

1333-1357

ROSECRANS STREET
POINT LOMA



MIXED USE OPPORTUNITY • 13 Apartment Homes • 5 Retail Tenants

CBRE



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1333-1357

ROSECRANS STREET
POINT LOMA



The Offering

The San Diego Investment Group is pleased to offer for purchase a fee simple mixed use project in the heart of Point Loma located at 1333-1357 Rosecrans Street, San Diego at a reduced price. The property has both street grade retail fronting Rosecrans Street (28,818 ADT) and thirteen apartments consisting of a mix of studio, 1, 2, and 3 bedroom units. The project is 100% leased.

This exclusive retail trade area has experienced a high level of activity and low vacancy in recent years.

The high density/high income demographics make this trade area a very desirable high growth pocket of San Diego County. The location of the site near the water drives the high demand for the residential apartments in the project which consistently maintains a 100% occupancy. The apartment units have been recently remodeled.

The project is located in the heart of the prestigious Point Loma community. Point Loma is known for its views of the world-renowned San Diego Bay and benefits from yachting marinas and the U.S. Navy for a local employment base.

Investment Profile - **PRICE REDUCED!**

PRICE	\$3,995,000
\$/UNIT	\$221,944
\$/SQ. FT.	\$329.38
CAP RATE	5.42%
GRM	12.2
BUILDING SIZE	+12,984 SF (+4,634 SF commercial and +8,350 residential)
OWNERSHIP TYPE	Fee Simple

Property Profile

ADDRESS	1333-1357 Rosecans St. San Diego, CA 92106
LAND AREA	+8,752 sf
APN	531-342-01-00 and 531-342-03-00
ZONING	CC4-2
LEASE TYPE	All leases are gross leases



INVESTMENT HIGHLIGHTS



Upside Potential

- Most tenants have rents well below market rate.
- High profile location in the exclusive Point Loma community.

Strategic Location

- The property offers an ideal location for commercial tenants with exposure to the high traffic Rosecrans Street.
- Residential tenants benefit from the highly walkable location with a plethora of restaurants, groceries, schools, and community amenities all within walking distance.
- Close proximity to the waterfront, which offers world-renowned city views across the water.

Demographic Influence

- Strong demographics in a highly desirable neighborhood.
- Average household income of \$103,644 within a 1 mile radius.
- Average home value exceeds \$900,00 within a 1 mile radius.
- Daytime employment 241,027 within a 5 mile radius

Excellent Location

- Located fronting Rosecrans Street, a main arterial in Point Loma/Shelter Island.
- Easy access to the waterfront, San Diego International Airport and downtown San Diego.
- Located at the entryway to Shelter Island, Point Loma and the U.S. Navy Submarine Base.

Strong Cash Flow - 100% Leased

- The project is 100% leased.
- Provides an investor with strong cash flow from diverse tenant base with rates well below market.

Surrounding Strong Employment Base

- Close proximity to San Diego Bay sportfishing, yachting marinas and waterfront restaurants.
- The nearby U.S. Navy Base and various recreational water sport businesses provide for a consistent customer base for the retailers and strong demand for the residential units.

AREA OVERVIEW

LIBERTY STATION
361 ACRE MIXED USE PROJECT
ANCHORED BY
VONS, TRADER JOES, AND
ACE HARDWARE



N. HARBOR DR

ROSECRANS STREET



WATERPOINT TOWNHOMES
2014 BUILT
AVG SALES \$793,000
\$483/SF

LE RONDELET CONDOS
1968 BUILT
AVG SALES \$732,000
\$452/SF

HUMPHREY'S HALF MOON
BAY RESORT

SAN DIEGO YATCH CLUB

PROPERTY DESCRIPTION

Investment Summary

Property Address	1333-1357 Rosecrans Street, San Diego, CA 92106
Units	13 Residential Units 5 Retail Tenants
Building Area	+12,984 SF (+4,634 SF commercial and +8,350 residential)
Year Built	1963 & 1967
Land Area	0.20 Acres (8,752 SF)
Property Parcel Number	531-342-01-00 and 531-342-03-00
Building Configuration	2 Story mixed use
Zoning	CC-4-2
Residential Tenancy	The units are currently leased to long term tenants. Zoning would permit the units to be leased as short term rentals.
Commercial Tenants	Five different tenants, all on the ground floor
Construction	Concrete block and wood frame, slab on grade.
Parking	None

Utilities

Water	Provided by the City of San Diego. Two meters serve the property and are paid by the owner.
Electric	Separate meter for each residential and commercial units with house meters for common areas. Tenants are responsible for their own electric.
Gas	One meter on-site, not currently in use.
Cable	Internet is hard wired to each unit. Tenants pay for their own service.

