy Rate At Sale	0%	7.6%	0%	89.2%
Time Since Sale in Months	0.0	7.1	7.8	12.0
Property Attributes	Low	Average	Median	High
Property Size in Units	4	19	8	452
Number of Floors	1	1	2	14
Average Unit SF	89	740	745	2,695
Year Built	1884	1966	1969	2020
Star Rating	★ ★ ★ ★ ★	★ ★ ★ ★ ★ 2.2	★ ★ ★ ★ ★	★ ★ ★ ★ ★

Sales Past 12 Months

San Diego Multi-Family

RECENT SIGNIFICANT SALES

Property Name/Address		Property Information				Sale Information			
		Rating	Yr Built	Units	Vacancy	Sale Date	Price	Price/Unit	Price/SF
1	625 Broadway 625 Broadway	★★★★★	2020	231	89.2%	2/6/2020	\$143,025,000	\$619,155	\$622
2	Overlook at Bernardo Heights 15909 Avenida Venusto	★★★★★	1988	330	6.4%	12/12/2019	\$119,000,000	\$360,606	\$483
3	Presidio at Rancho Del Oro 4401 Mission Ave	★★★★★	1987	264	6.1%	12/27/2019	\$87,025,000	\$329,640	\$358
4	Hidden Cove Apartments 910 Del Dios Hwy	★★★★★	1983	452	3.1%	9/8/2020	\$76,955,023	\$170,254	\$427
5	AV8 2155 Kettner Blvd	★★★★★	2018	129	10.1%	9/18/2020	\$70,100,000	\$543,410	\$2,282
6	Vida North Park 4223 Texas St	★★★★★	2018	118	7.6%	12/17/2019	\$61,550,000	\$521,610	\$410
7	Carlsbad View Apartments 3675 Barnard Dr	★★★★★	1975	137	8.1%	11/26/2019	\$41,000,000	\$299,270	\$327
8	Current 1551 Union St	★★★★★	2008	144	5.6%	11/25/2019	\$34,924,792	\$242,533	\$388
9	Serena Vista 5810 Amaya Dr	★★★★★	1971	110	2.7%	3/5/2020	\$34,450,000	\$313,181	\$330
10	Park + Polk 4075 Park Blvd	★★★★★	2017	55	2.4%	6/11/2020	\$32,148,090	\$584,510	\$633
11	Sage Apartments 1920 E Grand Ave	★★★★★	1977	96	4.2%	4/13/2020	\$24,315,328	\$253,284	\$455
12	Southern Highlands 2525 Highland Ave	★★★★★	1999	151	11.9%	1/9/2020	\$22,100,000	\$146,357	\$278
13	Elan Terraza 5165 Luigi Ter	★★★★★	1980	61	8.2%	11/21/2019	\$22,016,500	\$360,926	\$425
14	Royal Apartments 521 Park Way	★★★★★	1963	129	0%	3/20/2020	\$20,737,500	\$160,755	\$221
15	Citra 4464 Castelar St	★★★★★	1970	60	3.3%	1/10/2020	\$18,300,000	\$305,000	\$261
16	Broadway Manor 8413 Broadway	★★★★★	1979	81	0%	5/8/2020	\$17,000,000	\$209,876	\$236
17	Overlook Pointe 1616 Guy St	★★★★★	1963	121	6.6%	6/15/2020	\$16,450,000	\$135,950	\$415
18	Tribeca on Mollison 520 S Mollison Ave	★★★★★	1977	68	4.4%	6/15/2020	\$16,000,000	\$235,294	\$281
19	Hawley Apartments 4720-4732 Hawley Blvd	★★★★★	1971	44	4.6%	1/9/2020	\$15,750,000	\$357,954	\$478
20	La Jolla Seaview 5685-5699 La Jolla Blvd	★★★★★	1986	12	8.3%	12/3/2019	\$13,645,000	\$1,137,083	\$833

San Diego's unemployment rate fell to 9.9% in August, down from a revised 12.4% in July, with teachers heading back to school leading the way for job growth during the month.

Overall, the San Diego region added 20,500 people to payrolls, bringing nonfarm employment up to 1.37 million.

However, the economic shock from the pandemic has still caused considerable disruption to the labor and commercial property markets. Demand for commercial space has fallen most heavily on the office and retail sectors, with social distancing protocols impacting revenue, leasing decisions, and space requirements.

It is amid this environment that employment fell 400 jobs month-over-month in the leisure and hospitality sector. The sector continues to feel the pain brought by a closed convention center and hotel occupancies below 50%. Many of these workers have been moved from temporary layoffs to permanent ones.

