

PLANNING COMMISSION

Meeting Date: 07/15/2019

ADDITIONAL ITEM ADDED AFTER DISTRIBUTION OF PACKET (# 1)

AGENDA ITEM # 2

Applicant/Project Name: Artis Senior Living

Project #: SP18-0004

Brief Description: Land Use and Market Analysis by Meyer Research

Date: 07/15/2019

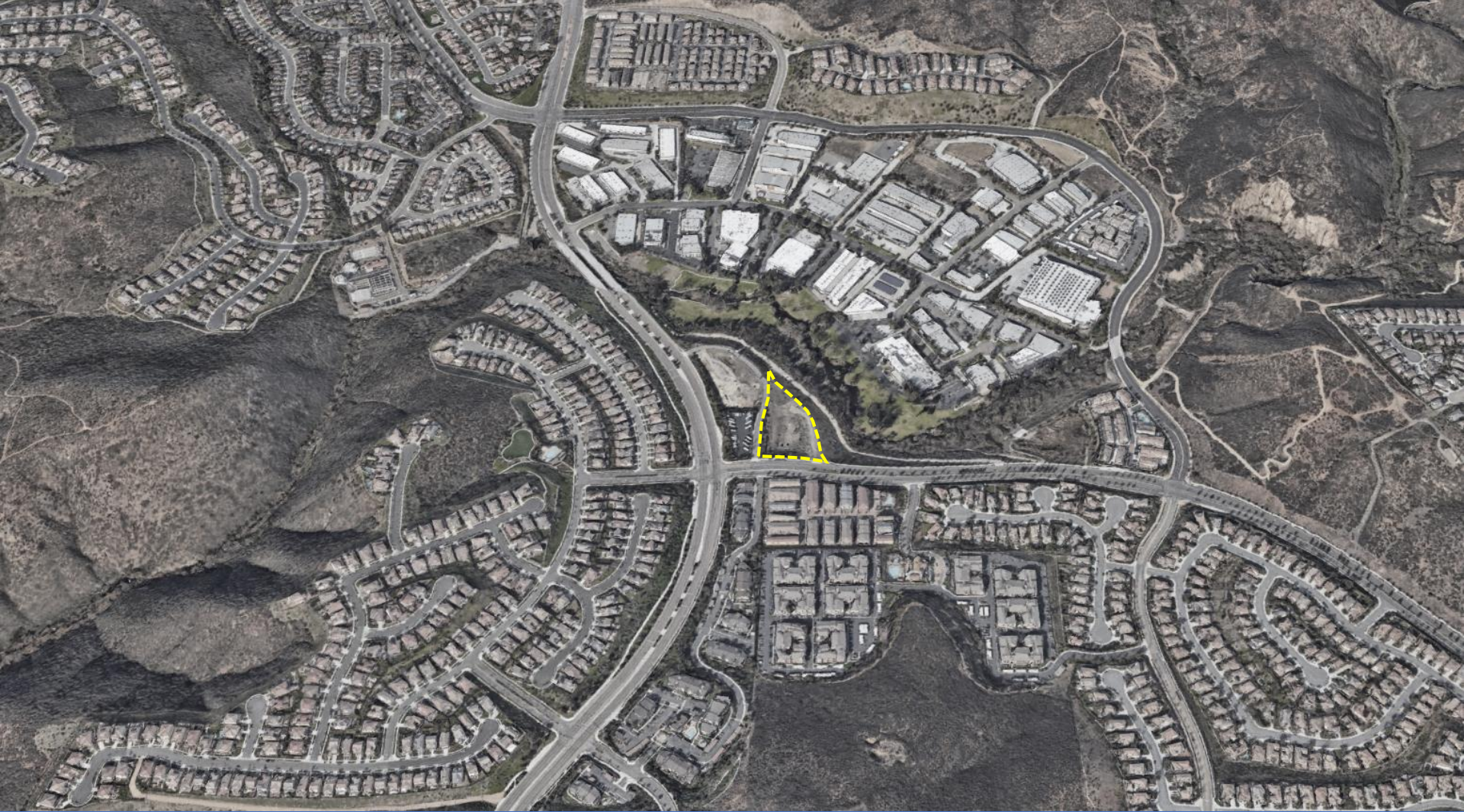
Time: 2:34 p.m.



Memorandum

TO: Planning Commission
FROM: Planning Division
DATE: 7/15/19
SUBJECT: SP18-0004, SDP18-0001, and ND19-001
Artis Senior Living

Please see the attached Land Use and Market Analysis by Meyer Research which was inadvertently not included with the Fiscal and Economic Impact Studies in the Planning Commission packets.



Artis Senior Living Residential Care Facility

Land Use and Market Analysis

David Taussig & Associates

San Marcos, California

April 2019

Meyers
RESEARCH

Objective & Key Findings	3
Recommendations & Conclusions	10
Site & Location Analysis	22
Senior Housing Primary Market Area	35
Rent Pricing	41
San Diego Metro Market Trends	53
Seniors Housing Competitive Supply	61
Seniors Housing Demand	71
Demographic Overview	80
Economic Overview	86
San Marcos Land Use	97
San Diego Industrial Market Overview	101
San Diego Industrial Trends	104
Appendix	115

Objective & Key Findings

Artis Senior Living Residential Care Facility, San Marcos, California

Contact Information

This market analysis was prepared by Meyers Research, a market research and consulting firm specializing in the real estate industry. It has been commissioned by David Taussig & Associates.

Alexis Wilmot served as Project Director and oversaw all aspects of this assignment. Tim Sullivan, Managing Principal, reviewed all recommendations and conclusions. Follow-up questions should be directed to Tim Sullivan at (858) 381- 4381 or tsullivan@meyersllc.com.

Objective

The City of San Marcos is processing a Specific Plan Amendment of a vacant, undeveloped parcel of 2.18-acres that is currently designated as Light Industrial (L-1) in the University Commons (Old Creek Ranch) Specific Plan. The Subject is slated for development as a 39,951 square foot senior living residential care facility for Alzheimer's and memory care on 9 San Elijo Road, San Marcos, 92078 (the northeast parcel of Paseo Plomo and San Elijo Rd). This analysis will address the viability of the request for the University Commons (Old Creek Ranch) Specific Plan Amendment to change the existing specific plan designation on the site from Light Industrial (L-1) to Senior Residential (SR). The objective of this analysis is to provide an independent analysis of the industrial market and senior assisted care market in the San Diego County and the San Marcos area to determine relevant market trends and to provide conclusions relevant to the future site use for the planned senior living assisted care facility. Recommendations are based on April 2019 data.

Limiting Conditions

David Taussig & Associates, is responsible for representations about its development plans, marketing expectations and for disclosure of any significant information that might affect the ultimate realization of the projected results.

There will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and the differences may be material.

We have no responsibility to update our report for events and circumstances occurring after the date of our report.

Payment of any and all of our fees and expenses is not in any way contingent upon any factor other than our providing services related to this report.

As part of our due diligence for Artis Senior Living Residential Care Facility, Meyers researched the lease rates, cap rates, net operating income and sales prices for both Senior Housing communities and Light Industrial / Flex R&D spaces.

Owing to the scarcity of senior housing transactions, Meyers had to extend the search of comparables to all of San Diego County, whereas research of industrial space is limited to Inland Carlsbad, San Marcos, and Vista.

Our valuation of the Subject includes a combination of the NOI cap rate approach, a comparison of recent sales transactions, and land residual analysis. Meyers assessed the possible development of the Subject 39,951 square feet of developable space on 2.19 acres under two scenarios:

1. A Light Industrial / Flex R&D which is allowed under the current Light Industrial land use, with potentially a 21,385 square foot building foot print.
2. A Senior Housing concept which entails reassigning the site to Senior Residential, with a gross area of 39,951 square feet, and net leasable area of 15,104 square feet.

The San Diego Industrial market started the 2019 year strong, and it is forecast remain steady through 2019, with increasing rents fueled by historically low interest rates. The market remains flush with capital which will keep the investment market steady for the foreseeable future.

Vacancy rates are healthy for both the San Diego MSA and San Marcos Light Industrial at 7.5%, and recent rent growth ranges between 9.2% and 9.7% for both market areas.

The San Diego Flex / R&D market is coming off three consecutive years with 500,000+ square feet of new construction deliveries (more than double the 10-year annual average). This has placed pressure on the market's overall occupancy rate, and the glut of new product has pushed the average asking rental rate up significantly. Rents reached an average of \$1.03 per square foot countywide and leasing velocity is holding steady, with market-wide vacancy low at 4.28%.

The Flex R&D market has softened somewhat over the past two quarters, with negative net absorption (an over supply) in both the San Diego MSA (11,000 square feet) and in San Marcos (4,000 square feet).

Sales values have reached an all-time high for Flex R&D, with higher end markets such as East Carlsbad and high traffic San Marcos 78-Corridor spaces reaching \$200 per square foot in some cases. Total leasing and sales volume has slowed, owing mainly attributed to record-low cap rates (higher pricing) and lack of available product.

Triple net lease rates in the East Carlsbad-San Marcos-Vista MSA range from \$0.99 to \$1.29, and it is anticipated that the Subject could attain a lease rate of \$1.25.

The Subject developed under the existing zoning as Light Industrial Flex R&D yields an estimated value of \$4.0 to \$4.1 million. Compared with the valuation of the senior housing proposed use at \$10.0 million, the Senior Housing is a far more lucrative land use for the Subject

Based on our research, including site visits, competitive analysis, and comparison of projected demand to existing/planned supply shows sufficient depth to support a 64-unit senior living facility.

- The recommended rental rates for the AL units is \$5,251 a month on average (\$22.23 per square foot per month) and the MC units are priced at \$7,632 a month on average (\$32.31 per square foot per month).
- The Primary Market Area [PMA] for the Artis Senior Living Care Facility is comprised of a 15-minute drive time from the Subject site, or approximately 6-mile radius. The PMA is experiencing healthy population growth in general (projected at 1.04% annual growth through 2023). The pool of seniors 75+ is forecast to increase 20% by 2023.
- The existing stock of IL, AL and MC units in the PMA totals approximately 857 units in ten properties.
- Occupancy averages 91.3%. Eight of the ten projects are running at or above 90% occupancy.
- Roughly 83% of the existing units are AL.
- Research of multiple local and industry sources revealed just one project in the pipeline at a site approximately 3.9 miles northwest of the Subject. Oakmont Senior Living will total 54 memory care units, and 97 assisted living units.
- Comparison of projected demand to existing/planned supply (including the Oakmont Senior Living Facility) shows sufficient depth to support a 64-unit project. Even after Artis Senior Living Residential Care Facility and the Oakmont Senior Living Facility both come online, the PMA will have unmet demand for over 4,000 units.
- The San Diego Metro Market AL inventory has experienced year over year rent growth between 3.0 – 4.0% since 2015. The San Diego Metro Market average occupancy rate is 88% which is outperformed by the PMA average occupancy rates which ranged from 88% - 97.2%.
- The Subject's location is well suited for a senior housing facility, with good access to local retail and recreation facilities and within a short drive from both the CA-78 and I-5 highways.

As part of our due diligence for the Subject, we analyzed the existing land use (Light Industrial - L-1) and proposed new land use designation (Senior Residential - SR) using a S.W.O.T analysis.

Internal Factors		
Strengths (+)	Light Industrial (L-I)	Senior Residential
Overall Advantages	<ul style="list-style-type: none"> Diverse permitted uses. The La Costa Meadows Industrial Center is adjacent to the Subject. 	<ul style="list-style-type: none"> An established national "senior housing" operator (Artis) is interested in developing the site. Higher tax revenue potential for the City of San Marcos. San Diego County boasts an enormous number of well trained medical staff and nurses. A senior assisted living and memory care facility will create more jobs than a Light-Industrial use. Assisted living facilities are generally immune from negative charges in the economy. This is wholly due to the fact that these companies provide an important ongoing service to elderly people, people with developmental disabilities, and people that require round the clock care.
Weaknesses (-)	Light Industrial (L-I)	Senior Residential
Areas of Improvement	<ul style="list-style-type: none"> Goods and merchandise stored within warehouse facilities cannot be visible from the public right of way. This is difficult to accommodate because the site is a divot roughly 25-30 ft below San Elijo Road. Current asking lease rates at the La Costa Meadows Industrial Center are between \$0.60 - \$0.70 which is well below the market average. Poor site visibility from San Elijo Road. 	<ul style="list-style-type: none"> High operating costs. Lack of scale, limited to the 2.18-acre site with no adjacent land for future expansion of the facility.
External Factors		
Opportunities (+)	Light Industrial (L-I)	Senior Residential
Market Voids & Favorable Trends	<ul style="list-style-type: none"> Limited flex space development over the past 5 years with no current development in the pipeline. 	<ul style="list-style-type: none"> The developing senior housing online market and improving technology is expanding the reach operators have to attract potential residents. Roughly 1,400 senior housing units will be in demand when Artis is forecast to come to market (2020).
Threats (-)	Light Industrial (L-I)	Senior Residential
Obstacles & Market Shifts	<ul style="list-style-type: none"> Roughly 212,000 square feet of Industrial space was recently delivered on Bosstick Blvd in West San Marcos. Utility costs for power, railway transport, and water have been on the increase over the past few years. 	<ul style="list-style-type: none"> Artis Senior Living has not developed a senior housing facility to the West Coast, namely California where the regulation costs are far higher than the East Coast which may lead to problems managing and financing the project. Average hourly wage growth is exceeding asking rent growth for assisted and independent living properties. Employee retention is an issue in the senior housing market and cost of labor turnover is high. Volatile medical equipment/medication costs.

Light Industrial (L-1) Zone: To provide for the grouping of light and medium-intensity industrial and support service uses in a business-supportive setting. Generally, these areas will not include pedestrian-oriented businesses and will serve the loading, delivery, and indoor warehousing needs of light industrial space.

Senior Residential (SR) Zone: To provide for a full range of housing and assisted life care facilities for older adults, with supportive services located near commercial and transit opportunities.

Meyers grouped together the related alternate uses that are permitted under the Light Industrial Land Use, paying attention to what already exists in the vicinity, especially just northeast of the Subject in La Costa Meadows Industrial Park. The alternate uses are ranked in order of highest to lowest feasibility, given the site constraints such as ingress and egress, acreage, and potential revenues.