PARCEL MAP

08

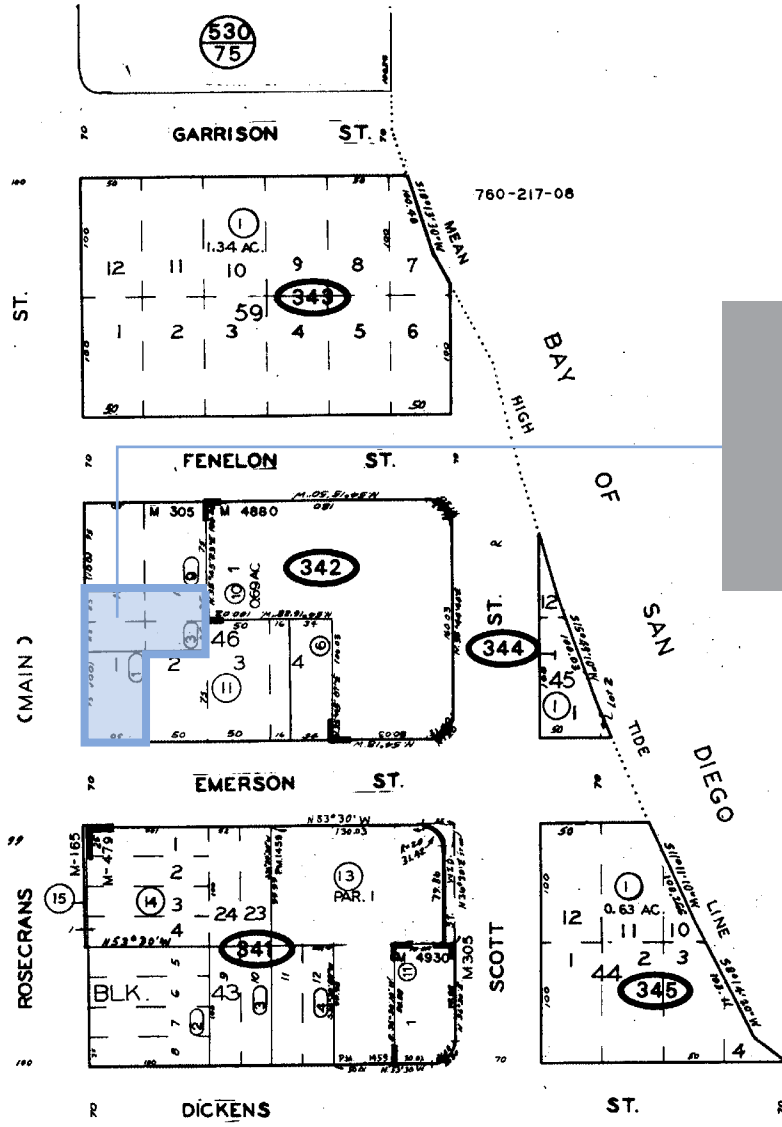
531-341-345

33



345
12-4-74

SAN DIEGO COUNTY
ASSESSOR'S MAP
BOOK 221, PAGE 24. MAPPED FOR ASSESSMENT PURPOSES ONLY



1333-1357
ROSECRANS STREET
POINT LOMA

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35

- MAP 165 - ROSEVILLE
- MAP 4930 - FOREMAN & HARDINGS RESUB..NO..
- MAP 4880 - OUTRIGGER ADD.
- MAP 479 - FOREMAN & HARDINGS SUB.
- MAP 305 - ROSEVILLE REFILED

PROPERTY PHOTOS



PROPERTY PHOTOS



UNIT FEATURES

New:

Cabinets

Formica counter tops

Light fixtures

Dual pane vinyl windows

White appliance package

Ceiling fans

Stainless steel sinks

Microwaves

Electric Heating



INTERIOR PHOTOS



INTERIOR PHOTOS



FINANCIALS

INCOME SUMMARY

# Units	Unit Type	Sq. Ft.	Total				Total Proforma			
			Total Sq.Ft.	\$ Rent	\$/Sq.Ft.	In Place	Proforma	\$/Sq.Ft.	Total Proforma	
1	RETAIL: FASHION NAILS	664	664	\$2,440	\$3.67	\$2,440	\$2,440	\$3.67	\$2,440	
1	RETAIL: AQUATIC AVIATION	882	882	\$1,700	\$1.93	\$1,700	\$1,700	\$1.93	\$1,700	
1	RETAIL: WE VAPE USA	879	879	\$1,575	\$1.79	\$1,575	\$1,575	\$1.79	\$1,575	
1	RETAIL: ALICE'S ALTERATIONS	761	761	\$1,600	\$2.10	\$1,600	\$1,600	\$2.10	\$1,600	
1	RETAIL: JESLIN SALON	1,443	1,443	\$3,206	\$2.22	\$3,206	\$3,206	\$2.22	\$3,206	
5	STUDIOS	425	2,125	\$1,060	\$2.49	\$5,300	\$1,100	\$2.59	\$5,500	
4	1BD/ 1BA	533	2,132	\$1,250	\$2.35	\$5,000	\$1,400	\$2.63	\$5,600	
2	1BD/ 1BA	742	1,484	\$1,500	\$2.02	\$3,000	\$1,550	\$2.09	\$3,100	
1	2BD/ 1BA	784	784	\$1,700	\$2.17	\$1,700	\$1,750	\$2.23	\$1,750	
1	3BD/ 2BA	975	975	\$1,850	\$1.90	\$1,850	\$1,950	\$2.00	\$1,950	
18	Total/Avg	674	12,129	\$1,521	\$2.26	\$27,371	\$1,579	\$2.34	\$28,421	

