

110
WEST ASH
STREET
SAN DIEGO, CA

OFFERING MEMORANDUM

PREMIER INVESTMENT OPPORTUNITY

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THE OPPORTUNITY

110 West Ash is a rock solid real estate investment opportunity in San Diego. The tenant is, Essex Portfolio, L.P. is a California limited partnership with Essex Property Trust, Inc. a Maryland corporation its general partner. (See link to SEC form 8-K below.) Essex Property Trust, Inc. March 2022 Investor Presentation has a stated market cap of \$31.1 Billion as of December 31, 2021. (See March 2022 Investor Presentation below.)

The NNN lease is for 99 years with 51 years remaining and enjoys unlimited CPI increase every five years. This is a perfect hedge against the current runaway inflation. Leases, with unlimited CPI increase, are very difficult to find and even more difficult to find with a credit tenant. The current rent is \$478,874/year with the next increase September 1, 2023. If the lease were adjusted today, using the CPI to date, the rent would be approximately \$538,966/year.

The real estate enjoys a Main and Main location and is bounded by Front Street (inbound traffic off I-5 into downtown San Diego, First Street (outbound traffic from Downtown San Diego to I-5) and Ash Street (inbound traffic off State Route 163 into downtown San Diego).

The underlying real estate enjoys some of the most liberal zoning that San Diego has to offer. Recently, the City of San Diego passed an ordinance, Complete Communities, that grants the property unlimited FAR and maximum height for residential development.

The subject property is a perfect covered land play. Trammell Crow is currently under construction with a 395 unit, 36 story, 457 foot tower directly west of the site. Their site is 27,610SF and is being built to 612,579 SF gross and 531,446 SF above grade and 408,146 above grade of 14.8 FAR. The Trammel Crow land value, that closed November 2020, was \$25,000,000 or \$905/SF of land. Apple to apples would make the subject unencumbered land value \$22,600,000.

ESSEX PROPERTY TRUST, INC
INVESTOR PRESENTATION & PORTFOLIO
(Click Links Below)

[March 2022 Investor Presentation](#)

[Portfolio](#)



EXECUTIVE SUMMARY

Tenant:	Essex Portfolio, L.P. a California limited partnership Essex Property Trust, Inc. a Maryland corporation, its General Partner
Market Cap:	\$30.1 Billion as of 12/31/21
Address:	110 W Ash Street, San Diego, CA 92101
Lease Type:	NNN – Ground Lease
Origination Date:	September 1, 1973
Termination Date:	August 31, 2073
Term Remaining:	51 years
Current Rent:	\$478,874.04 per year (paid monthly). Based on our calculation of the CPI, if rent were to readjust based on the previous three months, the new annual rent would be approximately \$538,966 per year
Next Rental Increase:	September 1, 2023
CPI:	Every 5 years. No Minimum and No Maximum
Improvements:	Currently a parking lot. All future improvement revert to lessor at the end of lease.
Right of First Refusal:	Yes – 30 Days
Traffic Counts:	

Front Street is the inbound artery from Interstate 5 ; Traffic volume, 2018 was 20,787
First Avenue is the outbound street to Interstate 5 ; Traffic Volume 2018 was 23,089
Ash Street is an inbound street from California Route 163 ; Traffic Volume 2018 was 19,217

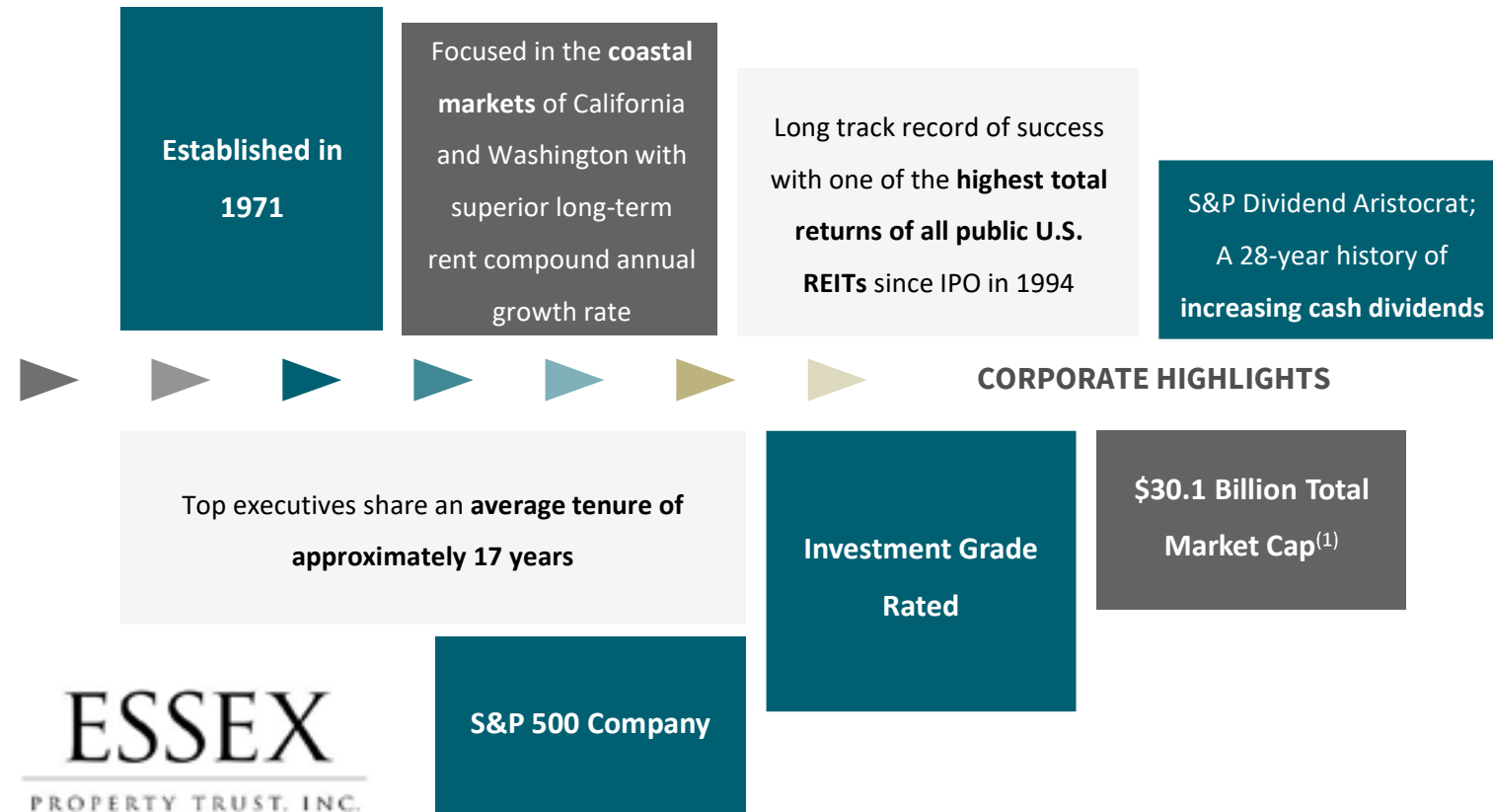
Size:	Approx. 25,000 SF
Parcel Numbers:	533-422-07 ; 533-422-08; 533-422-13; 533-422-14
FAR:	Unlimited with Complete Communities. Zoning (See FAR maps)
Price:	Submit

CPI Index.

Lessor and Lessee hereby acknowledge and agree that, effective as of the Effective Date, all computations for the annual rental amount adjustments to be made every five (5) years after the first twenty-five (25) years of the Lease pursuant to Section 3(c) of the Lease, shall be made utilizing the Consumer Price Index of the United States Department of Labor for All Urban Consumers (CPI-U):Selected Areas, All Items Index (1982-84 = 100), for the selected local area of Los Angeles-Riverside-Orange County, CA (the “Approved CPI Index”)...

TENANT PROFILE

CORPORATE HIGHLIGHTS

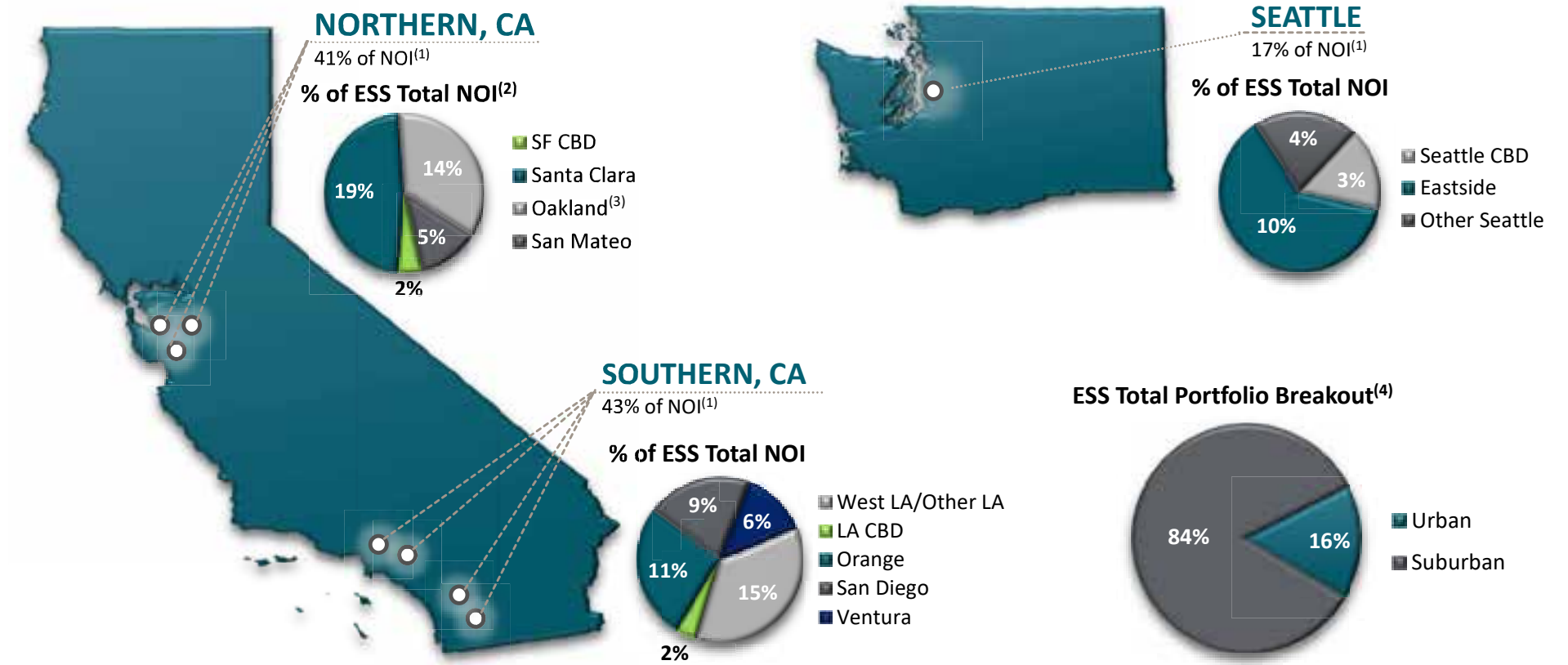


PORTFOLIO OVERVIEW



THE ONLY PUBLIC MULTIFAMILY REIT DEDICATED TO THE WEST COAST

Together, California & Washington represent the 5th highest GDP in the world



Source: Essex, RealPage

- 1) As of 12/31/21
- 2) Excludes two properties in Marin county which account for 0.6% of ESS total NOI
- 3) Oakland includes Alameda and Contra Costa counties
- 4) Defined by RealPage based on geographical location and density