Schools were back in session in August, virtually at least, which led to the government sector adding 6,800 back to payrolls, with government education services up 4,300. That was followed by the professional and business services sector adding 5,300 to payrolls, with 2,100 of those in the professional, scientific and technical fields.

Although San Diego added more than 20,000 to payrolls since July, overall nonfarm employment is still down 135,000 jobs since last August. Every sector reported job cuts in the past year with the exception of mining and logging, which was unchanged.

Leisure and hospitality is down 60,100 jobs with accommodation and food services accounting for more than 40,000 of those losses. That was followed by trade,

transportation and utilities, with a retail trade shedding more than 11,000 in the past year.

And while the falling unemployment rate is a sign that the employment picture may be turning a corner, some of the jobs lost during this recession may not return, and capturing those final positions that remain on the sidelines could prove elusive in the near term.

Heading into the pandemic, San Diego's job market was sturdy. More than 80 research institutes are located in San Diego, from Scripps Research Institute to Salk Institute for Biological Studies, in addition to five universities. This cluster of research in the Golden Triangle has created one of the strongest life science cores in the United States, and many of these companies and institutes are researching a vaccine for the coronavirus. It is these positions in the scientific and technical fields that have driven recent job growth and the region and account for nearly 150,000 jobs. Furthermore, Scripps Health has five campuses across the metro and announced that it is spending \$2.6 billion on upgrades to its facilities, further bolstering San Diego as a destination for "medical tourism."

San Diego is also home to more than 143,000 active duty and civilian military employees. And the defense industry accounts for 22% of jobs in the region according to the San Diego Economic Development Corp. It also contributes about 20% to the gross regional product. And the Navy's renewed focus on the Pacific theater of operation will result in a 60/40 split between the Pacific and Atlantic fleets, further solidifying San Diego's status as a major Navy hub.

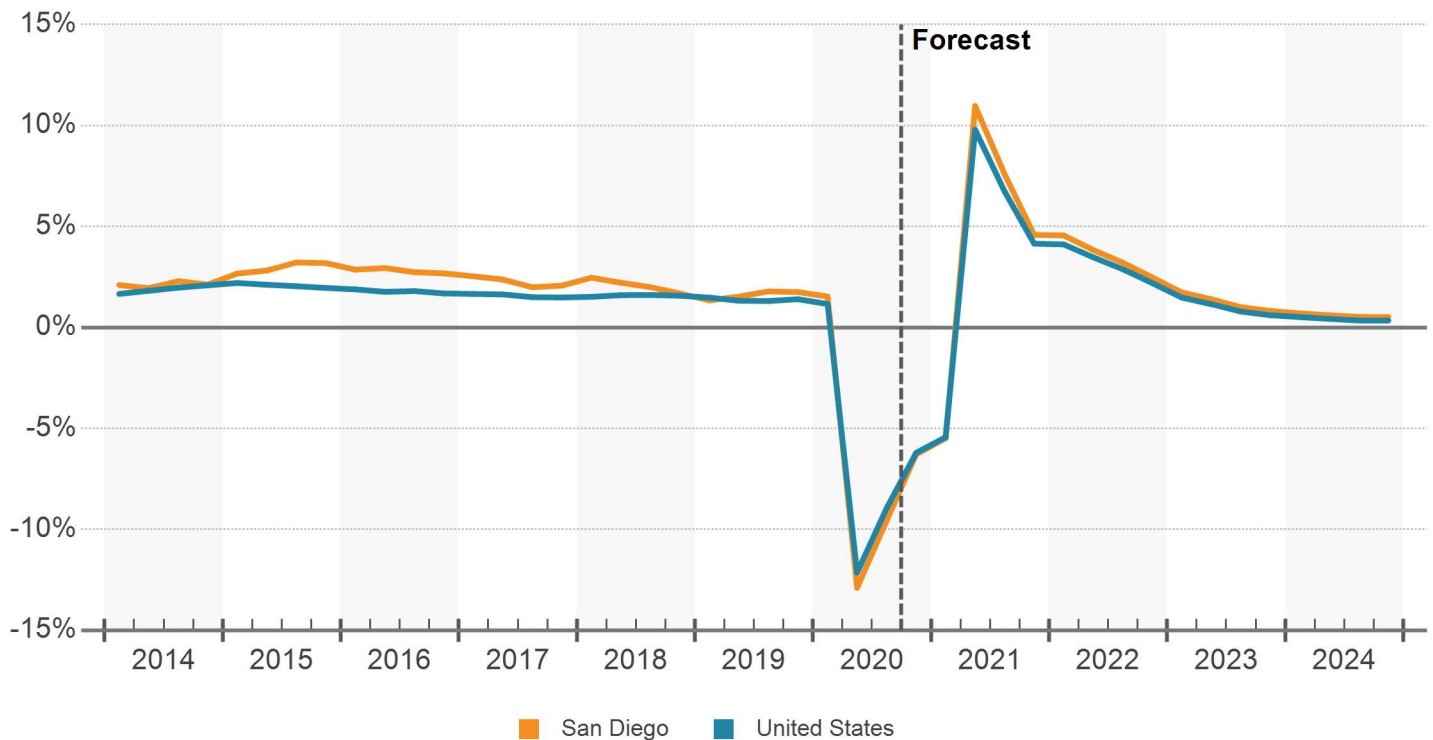
It is also why San Diego has one of the largest concentrations of millennials in the country, accounting for 25% of the population.