ANNUALIZED GROSS INCOME

		<u>\$328,452</u>	<u>\$341,052</u>
Vacancy	Proforma 3.00%	(\$9,854)	(\$10,232)
ADJUSTED GROSS INCOME		<u>\$318,598</u>	<u>\$330,820</u>
Laundry Income		\$3,960	\$3,960
		<u>\$323,158</u>	<u>\$335,380</u>

Less Estimated Expenses:

	1.17901%	ACTUAL 2015 EXPENSES		PROFORMA	
		\$/UNIT	\$/YEAR	\$/YEAR	\$/YEAR
Property Taxes		\$2,617	\$47,101	\$47,101	
Fixed Assessment		\$3	\$55	\$55	
Insurance		\$336	\$6,045	\$6,045	
Water & Sewer		\$439	\$7,896	\$7,900	
SDGE		\$315	\$5,674	\$5,674	
Trash & Recycling		\$439	\$7,896	\$7,896	
Landscaping/ Cleaning		\$183	\$3,300	\$3,300	
Repairs & Maintenance		\$343	\$6,175	\$9,000	
Professional Management (5.00%)		\$1,012	\$18,220	\$16,158	
Reserves		\$200	\$0	\$3,600	
Total Expenses			\$102,362	\$106,729	
Exp./unit:			\$5.929	\$5.929	(\$106,729)
Exp/psf:			\$8.80	\$8.80	
Exp. % of SGI:			32.5%	31.3%	

NET OPERATING INCOME

Amortization		30	<u>\$216,429</u>	<u>\$228,651</u>
Rate		4.00%		
Debt Service	\$2,395,000 @		\$137,209	\$137,209
CASH FLOW			<u>\$79,220</u>	<u>\$91,442</u>




CASH ON CASH RETURN	4.95%	5.72%
DSCR	1.58	1.67
YR 1 PRINCIPAL LOAN REDUCTION	\$41,409	\$41,409
TOTAL RETURN	\$120,629	\$132,851

PRICE	\$3,995,000
\$/UNIT	\$221,944
\$/SQ. FT.	\$329.38
Down Payment	\$1,600,000
% Down	40.05%
	In Place
CAP RATE	5.42%
PROFORMA CAP RATE	5.72%
GRM	12.2
PROFORMA GRM	11.7

APARTMENT SALES COMPARABLES

Property	SUBJECT 1333-1357 Rosecrans			1 3034 Canon St	2 4960 Coronado Ave	3 3126 Garrison St
						
Address	1333-1357 Rosecrans Point Loma			3034 Canon St San Diego	4960 Coronado Ave Ocean Beach	3126 Garrison St
# Of Units	13 units + commercial			18	8	5
Year Built	1963/1967			1947		1953
Total Sf	12,984			12,410	6,578	5,001
Sale Date	Proposed			1/29/2016	5/2/2016	4/25/2016
Sale Price	\$3,995,000			\$3,400,000	\$2,950,000	\$1,575,000
Price Per Unit	\$221,944			\$188,889	\$368,750	\$315,000
Price Per SF	\$329.38			\$273.97	\$448.60	\$314.94
Unit Mix (Studio)						
Studio/1ba	5	425	\$1,060			
1bd/1ba	6	533-784	\$1,250- \$1,500	18	620-650 sf	\$1,150
2bd/1 ba	1	784	\$1,700			6
2bd/2ba						\$1,832
3bd/2ba	1	975	\$1,850			2
						\$2,100
						5
						\$1,300

OFFICE SALES COMPARABLES

Property Address	SUBJECT 1333-1357 Rosecrans San Diego, 92106	2811 Nimitz Blvd San Diego, 92106	1360 Rosecrans St San Diego, 92106
			
Total SF	8,350 SF residential & 4,634 SF commercial	9,722	5,685
Year Built	1963 & 1967	1978	1967
Sale Date	Proposed	10/9/2015	10/30/2015
Sale Price	\$3,995,000	\$3,000,000	\$1,400,000
Price/SF	\$329.38	\$308.58	\$246.26

THE NEIGHBORHOOD

PARKS, RECREATION & FITNESS

1. POINT LOMA SPORTS CLUB
2. YOGA SIX
3. SPANISH LANDING PARK
4. HARBOR ISLAND YACHT CLUB
5. POINT LOMA YACHT CLUB
6. HARBOR ISLAND PARK
7. MARINA SAILING
8. POINT LOMA COMMUNITY PARK
9. CHAKRA PILATES
10. INTREPID SPORT FISHING
11. JOSIE LYNN SPORTFISHING
12. H&M LANDING
13. CABRILLO RECREATION CTR
14. PILATES BY MAYA
15. F-MAX FITNESS
16. SAN DIEGO SAILING ACADEMY
17. MARLIN CLUB
18. J WORLD SAILING SCHOOL
19. KOEHLER KRAFT BOAT YARD
20. SAN DIEGO YACHT CLUB
21. LA PLAYA WALK PATH
22. OUTBOARD BOATING CLUB
23. SHORELINE PARK
24. SOUTHWESTERN YACHT CLUB
25. SILVER GATE YACHT CLUB
26. SAIL SAN DIEGO
26. SHELTER ISLAND PIER
27. A BAY WATCH CRUISE
29. SAIL USA 11