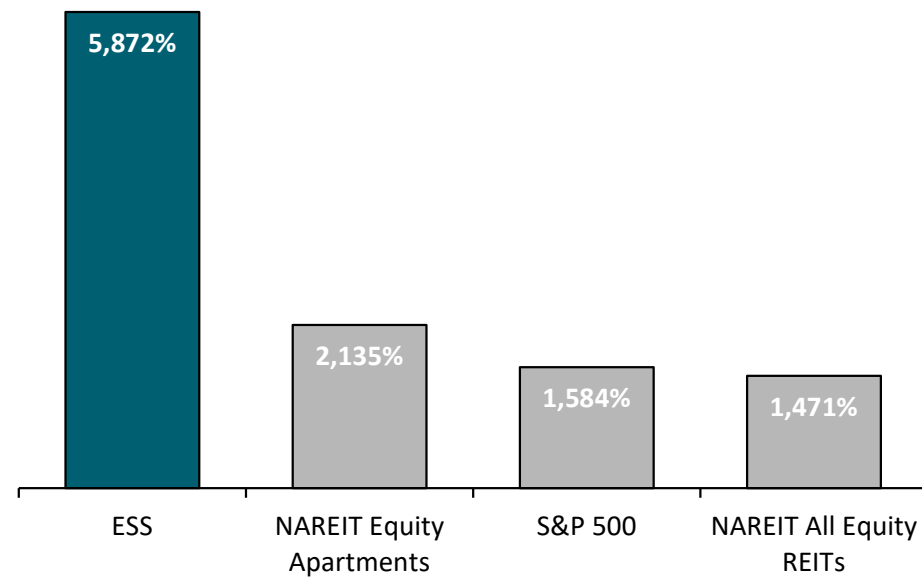
TENANT PROFILE

TOTAL RETURNS OUTPERFORM

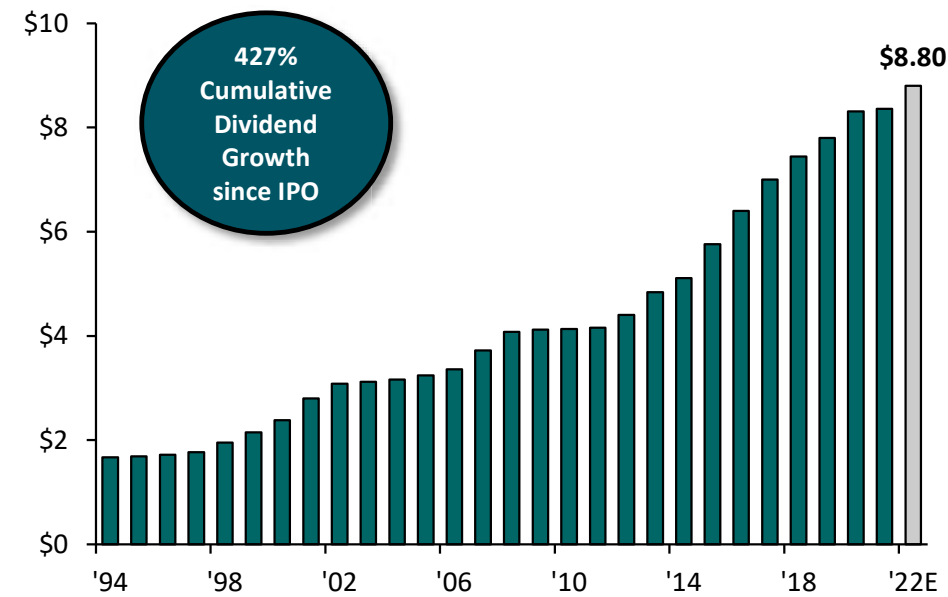
- Robust value creation for shareholders since the IPO
- A S&P Dividend Aristocrat**, Essex has increased its cash dividend for 28 consecutive years, with **427%** cumulative dividend growth since the Company's IPO in 1994



Total Shareholder Return Since ESS IPO⁽¹⁾
Through January 31, 2022



Dividend Per Share Growth
1994 - 2022E



Source: Company Disclosures, S&P Global Market Intelligence

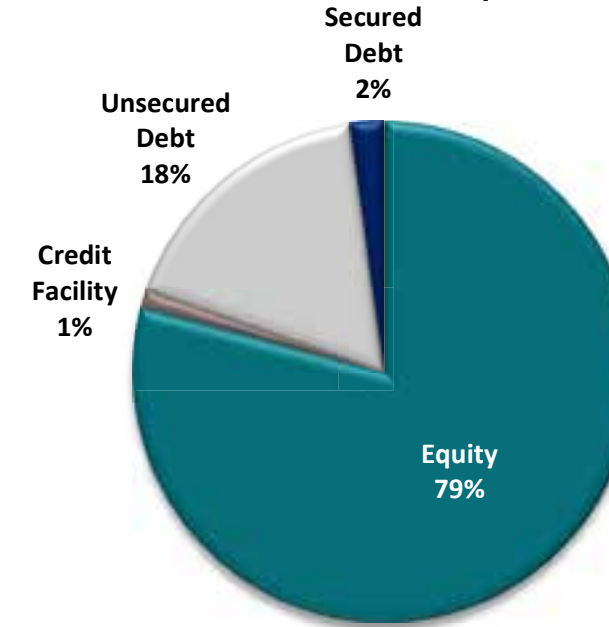
1) June 1994 – January 2022

Cushman & Wakefield

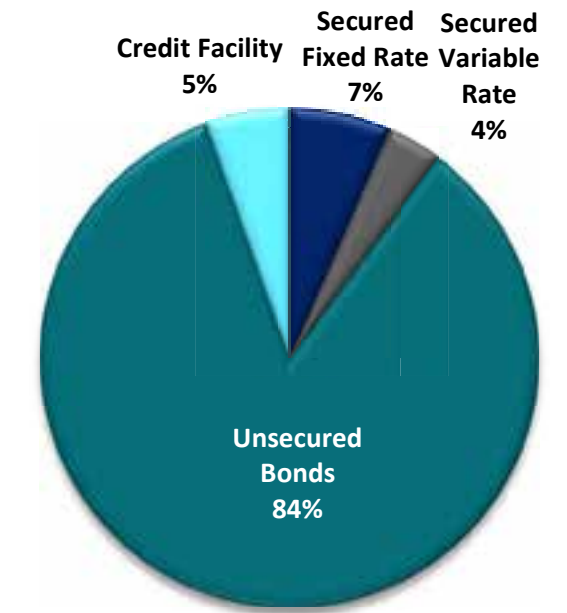
CAPITAL STRUCTURE AND LIQUIDITY PROFILE



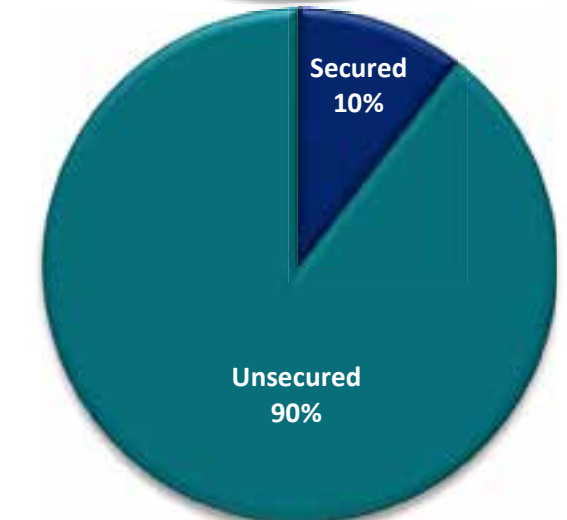
\$30.1 Billion Total Capitalization



Debt Composition⁽¹⁾



Liquidity Update (\$ millions)	March 1, 2022
Unsecured credit facility - committed	\$ 1,235
Balance outstanding	\$ (168)
Undrawn portion of line of credit	\$ 1,067
Cash, cash equivalents & marketable securities	\$ 218
Total liquidity	\$ 1,285