Rank	Land Use	Local Examples	Feasibility Pros	Feasibility Cons
1	Administrative, Business and Professional Offices	None - full scale professional office space is not available in the Old Creek Ranch / La Costa Meadows Business Park area.	<ul style="list-style-type: none"> • High property tax revenue 	<ul style="list-style-type: none"> • No professional office in this location • No supportive services/walkability • No precedent for Class A / B office space
2	Business and Office Services, Photocopy, Printing, Computer, Photography, Publishing	FedEx Ship Center, The UPS Store, Prographics Inc.	<ul style="list-style-type: none"> • Suitable site size 	<ul style="list-style-type: none"> • Poor site visibility and access • No adjacent supporting uses • Consumers cut back on service expenditures in economic downturns
3(a)	Veterinary (domestic only) Non-boarding	Advanced Veterinary Care of San Elijo, Canyon Creek Animal Hospital, La Costa Animal Hospital	<ul style="list-style-type: none"> • Large residential base in the immediate area 	<ul style="list-style-type: none"> • Poor site visibility and access • No adjacent supporting uses • Established veterinary clinic less than 1-mile north of Subject
3(b)	Medical and Dental Offices and Clinics	The Brush Stop Dental, Lake San Marcos Dental Care, Bruce Adams Dental Office	<ul style="list-style-type: none"> • High property tax revenue 	<ul style="list-style-type: none"> • Poor site visibility and access • No adjacent supporting uses • Several Dental services close to Subject
4	Laboratories	None - no apparent demand for lab space in San Marcos	<ul style="list-style-type: none"> • High asking lease rates for larger spaces 	<ul style="list-style-type: none"> • Site is too small to support land use • Labs situated exclusively in East Carlsbad
5	Manufacturing, Fabrication, Compounding and Packaging	Martindale Manufacturing, BBS Manufacturing, Hunter Custom Molding, Gilbert Machine and Manufacturing	<ul style="list-style-type: none"> • Site could support small scale manufacture where products are shipped via UPS 	<ul style="list-style-type: none"> • Lower lease rates than other possible uses
5	Wholesale Distribution Plant	Generator Distribution, Markstein Beverage Co, Russell Sigler Inc.	<ul style="list-style-type: none"> • High property tax revenue 	<ul style="list-style-type: none"> • Site is too small to support land use • Driveway is accessible only heading west on San Elijo Rd.

Recommendations & Conclusions

Artis Senior Living Residential Care Facility, San Marcos, California

SUMMARY VALUE CONCLUSIONS

Recommendations & Conclusions

Meyers based the estimated values of the various Subject permitted land uses (senior housing, light industrial, office in combination with light industrial, and medical office) using an average of the sales transaction method and NOI/Cap rate methods. The calculations and assumptions are detailed on the pages that follow.

Valuation Summary			
Type	NOI	Sales Transaction	Average Value
Senior Living	10,613,654	\$9,108,828	\$9,861,241
Light Industrial / Flex/R&D (Original)	4,227,729	\$4,063,150	\$4,145,439
Light Industrial (80% of building)	3,819,848	\$4,474,500	\$4,147,174
Office* (20%)	2,189,674	\$1,677,795	\$1,933,735
Light Industrial Subtotal	6,009,522	\$6,152,295	\$6,080,908
Medical Office w/ Podium Parking	18,368,832	\$20,107,125	\$19,237,978

Meyers' valuation for the Senior Housing Land Use averages \$9,861,250 and is based on an average of both sales transaction value at \$9,109 million and NOI/Cap rate value of \$10,614 million.

Sales Transactions, where the top of the market is the Casa de las Campanas remodel in Rancho Bernardo, with Phase II and Phase III estimated at roughly \$25,000,000 each (\$260 per square foot). The other relevant sales comparable is the Village Square Nursing Center in San Marcos with 118 beds built in 2002, at a value of \$199 per square foot, to which Meyers applied an age adjustment of 14% per the Marshall and Swift index. The resulting price per square foot is \$228, for a total Subject Senior Housing value of \$9.108 million.

An estimated NOI of \$1,008,300 with a cap rate of 9.5% which is consistent with the observed market average.

- The lease rate is estimated at \$27.27 per square foot, which is the blended average for the Subject (see recommended rents in the following section).
- The vacancy rate is estimated at the San Diego Metro market average of 87% occupancy (therefore 13% vacancy).
- Operating expenses are conservatively estimated at 66.6% of revenue (the observed operating expenses in this market range from 57% to 64%, as shown on the following page).
- Square footage is net leasable area only (15,104 square feet), whereas the building totals 39,951 square feet.

Net Operating Income/ Cap Rate Valuation Approach											
Type	Building Square Feet	Estimated Monthly Lease Rate Per SF	Estimated Annual Lease Rate Per SF	Annual Lease Revenue	Minus Stabilized Vacancy Rate	Operating Expenses	Minus Property Taxes (Office Bldg.)	Vacancy and Credit Loss	Total Estimated Annual Revenues	Cap Rate (%)	Total Value
Senior Living	15,104	\$27.27	\$327.24	\$4,942,633	-13.0%	-66.6%	--	(\$3,934,336)	\$1,008,297	9.50%	\$10,613,654

Sales Transaction Valuation Approach			
Type	Square Feet	Price Per Square Foot	Total Value
Senior Living	39,951	\$228	\$9,108,828

Valuation Summary			
Type	NOI	Sales Transaction	Average Value
Senior Living	10,613,654	\$9,108,828	\$9,861,241

Meyers analyzed the potential Subject development as:

1. The proposed Senior living Facility with 39,951 square feet of gross building area and 15,104 square feet of net leasable area.
2. A Light Industrial/Flex R&D space with the approved footprint of 21,385 square feet.
3. A larger footprint occupying 31% of the 2.18 acres with Light Industrial/Flex Office space assuming a loft office component equal to 20% of the total 29,437 square feet
4. A “maxed out” version with two levels of medical office totaling 53,619 square feet above a two story podium parking structure.

Meyers applied the Net Operating Income (“NOI”) method to compare the estimated value of the various possible land uses at the Subject, including senior housing, light industrial, office in combination with light industrial, and medical office. The following assumptions were based on extensive research of the trends for each land use type in the San Marcos market:

- Office vacancy rate in line with the current San Marcos office market which is very healthy at less than 8.0%.
- Light industrial vacancy rate of 10% to reflect slight softening in this market given the recent focus and new construction.
- A conservative Primary Market Senior Living Vacancy rate of 13%, although it is anticipated that in San Marcos this would be lower.
- A current market Cap Rate of 9.5% of Senior Living, and between 6.2% and 6.5% for Office and Light Industrial, and the combinations thereof.
- Operating Expenses of 66.6% for Senior Living (see following page for an explanation), \$0.50 per square foot per month for Office and \$0.25 per square foot per month for Light Industrial.

Net Operating Income/ Cap Rate Valuation Approach											
Type	Building Square Feet	Estimated Monthly Lease Rate Per SF	Estimated Annual Lease Rate Per SF	Annual Lease Revenue	Minus Stabilized Vacancy Rate	Operating Expenses	Minus Property Taxes (Office Bldg.)	Vacancy and Credit Loss	Total Estimated Annual Revenues	Cap Rate (%)	Total Value
Senior Living	15,104	\$27.27	\$327.24	\$4,942,633	-13.0%	-66.6%	--	(\$3,934,336)	\$1,008,297	9.50%	\$10,613,654
Light Industrial / Flex/R&D* (Original)	21,385	\$1.10	\$13.20	\$282,282	-4.5%	-\$0.25	--	(\$18,049)	\$264,233	6.25%	\$4,227,729
Light Industrial (80% of building)	23,550	\$1.19	\$14.28	\$336,294	-8.0%	-\$0.25	--	(\$97,554)	\$238,740	6.25%	\$3,819,848
Office* (20%)	5,887	\$2.65	\$31.80	\$187,207	-8.0%	-\$0.50	-1.2%	(\$44,878)	\$142,329	6.50%	\$2,189,674
Light Industrial Subtotal	29,437	\$1.48	\$17.78	\$523,501	-8.0%	-\$0.40	-0.4%	(\$142,431)	\$381,069	6.50%	\$6,009,522
Medical Office w/ Podium Parking	53,619	\$2.50	\$30.00	\$1,608,570	-8.0%	-\$0.60	-1.2%	(\$469,702)	\$1,138,868	6.20%	\$18,368,832

Meyers compared recent sales transactions for space built in the last 15 years (2006+) in San Marcos itself, yielding the following estimated values for the assessed land uses at the Subject:

Senior Housing - \$9.108 million
 Light Industrial/Flex R&D - \$4.063 million
 Light Industrial with Office - \$6.152 million
 Podium Medical Office - \$20.107 million.

Sales Transaction Valuation Approach			
Type	Square Feet	Price Per Square Foot	Total Value
Senior Living	39,951	\$228	\$9,108,828
Light Industrial / Flex/R&D (Original)	21,385	\$190	\$4,063,150
Light Industrial (80% of building)	23,550	\$190	\$4,474,500
Office* (20%)	5,887	\$286	\$1,677,795
Light Industrial Subtotal	29,437	\$209	\$6,152,295
Medical Office w/ Podium Parking	53,619	\$411	\$20,107,125

The estimated values take an average of both NOI/Cap rate and Sales Transaction methods, resulting in the following:

Senior Housing - \$9.861 million
 Light Industrial/Flex R&D - \$4.145 million
 Light Industrial with Office - \$6.081 million
 Podium Medical Office - \$19.238 million.

Valuation Summary			
Type	NOI	Sales Transaction	Average Value
Senior Living	10,613,654	\$9,108,828	\$9,861,241
Light Industrial / Flex/R&D (Original)	4,227,729	\$4,063,150	\$4,145,439
Light Industrial (80% of building)	3,819,848	\$4,474,500	\$4,147,174
Office* (20%)	2,189,674	\$1,677,795	\$1,933,735
Light Industrial Subtotal	6,009,522	\$6,152,295	\$6,080,908
Medical Office w/ Podium Parking	18,368,832	\$20,107,125	\$19,237,978

Meyers used the mid point between the median (\$186) and average (\$194) sale and listing price per square foot to arrive at a valuation of \$190 per square foot for the Light Industrial. This is based on spaces built after 2000 in San Marcos and Vista, and select slightly older spaces in Carlsbad, where real estate values are higher.

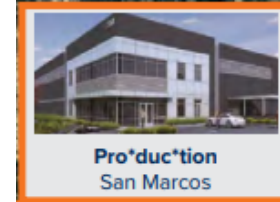
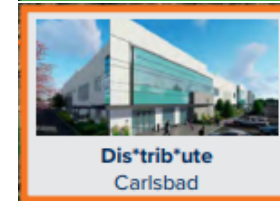
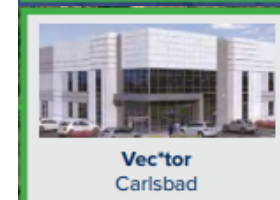
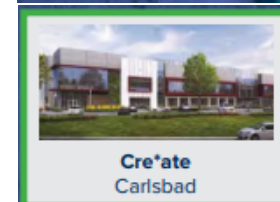
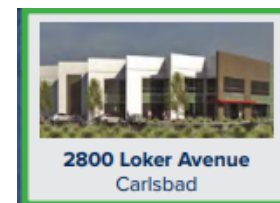
Property Name Address	Buyer	Class	Acreage	Year Built	Type	Square Feet	Sale Price	Price/ SF	Cap Rate	Sale Date
130 Bosstick Blvd San Marcos 92069	-	B	0.95	1990	Industrial R&D	17,631 17,631	\$3,077,000	\$175	-	10/1/2018
2710 Gateway Rd Carlsbad, 92009	-	B	1	2008	Industrial Flex R&D	10,583 10,583	\$2,950,000	\$279	-	Listing
Poinsettia Business Park 1396 Poinsettia Ave Vista, 92083	-	C	1.39	1990	Business Park R&D Biotech	23,660 23,660	\$4,300,000	\$182	-	Listed
Opus Point Flex Space 3205 Lionshead Ave Carlsbad, 92008	Lionshead LLC		3.8	2008	Industrial R&D	50,000 50,000	\$11,150,000	\$223	6.4%	5/12/2017
1235 Activity Dr Vista, 92081	-	B	-	2003	Business Park R&D Biotech	24,944 24,944	\$3,750,000	\$150	-	10/1/2018
2345 La Mirada Vista, 92081	-	B	12.65	2006	Industrial	13,295 13,295	\$2,600,000	\$196	-	10/1/2018
Grey Hawk Business Park 3244 Grey Hawk Ct Carlsbad, 92010	DL Investments		13.99	2006	Industrial R&D	9,341 9,341	\$1,914,905	\$205	-	Listed
288 Distribution St San Marcos, 92078	-	B	1.3	2001	Industrial Flex R&D	24,225 24,225	\$3,800,000	\$157	-	Listing
2772 Loker Ave Carlsbad, 92010	-	C	0.39	1987	Industrial Warehouse	11,486 11,486	\$2,078,966	\$181	-	1/1/2019
2385 Camino Vida Roble Carlsbad, 92011	-	B	1.07	1984	Industrial Office/Warehouse	28,084 28,084	\$5,350,000	\$190	-	12/1/2018

Min	9,341	\$350,000	\$150	6.4%
Max	50,000	\$11,150,000	\$279	6.4%
Median	20,646	\$3,413,500	\$186	6.4%
Average	20,989	\$3,881,443	\$194	6.4%

Larger brand new industrial spaces developed by RAF Pacifica, Techbilt and Hamann are currently leasing for roughly \$1.00 NNN per square foot. Meyers used the higher median lease rate of \$1.19 per square foot in the NOI valuation for the Light Industrial, to adjust for proximity to Carlsbad.

The comparables selected are spaces built after 2000 in San Marcos and East Carlsbad, as well as select slightly older spaces in La Costa Meadows Business Park, where lease values are typically higher than in the Highway 78-Corridor area of San Marcos.

Building Name Address	Tenant	Class	Built	Total Building Leasable SF	Available Space	Occupancy Rate (%)	Asking Lease Rate (Per SF Per Year)	Asking Lease Rate (Per SF Per Year)
6361 Yarrow Drive Carlsbad, 92011	-	A	2018	20,800	3,161	84.8%	\$12.00	\$0.99
				Total	3,161	84.8%	\$12.00	\$1.00
Pro.duc.tion 2950-54 Norman Strasse Rd San Marcos, CA 92069	-	A	2018	72,481	34,854		\$12.00	\$1.00
					37,627		\$12.00	\$1.00
				Total	72,481	0.0%	\$12.00	\$1.00
Cre.ate Carlsbad 92010	-	A	2018	63,900	63,900		\$17.40	\$1.45
				Total	63,900	0.0%	\$17.40	\$1.45
3133 Tiger Run Ct Carlsbad 92010		-	2016	26,131	3,685		\$16.20	\$1.35
				Total	3,685	85.9%	\$16.20	\$1.35
La Costa Meadows Business Park 1611-1665 S. Rancho Santa Fe Rd San Marcos, 92078		-	1998	9,338	1,000		\$13.20	\$1.10
					4,791		\$11.88	\$0.99
					2,225		\$13.20	\$1.10
					1,322		\$14.40	\$1.20
				Total	9,338	-	\$13.17	\$1.10
La Costa Meadows Business Park 1782-90 La Costa Meadows San Marcos, 92078	Leased	B	1988	18,188	3,923		\$15.48	\$1.29
					1,575		\$14.28	\$1.19
				Total	5,498	78.4%	\$15.14	\$1.26
5607 Palmer Way Carlsbad, 92010	Listed	B	2000	16,532	16,532		\$15.00	\$1.25
				Total	16,532	0.0%	\$15.00	\$1.25
Min				16,532	1,000	0.0%	\$11.88	\$0.99
Max				72,481	3,685	85.9%	\$17.40	\$1.45
Median				20,800	4,816	78.4%	\$14.28	\$1.19
Average				33,986	8,217	76.8%	\$14.29	\$1.19



Newer medical office buildings in San Marcos have listed or sold at between \$325 and \$598 per square foot, and Meyers has used the midpoint between the average (\$411) and median (\$340) price to establish a value for the medical office at the Subject at \$375 per square foot.