RESTAURANTS

1. STONE BREWING WORLD BISTRO
2. CHI CHOCOLAT
3. SLATER'S 50-50
4. SOLARE RESTAURANT LOUNGE
5. ROSARIA'S PIZZA 4
6. EKIRU SUSHI
7. TENDER GREENS
8. FIG TREE LIBERTY
9. BROWN BAG DELI
10. JUST CHILI INC
11. ADALBERTOS MEXICAN FOOD
12. LAST DAY
13. OGGI'S PIZZA & BREWERY CO
14. LOS PRIMOS MEXICAN FOOD
15. ISSARA THAI
16. SUSHIYA
17. HARBOR GREEK CAFE
18. RILEY'S SPORT LOUNGE
19. SANTANA'S MEXICAN GRILL
20. SANTANA'S MEXICAN FOOD
21. POINT LOMA CAFE
22. COMPASS ROSE DELI
23. DOCKSIDE DELI
24. RESTAURANT AT THE PEARL
25. PIZZA NOVA
26. JIMMY'S FAMOUS AMERICAN TAVERN
26. SIERRA PACIFIC
27. BOATHOUSE RESTAURANT
29. HARBOR ISLAND WEST MARINA
30. MITCH'S SEAFOOD
31. CLUB MARINA
32. HECTOR'S MEXICAN & SEAFOOD
33. GALLEY H & M LANDING
34. MIGUEL'S COCINA
35. PACIFIC COAST CHINESE FOOD
36. SUPANNEE HOUSE OF THAI
37. WINE PUB
38. ALFREDO'S PIZZA
39. SWEETALY
40. POINT LOMA BAKERY
41. UMI SUSHI
42. FIDDLER'S GREEN RESTAURANT
43. LOMA BONITA MEXICAN FOOD
44. NELLIE'S DELI
45. OLD VENICE ITALIAN RESTAURANT
46. POMODORO
47. POINT BREAK CAFE
48. BRIGANTINE SEAFOOD RESTAURANT
49. RED SAILS INN
50. WESTY'S ANTIQUES & TAVERN
51. LIVING ROOM COFFEEHOUSE
52. PEARSON DELI
53. BALI HAI RESTAURANT
54. HUMPHRYS RESTAURANT
55. HALF MOON ANCHORAGE
56. BLUE WAVE BAR & GRILL
57. SHELTER ISLAND MARINA
58. KONA KAI RESTAURANT
59. FATHOM BISTRO BAIT & TACKLE
60. AJ'S AMERICAN GRILL

HOTELS & RESORTS

1. COURTYARD-AIRPORT
2. PEARL HOTEL
3. HUMPHRYS HALF MOON INN & SUITES
4. BAY CLUB HOTEL & MARINA
5. BEST WESTERN ISLAND PALMS HOTEL & MARINA
6. KONA KAI RESORT & SPA



1333-1357
ROSECRANS STREET
POINT LOMA

- PARKS, RECREATION & FITNESS
- HOTELS & RESORTS
- RESTAURANTS



1333-1357
ROSECRANS STREET
POINT LOMA



CARLETON STREET
SHELTER ISLAND DRIVE
AVENIDA DE PORTUGAL
ROSECRANS STREET
SCOTT STREET

POINT LOMA MARKET OVERVIEW

Point Loma is a seaside community of San Diego, California. It is bordered on the west and south by the Pacific Ocean, the east by San Diego Bay and Old Town and the north by the San Diego River. Point Loma is home to two major military bases, a national cemetery, a national monument, and a university, in addition to commercial and residential areas.

The Point Loma location includes all the demographics a retailer needs to succeed. It has a mix of families, college students, active military personnel, tourists and locals, which all look for great experiences in food, shopping and daily needs services. Point Loma is home to Shelter Island, which is actually not an island but a former sandbank in San Diego Bay. Shelter Island was developed in the 1950s and contains hotels, restaurants, marinas, and public parkland. Liberty Station is the newest commercial and retail area in Point Loma. Site of the former Naval Training Center San Diego, it includes numerous recreation, dining, shopping, hotel, residential and educational sections.

The Midway district, neighboring to the San Diego River and the I-5 and I-8 freeways, is mainly commercial and industrial with a small number of residential developments. The majority of the neighborhoods in Point Loma consist primarily of single family homes. Rosecrans Street is the path of the historic La Playa Trail, recognized as the oldest commercial trail in the western United States. Recreational boating activities are mostly located on the Bay side of the peninsula, where there are three yacht clubs, including the San Diego Yacht Club. There are quite a few small-boat marinas and a commercial sport fishing dock as well.

The southern one-third of Point Loma is entirely federal land, including Naval Base Point Loma, Fort Rosecrans National Cemetery, and Cabrillo National Monument. Point Loma is home to several major military installations including the US Navy's SPAWAR program, the US Marine Corp's Recruit Training Depot (MCRD San Diego), Naval Base Point Loma, and the former US Navy Recruit Training Command /Naval Training Center, or RTC/NTC San Diego.

Point Loma Economy

Point Loma's economy is mostly driven by water sport recreation (including yachting and deep-sea fishing), retail businesses, and military facilities. With several yacht clubs and three marinas, including the San Diego Yacht Club, Point Loma is a popular destination for world travelers and residents. Point Loma also includes a number of hotels, restaurants, and local businesses that attract visitors from near and far.