As of 12/31/21

1) Consolidated portfolio only

110 W.A. Street 9



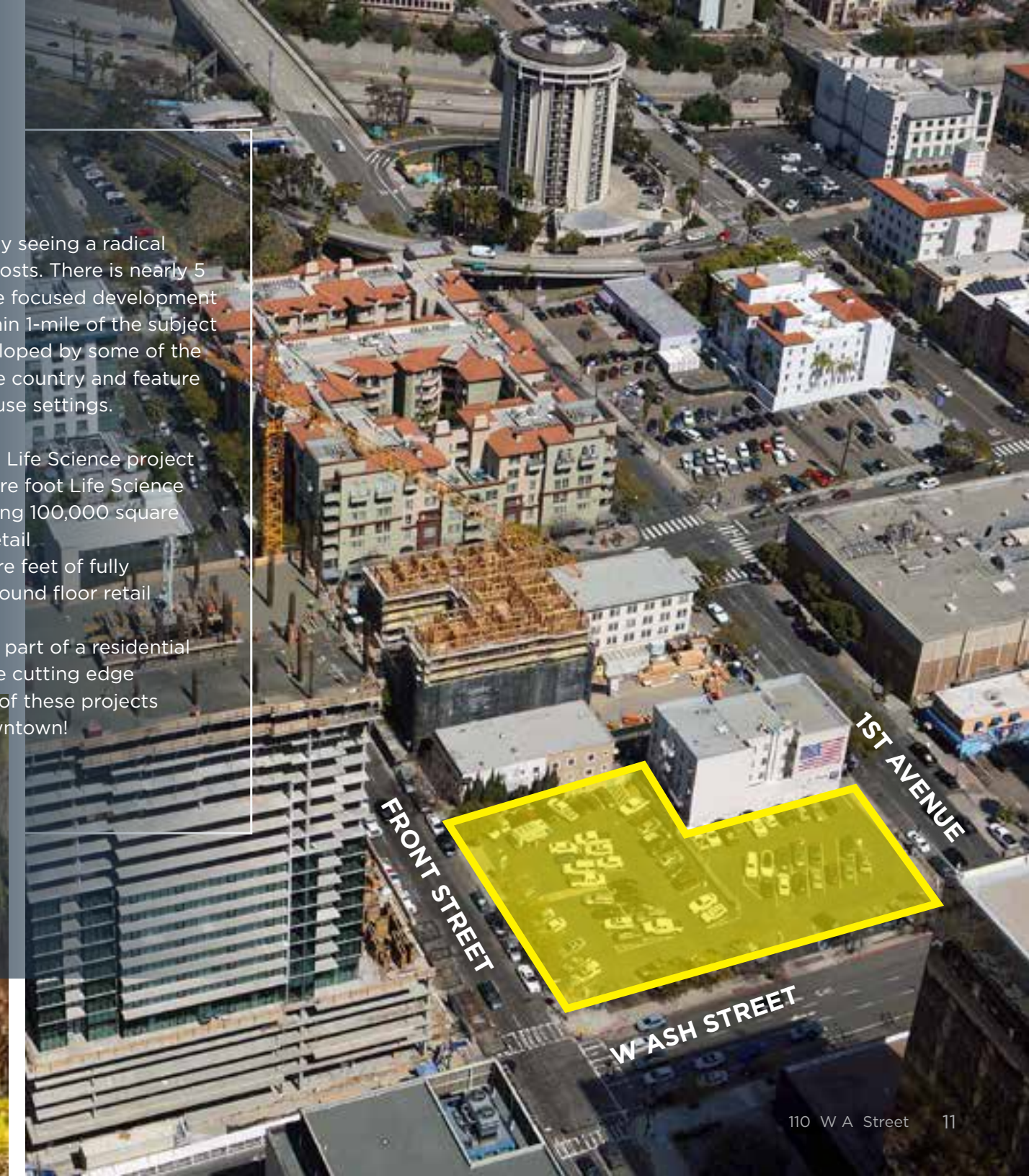
RaDD
\$1.5B Development Under Construction

AT YOUR DOORSTEP

The Downtown market is currently seeing a radical shift in the type of employers it hosts. There is nearly 5 million square feet of Life Science focused development currently under construction within 1-mile of the subject site. The projects are being developed by some of the most prominent developers in the country and feature unparalleled bay views in mixed-use settings.

- **RaDD** - 1.6 million square foot Life Science project
- **Horton Plaza** - 900,000 square foot Life Science adaptive reuse project featuring 100,000 square feet of central ground floor retail
- **2100 Kettner** - 235,000 square feet of fully developed tech office with ground floor retail

Downtown San Diego has been a part of a residential renaissance but always lacked the cutting edge employment story. The addition of these projects will be the finishing touch to Downtown!



SALES PREMIUM APARTMENTS

San Diego's multi-family sales volume was \$5.5 billion across 302 properties (17,270 units) in 2021 compared to \$2 billion across 139 properties (6,937 units) in 2020. The average cap rate was 4.3% in 2021, below the 2020 quarterly average of 4.5%. The average price per unit was \$312,500 in 2021 (+2.7% YOY) compared to the 2020 quarterly average of \$304,324 and above the five-year quarterly average of \$283,214. Private buyers accounted for 48% of buying activity in 2021 (vs. 57% in 2020), in line with the last 10-year average of private buyers accounting for 60%. Institutional buyers have made up the difference, accounting for 34% of multifamily acquisitions in 2021 (vs. 18% in 2020), followed by cross-border buyers at 11% (vs. 24% in 2020).



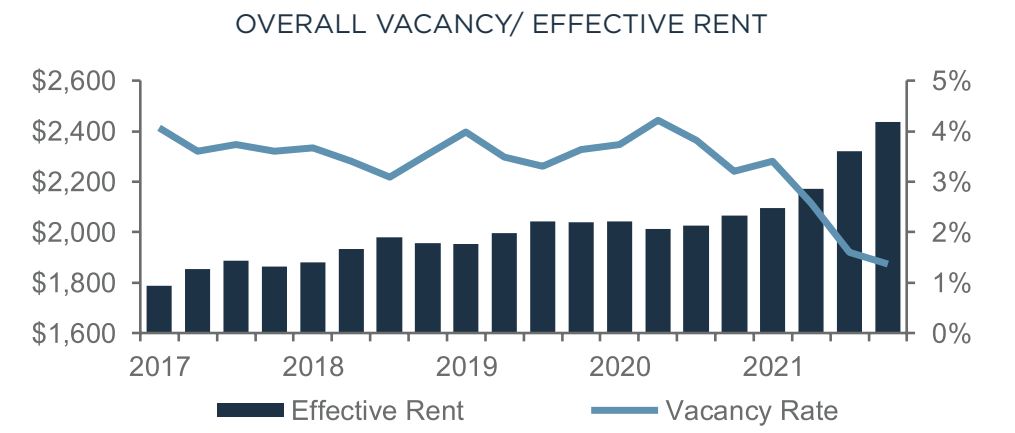
SAN DIEGO RESIDENTIAL OUTPERFORMS

The countywide vacancy rate of 1.4% in Q4 2021 decreased 20 bps from last quarter yet decreased 180 bps from a year ago. Evaluating vacancy by submarket, the East County (El Cajon/Santee/Lakeside submarket) recorded the lowest vacancy rate at 0.8%, followed by Escondido and La Mesa/Spring valley at 0.9%.³Downtown San Diego/Coronado recorded the highest vacancy rate at 3.8%, followed by Northwest San Diego at 1.6%. Average effective rent increased 4.9% from \$2,322 to \$2,435 from the previous quarter. On annual basis, average rent increased 17.9% from \$2,065 in Q4 2020. Annual effective rent is forecasted to increase 11.6% in 2022 and 2.4% in 2023 compared to the average growth of 6.5% over the last five years. There are 3,608 apartment units scheduled for delivery in 2022, with the majority in the Northeast (1,031) and Downtown (806) San Diego submarkets. The cost of housing in most major California metros has risen so high that the median household cannot reasonably afford a median-priced house. In San Diego, only 23% of households could afford to purchase a median-priced home at \$845,000 compared to 25% in California at \$797,470 and 50% nationwide at \$361,700 as of year-end 2021.



	YoY Chg	12-Mo. Forecast
1.4% Vacancy Rate	▼	▲
9,695 Net Absorption, units	▼	▲
\$2.73 Effective Rent, PSF	▲	▲

(Overall, All Property Classes)





SAN DIEGO
BAY

SITE ACCESSIBILITY

The future development's residents will have the ultimate opportunity to access mass transit, international travel, and travel by car.

The I-5 Freeway is the west coast arterial for north-south travel.

San Diego Airport features direct international flights to locations like Germany, London, or Japan, as well as dozens of domestic US destinations.

The Trolley System features stops by both the Blue and Green Lines, which provides travel to the UCSD/UTC San Diego sub-market or to Mission Valley with stops at SDSU and beyond.

