

| | YoY Chg | 12-Mo. Forecast |
|--|---------|-----------------|
| 5.9% Cap Rate | ▼ | ▼ |
| \$10.5B Total Volume (USD) | ▲ | ▲ |
| 281 Total Properties Sold | ▲ | ▲ |
| 19.6 MSF Total SF (Excluding MF) | ▲ | ▲ |
| 11,738 Total Units (MF) | ▲ | ▲ |

All Property Classes)
MF = Multifamily

ECONOMIC INDICATORS Q4 2021

| | YoY Chg | 12-Mo. Forecast |
|--|---------|-----------------|
| 1.44M San Diego Employment | ▲ | ▲ |
| 6.0% San Diego Unemployment Rate | ▼ | ▼ |
| 4.2% U.S. Unemployment Rate | ▼ | ▼ |
| 1.57% U.S. 10-Yr Treasury Yield | ▲ | ▲ |

Source: BLS

ECONOMIC OVERVIEW: Unemployment Rate Declining

The San Diego employment market has recovered 193,400 (83%) of the 248,000 jobs lost during the beginning of the pandemic between March and April of 2020. Nonfarm employment grew by 64,900 or +4.6% year-over-year (YOY) between November 2020 through November 2021, with the leisure and hospitality sector accounting for 28,500 jobs added (+20.2% YOY). During the same time, the monthly unemployment rate decreased from 6.8% last year to 4.6% and is notably lower compared to the 15.9% high recorded in April of 2020. The current monthly rate is also 140 basis points (bps) lower compared to the Q4 2021 quarterly average of 6.0%.¹

All employment sectors are expected to grow at a combined rate of 4.5% in 2022, while office employment is forecasted to grow 2.3% and high-tech employment 2.7%. San Diego's economy of \$252.7 billion (B) as measured by 2021 gross regional product is forecasted to grow 4.9% in 2022 and 3.3% in 2023, above its 10-year average of 3.1%.²

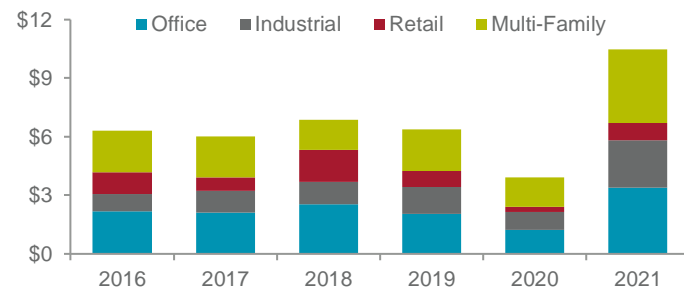
INVESTMENT OVERVIEW: Office Leads Recovery Market

San Diego's commercial real estate investment market transactions for office, industrial, retail and multi-family sales \$10 million (M) and above reached nearly \$10.5B in 2021, well over double the sales volume of \$3.9B in 2020, and the highest annual total ever recorded. Sales of multi-family products are the primary driver of the growth, totaling nearly \$3.8B and 36% of annual sales volume, followed by office (\$3.4B), industrial (\$2.4B) and retail (\$872M).

Retail sales saw the highest growth in sales volume (256%) YOY largely due to a lack of activity in 2020. Office sales volume grew 180% since 2020 with nearly \$1.4B sold in the second quarter and another \$1.2B in the fourth quarter. Life sciences acquisitions and conversions continue to be a major factor in the office market as well as the industrial market. Industrial volume increased 160% since the previous year with the average price per square foot increasing 33% due to the value-add opportunities of life sciences conversions. Multi-family's strength and durability as an asset continued through 2021, with sales volume increasing 146% from the previous year.

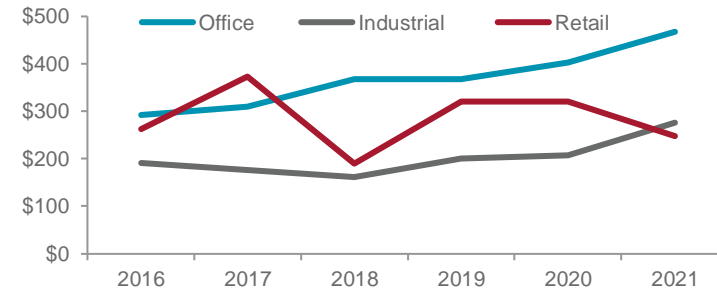
Institutional investors increased their activity in 2021 with over a third of acquisitions in San Diego, compared to 24% last year. Private investors continue to be bullish comprising over 42% of buyers annually since 2017. There continues to be a large contingent of exchange buyers, both inside and outside of the market, that continues to target and pay premiums on quality credit and stabilized cash flow.