POINT LOMA /OCEAN BEACH APARTMENT MARKET

Point Loma/Ocean Beach Apartment Market

Effective rent increased 8.2% from \$1,651 in 1Q15 to \$1,787 in 2Q15. The submarket's annual rent growth rate of 7.5% was above the market average of 6.3%. Out of the 14 submarkets in the market, the Ocean Beach/Point Loma Submarket ranked 1st for quarterly effective rent growth and 4th for annual effective rent growth for 2Q15. Annual effective rent growth is forecast to be 6.3% in 2015, and average 4.9% through 2015 to 2017. The annual effective rent growth has averaged 2.6% per year since 3Q03. The submarket's occupancy rate increased from 96.1% in 1Q15 to 96.3% in 2Q15, and was up from 96.0% a year ago. The submarket's occupancy rate was above the market average of 96.1% in 2Q15. For the forecast period, the submarket's occupancy rate is expected to decrease to 95.5% in 2015 and average 94.9% from 2015 to 2017. The submarket's occupancy rate has averaged 96.8% since 3Q03



New Supply

Based on Axiometrics' identified supply of properties under construction, the submarket is not expected to deliver any units in 2015. Overall market deliveries increased from 2,568 units in 2014 to 3,464 in 2015, and the total is expected to lower to 1,384 units in 2016. During the last 12 months, 1,903 units were absorbed in lease-up properties across the market with none of them in this submarket. The average absorption rate for lease-up properties in the market was 17 units per property, per month.

Source: Axiometrics, Market Summary 2Q2015

Submarket Survey Results and Forecasts

	Sequential				Month	Annual							
	3Q14	4Q14	1Q15	2Q15	Jun-15	2012	2013	2014	2015F	2016F	2017F	2018F	
Effective Rent Per Unit	\$1,713	\$1,648	\$1,651	\$1,787	\$1,844	\$1,528	\$1,565	\$1,658	\$1,763	\$1,850	\$1,915	\$1,999	
<i>Per Sq. Ft</i>	\$2.06	\$1.99	\$1.99	\$2.15	\$2.22	\$1.84	\$1.89	\$2.00	\$2.12	\$2.23	\$2.31	\$2.41	
<i>Effective Rent Growth - Annually</i>	4.5%	1.5%	2.5%	7.5%	9.4%	3.2%	2.4%	6.0%	6.3%	4.9%	3.5%	4.4%	
<i>Effective Rent Growth - Quarterly</i>	3.0%	-3.8%	0.2%	8.2%									
Occupancy Rate	95.4%	95.9%	96.1%	96.3%	96.4%	97.3%	95.7%	95.7%	95.5%	94.4%	94.7%	95.2%	
<i>Occupancy Change - Annually</i>	-2.4%	0.3%	0.6%	0.3%	0.3%	1.1%	-1.6%	0.0%	-0.3%	-1.1%	0.3%	0.5%	
<i>Occupancy Change - Quarterly</i>	-0.6%	0.5%	0.3%	0.1%									
Economic Concessions													
<i>Concession Value</i>	\$0.00	-\$0.94	-\$0.47	\$0.00	-\$0.01	-\$3.65	-\$20.04	-\$0.23					
<i>As a % of Asking Rent</i>	0.0%	-0.1%	0.0%	0.0%	0.0%	-0.3%	-1.3%	0.0%					

Submarket Profile

	Submkt	Market	Rank
Effective Rent Per Unit	\$1,787	\$1,778	6/14
<i>Effective Rent Growth - Annually</i>	7.5%	6.3%	4/14
<i>Effective Rent Growth - Quarterly</i>	8.2%	3.1%	1/14
Occupancy Rate	96.3%	96.1%	7/14
<i>Occupancy change - Annually</i>	0.3%	0.0%	7/14
<i>Occupancy change - Quarterly</i>	0.1%	0.1%	8/14
Concession Value	\$0.00	-\$7.38	2/14
Build Average	1982	1992	13/14

*Ranking based on Submarkets with 5 or more Projects

	Pipeline Delivery Schedule					
	2016	2013	2014	2015	2017	Total
Submarket	190					190
Market	1,384	1,427	2,568	3,464	946	9,789

	Pipeline Lease Up Trend					
	Units Absorbed		Asking Rent		Effective Rent	
	Totals	PPM	Level	Per Ft.	Level	Per Ft.
Market	1,903	17	\$2,204	\$2.34	\$2,106	\$2.25

*Trend based on a trailing 12 month period

POINT LOMA NAZARENE UNIVERSITY

The main 90-acre campus of Point Loma Nazarene is located in Point Loma (San Diego), CA. It is a private institution which utilizes a semester based academic calendar. PLNU enrolls approximately 2,500 students. PLNU is primarily a residential campus.

UNIVERSITY OF SAN DIEGO

Anationally ranked Catholic university The main 180-acre campus is located in the coastal area of San Diego, CA. USD enrolls approximately 8,300 students.