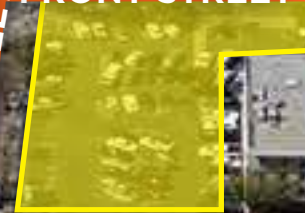


TRAMMEL CROW BUILDING
UNDER CONSTRUCTION



LITTLE ITALY

WASH STREET
FRONT STREET

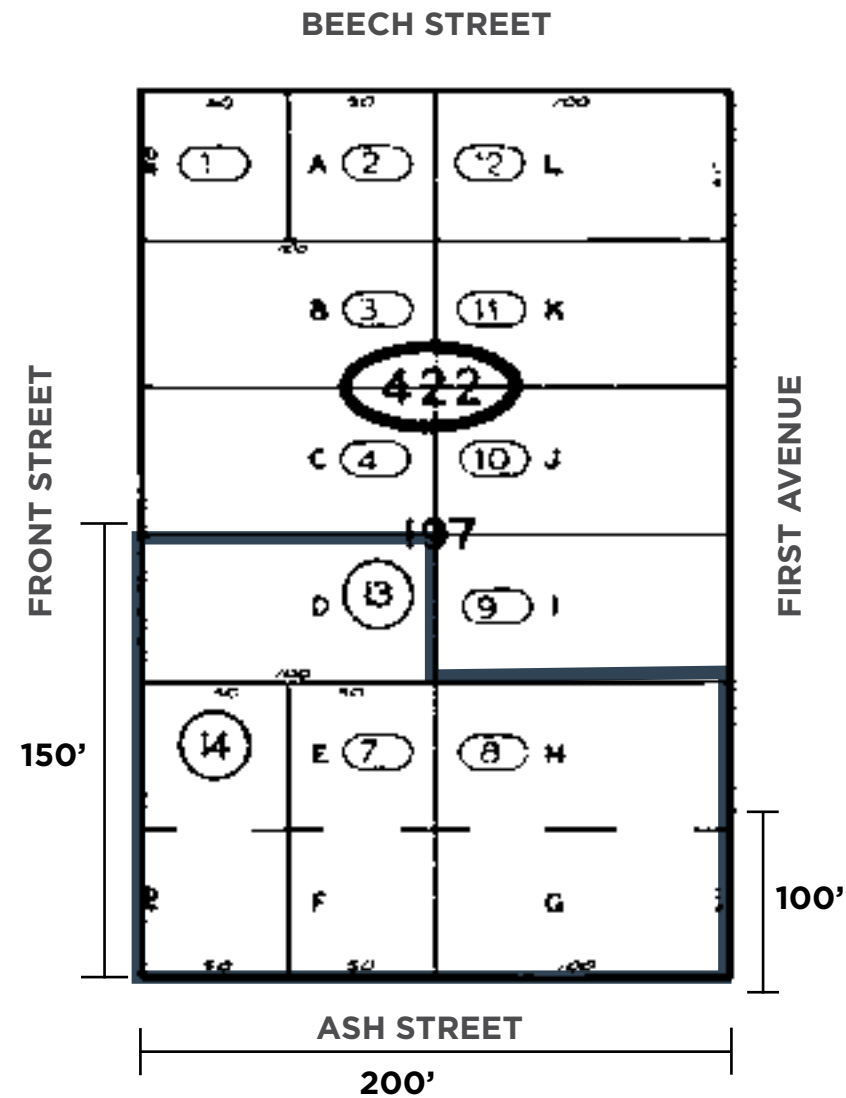


1ST AVENUE





TAX MAP



ZONING INFORMATION

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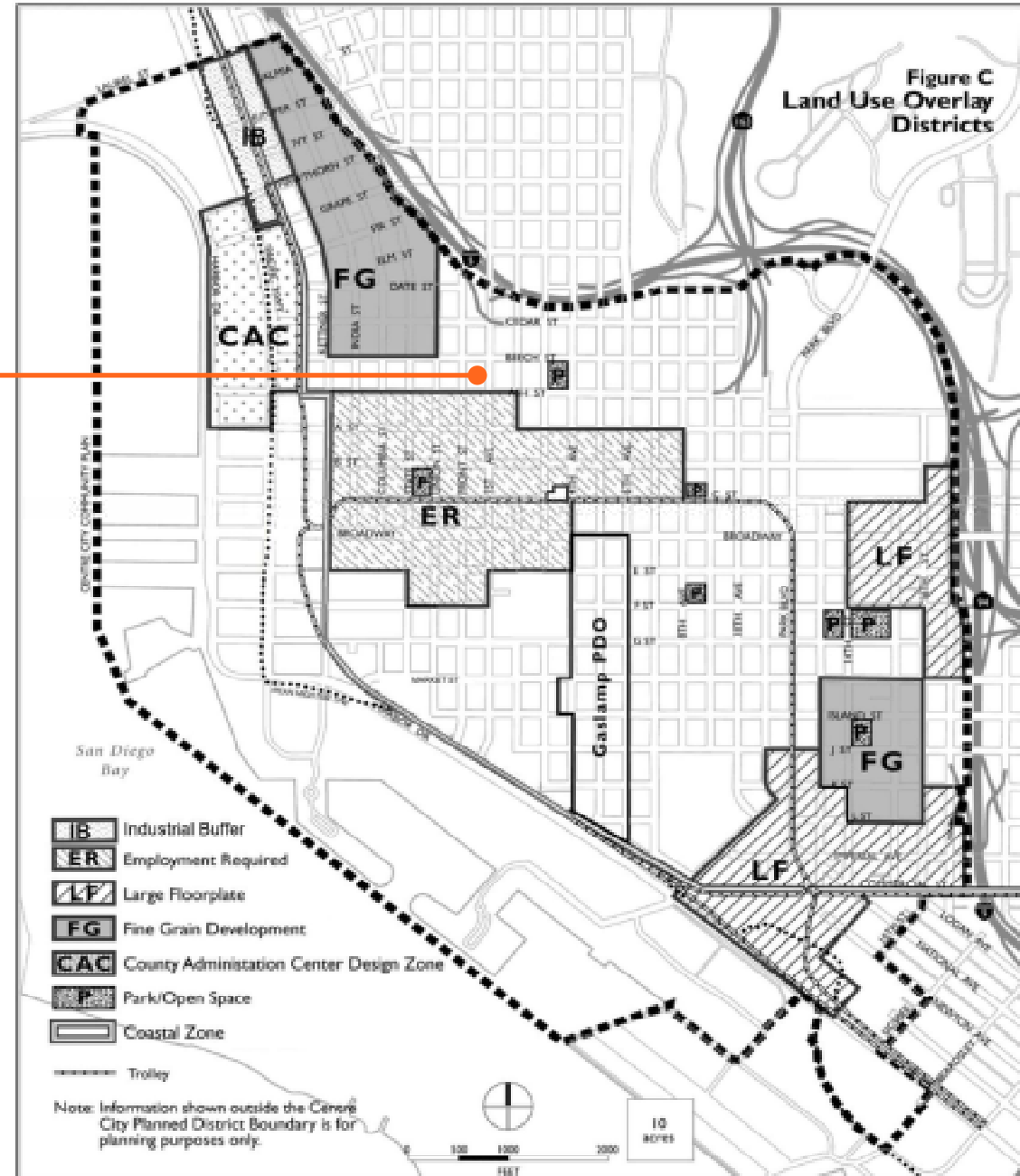
ZONING CCPD-RE: RESIDENTIAL EMPHASIS

This district accommodates primarily residential development. Small-scale businesses, offices, services, and ground-floor active commercial uses are allowed, subject to size and area limitations. Within the RE District, at least 80 percent of the gross floor area must be occupied by residential uses. Non-residential uses may occupy no more than 20 percent of the gross floor area. Small lots of 5,000 square feet or less may apply for a deviation to the percentage requirements of the RE District through the Conditional Use Permit process.

Zoning Information:
(Click Link Below)
[Municipal Code](#)