Property Name Address	Class	Type	Year Built	SF	Sale Price	Price/ Acre	CAP Rate	Sale Date
955 Broadway San Marcos	A	Medical Office Dental Office	2008	1,873	\$843,000	\$450	5.5%	Listing
838 Nordahl Rd San Marcos, CA 92069	A	Medical Office	2009	5,164 14,920	\$1,755,760 \$5,072,800	\$340 \$340		Listing
838 Nordahl Rd San Marcos, CA 92069	A	Medical Office	2009	4,210	\$1,368,500	\$325		11/16/2018
838 Nordahl San Marcos, CA 92069	A	Medical Office	2017	20,230	\$12,100,000	\$598	6.8%	Listing

Min	\$843,000	\$325	5.5%
Max	\$12,100,000	\$598	6.8%
Median	\$1,755,760	\$340	6.2%
Average	\$4,228,012	\$411	6.2%

Newer medical office buildings in San Marcos tend to lease for between \$2.22 and \$2.80 per square foot, and Meyers used the median lease price of \$2.50 in the valuation for the medical office. It should be noted that the \$3.20 at 111 Campus Way is a modified gross listing for the top floor of the Pima Medical Institute Building, and therefore is not a direct comparison with the other rents which are stated in triple net terms. Arguably the closest comparable is the brand new space under construction at Campus Pointe, with an estimated completion date in 2020, offered at \$2.25 per square foot.

Building Name Address	Class	Built	Total Building Leasable SF	Available Space	Occupancy Rate (%)	Vacancy Rate (%)	Asking Lease Rate (Per SF Per Mo.)	Terms
Campus Pointe 337 E Carmel Street San Marcos, 92078	A	2020	81,291	1,600			\$2.25	NNN
				27,097			\$2.25	
				27,097			\$2.25	
				25,497			\$2.25	
			Total	1,600	100.0%	0.0%	\$2.25	
955 Boardwalk San Marcos, 92078	B	2008	24,396	1,873			\$2.80	NNN
			Total	1,873	92.3%	7.7%	\$2.80	
838 Nordahl Rd San Marcos, CA 92069	A	2009	57,333	5,164			\$2.50	NNN
				14,950			\$2.50	
			Total	20,114	64.9%	35.1%	\$2.50	
277 Rancheros San Marcos, 92069	B	2000	52,981	3,140			\$2.55	NNN
			Total	7,702	85.5%	14.5%	\$2.55	
Campus Pointe 111 Campus Way San Marcos, CA 92078	A	2016	60,000	20,000			\$3.20	Modified Gross Excl. Utilities
			Total	20,000	66.7%	33.3%	\$3.20	
Pima Medical Institute 111 Campus Way San Marcos, CA 92078	A	2016	60,000	40,000			\$2.22	15-year lease at \$16M
			Total	40,000	33.3%	66.7%	\$2.22	
		Min	24,396	1,600	33.3%	0.0%	\$2.22	
		Max	81,291	40,000	100.0%	66.7%	\$3.20	
		Median	58,667	14,950	76.1%	23.94%	\$2.50	
		Average	56,000	11,411	73.8%	26.2%	\$2.57	

Newer office buildings in San Marcos have sold or listed for between \$241 and \$321 per square foot (the \$7.3M retail space was included for perspective on San Elijo Hills commercial pricing), and Meyers used the median value of \$286 for the valuation of office space.

Property Name Address	Class	Type	Year Built	Total SF	Sale SF	Sale Price	Price/ SF	Sale Date
250 S. Pacific Street Unit 102 San Marcos, 92078	B	Office	2007	11,446	948	\$305,000	\$322	
				Total	948	\$305,000	\$322	
950 Boardwalk Park Place North San Marcos, 92078	B	Office	2008	95,531	2,909	\$727,250	\$250	
950 Boardwalk Park Place North San Marcos, 92069	A	Office	2006	38,514	1,515	\$365,000	\$241	11/1/2019
				Total	1,515	\$365,000	\$241	
1231 Elfin Forest Rd San Elijo Hills Marketwalk San Marcos, 92078	A	Office	2008	10,977	10,977	\$7,300,000	\$665	RETAIL Listing
				Total	10,977	\$7,300,000	\$665	
				Min	10,977	948	\$305,000	\$241
				Max	95,531	10,977	\$7,300,000	\$665
				Median	24,980	2,212	\$546,125	\$286
				Average	39,117	4,087	\$2,656,667	\$409

Newer office buildings in San Marcos tend to lease for between \$1.57 and \$2.80 (depending on the finish out of the space) per square foot and Meyers used the median value of \$2.65 for the valuation of office space.

Building Name Address	Class	Built	Total Building Leasable SF	Available Space	Occupancy Rate (%)	Vacancy Rate (%)	Asking Lease Rate (Per SF Per Mo.)	Terms
Park Place North 950 Boardwalk San Marcos, 92078	B	2006	38,514	2,909			\$1.57	Modified Gross
			Total	2,909	92.4%	7.6%	\$1.57	
North City 111 Campus Way San Marcos, 92069	A	2017	60,000	20,000			\$2.80	Triple Net
			Total	20,000	66.7%	33.3%	\$2.80	
San Marcos Plaza 330-340 Rancheros Dr San Marcos, 92069	A	2008	95,531	3,500			\$2.75	Modified Gross
				5,669			\$2.75	
				3,075			\$2.75	
				Total	12,244	87.2%	12.8%	
277 Rancheros San Marcos, 92069	B	2000	52,981	3,140			\$2.55	Gross + Utilities
				4,562				
			Total	7,702	85.5%	14.5%	\$2.55	
Promenade at Creekside 6 Creekside Drive San Marcos, 92078	A	2019	11,003	596			\$2.75	Plus \$0.49 NNN
				702			\$2.70	
				799			\$2.65	
				1,193			\$2.50	
				1,405			\$2.24	
				1,598			\$2.24	
				Total	6,293	0.0%	100.0%	
			Min	11,003	596	60.9%	7.6%	\$1.57
			Max	95,531	20,000	92.4%	39.1%	\$2.80
			Median	52,981	7,702	86.3%	13.68%	\$2.65
			Average	51,606	3,584	76.8%	23.2%	\$2.52

National Investment Center (NIC) provides a range of monthly operating expenses for Independent Living, Assisted Living, and Nursing Care, based on the tier of rental rates (low, median and high). In our analysis we assume that Memory Care operating expenses would fall between AL and Nursing Care, which range from 63.8% to 75.3%, putting estimated MC unit operating expenses at 69.5% of revenue. Meyers used a blended average of the two AL and MC operating expense ratios (ie: 66.6%) in the valuation by NOI. Additionally, we looked at recent RCFE listings for further guidance, and these range from 54.1% to 62.4%, supporting the argument for our operating expense ratio assumption.

	Highest Quartile Per Unit / Resident		Operating Expense
	Revenue	Operating Expenses	Revenue
Independent Living	\$3,786	\$2,735	72.2%
Assisted Living	\$5,545	\$3,535	63.8%
Memory Care	\$7,200	\$5,005	69.5%
Nursing Care (Private Pay)	\$10,958	\$8,250	75.3%

Blended average operating expense
ratio of 66.6%

Select Assisted Living San Diego Listings

Address	# of Units / Beds	Asking Price	Operating Income	Operating Expenses	Operating Income / Operating Expenses
6217 Acorn St, San Diego CA 92115	20	\$2,280,000	\$481,000	\$300,000	62.4%
180 W Lexington Ave, El Cajon CA 92020	6	\$950,000	\$284,000	\$168,990	59.5%
1178 Evergreen Ln Vista, CA 92084	12	\$395,000	\$481,000	\$260,000	54.1%
Average					58.6%

Source: Loopnet.com

Site & Location Analysis

Artis Senior Living Residential Care Facility, San Marcos, California

General Location:

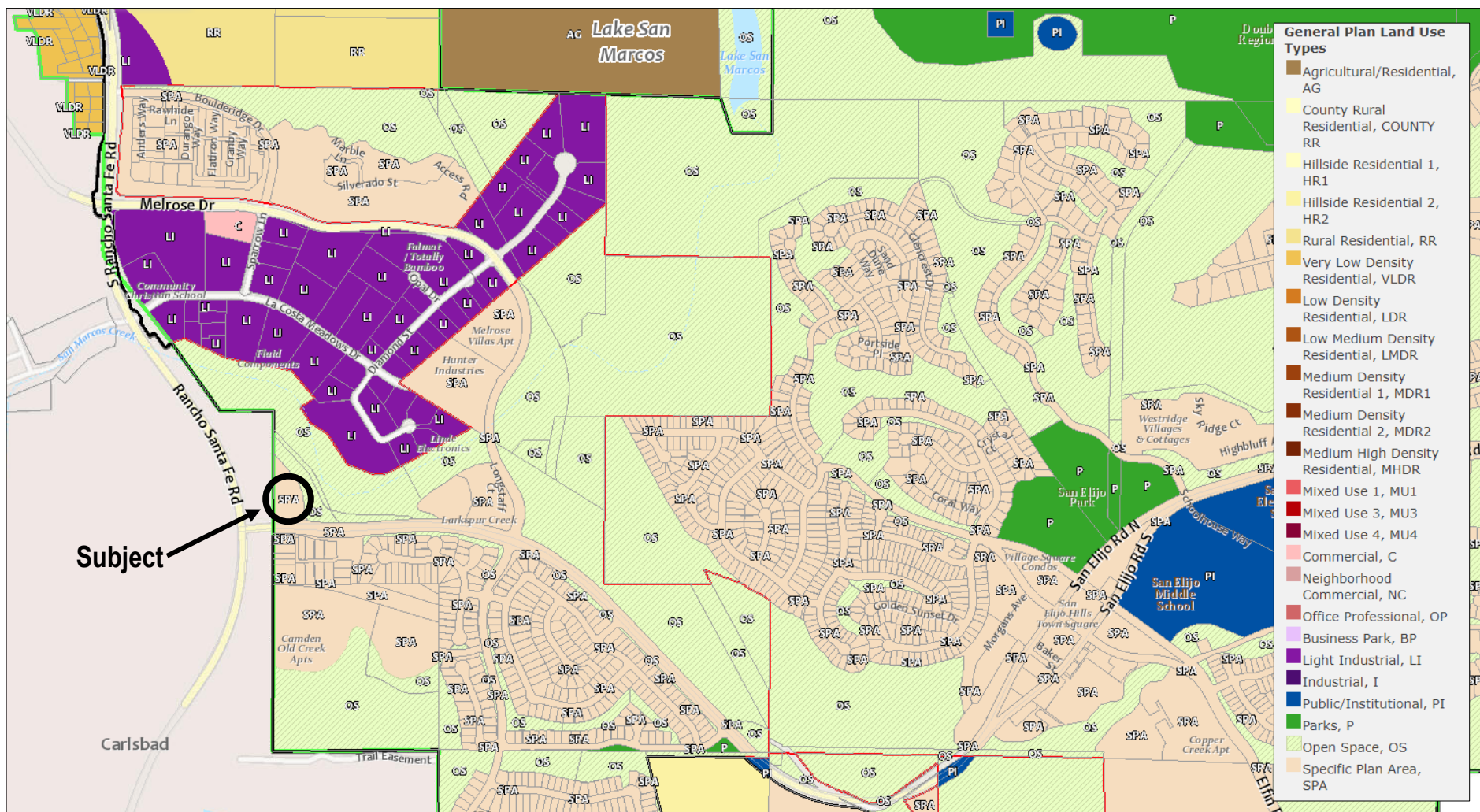
- The site is located approximately 4.0 miles from the CA-78 highway, 5.5 miles from the I-5 highway, and along Rancho Santa Fe Rd which will provide regional access to retail and services between San Marcos and Encinitas. Additionally, several beaches in Carlsbad can be reached within a 20 minute drive.
- The Subject as a senior housing facility for assisted living and memory care would compliment the surrounding uses (largely multi-family and single-family detached housing) in the University Commons (Old Creek Ranch) Specific Plan. As a light-industrial use the site would compliment the adjacent use (trailer and boat storage). See the follow pages for further detail.
- The La Costa Town Square is a newly constructed regional retail center located in the heart of Carlsbad just 1.5-miles away from the Subject. The shopping center features Vons, a state-of-the-art fitness center, national and specialty retailers and a vibrant collection of restaurants.

Existing Site Conditions and Zoning:

The Subject is currently a combination of rough graded pad with weed growth and rubble with Light Industrial (L-1) zoning.

- Easements:
 - An easement for public utilities and incidental purposes for Times Mirror Cable Television of San Diego County shall remain in place.
 - An easement for pipeline or pipelines and incidental purposes for Vallections Water Districts (location of easement cannot be determined from record information) shall remain in place.
 - An easement for association maintenance area and incidental purposes for the Old Creek homeowners Association shall remain in place.
 - An easement for public access and incidental purposes for the City of San Marcos shall remain in place.
- Existing Improvements and Conditions:
 - Concrete sidewalk runs along San Elijo Road (east to west) leading to a terrace that overlooks the site. The sidewalk continues to Rancho Santa Fe Road and runs northwest along Rancho Santa Fe Road.
 - A concrete browditch runs from the southwest corner along the western boundary to the northwest corner.
 - A retaining wall runs along the western slope for roughly 20ft.
 - The driveway is graded sloping down to the plateau of the site where the site has been graded in the past. Several piles (approximately 8) of rubble, dirt, and land waste are grouped in the middle of the site.

The current zoning for the site is the University Commons (Old Creek Ranch) Specific Plan Area: Light Industrial (L-1) and the proposed Specific Plan amendment is to change the land designation to Senior Residential (SR). The La Costa Meadows Industrial Center is north of the Subject, shown in (purple). Another Light Industrial parcel currently serving as a storage facility for trailers and boats is just west of the Subject (outside the City of San Marcos), on the corner of San Elijo Road and Rancho Santa Fe Road. The land use to the south and east of the Subject is characterized by market rate apartments and for-sale single-family developments. A preschool is located to the northwest.