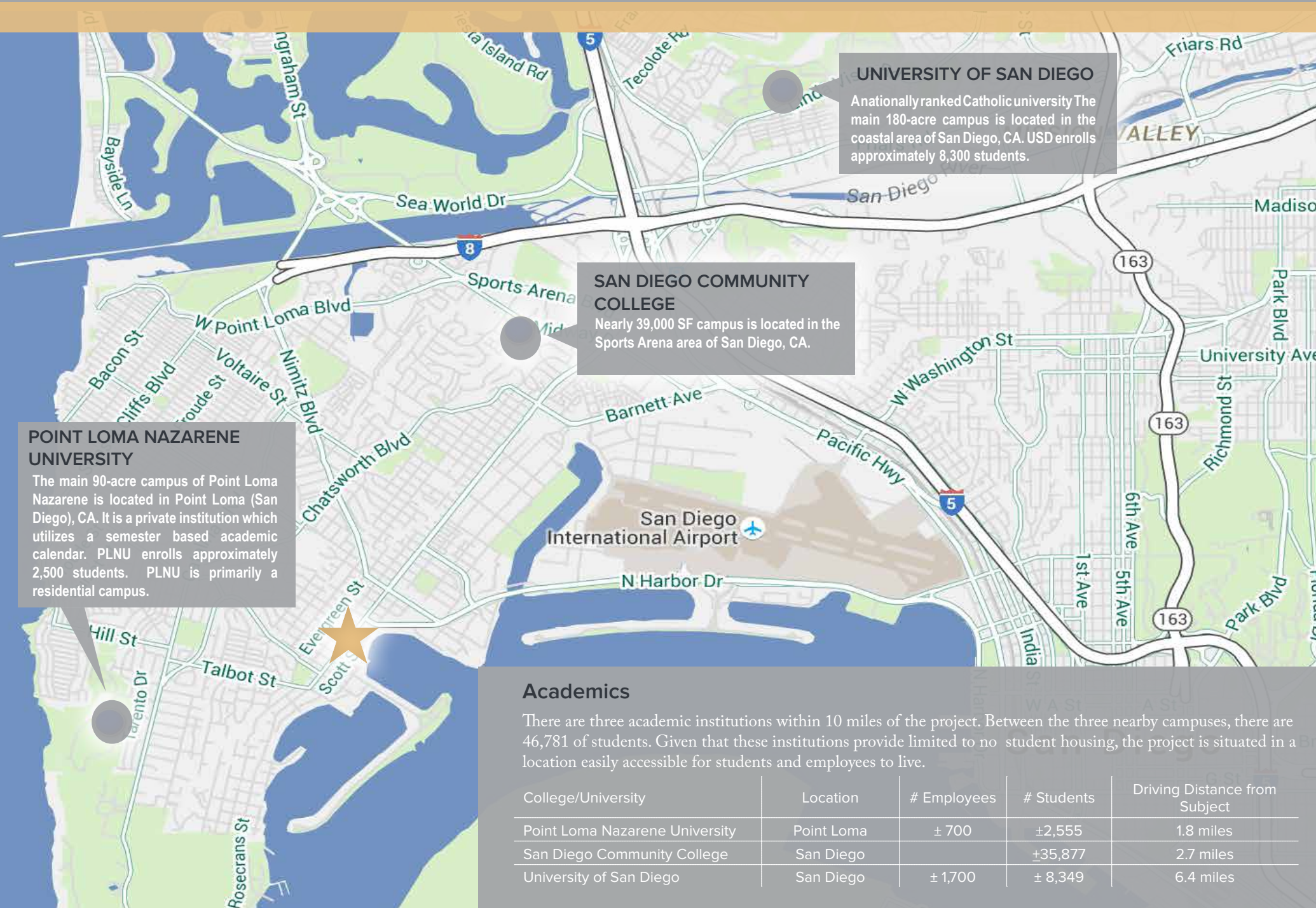
SAN DIEGO COMMUNITY COLLEGE

Nearly 39,000 SF campus is located in the Sports Arena area of San Diego, CA.

Academics

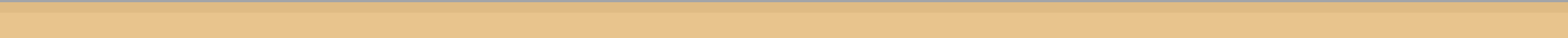
There are three academic institutions within 10 miles of the project. Between the three nearby campuses, there are 46,781 of students. Given that these institutions provide limited to no student housing, the project is situated in a location easily accessible for students and employees to live.

College/University	Location	# Employees	# Students	Driving Distance from Subject
Point Loma Nazarene University	Point Loma	± 700	±2,555	1.8 miles
San Diego Community College	San Diego		+35,877	2.7 miles
University of San Diego	San Diego	± 1,700	± 8,349	6.4 miles