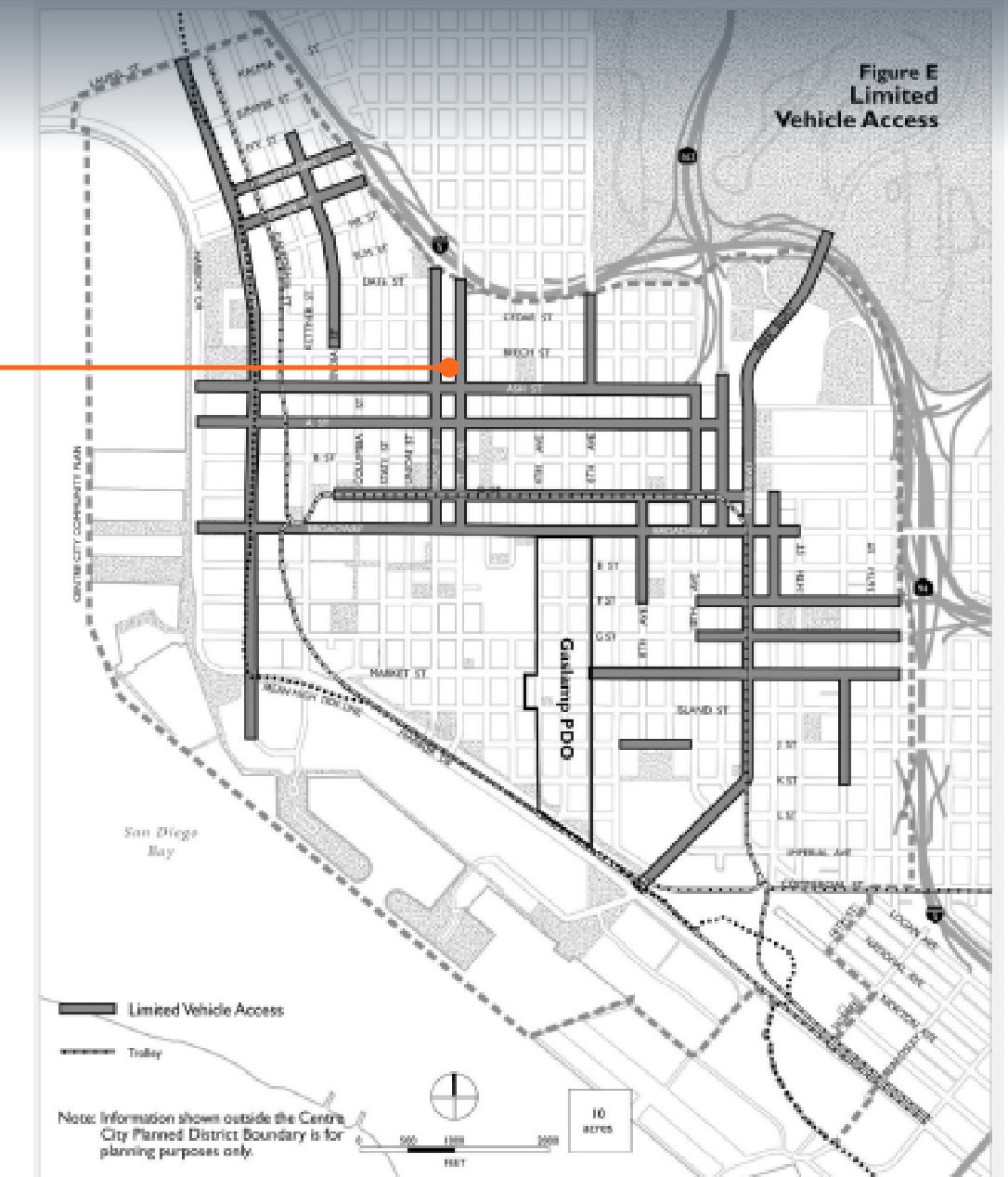


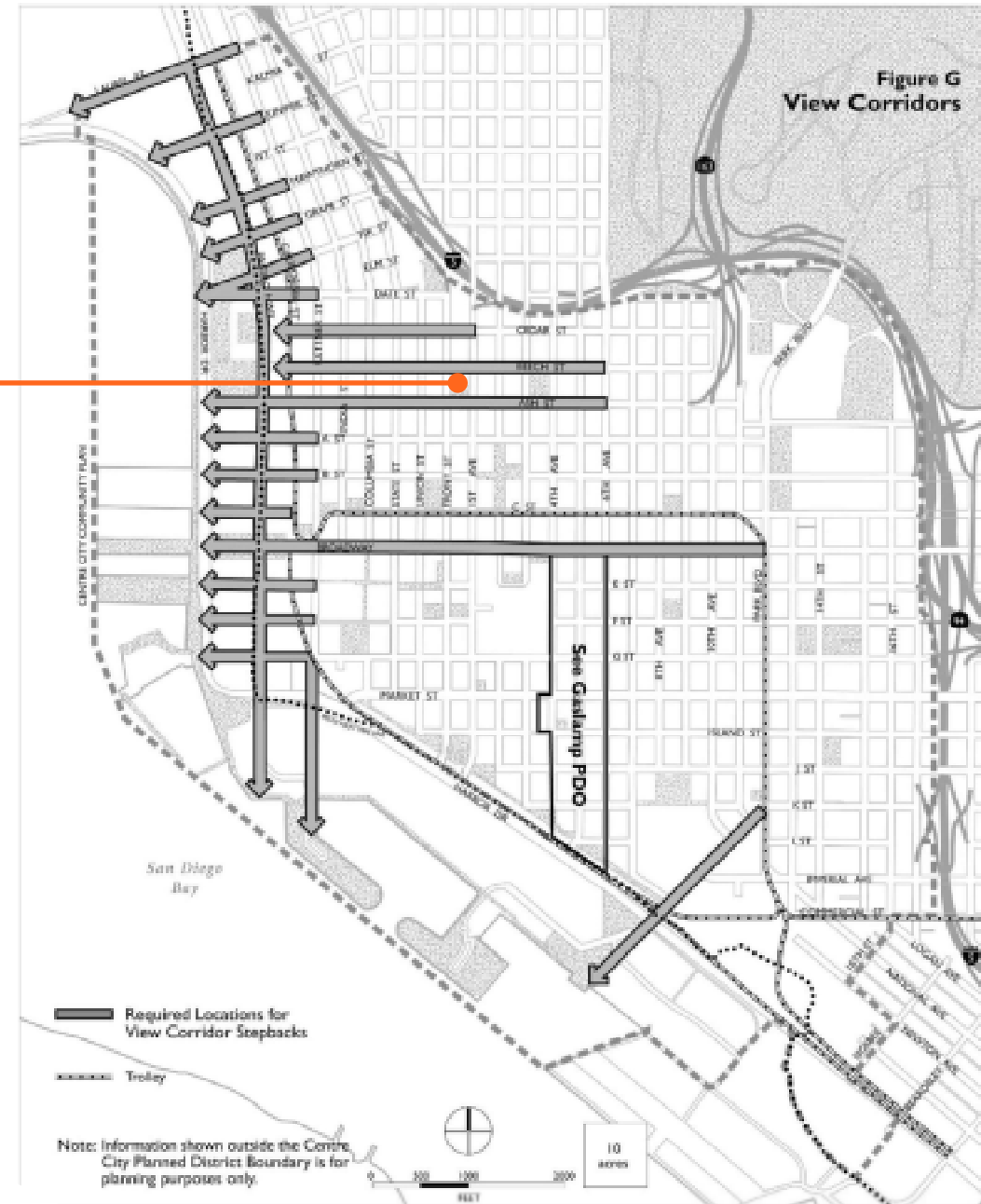
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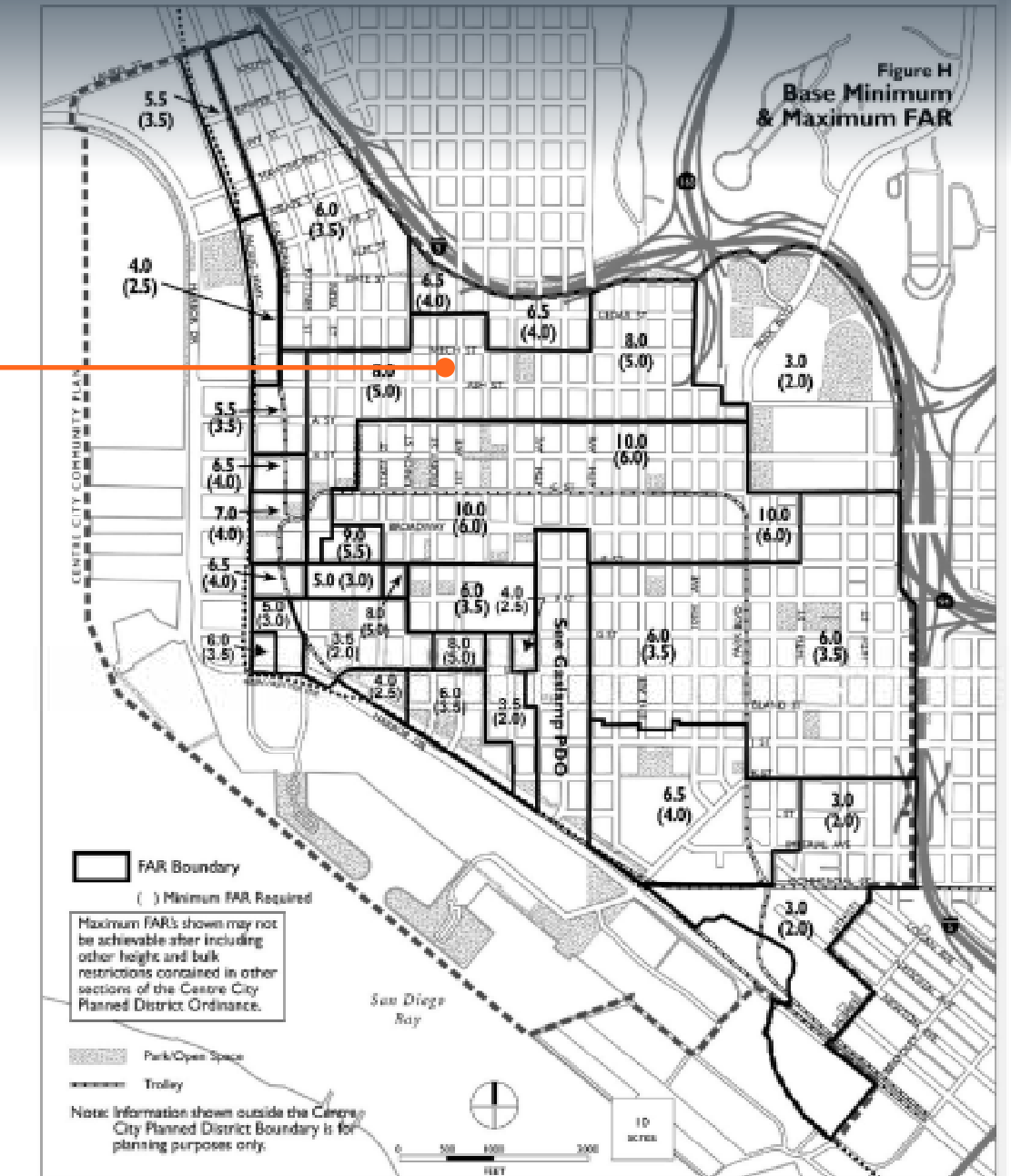
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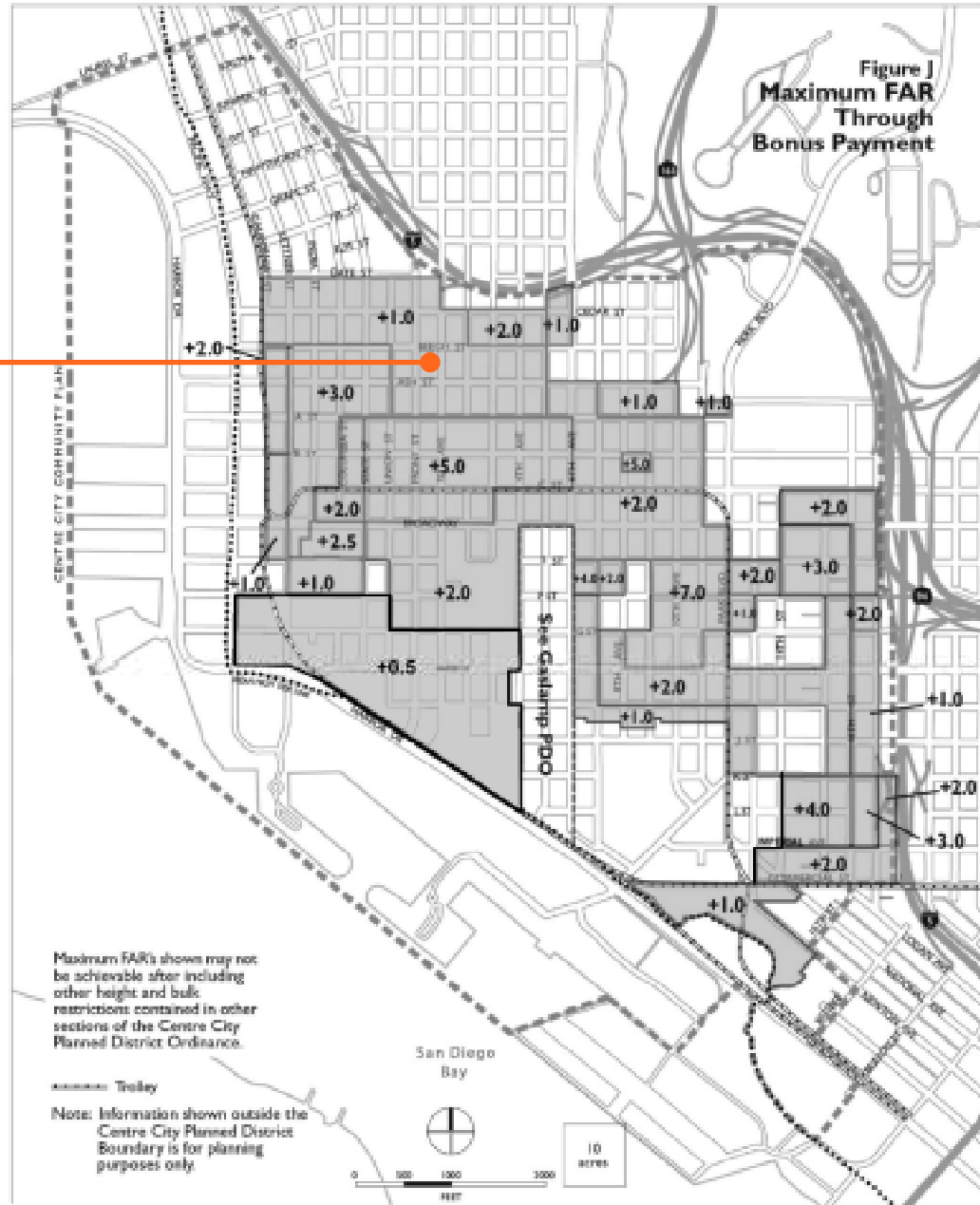
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ZONING INFORMATION