LIGHT-INDUSTRIAL & SENIOR RESIDENTIAL ZONING USES COMPARISON

Site & Location Analysis

Light-Industrial Zone Uses

Land Use	Permit Type
Recreation, Education, and Public Assembly Uses	
Club	DP
College, Nontraditional Campus Setting	CUP
Museum, Library, or Gallery	DP
Places of Assembly	DP
General Retail Uses	
ATM, Interior to Building/Vestibule	P
Automotive Fueling Station	CUP
Automotive Rentals	DP
Automotive Sales, Wholesale	P
Catering	P
Commercial Artist/Production Studio	P
Commercial Recreation	DP
Dry Cleaning or Laundry, Plant	DP
Funeral Homes / Mortuary	CUP
Merchandise Sales, New Retail <30,000 s.f.	DP
Merchandise Sales, Showrooms	P
Merchandise Sales, Used/Pawn	CUP
Moving Company	P
Parcel Delivery Service	P
Parking Facility	CUP
Restaurant, Sit-Down	DP
Restaurant, Take-Out	P
Office, Professional, and Business Support Services	
Internet-Based Sales	P
Medical; Urgent Care	CUP
Office	P
Research & Development	P
Technical/Scientific/Medical Laboratories	P
Animal Sales & Services	DP
Automotive Services	DP
Personal Services	DP
Industrial, Manufacturing, and Processing Uses	
Furniture and Carpentry	P
Commercial Bakery	P
Contractor Office & Services	P
Food Processing	P
Industrial Design and Services	P
Machine Repair Shop	P
Manufacturing and Assembly	P
Microbrewery/Tasting Room	DP
Self Storage	CUP
Indoor Warehousing	P
Wholesale, Processing, Distribution	P
Recycling Facility	
Collection Facility	DP
Transportation, Communication, and Utility Uses	
Antenna or Communication Facility	P
Transportation Dispatch Only	P

Permitted Commercial (Senior Residential) Zone Uses

Land Use	Permit Type
Adult Residential Facility	DP
Continuing Care Retirement Community	P
Continuing Care Facility, Small	P
Continuing Care Facility, Large	DP
Extended Care Facility	P

Permit Requirement Types and Processes

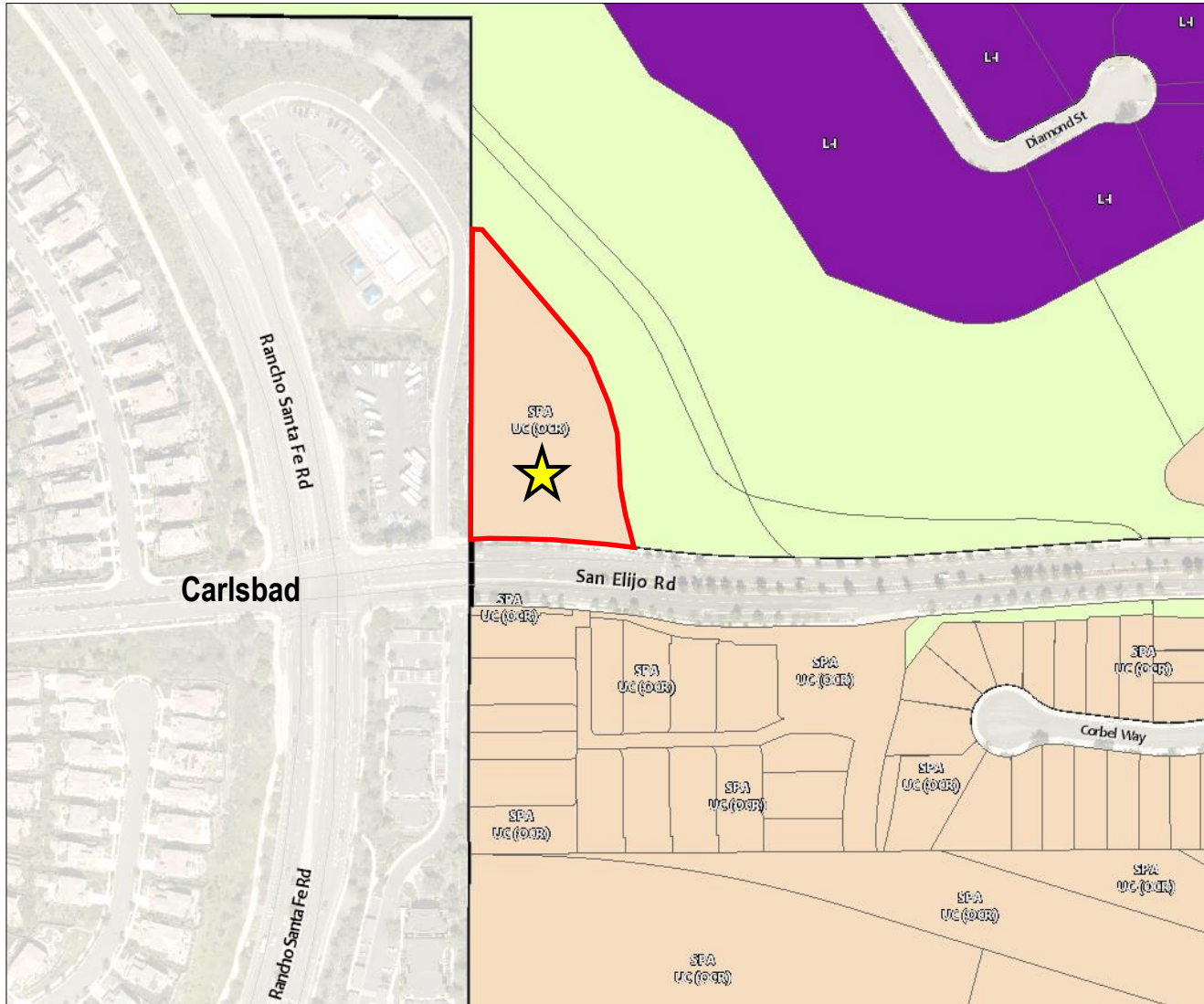
Symbol	Permit Requirement	Procedure Section
P	Permitted use subject to compliance with all applicable provisions of this Zoning Ordinance and the process standards of chapter 20.500.	20.500 (Permits and Applications Process)
DP	Director's Permit (DP) is required for this use, subject to review and approval by the Director.	20.510 (Director's Permit)
CUP	Conditional Use Permit (CUP) is required for this, subject to review and approval per the process standards of chapter 20.500.	20.520 (Conditional Use Permits)
T	Permitted as a temporary uses restricted to limited occurrences and time periods.	20.455 (Temporary Events)
A	Permitted uses restricted to accessory uses in conjunction with a primary permitted use.	20.500 (Permits and Applications Process)
- - -	Use not allowed.	20.205.030(C) (Unlisted and Similar Compatible Uses)

Note: Any land use authorized through a permit-approval process may also require Site Development Plan Review, a Building Permit, and/or other permit(s) required by this Code. For unlisted and similar uses, see section 20.205.030(C) (Unlisted and Similar Compatible Uses).

SUBJECT PARCEL INFORMATION & LOCATION

Site & Location Analysis

The City of San Marcos is evaluating the development opportunities for a 2.18-acre vacant parcel located on San Elijo Road, within the City of San Marcos, and within the San Diego-Carlsbad MSA. The scope of this assignment includes the analysis of Light Industrial vs Senior Residential zoning along San Elijo Road to assist in the recommendation of the future land use.



Land Use Type	Detail
APN #	223-651-01-00
Area (Square Feet)	94,961 SF
Area (Acres)	2.18
Land Use Designation	Light Industrial (L-I)
Land Use (Current)	Vacant Land
Existing Building Area	0 SF
Proposed Building Area	39,951 SF
Tax Rate Area	13259
Base Tax Rate	1.09085%
Total Tax Rate	1.09085%

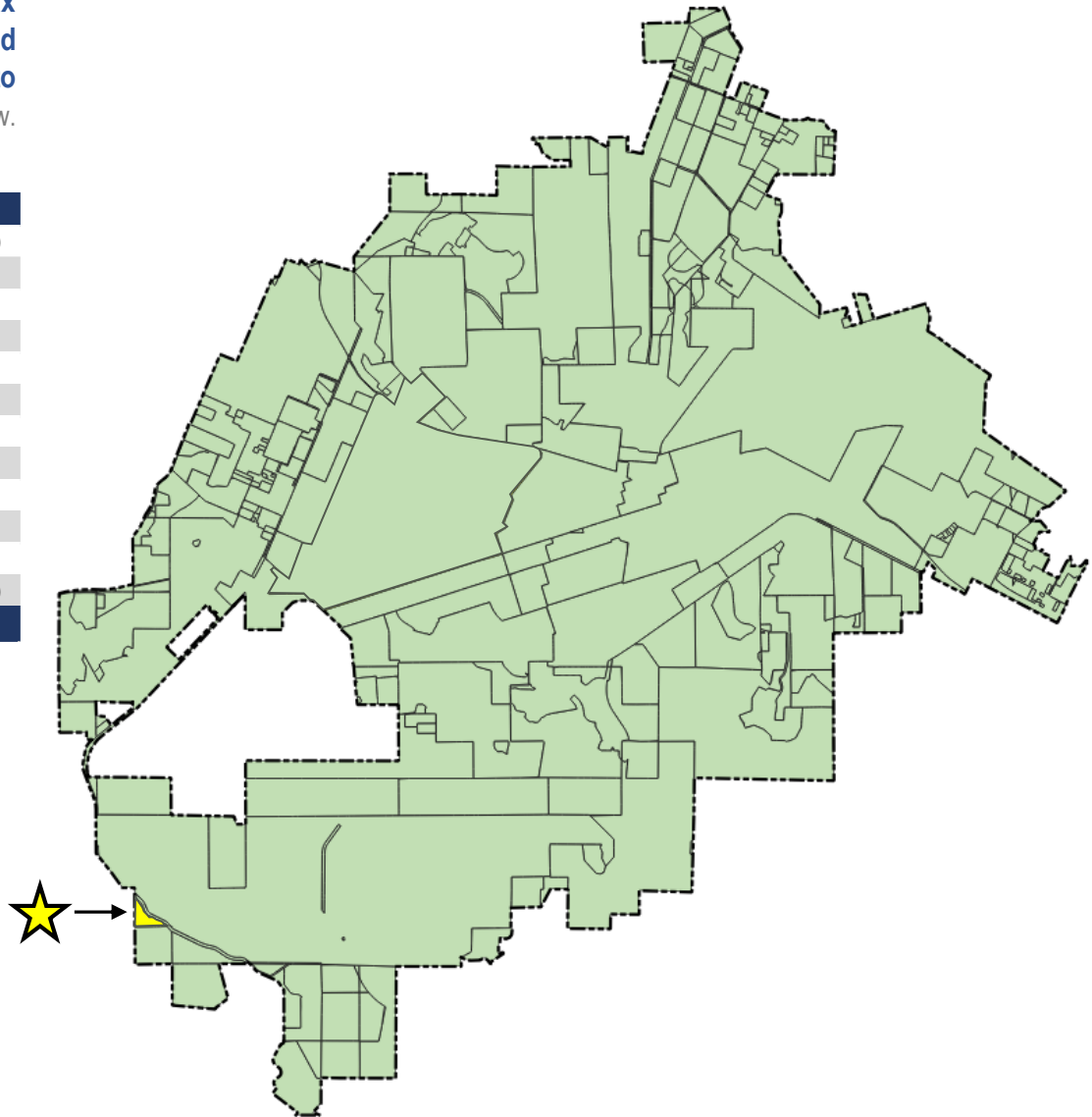
Taxes for proration purposes only for the fiscal year 2016-2017.	
First Installment:	\$13,285.87, PAIDWPEN
Second Installment:	\$13,285.87, PAID
Tax Rate Area:	13259
APN:	223-651-01-00

TAX RATE AREA (TRA) ANALYSIS

Site & Location Analysis

The parcel belonging to the Subject is assigned to the tax rate area (TRA) 13259. An analysis of the base tax rate and additional tax obligations brings the total tax rate to **1.09085%**. The breakdown of the tax breakdowns are listed below. The TRA (13259) is shown in (yellow).

Title	Rate
COUNTY-PROPOSITION 13	1.00000
UNIF BOND SAN MARCOS SFID #1-6/04/96, 2004-1 REF	0.01223
UNIF BOND SAN MARCOS-PROP K 11/02/2010, SER 2010A	0.00761
UNIF BOND SAN MARCOS-PROP K 11/02/2010, SER 2010B	0.00189
UNIF BOND SAN MARCOS-PROP K 11/02/2010, SER 2010C	0.01305
UNIF BOND SAN MARCOS-PROP K 11/02/2010, 2017 REF	0.01325
UNIF BOND SAN MARCOS-PROP K 11/02/2010, SER 2010D	0.01842
PALOMAR COMMUNITY COLL PROP M 11/07/06, SER 2006B	0.00371
PALOMAR COMMUNITY COLL PROP M 11/07/06, 2015 REF	0.00642
PALOMAR COMMUNITY COLL PROP M 11/07/06, SER 2006C	0.00712
PALOMAR COMMUNITY COLL PROP M 11/07/06, SER 2017D	0.00365
MWD D/S REMAINDER OF SDCWA 15019999	0.00350
Total Tax Rate:	1.09085



The proposed location affords good views of San Elijo Hills to the north and east and good access to several local amenities, including:

- CA-78 Highway roughly 4.0 miles away
- I-5 Highway roughly 5.5 miles away
- Encinitas to San Marcos bus stop just west of the site
- La Costa Town Center roughly 1.5 miles southwest of the site and San Elijo Town Center roughly 2.0 miles east of the site
- Double Peak Park located roughly 4.5 miles to the east



AERIAL MAP OF SUBJECT TOPOGRAPHY

Site & Location Analysis

Topography: The site slopes steeply from the southern boundary down to the north corner. The site slopes roughly 6 feet from south to north where the building is planned to sit. Elevation changes a total of ± 46 feet (424 ft in the southwest corner to 378 ft in the northwestern corner).



Site & Location Analysis

1 SITE PLAN

1" = 20'-0"

10' 20' 40'

1" = 1'-0"

SHEET: CITY OF SAN MARCOS

Site Development Plan Number:

OWNER: Artis Senior Living of San Marcos **PHONE:** (571) 376-6200

ADDRESS: 9 San Elijo Rd San Marcos, CA 92078

ARCHITECT, ENGINEER

DESIGNER: Architecture Incorporated **PHONE:** 703 476 3900

ADDRESS: 9 San Elijo Rd San Marcos, CA 92078 **LOCATION:** San Marcos

TYPE OF DEVELOPMENT: New Construction

ZONE: SPA **ASSESSOR'S PARCEL NUMBER(S):** 2236-510-100

SITE DATA		DWELLING UNITS		OPEN SPACE DATA	
AREA (sq. ft)	95,286	STUDIO	64	COMMON	PRIVATE
LOT:	6	1 BDRM			
BUILDING:	39,951 GSF	2 BDRM			
PARKING:	46	3 BDRM			
LOADING:	2				
LANDSCAPING:		TOTAL UNITS	64		
PARKING		DRIVEWAY (SIZE AND SLOPE)		SETBACKS	
GARAGE	0	ONE WAY		FRONT:	REAR:
COVERED:	0	TWO WAY	YES	LEFT SIDE:	
ORD. REG.		SLOPE	VARIES	RIGHT SIDE:	
LOADING					
HANDICAP	4				
TOTAL	6				
YES					

SHEET:		CITY OF SAN MARCOS			
Site Development Plan Number:					
OWNER: Artis Senior Living of San Marcos			PHONE: (571) 376-6200		
ADDRESS: 9 San Elijo Rd San Marcos, CA 92078					
ARCHITECT, ENGINEER		PHONE: 703 476 3900			
DESIGNER: Architecture Incorporated			LOCATION: San Marcos		
ADDRESS: 9 San Elijo Rd San Marcos, CA 92078					
TYPE OF DEVELOPMENT: New Construction					
ZONE: SPA		ASSESSOR'S PARCEL NUMBER(S): 2236-510-100			
SITE DATA		DWELLING UNITS		OPEN SPACE DATA	
AREA (sq. ft) 95,286	COVERAGE %	STUDIO	64	COMMON	PRIVATE
LOT: 6	100%	1 BDRM			
BUILDING: 39,951 GSF		2 BDRM			
PARKING: 46		3 BDRM			
LOADING: 2		TOTAL UNITS	64		
LANDSCAPING:		DRIVEWAY (SIZE AND SLOPE)		SETBACKS	
PARKING	ORD. REG.	ONE WAY	VARIES		
46		TWO WAY YES	FRONT:	REAR:	
GARAGE 0	LOADING	SLOPE VARIES			
COVERED: 0	HANDICAP 4				
OPEN: YES	TOTAL 46				

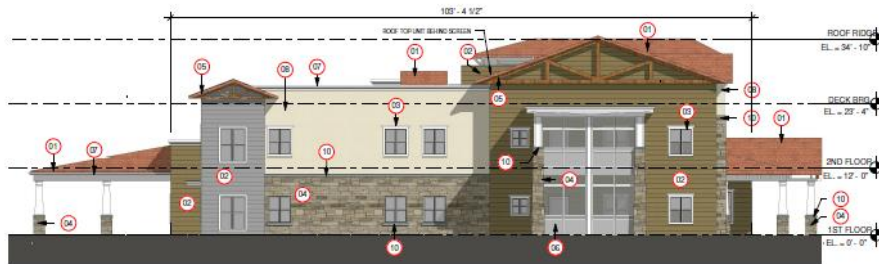
ELEVATIONS OF ARTIS SENIOR LIVING RESIDENTIAL CARE FACILITY

Site & Location Analysis

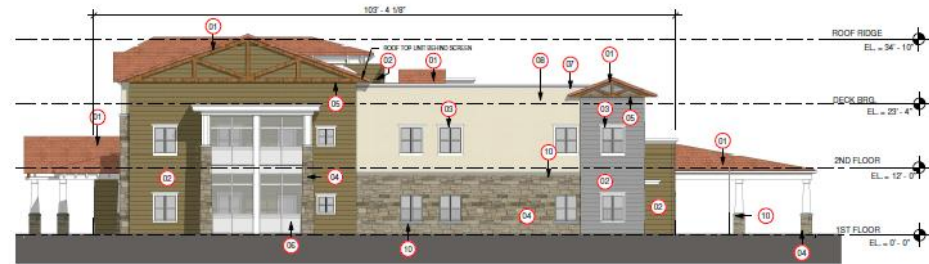
The proposed site elevations appear to be a mixture of Ranch and Traditional architectural styles which will compliment the communities in the area and the surrounding landscape. Assuming the grading doesn't change significantly, the roof of the facility should be visible from San Elijo Road (roughly 31 ft).