SAN DIEGO EMPLOYMENT BY INDUSTRY IN THOUSANDS

NAICS Industry	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
	Jobs	LQ	Market	US	Market	US	Market	US
Manufacturing	112	0.9	-3.01%	-6.32%	1.59%	0.41%	0.96%	0.78%
Trade, Transportation and Utilities	199	0.8	-11.15%	-7.55%	0.03%	0.41%	2.28%	1.47%
Retail Trade	128	0.9	-12.14%	-9.12%	-0.16%	-0.19%	2.69%	1.81%
Financial Activities	75	0.9	-3.13%	-1.28%	1.05%	1.20%	0.78%	0.69%
Government	239	1.1	-3.26%	-3.17%	0.31%	-0.23%	0.73%	0.61%
Natural Resources, Mining and Construction	82	1.1	-4.15%	-5.10%	4.02%	2.31%	0.99%	1.35%
Education and Health Services	209	0.9	-4.48%	-4.98%	2.46%	1.43%	2.80%	2.24%
Professional and Business Services	254	1.3	-1.68%	-7.27%	2.20%	1.65%	1.19%	2.27%
Information	21	0.8	-8.47%	-3.21%	-1.56%	0.26%	2.84%	1.38%
Leisure and Hospitality	132	1.2	-34.97%	-33.62%	-1.46%	-1.72%	9.21%	8.53%
Other Services	43	0.9	-24.88%	-15.48%	-1.00%	-0.65%	5.22%	3.16%
Total Employment	1,367	1.0	-9.53%	-8.93%	0.96%	0.54%	2.51%	2.17%

Source: Oxford Economics
LQ = Location Quotient

YEAR OVER YEAR JOB GROWTH



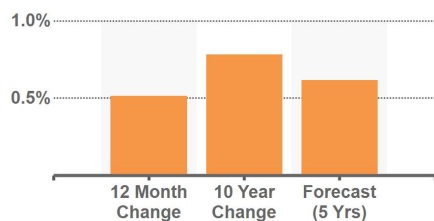
Source: Oxford Economics

DEMOGRAPHIC TRENDS

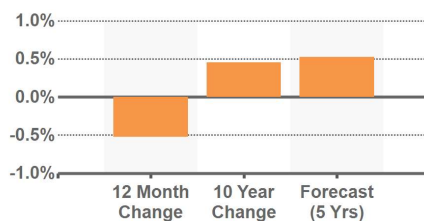
Demographic Category	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
	Metro	U.S.	Metro	U.S.	Metro	U.S.	Metro	U.S.
Population	3,357,354	330,022,906	0.5%	0.5%	0.8%	0.6%	0.6%	0.5%
Households	1,136,840	122,514,563	0.4%	0.4%	0.7%	0.7%	0.6%	0.4%
Median Household Income	\$82,600	\$64,506	0.7%	1.3%	3.3%	2.6%	3.2%	2.8%
Labor Force	1,586,083	159,355,594	-0.5%	-2.7%	0.5%	0.3%	0.5%	1.0%
Unemployment	13.8%	13.4%	10.7%	9.8%	0.3%	0.4%	-	-

Source: Oxford Economics

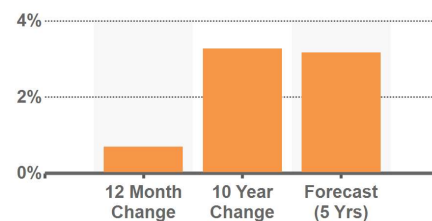
POPULATION GROWTH



LABOR FORCE GROWTH



INCOME GROWTH



Source: Oxford Economics