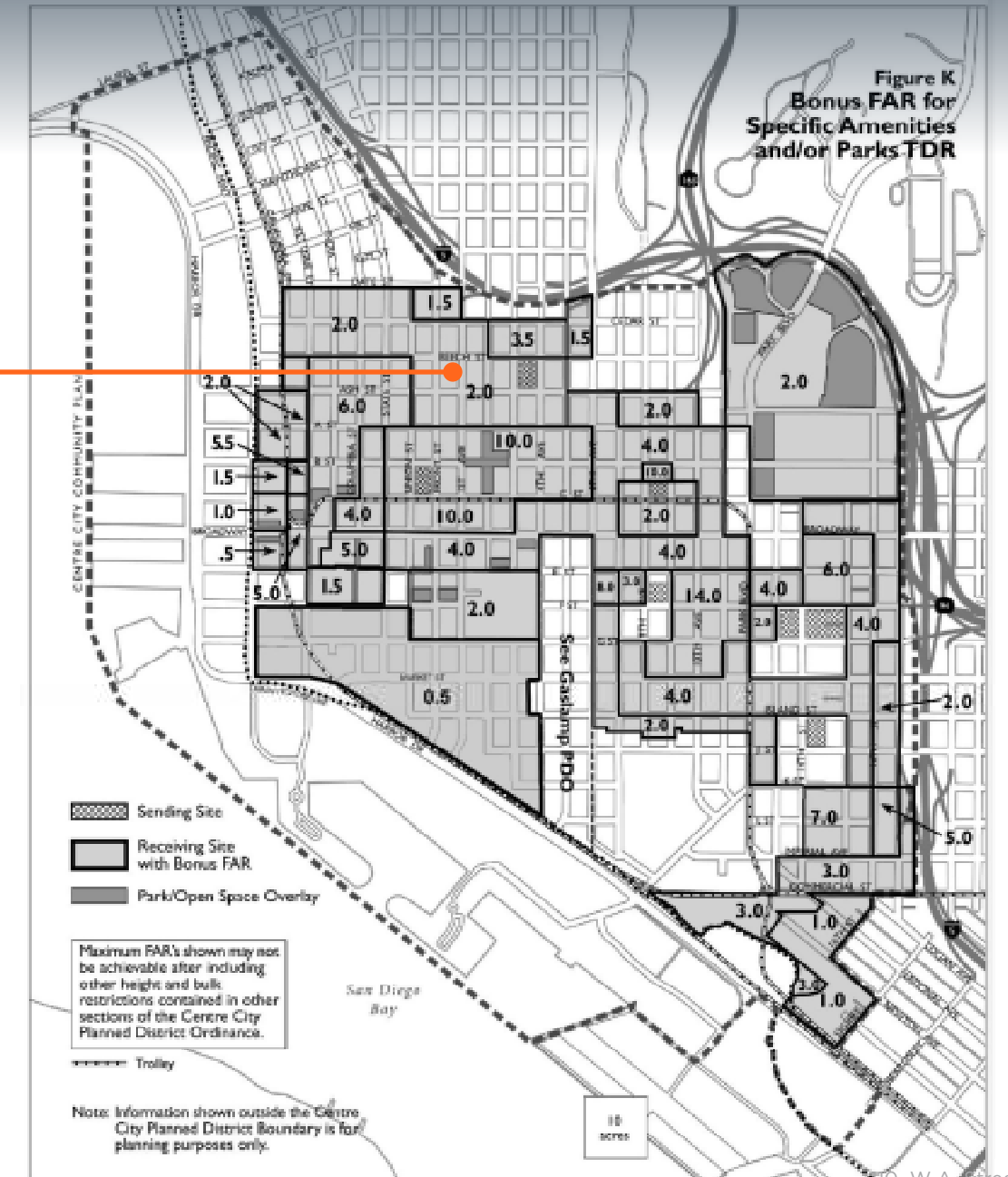
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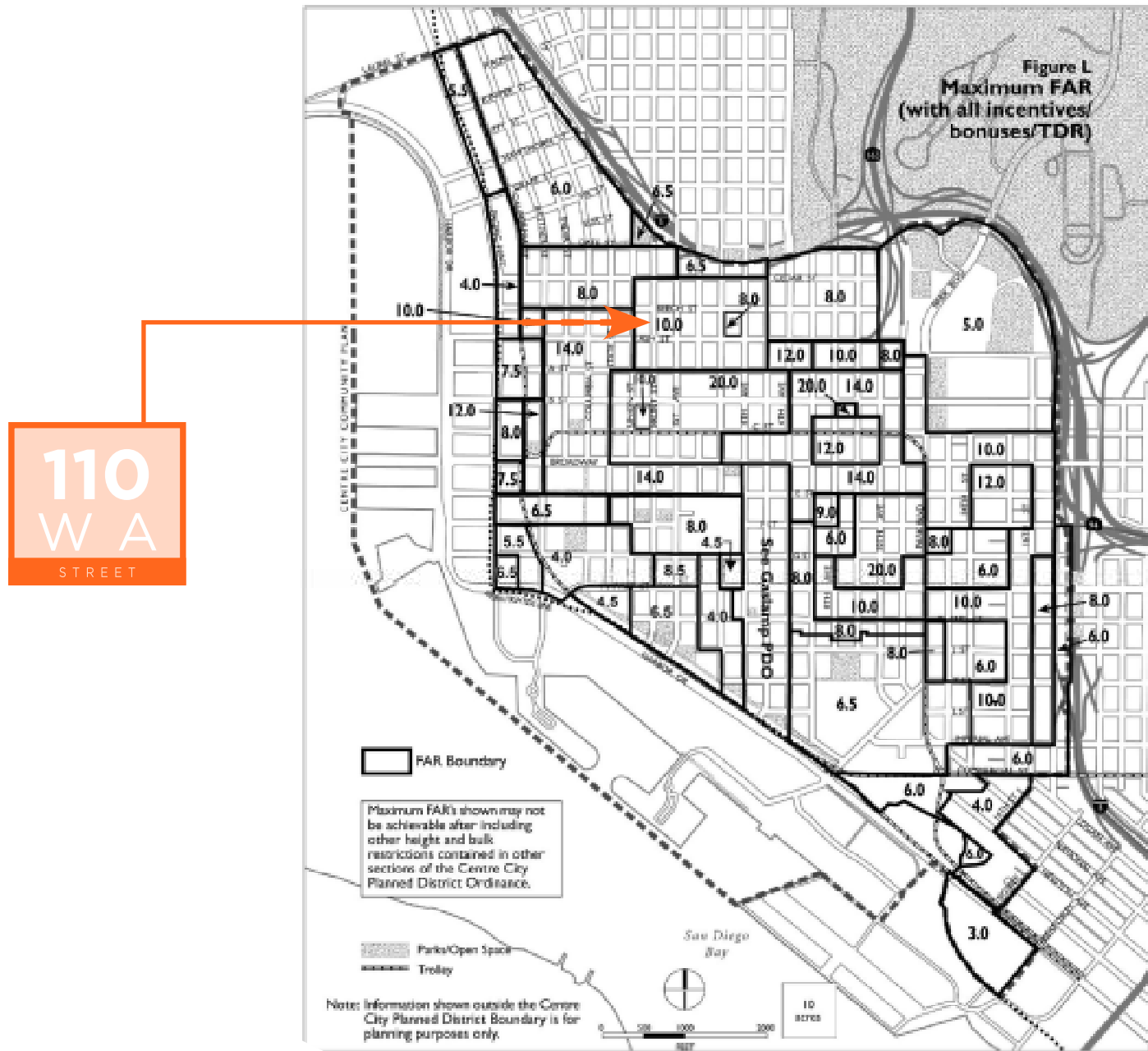
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ZONING INFORMATION