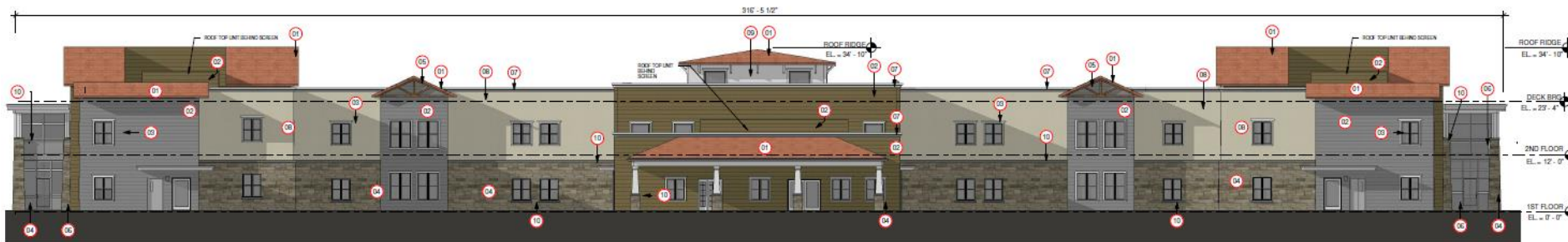
① EAST ELEVATION
3/32" = 1'-0"



② SOUTH ELEVATION
3/32" = 1'-0"



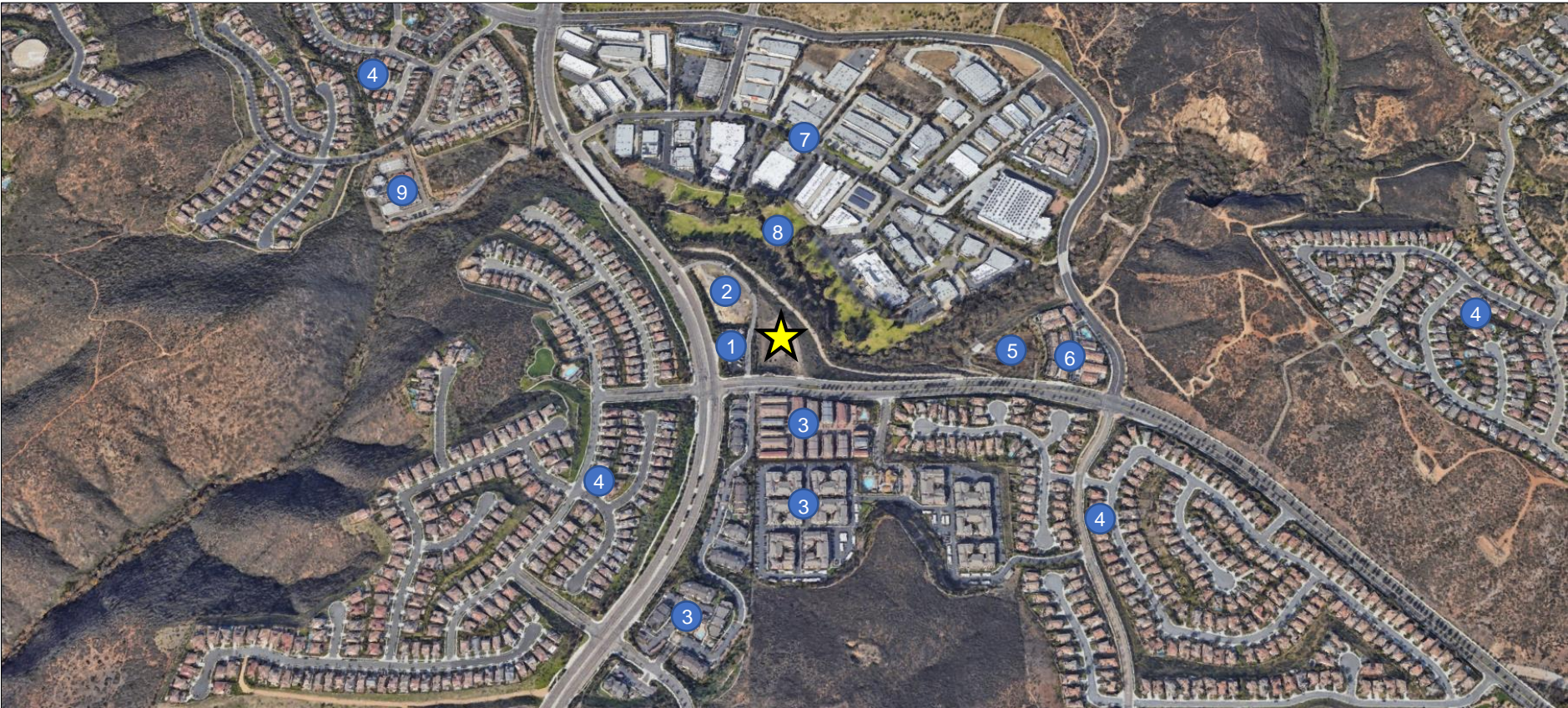
④ NORTH ELEVATION
3/32" = 1'-0"



③ WEST ELEVATION
3/32" = 1'-0"

Local Surrounding Uses:

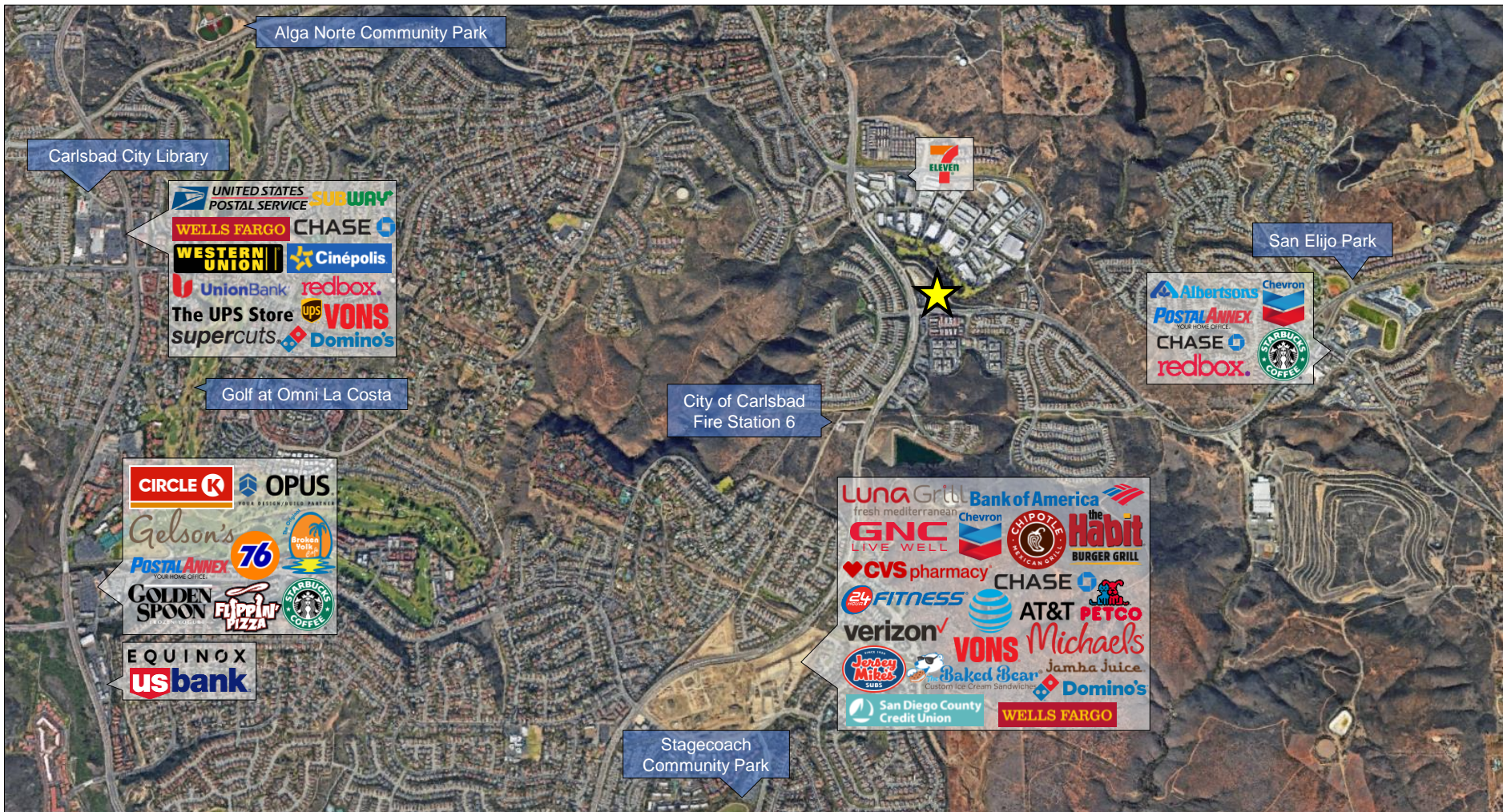
1. Storage yard is located to the west of the Subject, on the other side of Paseo Plomo.
2. Prestige Preschool Academy is located to the west and north of the Subject, on the other side of Paseo Plomo.
3. Three apartment communities are located on the southern side of San Elijo Rd.
4. Single Family detached communities are scattered in the local hills.
5. 2.42-acre detention basin within the University Commons (Old Creek Ranch) Specific Plan area.
6. Attached Home (Condo, Townhouse, Loft) community built in 2007.
7. The La Costa Meadows Industrial Center is located to the north of the Subject across the San Marcos Creek.
8. San Marcos Creek just north of the Subject down the slope.
9. Vallecitos Water District treatment plant to the northwest of the Subject.



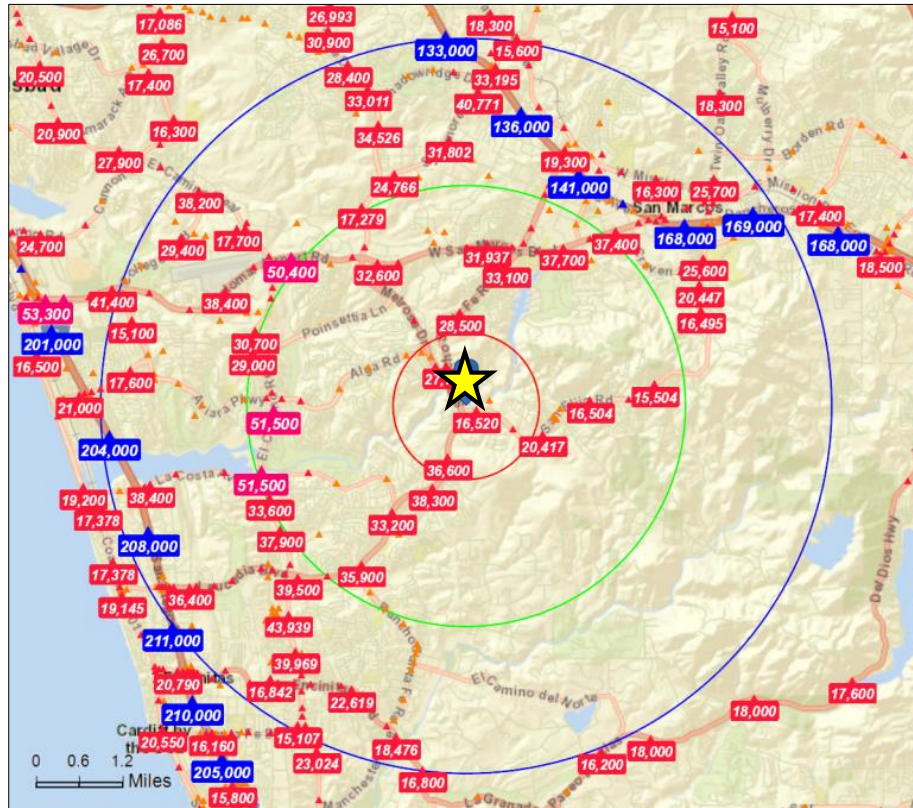
AERIAL MAP OF LOCAL RETAIL, SERVICES & PARKS

Site & Location Analysis

The Subject is located with good access to local retail centers, parks, and roughly 15 minutes away from several beaches.



Rancho Santa Fe Road is a major thoroughfare that runs north to south from the Palomar College area in San Marcos to Olivehain (just east of Encinitas), and serves as an arterial road that runs parallel to the I-5. The average daily traffic volume along San Elijo Road is roughly 16,000 vehicles per day, which is a strong level of traffic that will help support the marketing window for the senior memory care facility. The entrance to the site is located off of San Elijo Rd which can only be accessed heading in a westerly direction toward Rancho Santa Fe Rd due to the raised median on San Elijo Rd.



Rings: 1, 3, 5 mile radii



Traffic Count Map – Close Up

Senior Housing Primary Market Area

Artis Senior Living Residential Care Facility, San Marcos, California

National data confirmed by field surveys in numerous submarkets in the U.S. shows that the primary market area for assisted living facilities is typically within a 10-mile radius, but varies for urban, suburban and rural areas, in large part relating to the availability of competitive alternatives.

(Seniors may be forced to travel further to obtain services.) In an urban area, the PMA can be a 3 to 5-mile radius, expanding to a 5 to 8-mile radius in suburban markets. In exurban and rural areas, the PMA can extend 15 to 20 miles, with a secondary market area stretching out to 30 or even 40 miles.