INVESTMENT SALES VOLUME (\$M)



Source: Real Capital Analytics

AVERAGE PRICE PER SQUARE FOOT



MARKETBEAT SAN DIEGO

Investment Q4 2021



INVESTMENT ACTIVITY

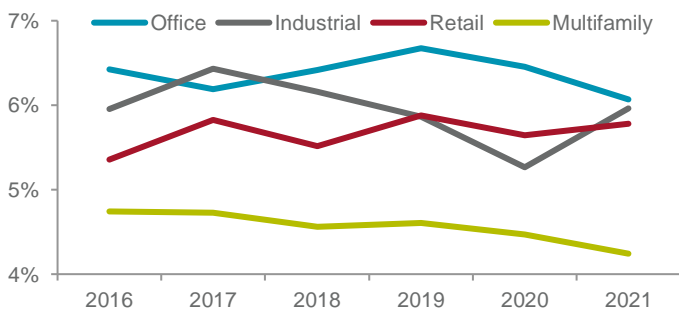
| PROPERTY TYPE | PROPERTIES SOLD | SALES VOLUME (USD) | TOTAL SOLD | PRICE / SF*, UNIT | Q4 CAP RATE |
|---------------|-----------------|-------------------------|----------------------|-------------------|-------------|
| Office | 71 | \$3,385,045,947 | 7,246,842 SF | \$467.11 | 6.1% |
| Industrial | 81 | \$2,435,019,058 | 8,847,982 SF | \$275.21 | 6.0% |
| Retail | 33 | \$871,612,508 | 3,524,908 SF | \$247.47 | 5.8% |
| Multifamily | 96 | \$3,782,482,032 | 11,738 Units | \$322,242 | 4.2% |
| TOTAL | 281 | \$10,474,159,545 | 19,619,732 SF | \$341.07 | 5.9% |

SIGNIFICANT SALES

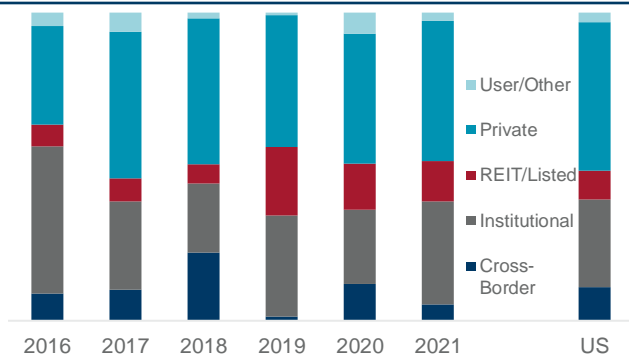
| PROPERTY NAME | TYPE | BUYER | SELLER | TOTAL SF / UNITS | PURCHASE PRICE | PRICE / UNIT (\$ PSF) | MARKET |
|---------------------------|--------------|--------------------------------|-----------------------|------------------|----------------|-----------------------|----------------|
| Pacific Corporate Center | Office | Harrison Street / Sterling Bay | City Office REIT | 504,750 SF | \$576,000,000 | \$1,141 | Sorrento Mesa |
| Emmes Downtown Portfolio | Office | Regent Properties | Emmes Group | 1,529,687 SF | \$420,000,000 | \$275 | Downtown |
| Lusk Business Park | Industrial | Longfellow Real Estate | PS Business Parks | 371,280 SF | \$315,400,000 | \$849 | Sorrento Mesa |
| Sequence Drive Portfolio | Office | Alexandria Real Estate | John Hancock RE | 482,153 SF | \$298,500,000 | \$619 | Sorrento Mesa |
| The Merian | Multi-Family | Brookfield | Holland Partner Group | 426 Units | \$240,845,000 | \$563,364 | Downtown |
| The Aventine | Office | IQHQ | Rockpoint Group | 281,094 SF | \$205,000,000 | \$729 | UTC |
| Gravity | Multi-Family | RedHill Realty | Fairfield Residential | 325 Units | \$177,500,000 | \$546,154 | Mission Valley |
| Grossmont Shopping Center | Retail | Federal Realty Investment | Rainbow Investment | 924,717 SF | \$175,750,000 | \$317 | East County |
| Solana at Grand | Multi-Family | HomeFed / CA Municipal | TruAmerica | 519 Units | \$167,500,000 | \$322,736 | Escondido |
| The Campus at SDBP | Industrial | LaSalle Investment | Murphy Development | 665,229 SF | \$158,500,000 | \$238 | Otay Mesa |

Sources: ¹www.bls.gov; ²Moody's Analytics economy.com 12/2021. Sources: Real Capital Analytics, Cushman & Wakefield Research. Closed transactions over \$10 million. *SF includes office, industrial and retail. Unit calculation for apartment only

AVERAGE CAP RATE



TOTAL ACQUISITIONS BY CAPITAL SECTOR



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