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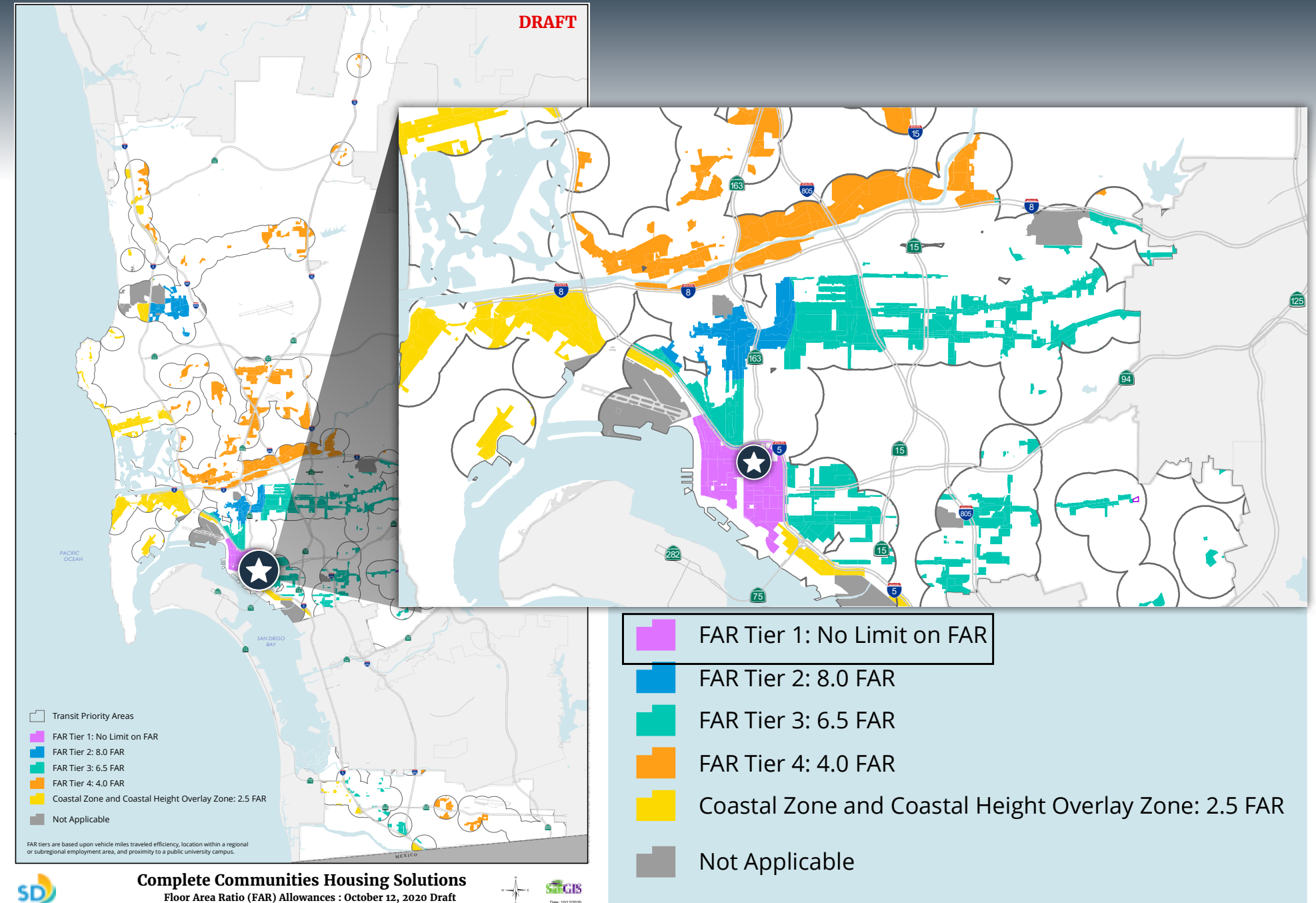


AREA INFORMATION AND COMPS

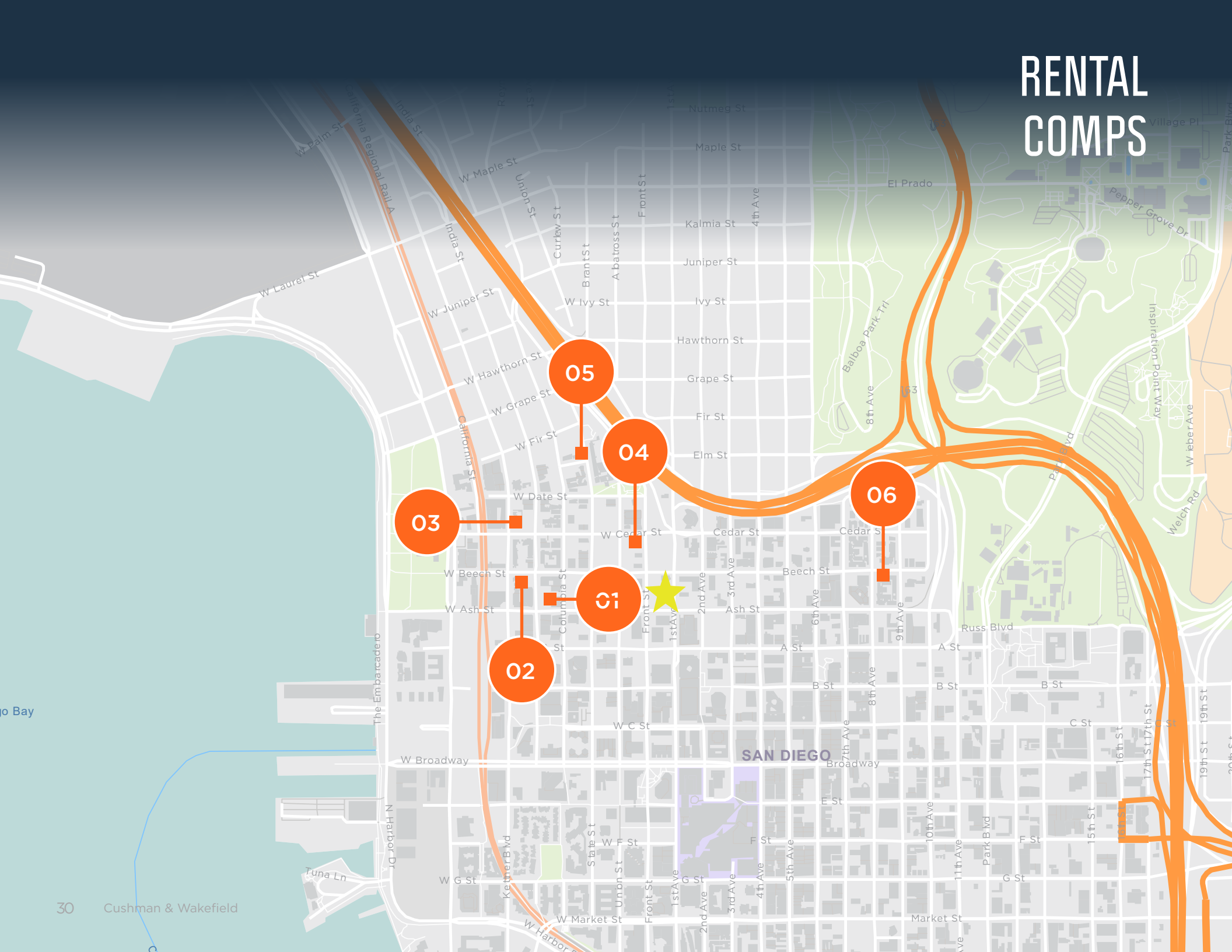
HOUSING SOLUTIONS







Housing Solutions is an optional affordable housing incentive program that will provide new affordable and market rate housing near transit; preserve existing affordable rents; and establish a new way to fund neighborhood amenities. It will also set aside resources for preserving affordable housing and investing in active transportation and park amenities.

Click here for more info:
[Complete Communities](#)

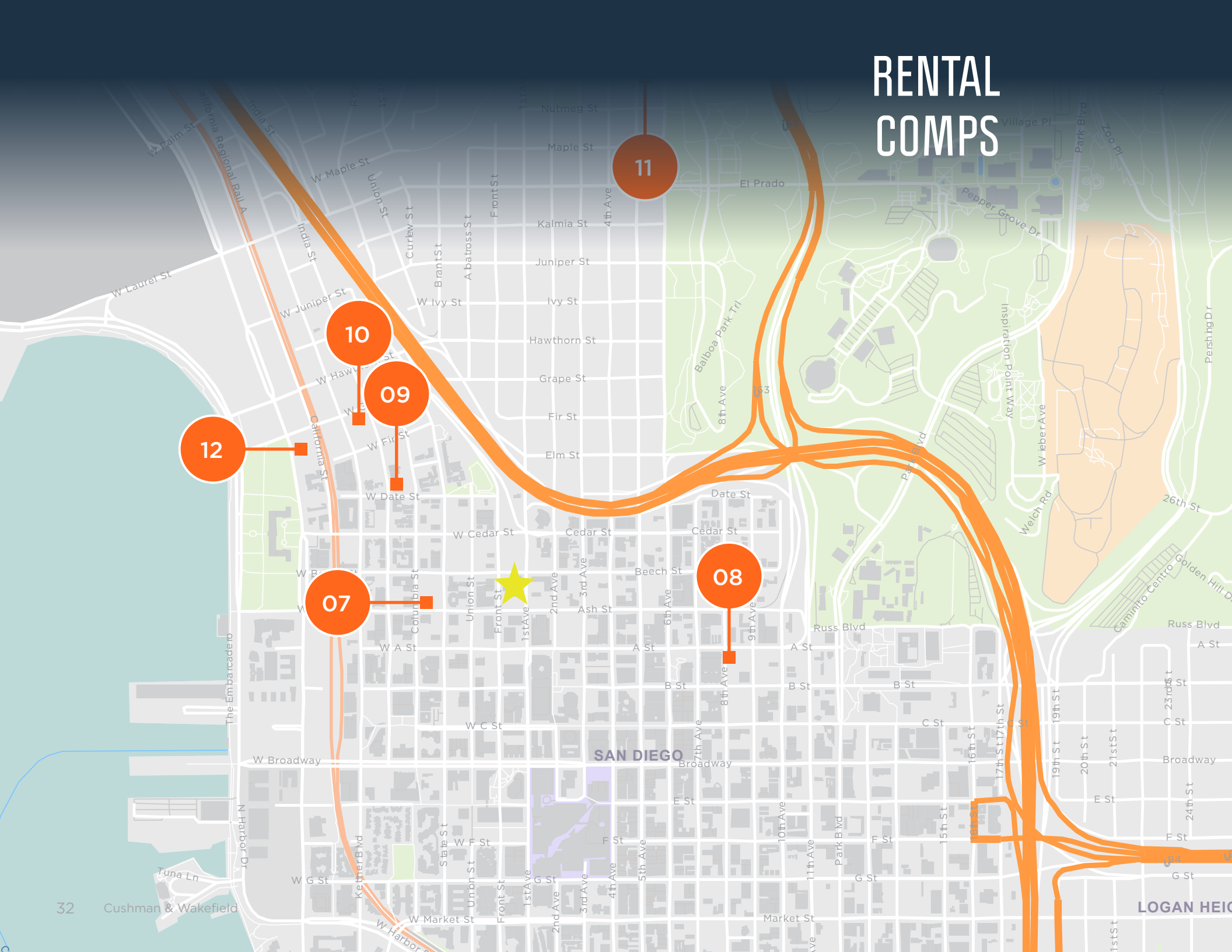








RENTAL COMPS



	Property Name	Address	Unit Type Count	Average Unit Size	Average Rent	Average Rent PSF
1	 Allegro Towers	1455 Kettner Blvd.	204	1,055	\$3,400.00	\$3.22
2	 Ariel Suites	701 West Beech St.	224	780	\$3,146.00	\$4.04
3	 Camden Tuscany	1670 Kettner Blvd.	160	886	\$3,243.00	\$3.66
4	 Current	1551 Union St.	144	1,046	\$3,129.00	\$2.99
5	 Eighteen Ten State St.	1810 State St.	99	717	\$3,042.00	\$4.24
6	 The Heritage	1471 8th Ave.	230	924	\$2,929.00	\$3.17

