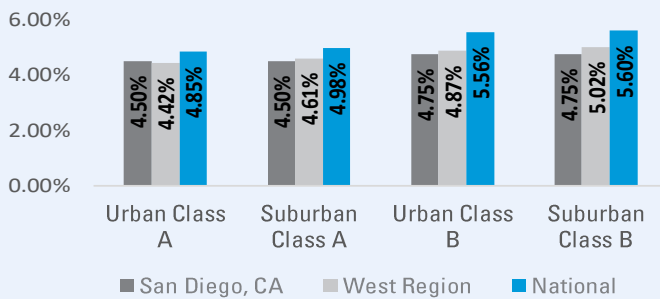


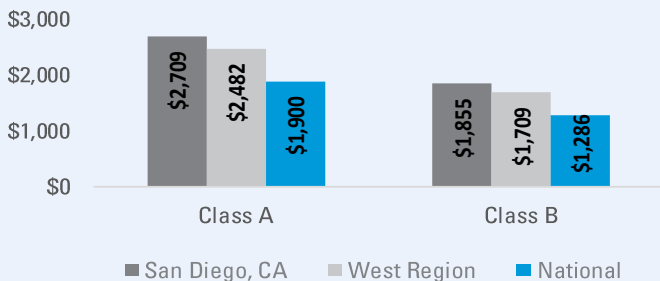
### Market Rate Indicators (Y/Y)

Categories	Class A	Class B
Going In Cap Rate (%)	▲	▲
Asking Rent (\$/Unit)	▲	▲
Vacancy Rate (%)	▼	▼

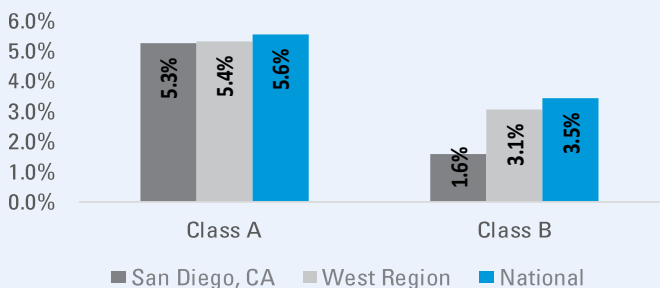
### Going In Cap Rate Comparisons (%)



### Asking Rents (\$/Unit)



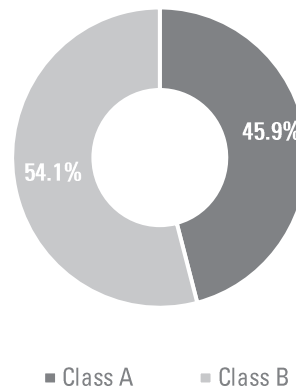
### Vacancy Rates (%)



### San Diego, CA Multifamily Market Overview

The impact of Covid-19 proved minimal on the San Diego County apartment market in 2020 through 2022 compared to other real estate markets. As of late 2022, it appears that the pandemic has fully subsided and most real estate markets are no longer impacted. However, several other negative economic issues have arisen in 2022 that are affecting real estate values and rents. These include inflationary issues, delays in the supply chain for many manufactured and imported goods, rising fuel and food costs, threat of continuing war with Russia and the Ukraine, recessionary signs, corporate cutbacks, and the federal reserve's significant interest rate hikes during Q2 and Q3 2022, with future rate hikes expected if inflationary issues do not subside. While there is still a general shortage of rental housing in California and San Diego, and strong demand for rental properties, we expect multifamily property values to taper off or remain stable despite increasing rental rates, due to the significantly higher cost of leverage for most investors. California has statewide rent control limiting annual rent increases for most multifamily property types to 5% plus CPI, not to exceed 10%. With annual inflation exceeding 8% in 2022, we expect that most aggressive property owners will increase their rental rates to the full extent allowed by the rent control measures (10%) in the forthcoming year. For years, rental rates in San Diego County have increased, primarily due to the diverse and strong jobs market, paired with the very high barrier to home ownership. Most experts anticipate home prices will decline due to the interest rate hikes, but home affordability will still be out of reach for many first-time buyers due to increased interest rates. The economy is currently in turmoil with some experts anticipating a recession in the next 12-18 months, and others anticipating a recovery. For these reasons it is difficult to predict multifamily market changes in the near future, but most investors will be cautious.

### Distribution of Total Inventory



206,935 Units  
Multifamily Inventory

1.39% - 12 Mo. Proj.  
Construction/Inventory

# 2023 SAN DIEGO, CA MULTIFAMILY ANNUAL REPORT

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## Change In Value Next 12 Months



+/- 0%

Urban Class A

▲0.1%-0.9%

Urban Class B



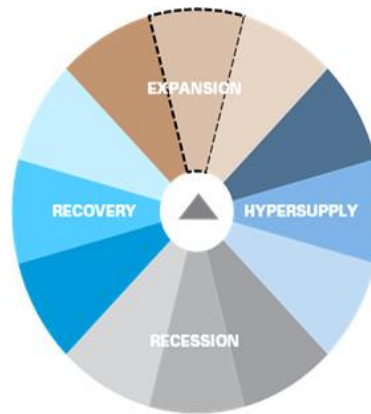
+/- 0%

Suburban Class A

+/- 0%

Suburban Class B

## Market Cycle: Expansion Stage 2



- Decreasing Vacancy Rates
- Med/High Rental Rate Growth
- Moderate/High New Construction
- High Absorption
- Moderate/High Employment Growth

## Forecasts

### San Diego, CA 12-Month Multifamily Forecasts

Categories	Urban Class A	Urban Class B	Suburban Class A	Suburban Class B
Going-In Cap Rates	Increase 1-24 bps	Increase 1-24 bps	Increase 1-24 bps	Increase 1-24 bps
Discount Rate	Increase 1-24 bps	Increase 1-24 bps	Increase 1-24 bps	Increase 1-24 bps
Reversion Rate	Increase 1-24 bps	Increase 1-24 bps	Increase 1-24 bps	Increase 1-24 bps
Construction (Units)	2,872			
Market Rent Change	+10.00%	+10.00%	+10.00%	+10.00%
Expense Rate Change	+3.00%	+3.00%	+3.00%	+3.00%
Years to Balance	3			

### San Diego, CA 36-Month Multifamily Forecasts

Categories	Urban Class A	Urban Class B	Suburban Class A	Suburban Class B
Market Rent Change	+12.15%			
Change in Value	Increase 2%-2.9%	Increase 2%-2.9%	Increase 2%-2.9%	Increase 2%-2.9%

Integra Realty Resources (IRR) is the largest independent commercial real estate valuation and consulting firm in North America, with over 165 MAI-designated members of the Appraisal Institute among 600+ professionals based in our 50+ offices throughout the United States and the Caribbean. Founded in 1999, the firm specializes in real estate appraisals, feasibility and market studies, expert testimony, and related property consulting services across all local and national markets. Our valuation and counseling services span all commercial property types and locations, from individual properties to large portfolio assignments.

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