DEMOGRAPHICS

POPULATION	1 Mile	3 Miles	5 Miles
2015 Population	14,978	71,888	202,046
2020 Population	15,748	74,355	212,340
2010 Population	14,230	70,070	191,966
2000 Population	11,709	66,640	173,653
Percent Pop Change: 2010 to 2015	5.26%	2.60%	5.25%
Percent Pop Change: 2015 to 2020	5.14%	3.43%	5.09%
HOUSEHOLDS			
2015 Households	5,995	27,843	95,094
2020 Households	6,262	28,992	100,676
2010 Households	5,773	26,799	89,146
2000 Households	5,025	26,406	79,803
Percent HH Change: 2010 to 2015	3.85%	3.89%	6.67%
Percent HH Change: 2015 to 2020	4.46%	4.13%	5.87%
Average Household Size	2.33	2.12	1.88
HOUSEHOLD INCOME			
2000 Average Household Income	\$81,764	\$64,220	\$56,924
2015 Average Household Income	\$103,644	\$88,692	\$83,595
2020 Average Household Income	\$106,206	\$92,534	\$87,104
2000 Median Household Income	\$58,515	\$44,966	\$42,093
2015 Median Household Income	\$71,485	\$63,968	\$60,395
2020 Median Household Income	\$72,874	\$66,641	\$62,195
2015 Per Capita Income	\$41,486	\$34,351	\$39,344
HOUSING UNITS			
2015 Housing Units	6,390	29,800	107,197
Occupied Units	5,995	27,843	95,094
Vacant Housing Units	395	1,957	12,103
2015 Owner-Occupied Housing Units	3,431	11,612	34,258
2015 Renter-Occupied Housing Units	2,564	16,231	60,836
2015 Median Home Value	\$868,369	\$797,121	\$672,008
2015 Average Home Value	\$922,206	\$840,717	\$761,491