RENTAL COMPS



	Property Name	Address	Unit Type Count	Average Unit Size	Average Rent	Average Rent PSF
7	 Luma	1440 Columbia Street	220	920	\$4,533.00	\$4.92
8	 The Rey	801 A Street	478	687	\$2,918.00	\$4.25
9	 Vici	550 West Date Street	97	906	\$4,217.00	\$4.60
10	 Broadstone Little Italy	1980 Kettner Blvd	199	823	\$3,606.00	\$4.38
11	 525 Olive Tower	525 Olive St	204	918	\$4,555.00	\$4.96
12	 Valentina by Alta	1919 Pacific Hwy	110	939	\$4,091.00	\$4.35



LAND SALES COMPARABLES



BUYER	R&V
SALE DATE	2/15/20
SF	60,240
\$ PER SQFT	\$662
\$ PER F.A.R.	5.8 \$114



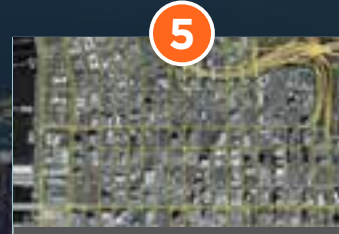
BUYER	Liberty National
SALE DATE	6/30/2017
SF	25,000
\$ PER SQFT	\$445
\$ PER F.A.R.	6.0 - 10.0 - 14.0 \$74 - \$45 - \$32



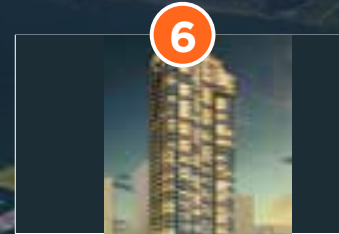
BUYER	CA/MB
SALE DATE	4/25/2020
SF	20,081
\$ PER SQFT	\$951
\$ PER F.A.R.	16.94 \$56



BUYER	Bosa
SALE DATE	12/8/2015
SF	60,090
\$ PER SQFT	\$533
\$ PER F.A.R.	11.8 \$44.44



BUYER	Liberty National
SALE DATE	9/30/2015
SF	31,564
\$ PER SQFT	\$387
\$ PER F.A.R.	12.8 \$30.20



BUYER	Trammell/AAA JV
SALE DATE	12/1/2020
SF	27,610
\$ PER SQFT	\$905
\$ PER F.A.R.	14.78 \$61.25



BUYER	Lennar
SALE DATE	5/20/2015
SF	19,950
\$ PER SQFT	\$692
\$ PER F.A.R.	13.8 \$50.12



BUYER	Pinnacle
SALE DATE	5/17/2015
SF	25,000
\$ PER SQFT	\$480
\$ PER F.A.R.	5.0-8.0-14 Max \$96-\$60-\$34



BUYER	Bosa
SALE DATE	6/15/2016
SF	61,855
\$ PER SQFT	\$1,075
\$ PER F.A.R.	11.1 \$97



BUYER	Wood Partners
SALE DATE	2/12/2016
SF	32,452
\$ PER SQFT	\$462
\$ PER F.A.R.	4.0 \$115.56



BUYER	Sangyo
SALE DATE	6/25/2018
SF	12,930
\$ PER SQFT	\$937
\$ PER F.A.R.	4.0 \$234



BUYER	Hanover
SALE DATE	12/13/2018
SF	25,134
\$ PER SQFT	\$448
\$ PER F.A.R.	\$43



BUYER	Prospera Hotels
SALE DATE	6/14/2016
SF	10,000
\$ PER SQFT	\$800
\$ PER F.A.R.	3.5-6.0-Max8 \$228-\$133-\$100



BUYER	Toll Brothers
SALE DATE	12/20/2018
SF	30,000
\$ PER SQFT	\$666
\$ PER F.A.R.	5.0-8.0-10.0 \$133-\$83-\$48



BUYER	J Street Hospitality
SALE DATE	10/31/2018
SF	10,000
\$ PER SQFT	\$770
\$ PER F.A.R.	8.0 \$96

DOWNTOWN DEVELOPMENT



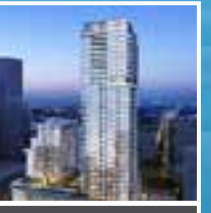
TRAMMELL CROW RESIDENTIAL



HOLLAND & PARTNERS



LIBERTY NATIONAL



BOSA



IQHQ - MANCHESTER



TRAMMELL CROW RESIDENTIAL



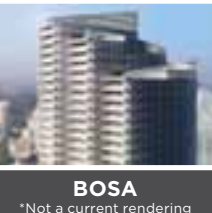
JQA



GREYSTAR



OLIVER MCMILLAN



BOSA
*Not a current rendering



CISTERRA



CA/MB VENTURES



SEAPORT VILLAGE



HANOVER



LIBERTY NATIONAL



BOSA



RICHMAN GROUP



RICHMAN GROUP



HANOVER

TISHMAN SPEYER



LOWE ENTERPRISES

PALADION



HORTON PLAZA



WOOD PARTNERS



JSDL ENTERPRISES

110
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STREET

KILROY

KILROY

SAN DIEGO HIGHLIGHTS

SAN DIEGO IS THE NEXT "IT" LIFE SCIENCE MARKET



#1 UTC IS ESSENTIALLY "LEASED UP"
 *Only 1 large block availability in UTC (LJ Pharma sublease - 83,000 SF that has a lease out)

OVER 1.3 MILLION SF OF DEMAND
 (No Impact On Velocity Due To Covid-19)

SORRENTO MESA CONTINUES TO SEE LAB CONVERSION & ACQUISITIONS

THREE LARGE SPEC DEVELOPMENTS UNDERWAY IN TORREY PINES

6TH STRAIGHT YEAR OF POSITIVE NET ABSORPTION

ASKING RATE AND STRIKE RATES CONTINUE TO SET NEW RECORDS

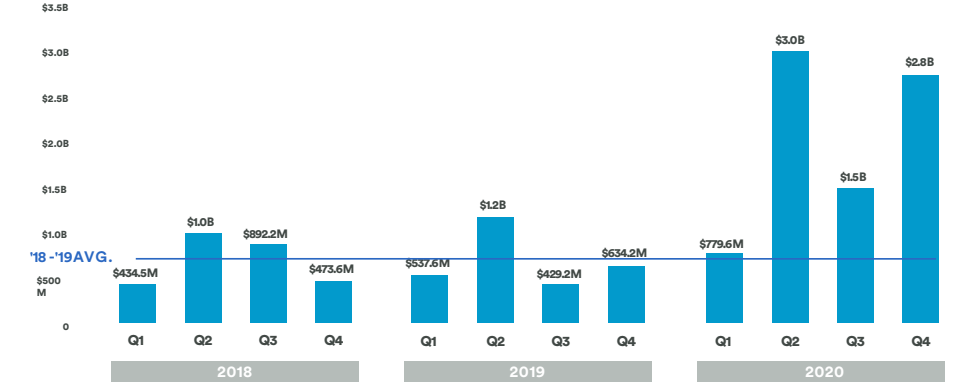
PENT UP DEMAND FOR TRUE CLASS "A" OPTIONS

THREE MAJOR SPEC DEVELOPMENTS UNDERWAY IN DOWNTOWN

\$3.1B
 Invested in VC capital today, that is on pace to double last years numbers

1,751
 Life Science Establishments in San Diego County

AN AVALANCHE OF LIFE SCIENCE CAPITAL



SAN DIEGO START-UPS PULL IN NEAR RECORD \$2.4 BILLION IN VC FUNDS IN FIRST QUARTER

Vividion Therapeutics: **\$135M**
 Encodia: **\$135M**
 Prometheus Biosciences: **\$130M**
 Design Therapeutics: **\$125M**
 Artiva Biotherapeutics: **\$120M**

Erasca: **\$120M**
 Neurelis: **\$114M**
 Ventyx Biosciences: **\$114M**
 Truvian Sciences: **\$105M**
 DTx Pharma: **\$100M**

ECONOMIC IMPACT OF LIFE SCIENCE IN SAN DIEGO

\$41.3B
 Economic Activity

\$23.8B
 Market Value of Goods & Service

175,350
 Total Jobs (direct/indirect/induced)

\$14.05B
 Labor Income (salaries/wages/benefits paid)



AT THE CENTER OF A NEW TECH ECOSYSTEM

San Diego was recently named the #1 city for booming entrepreneurship and the third largest life sciences market in the U.S., and is creating a culture of innovation. Companies are realizing this and are knocking on the door of San Diego and moving toward Downtown.



800,000
SF OF TENANT
MIGRATION TO
DOWNTOWN SAN DIEGO
SINCE 2013

AECOM

50,000 SF
Moved From
Solana Beach and
Kearny Mesa

houzz

35,000 SF
New to San Diego

UC San Diego

60,000 SF
New Location in
Downtown

Union-Tribune

60,000 SF
Moved from
Mission Valley

Mitek

30,000 SF
Moved From Kearny Mesa

iProspect

20,000 SF
Moved From UTC

BUMBLE BEE

30,000 SF
Moved From Kearny
Mesa

wework

90,000 SF
New Tenant to Downtown



Downtown San Diego is well positioned to experience significant demand from some of the world's fastest growing companies, including Amazon, Apple, and Google, who are quickly outgrowing their Downtown adjacent locations.



2.5M SF
Sabre Springs, UTC,
Eastgate, & Sorrento Valley

amazon

200,000 SF
Campus Point / UTC



60,000 SF
Sorrento Mesa

SONY

574,849 SF
Rancho Bernardo &
Sorrento Mesa



126,178 SF
Scripps

Qualcomm

5,711,950 SF
Sorrento Mesa



OUTSTANDING QUALITY OF LIFE

San Diego is known for its outdoor appeal from the beaches to the mountains. The community is known to be drive-able and friendly. The boardwalks along Mission and Pacific Beach, San Diego Bay, or Coronado Island host runners, bikers, or skaters. The mountain trails accommodate first timers to the avid hikers. There is no outdoor ritual that San Diegan's wouldn't or couldn't embrace!





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