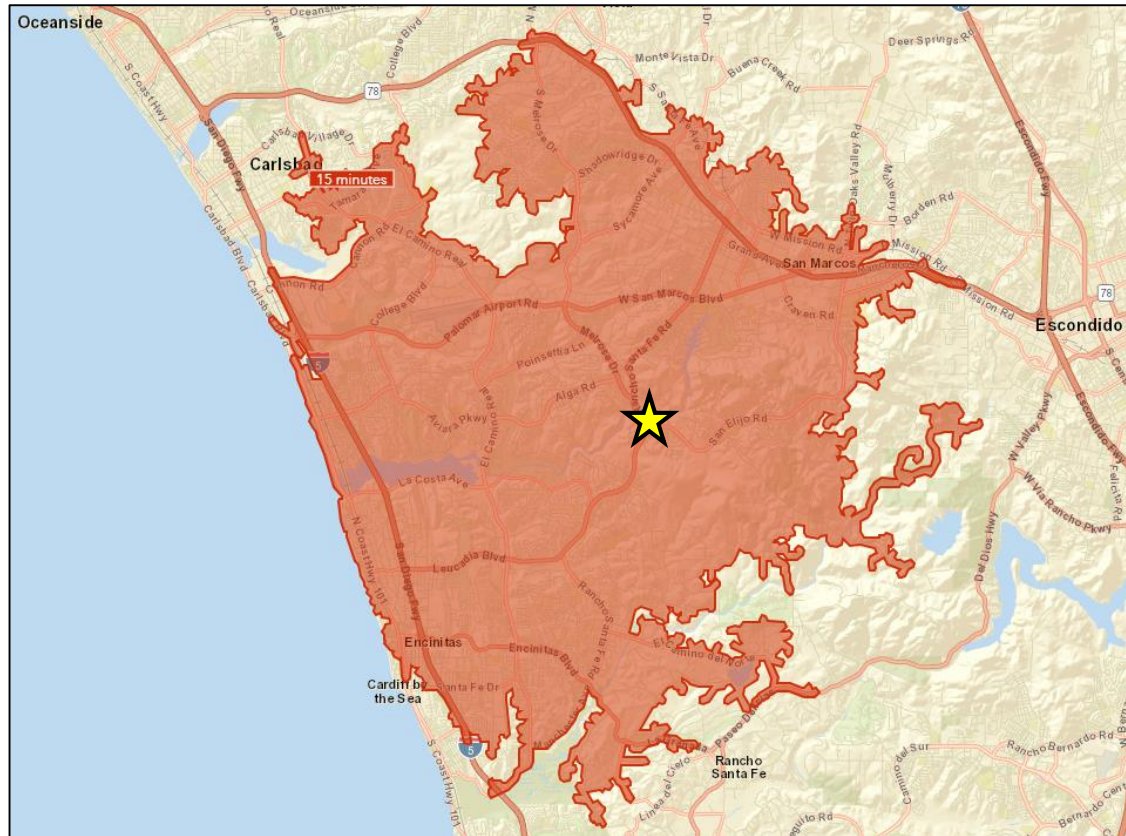
According to national data compiled by the Assisted Living Federation of America [ALFA], approximately 60% to 65% of residents of AL and combined IL/AL facilities previously lived within a 10-mile radius. Those relocating from beyond 10 miles are often “imported” by their children or family.

Physical drive times, as well as commute patterns, affect the real world draw. Adult children (often a major decision maker in facility selection) generally prefer for their aged parent(s) to be close to their own home or workplace.

The subject will be a 64-unit assisted living & memory care facility located at the northeast corner of San Elijo Rd and Rancho Santa Fe Rd in the City of San Marcos, California.

Considering the physical and psychological barriers, ease of transit, and the existing inventory of competitors scattered throughout the area, Meyers concluded that the PMA comprises the area within a 15-minute drive time of the subject.

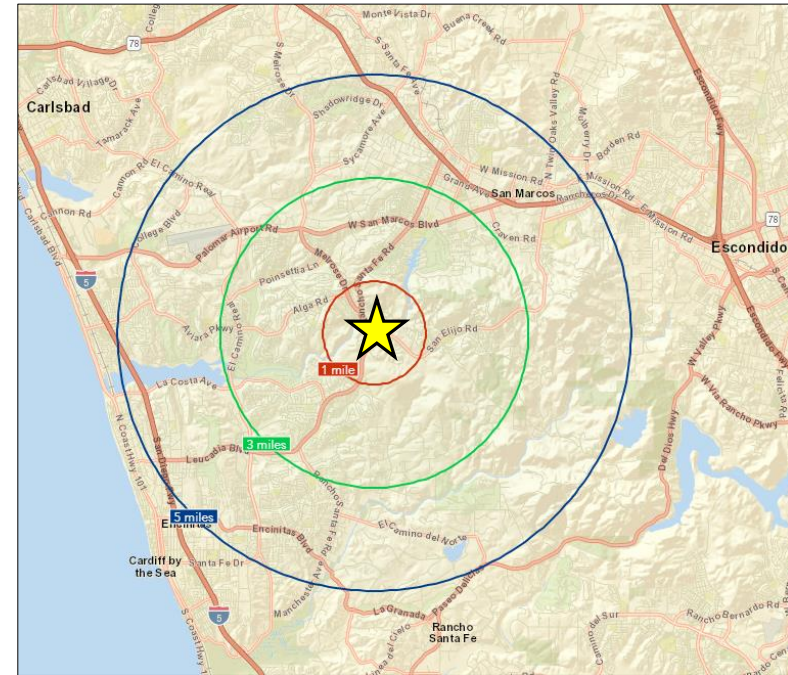
As calculated by ESRI as well as NIC MAP®, this 15-minute drive time is roughly equivalent to a six-mile radius.



LOCAL POPULATION SUMMARY (1, 3, 5-MILE RADIUS)

Senior Housing Primary Market Area

Population	1-Mile	3-Mile	5-Mile
2018 Estimated Total Population	9,262	81,310	198,409
2023 Forecast Total Population	10,150	86,295	208,960
Daytime Population	8,342	82,028	233,739
2018-2023 Annual Rate	1.85%	1.20%	1.04%
Households			
2018 Estimated Total Households	3,175	29,755	71,243
2018 Average Household Size	2.92	2.73	2.77
2023 Forecast Total Households	3,464	31,387	74,727
2023 Forecast Household Size	2.93	2.74	2.78
2018-2023 Annual Rate	1.76%	1.07%	0.96%
2018 Estimated Housing Units	3,247	30,673	73,769
Owner Occupied Housing Units	2,354	22,177	47,433
Renter Occupied Housing Units	893	8,496	26,336
2018 Estimated Median Home Value	\$735,455	\$708,145	\$689,405
Income			
2018 Estimated Households by Income	3,175	29,755	71,243
<\$15,000	343	2,410	5,842
\$15,000 - \$24,999	159	1,547	3,776
\$25,000 - \$34,999	152	1,279	3,776
\$35,000 - \$49,999	292	2,499	6,483
\$50,000 - \$74,999	425	4,017	9,903
\$75,000 - \$99,999	314	3,630	8,905
\$100,000 - \$149,999	435	4,969	12,183
\$150,000 - \$199,999	340	3,184	7,409
\$200,000+	714	6,219	12,966
2018 Estimated Median Household Income	\$90,750	\$95,413	\$89,918
2018 Estimated Average Household Income	\$135,412	\$135,331	\$128,902
2018 Estimated Per Capita Income	\$49,022	\$49,588	\$46,715
Age			
2018 Estimated Median Age	39.0	40.6	39.1
2018 Male/Female Ratio	0.88	0.92	0.94



The 1-mile trade area is comprised of 9,262 persons with a median household income of \$90,750 and an average household income of \$135,412. The forecast population growth is higher in the 1-mile trade area compared to the greater trade areas owing to the medium-high density housing in the immediate area and younger median age (more young families).

Using the geographic information tools available with ESRI's Business Analyst Online ("ESRI"), Meyers analyzed demographics of the PMA using the "Demographic and Income Profile" report. This data is driven by the US Census Bureau's "2010 Census of Population and Housing" with ESRI statistical forecasts for 2018.

2018 Summary	Primary Market Area (PMA)
Total Population	97,111
Households	36,133
Median Age	40.9
% of Households Age 65+	17.3%
Average Household Size	2.68
Owner Occupied Housing	69.5%
Renter Occupied Housing	27.7%
Median Household Income	\$93,888
Average Household Income	\$134,331
Income Gap	43.1%
% HHs Over \$100,000	47.6%

The PMA has a relatively mature population overall (40.9 years old) with high incomes (median and average income figures of \$93,888 and \$134,331, with 26.6% of the households earning more than \$100,000 per year). The 43.1% gap between median and average household incomes is an indication that there is some disparity of income within the PMA. (Our review of ZIP code level data suggests the wealthiest area is concentrated in ZIP code 92009 in Carlsbad just west of the Subject. The lowest incomes (and home values) are associated with ZIP codes 92078 (Subject ZIP code) and 92081 (South Vista), to the north of the Subject ZIP code.)

The PMA has a higher proportion of owner occupied housing than rental housing (69.5% vs. 27.7%).

Approximately 17.3% of the households in the PMA are comprised of seniors age 65+.

15-MINUTE DRIVE TIME RENTS UP 0.5% YOY

Senior Housing Primary Market Area

NIC MAP® rents are shown below for projects in the 15-minute drive time radius. Data for nursing care units is “protected” (not published) due to the small size of the sample. Overall, “seniors housing” rents (IL/AL/MC) average \$5,748, up 0.5% year over year.

Segment Data | Property Advisor Report | 15-minute Drive Time Medium Traffic

Type	Inventory	Occupancy	Average Rent		RPI
		4Q2018	4Q2018	Annual Change	4Q2018
Seniors Housing	2,175	92.2%	\$5,748	0.5%	\$5,313
IL	931	98.2%	\$4,792	1.0%	\$4,709
AL	799	86.5%	\$5,745	0.1%	\$5,062
MC	445	90.1%	\$7,755	0.5%	\$7,028
Nursing Care	483	90.5%	Protected	Protected	Protected

Relative Performance Indicator (RPI): The sum of occupied inventory multiplied by "Average Rent" for each distinct independent living, assisted living, or memory care unit type divided by total inventory of that care segment.

“SENIOR HOUSING” 15-MINUTE DRIVE TIME AVERAGE RENTS

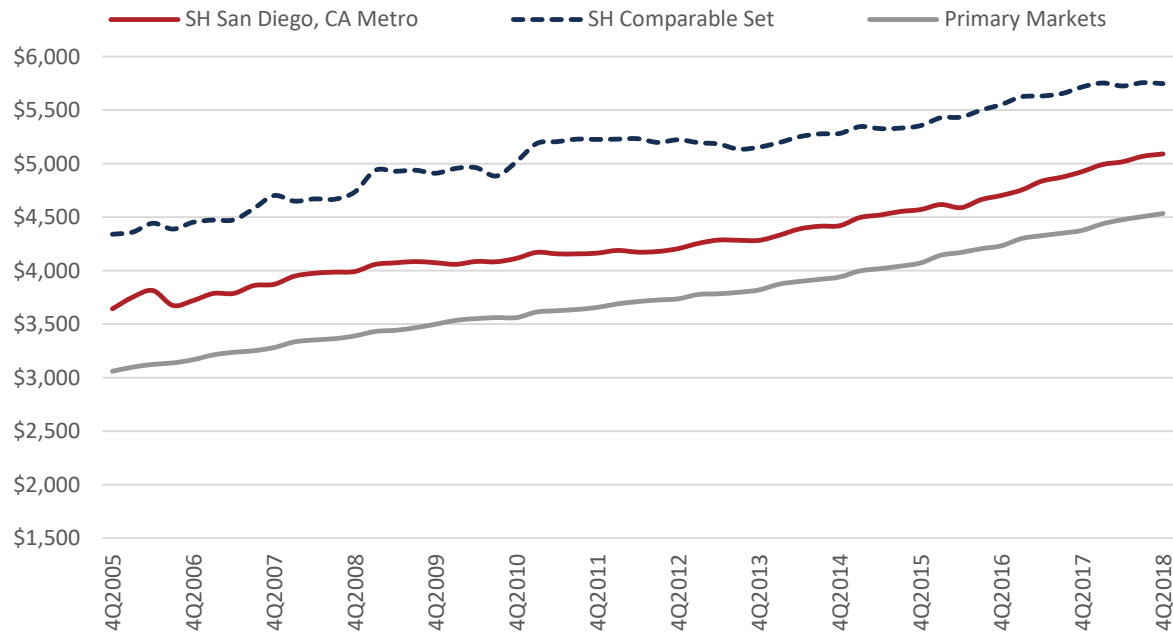
Senior Housing Primary Market Area

Rents for “seniors housing” (IL/AL/MC) in the 15-minute drive time radius exceed the San Diego Metro Market by 12.91%. Most of this rent boost applies to IL and MC units, however, the assisted living difference is also 10.27% above the San Diego Metro Market average.

Average Rent Data | Property Advisor Report | 15-Minute Drive Time

Reporting Period	Seniors Housing			Independent Living			Assisted Living			Memory Care		
	Comp. Set AMR	Metro	% Difference	Comp. Set AMR	Metro	% Difference	Comp. Set AMR	Metro	% Difference	Comp. Set AMR	Metro	% Difference
4Q2018	\$5,748	\$5,091	12.91%	\$4,792	\$4,206	13.93%	\$5,745	\$5,210	10.27%	\$7,755	\$6,843	13.33%

“Seniors Housing” Rents



Rent Pricing

Artis Senior Living Residential Care Facility, San Marcos, California

There are a number of ways in which to price senior living services. The most common include the following:

- A La Carte: Residents are charged a base rate for all basic services. Additional services are charged on an individual need.
- Tiered Rate: Residents are charged a flat rate for services on a per diem rate based upon their care level. Typically, a need assessment of each resident is performed to determine the care level required for the individual and the amount of staff assistance needed. This structure has been widely accepted by assisted living providers.
- Flat Rate (“All Inclusive”): Residents are charged a flat fee based on the unit they occupy.
- Extensive Agreement: Residents are charged one flat fee regardless of care level (congregate care, assisted living or nursing). This is normally found in older life-care communities or continuing care retirement communities (CCRCs).

Meyers recommends a tiered rate pricing structure for the Subject’s Assisted Living and Memory Care beds.**The following services should be included as part of the Base/Level I Assisted Living/Memory Care rates:**

- | | |
|--------------------------------------|-------------------------------------------------------|
| • 3 meals per day (including snacks) | • Assistance with dressing and bathing |
| • Weekly housekeeping services | • Assistance with medication scheduling and reminders |
| • All utilities except phone | • Mobility assistance |
| • Emergency-call system | • Nutritional assistance |
| • 24-hour staff | • Planned activities |
| • On-going health evaluations | • Scheduled transportation |

RECOMMENDED SUBJECT SENIOR HOUSING PRICING

Rent Pricing

A breakdown the recommended rents for the Subject reflect Assisted Living (AL) and Memory Care (MC) rates separately, with Memory Care priced higher than Assisted Living owing to the more intense operating costs and staffing as seen in the competitive market.