DOWNTOWN

CORONADO

SAN DIEGO
INTERNATIONAL
AIRPORT

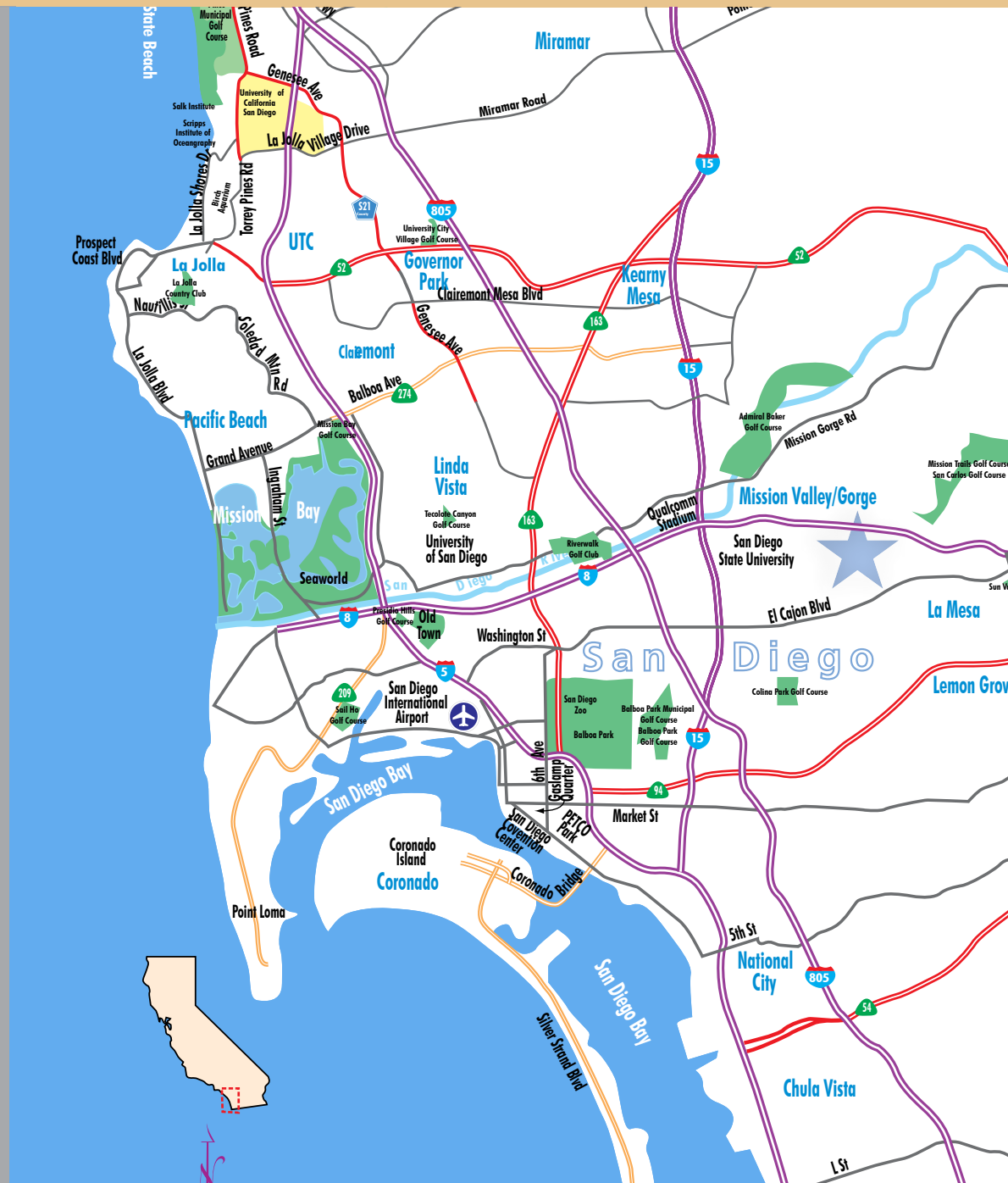
SHELTER ISLAND



SAN DIEGO MARKET OVERVIEW

San Diego County Top Employers

U.S. DEPARTMENT OF DEFENSE	136,664
FEDERAL GOVERNMENT	46,300
STATE OF CALIFORNIA	45,500
UNIVERSITY OF CALIFORNIA, SAN DIEGO	27,393
NORTH ISLAND NAVAL AIR STATION/NAVAL BASE CORONADO	27,000
COUNTY OF SAN DIEGO (CAO)	15,109
SHARP HEALTHCARE	14,969
SCRIPPS HEALTH	13,830
SAN DIEGO UNIFIED SCHOOL DISTRICT	13,730
SAN DIEGO STATE UNIVERSITY	11,000
QUALCOMM INC. (QCOM)	10,509
CITY OF SAN DIEGO	10,211
KAISER FOUNDATION HOSPITAL, SAN DIEGO	8,200
GENERAL ATOMICS	6,751
UCSD MEDICAL CENTER, HILLCREST	5,860
U.S. POSTAL SERVICE, SAN DIEGO DISTRICT	5,795
SEMPRA ENERGY (SRE)	5,299
RADY CHILDREN'S HOSPITAL SAN DIEGO	4,700
YMCA OF SAN DIEGO COUNTY	4,594
SAN DIEGO COMMUNITY COLLEGE DISTRICT	4,310
PECHANGA RESORT & CASINO	4,300



SAN DIEGO MARKET OVERVIEW

San Diego Economic Overview

San Diego County's nearly perfect year-around weather combined with a dynamic economy make the region one of the most desirable places to live and work in the United States. San Diego's quality of life and burgeoning economy attract residents, businesses and visitors from around the world. Over the last two decades, the San Diego region has developed its own progressive identity as a premier tourist destination as well as a leader in defense development, biotechnology, sustainable energy, wireless and telecommunications technologies, and electronics manufacturing.

North County San Diego is one of the most affluent regions in California and hosts the world's largest golf manufacturing industry. South County boasts a flourishing industrial and manufacturing base fueled by large defense contractors, medium-sized family-owned companies and international Maquiladoras. The city of San Diego encompasses 342 square miles in Central San Diego and includes densely populated coastal and inland communities. East County San Diego is a mix of established older neighborhoods, rural communities and expansive open space.

Geography

Framed by the Pacific Ocean to the west, mountains and desert to the east, Camp Pendleton and Riverside County to the north, and the U.S./Mexico border to the south, San Diego County encompasses 4,261 square miles. Unlike markets such as Las Vegas and Phoenix, San Diego is land-constrained resulting in a limited availability of developable land. This land shortage raises high entry barriers for new real estate development and creates a premium for land values.

Population

With a total population close to 1.3 million, San Diego is the second largest city in California behind Los Angeles and the eighth largest city in the United States. At approximately 3.2 million people, San Diego County is the second largest county in the state and the fifth largest county in the country.

Income

The 2015 average household income in San Diego County was \$82,986 and is projected to increase to \$85,465 by 2018. This compares favorably to the national average household income of \$69,637.



SAN DIEGO MARKET OVERVIEW

San Diego Apartment Rental Trends

Studio	\$1,244
1-bedroom	\$1,353
2-bedroom	\$1,638
3-bedroom	\$2,195
Total Units	127,966
Avg. Monthly Rent	\$1,574
Avg. SF	874
Avg. Rent per SF	\$1.80

Source: Marketpointe Report March 2015

Apartment Performance

Effective rent increased 3.1% from \$1,725 in 1Q15 to \$1,778 in 2Q15, which resulted in an annual growth rate of 6.3%. Annual effective rent growth is forecast to be 3.6% in 2016, and average 3.7% from 2017 to 2019. Annual effective rent growth has averaged 3.7% since 3Q96. The market's annual rent growth rate was above the national average of 5.0%. Out of the 120 markets ranked by Axiometrics nationally, San Diego-Carlsbad, CA Metro Area was 31st for quarterly effective rent growth, and 23rd for annual effective rent growth for 2Q15. The market's occupancy rate increased from 95.9% in 1Q15 to 96.1% in 2Q15, and was up from 96.0% a year ago. The market's occupancy rate was above the national average of 95.3% in 2Q15. For the forecast period, the market's occupancy rate is expected to be 95.2% in 2016, and average 95.8% from 2017 to 2019. The market's occupancy rate has averaged 95.9% since 3Q95.

Job Growth

According to the Bureau of Labor Statistics, job growth in San Diego-Carlsbad, CA Metro Area was 3.1% in May 2015, reflecting 42,400 jobs added during a 12-month period. The metro job growth figure was above the national number of 2.2%. Axiometrics forecasts San Diego-Carlsbad, CA Metro Area's job growth to be 2.2% in 2016, with 30,303 jobs added. Job growth is expected to average 2.0% from 2017 to 2019, with an average of 28,256 jobs added each year. On the supply side, permits for 4,901 multifamily units were issued in the 12 months ending in May 2015, up 799 units from the prior year's sum. In terms of total residential housing, 7,898 units were permitted in the 12 months ending May 2015, an increase of 1,027 units from the prior year's total.





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