Assisted Living: The average price per square foot for the AL units is \$22.23, and units range from \$3,400 to \$4,100 in base rent, with total rents reflecting five escalating levels of care. Level One starts with a basic care cost program of between \$250 and \$600, and Level Five care costs typically range from \$2,400 to \$3,000 per month on top of the base rent. The resulting total recommended rents range from \$4,400 to \$6,800. Rents for similar units in La Costa typically cost between \$4,600 and \$7,000, and the Subject is positioned slightly in line with Sunrise Living in La Costa, reflecting a trade off between a more expensive Carlsbad/Encinitas location, but an older facility built in 1999.

Memory Care: The average price per square foot for the MC units is \$32.31, and units range from \$5,100 to \$5,900 in base rent, with total rents reflecting four escalating levels of care. Level One starts at a basic care program cost of between \$1,000 up to Level Four where care costs typically range from \$3,000 to \$4,000 per month on top of the base rent. The resulting total recommended rents range from \$6,850 to \$8,850. Rents for similar units in La Costa typically cost between \$7,900 and \$10,350, and the Subject is positioned somewhat below Sunrise Living in La Costa, which is a full-scale AL/MC facility in arguably a more extensive care program than a 64-bed facility could allow. The Subject MC rents are positioned well in line with ActivCare Bressi Ranch, and well above the Meridian community MC units in San Marcos.

COMMUNITY SPECIFICS			FLOORPLANS						RECOMMENDATIONS													
Property Name	Client/Developer		Orig. Mix	Size SF	Bed	Bath	Level	Pkg	Type	Lease Up Rate	Base Monthly		Est. Avg. Premium	Average Monthly		Care Level Premium			Net Eff. Base		Net Eff. Average	
Location											Rent	\$/SF		Rent	\$/SF	Level 1.5	Level 3.5	Total	Rent	\$/SF	Rent	\$/SF
Product Details			Lease Summary																			
Artis Senior Living AL San Marcos	Artis Senior Living University Commons		2	214	0	1.0	1	1	C	6.0	\$3,400	\$15.89	\$13	\$3,413	\$15.95	\$600	\$3,000	\$1,800	\$5,200	\$24.30	\$5,213	\$24.36
			4	224	0	1.0	1	1	C		\$3,500	\$15.63	\$13	\$3,513	\$15.68	\$600	\$1,200	\$900	\$4,400	\$19.64	\$4,413	\$19.70
	Product:	Stacked Flats	Total Units:	32																		
	Building Stories:	2-Story	Est Market Entry:	1/1/2020																		
	Parking (Included):	Carport																				
			4	230	0	1.0	1	1	C		\$3,600	\$15.65	\$13	\$3,613	\$15.71	\$2,400	\$3,000	\$2,700	\$6,300	\$27.39	\$6,313	\$27.45
			2	231	0	1.0	1	1	C		\$3,600	\$15.58	\$13	\$3,613	\$15.64	\$600	\$1,200	\$900	\$4,500	\$19.48	\$4,513	\$19.54
			4	232	0	1.0	1	1	C		\$3,600	\$15.52	\$13	\$3,613	\$15.57	\$600	\$1,200	\$900	\$4,500	\$19.40	\$4,513	\$19.45
			4	232	0	1.0	1	1	C		\$3,600	\$15.52	\$13	\$3,613	\$15.57	\$1,200	\$1,800	\$1,500	\$5,100	\$21.98	\$5,113	\$22.04
			4	232	0	1.0	1	1	C		\$3,600	\$15.52	\$13	\$3,613	\$15.57	\$2,400	\$3,000	\$2,700	\$6,300	\$27.16	\$6,313	\$27.21
		3	292	0	1.0	1	1	C		\$4,100	\$14.04	\$13	\$4,113	\$14.09	\$600	\$1,200	\$900	\$5,000	\$17.12	\$5,013	\$17.17	
		1	293	0	1.0	1	1	C		\$4,100	\$13.99	\$13	\$4,113	\$14.04	\$2,400	\$3,000	\$2,700	\$6,800	\$23.21	\$6,813	\$23.25	
Summary Statistics:			236						6.0	\$3,625	\$15.35	\$13	\$3,638	\$15.40	\$1,256	\$1,969	\$1,613	\$5,238	\$22.17	\$5,251	\$22.23	
Artis Senior Living MC San Marcos	Artis Senior Living University Commons		2	214	0	1.0	1	1		4.0	\$5,100	\$23.83	\$13	\$5,113	\$23.89	\$1,000	\$2,500	\$1,750	\$6,850	\$32.01	\$6,863	\$32.07
			4	224	0	1.0	1	1			\$5,150	\$22.99	\$13	\$5,163	\$23.05	\$1,500	\$3,200	\$2,350	\$7,500	\$33.48	\$7,513	\$33.54
	Product:	Stacked Flats	Total Units:	32																		
	Building Stories:	2-Story	Est Market Entry:	1Q2020																		
	Parking (Included):	None																				
			4	225	0	1.0	1	1			\$5,150	\$22.89	\$13	\$5,163	\$22.95	\$2,000	\$3,900	\$2,950	\$8,100	\$36.00	\$8,113	\$36.06
			4	230	0	1.0	1	1			\$5,200	\$22.61	\$13	\$5,213	\$22.67	\$1,000	\$2,500	\$1,750	\$6,950	\$30.22	\$6,963	\$30.27
			4	231	0	1.0	1	1			\$5,200	\$22.51	\$13	\$5,213	\$22.57	\$1,500	\$3,200	\$2,350	\$7,550	\$32.68	\$7,563	\$32.74
			5	232	0	1.0	1	1			\$5,200	\$22.41	\$13	\$5,213	\$22.47	\$2,000	\$3,900	\$2,950	\$8,150	\$35.13	\$8,163	\$35.19
			5	232	0	1.0	1	1			\$5,200	\$22.41	\$13	\$5,213	\$22.47	\$1,000	\$2,500	\$1,750	\$6,950	\$29.96	\$6,963	\$30.01
		2	292	0	1.0	1	1			\$5,900	\$20.21	\$13	\$5,913	\$20.25	\$1,500	\$3,200	\$2,350	\$8,250	\$28.25	\$8,263	\$28.30	
		2	293	0	1.0	1	1			\$5,900	\$20.14	\$13	\$5,913	\$20.18	\$2,000	\$3,900	\$2,950	\$8,850	\$30.20	\$8,863	\$30.25	
Summary Statistics:			236						4.0	\$5,269	\$22.31	\$13	\$5,282	\$22.36	\$1,500	\$3,200	\$2,350	\$7,619	\$32.26	\$7,632	\$32.31	

LEVELS OF CARE ADJUSTMENTS (ASSISTED LIVING/MEMORY CARE)

Rent Pricing

Based upon the prevailing pricing structures and fees in the market for levels of care charges shown below, Memory Care is somewhat more likely than AL to be priced on an all inclusive (flat rate) basis, but several projects also price AL units on all-inclusive basis. The entry fee is a one-time charge and has therefore not been factored into the Meyers recommended pricing. Additionally, Meyers included a premium of \$13 per unit per month for other miscellaneous services such as medicine care.

Meyers recommends additional monthly care charges for AL units with an average monthly care fee of \$1,613:

Level II - \$600

Level III - \$1,200

Level IV - \$1,800

Level V - \$3,000.

IL units are not contemplated at the Subject and are therefore not included in this study.

Meyers recommends the following additional monthly care charges for MC units, with an average monthly care fee of \$2,350:

Level II - \$1,000

Level III - \$1,500 per month

Level IV - \$2,500

Level V - \$3,900.

LEVEL OF CARE ADJUSTMENTS	ENTRY FEE	ASSISTED LIVING						MEMORY CARE					ADDITIONAL REVENUE	
		Level 1	Level 2	Level 3	Level 4	Level 5	Average	Level 1	Level 2	Level 3	Level 4	Average	Medicine	Continenence
MERIDIAN AT LAKE SAN MARCOS	\$4,000	\$250	\$600	\$1,200	\$1,800	\$2,400	\$1,250	\$1,000	\$1,500	\$2,000	\$2,500	\$1,750	--	--
SUNRISE AT LA COSTA*	\$4,260	--	\$780	\$1,440	\$2,370	\$3,300	\$1,973	\$2,010	\$2,940	\$3,870	\$4,470	\$3,323	\$750	\$300
ACTIVCARE AT BRESSI RANCH	\$3,000	--	--	--	--	--	--	--	\$1,600	--	\$3,100	\$2,350	--	--
*Entry Fee is average of 30-day rent	\$3,753	AVERAGE						AVERAGE						
							\$1,611					\$2,474		

The market average pricing for entry fees and levels of care is as follows:

Entry Fee - \$3,753

Assisted Living Levels of Care is \$1,611 on average – Meyers used this average.

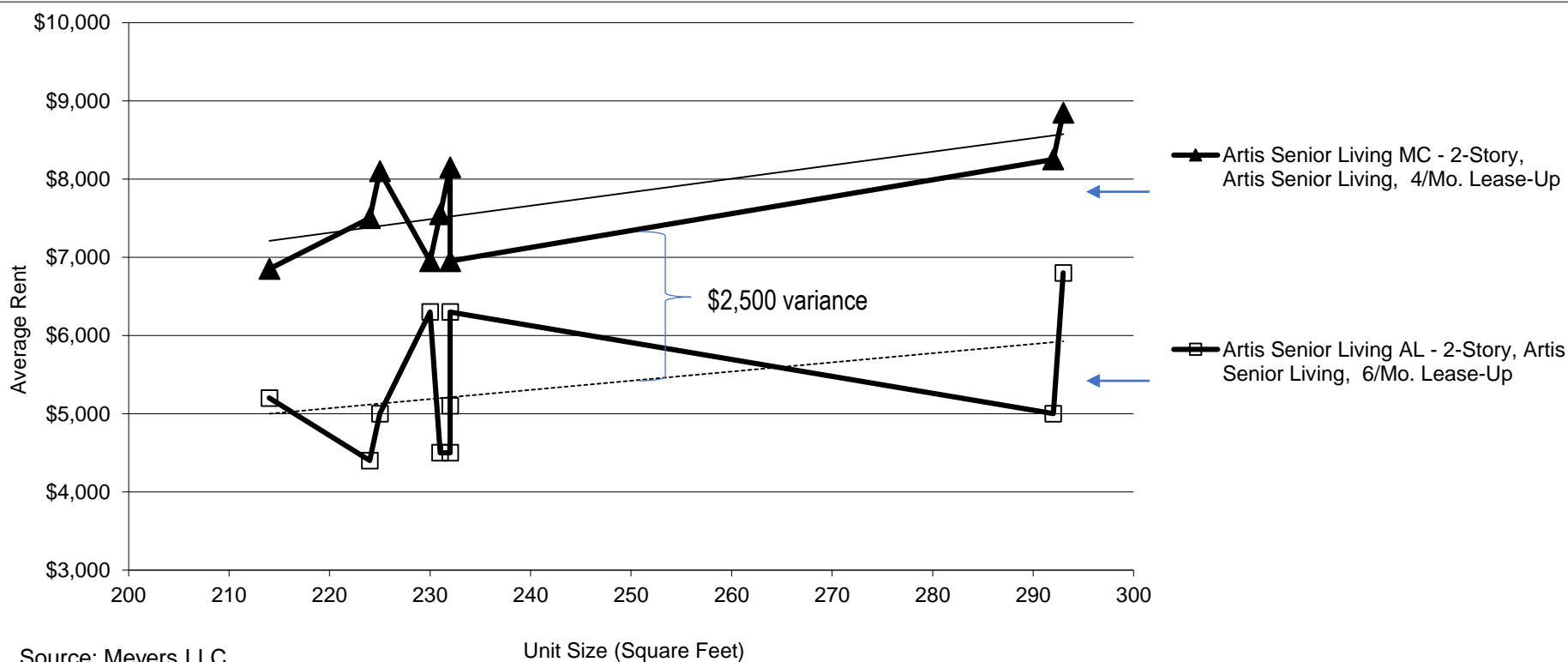
Memory Care Levels of Care is \$2,474 on average – Meyers used the ActivCare Bressi Ranch estimate of \$2,350.

SUBJECT RENTAL POSITIONING

Rent Pricing

In keeping with the competitive market for AL and MC units, Meyers has positioned the Subject MC units roughly \$2,500 per month (+/-40%) above the AL units of similar size. AL recommended base rents average \$15.40 per square foot, while MC base rents average \$22.36. Total AL rents per square foot average \$22.23 all in after level of care adjustments and additional medicine/incontinence care, while MC averages \$32.31 per square foot per month.

Project	Type	Building Stories	# of Units	Est % of Total Units	Average Unit Size	Base Rent	\$/SF	Rent	\$/SF	Rent Concessions	Net Base	\$/SF	Net Average	\$/SF	Estimated Sales/Month
Artis Senior Living AL	Stacked Flats	2-Story	32	50%	236	\$3,625	\$15.35	\$3,638	\$15.40	\$1,256.25	\$5,238	\$22.17	\$5,251	\$22.23	6.00
Artis Senior Living MC	Stacked Flats	2-Story	32	50%	236	\$5,269	\$22.31	\$5,282	\$22.36	\$1,500.00	\$7,619	\$32.26	\$7,632	\$32.31	4.00
COMMUNITY SUMMARY			64	100%	236	\$4,447	\$18.83	\$4,460	\$18.88	\$1,378.13	\$6,428	\$27.21	\$6,441	\$27.27	10.00



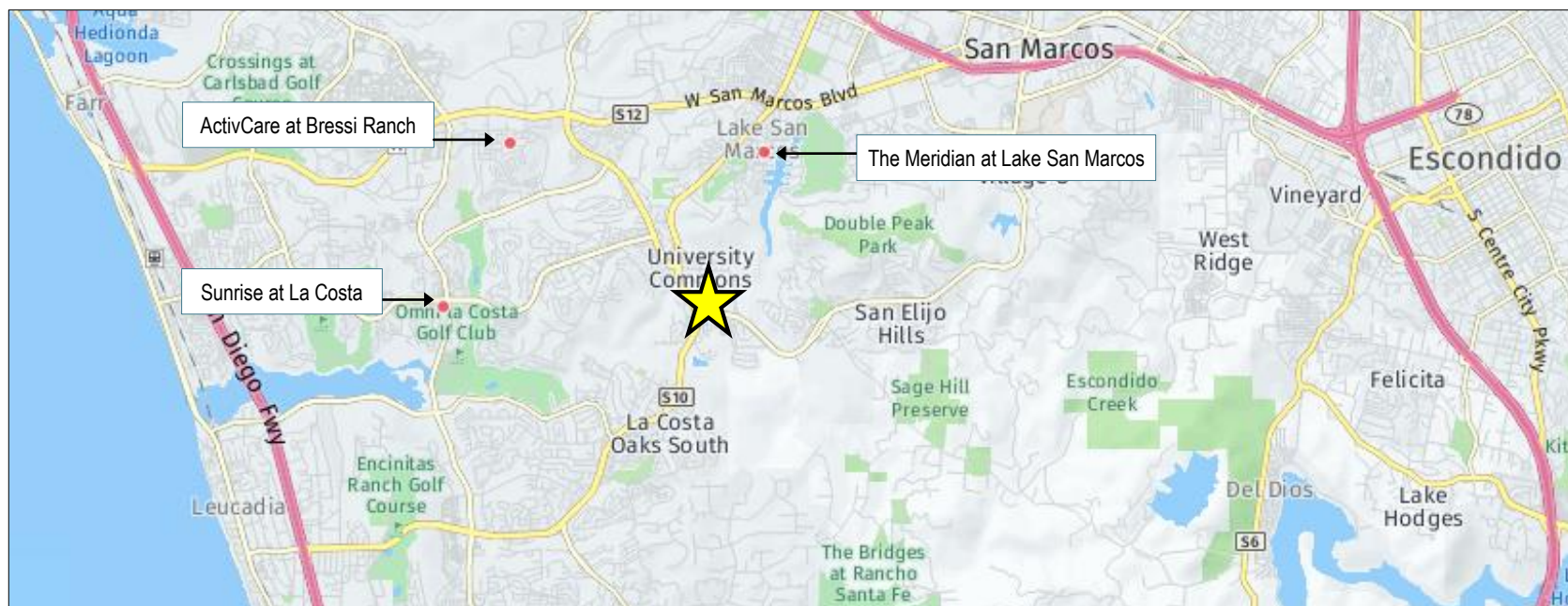
SUMMARY OF SELECT COMPARABLE COMMUNITIES

Rent Pricing

Meyers' pricing analysis focused on three select comparables within the defined PMA (15-minute drive), all within 4.0-miles of the Subject. The three projects were adjusted in our rent model for differences in age, location, entrance fee, levels of service included in base AL/MC rents, and other factors.

In addition to rent modeling, we analyzed relative rent position, pricing and performance identified by NIC MAP® data on the close-in region (15-minute drive time radius) and the San Diego Metro Market.

Property Name	Operator	Distance From The Subject	City	Type	Year Opened	Total Open Units	Occupancy
ActivCare at Bressi Ranch	ActivCare Living	3.9	Carlsbad	MC	2011	80	88.8%
La Costa, Sunrise of	Sunrise Senior Living	3.7	Carlsbad	AL/MC	1999	86	91.0%
The Meridian at Lake San Marcos	Pacifica Senior Living	2.7	San Marcos	IL/AL/MC	2013	233	97.2%



Meyers analyzed 10 comparable properties from the surrounding market in cities such as inland Carlsbad, Encinitas, San Marcos, and Vista. Each comparable receives an adjustment so that it will reflect a rent level typical of a newly constructed property. The methodology employed in this analysis derives from a study performed by Marshall & Swift, which documents that depreciation is not linear, starting off at minimal levels for the first 10 years (<6%) and then accelerating as project age increases.

The Subject is slated to enter the market in 2020, and age adjustments reflect the difference between market entry (2020) and the effective age of each comparable community. Despite the senior communities being well-maintained over the years (each is in good overall condition), the differences in product and spec level between circa 1980s and 1990s product warrants full age adjustment in the Marshall & Swift depreciation table.

AGE ADJUSTMENT OF COMPARABLE COMMUNITIES

1

Property Name	Operator	Type	Total Open Units	Year Opened	Distance From The Subject	Occupancy	Age Based on 2020 Market Entry	Potential Max % Age Adjustment	Low Rent	High Rent	Average Rent	Adjusted Avg. Rent
ActivCare at Bressi Ranch	ActivCare Living	MC	80	2011	3.9	88.8%	9	5%	\$4,965	\$8,365	\$6,665	\$6,998
Encinitas Memory Care Community	Silverado Senior Living	MC	71	2000	6.2	93.0%	20	17%	\$4,925	\$7,050	\$5,988	\$7,005
Olivenhain Guest Home	-	MC	22	2005	5.1	91.0%	15	11%	\$3,571	\$7,400	\$5,486	\$6,089
Aegis at Shadowridge	Aegis Living	AL/MC	88	2000	6.0	91.0%	20	17%	\$3,300	\$7,500	\$5,400	\$6,318
La Costa, Sunrise at	Sunrise Senior Living	AL/MC	86	1999	3.7	91.0%	21	18%	\$3,000	\$10,350	\$6,675	\$7,877
Somerford Place-Encinitas	Five Star Senior Living	AL/MC	65	2001	6.7	92.5%	19	16%	\$4,400	\$6,500	\$5,450	\$6,322
Brookdale Carlsbad	Brookdale Senior Living	AL	45	1999	8.8	89.0%	21	18%	\$3,995	\$7,850	\$5,923	\$6,989
Belmont Village of Cardiff by the Sea	Belmont Village Senior Living	IL/AL/MC	142	2009	7.2	91.0%	11	7%	\$5,240	\$11,630	\$8,435	\$9,025
The Meridian at Lake San Marcos	Pacifica Senior Living	IL/AL/MC	233	2013	2.7	97.2%	7	4%	\$3,400	\$8,600	\$6,000	\$6,240
			832	2004	5.6	91.6%	16	13%	\$4,088	\$8,361	\$6,225	\$7,006

COMPETITIVE RENT DETAIL

Rent Pricing

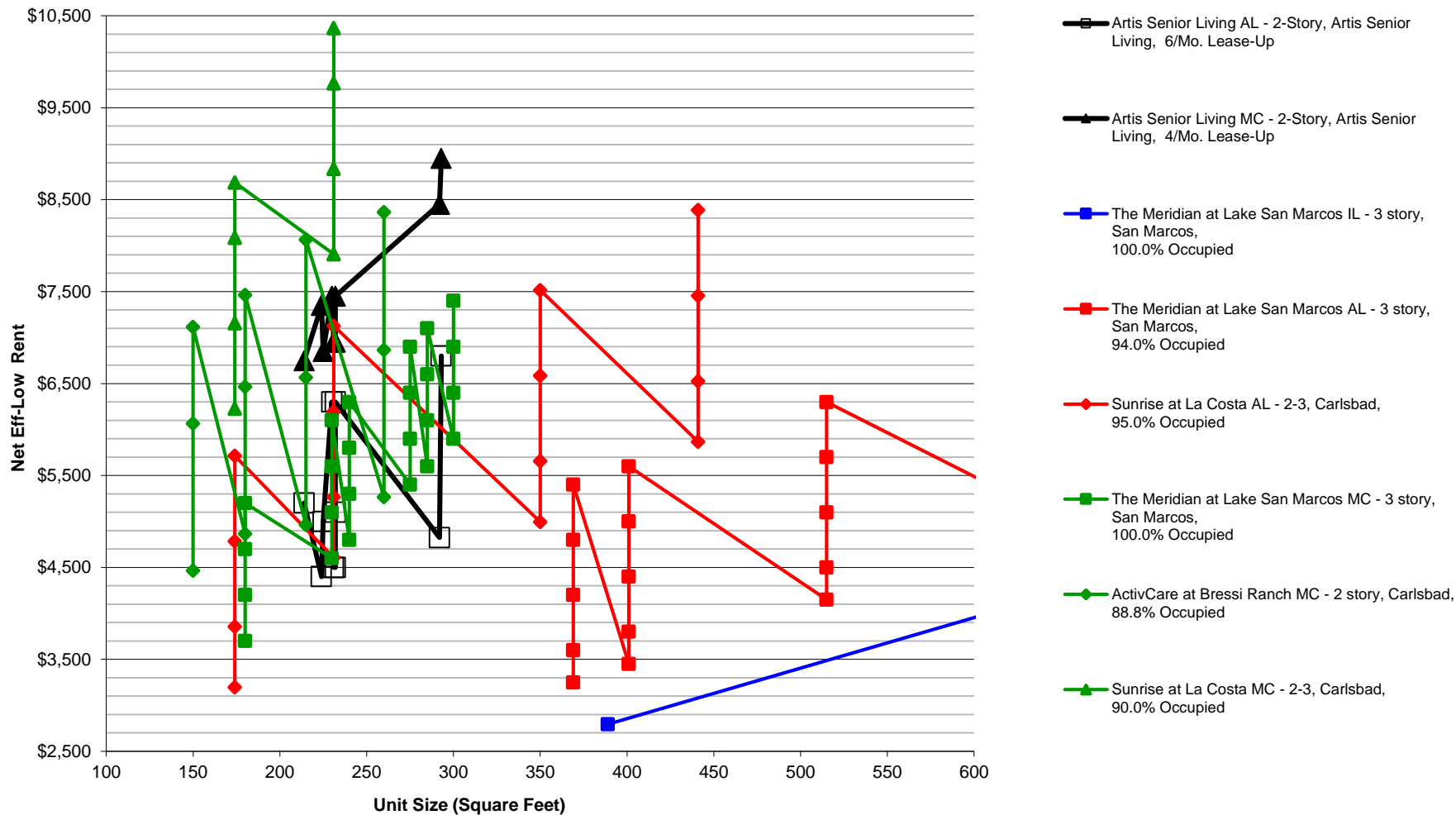
Meyers' recommendations are based on detailed rents and trends from 411 units at the three closest comparables to the Subject in terms of location, stratified by units type (AL, MC or IL). Average rent per square foot is \$21.55, and vacancy rates are very low in this area, ranging from 88.8% to fully occupied (the industry standard for senior housing is between 85% and 87%). The Meyers demand model discussed later in this report shows that roughly 857 units are available in the CMA, while there is demand for five times the current AL/MC supply (over 4,600 units).

COMMUNITY	MANAGEMENT	COMMUNITY AND LEASING INFORMATION				UNIT SIZE RANGE			EFFECTIVE RENT RANGE			EFFECTIVE RENT PER SQUARE FOOT		
		TOTAL	BUILDING STORIES	OCC.	LEASE UP	MIN	MAX	AVG	MIN	MAX	AVG	MIN	MAX	AVG
The Meridian at Lake San Marcos IL	Pacifica Senior Living	93	3	100.0%	10.0	389	1,787	916	\$2,795	\$6,900	\$4,761	\$3.86	\$7.19	\$5.20
The Meridian at Lake San Marcos AL	Pacifica Senior Living	109	3	94.0%	7.0	369	1,190	657	\$3,250	\$8,000	\$5,500	\$5.67	\$14.63	\$8.37
Sunrise at La Costa AL	Sunrise Senior Living	70	2-3	95.0%	8.0	174	441	279	\$3,196	\$8,386	\$5,662	\$13.30	\$32.85	\$20.32
The Meridian at Lake San Marcos MC	Pacifica Senior Living	31	3	100.0%	8.0	180	300	259	\$3,700	\$7,400	\$5,861	\$19.64	\$28.89	\$22.61
ActivCare at Bressi Ranch MC	ActivCare Living	80	2	88.8%	7.0	150	260	211	\$4,465	\$8,365	\$6,587	\$20.25	\$47.43	\$31.15
Sunrise at La Costa MC	Sunrise Senior Living	28	2-3	90.0%	9.0	174	231	198	\$6,226	\$10,366	\$8,258	\$34.22	\$49.92	\$41.62
TOTALS:		411	AVERAGE:	94.6%	8.2	239	702	420	\$3,939	\$8,236	\$6,105	\$16.16	\$30.15	\$21.55
COMMUNITY AVG:		69	MEDIAN:	94.5%	8.0	177	371	269	\$3,475	\$8,183	\$5,762	\$16.47	\$30.87	\$21.46

COMPATITIVE MARKET PRICE POSITIONING

Rent Pricing

Artis Senior Living in University Commons is positioned towards the top of the respective MC and AL market rent trends, to reflect the desirability of new construction senior housing product in a very underserved area where a large population of Baby Boomers are aging. The Subject is positioned against the select most comparable competitors for which Meyers was able to obtain rental and care rates. The MC units are reflected in green and represent the top of the market, with the AL units in red, and the IL units and the lowest end in blue.

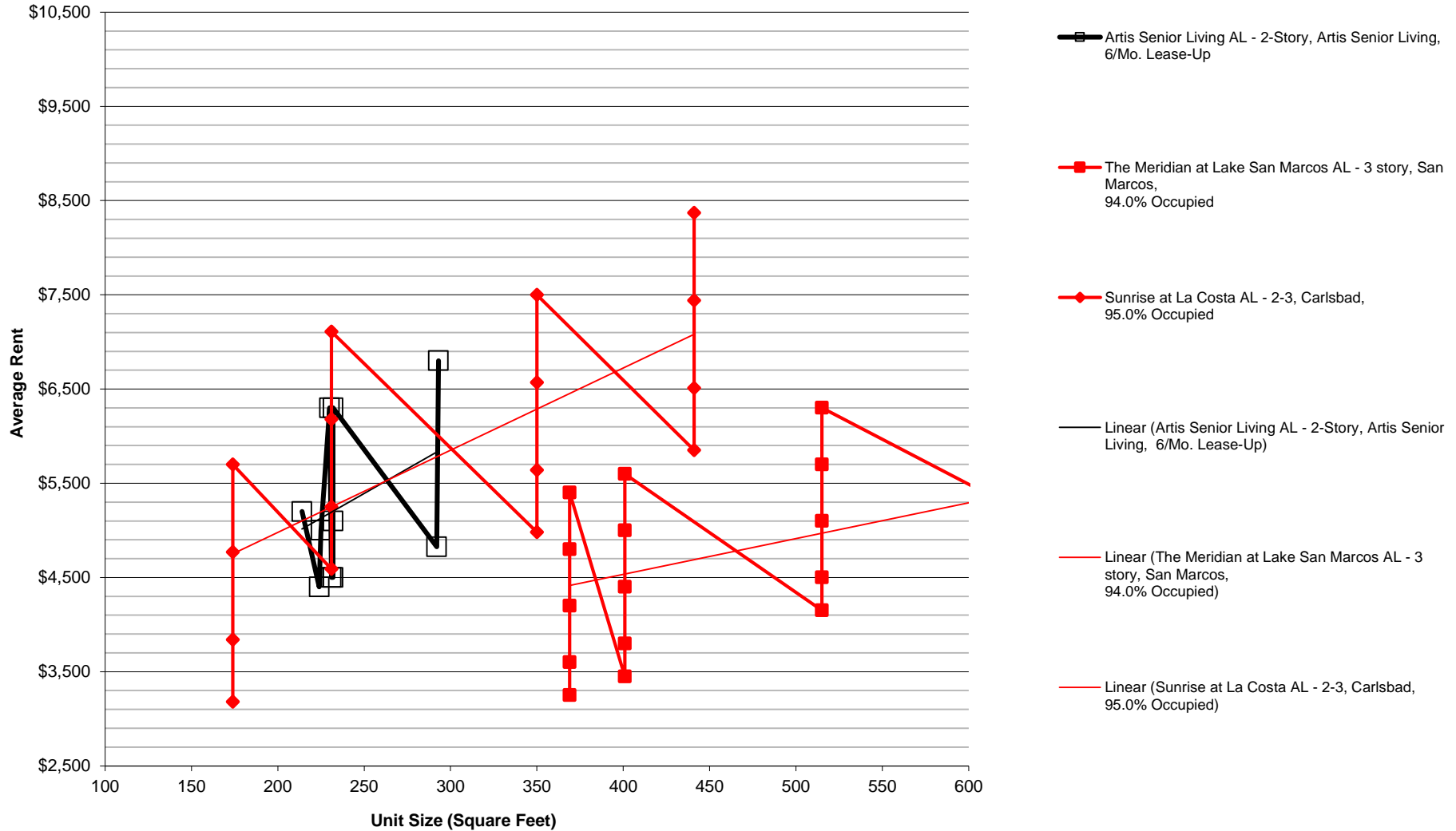


Source: Meyers LLC; Individual Community Management Offices

RECOMMENDED ASSISTED LIVING RENTS

Rent Pricing

The Subject is positioned in line with the Sunrise Living AI units.

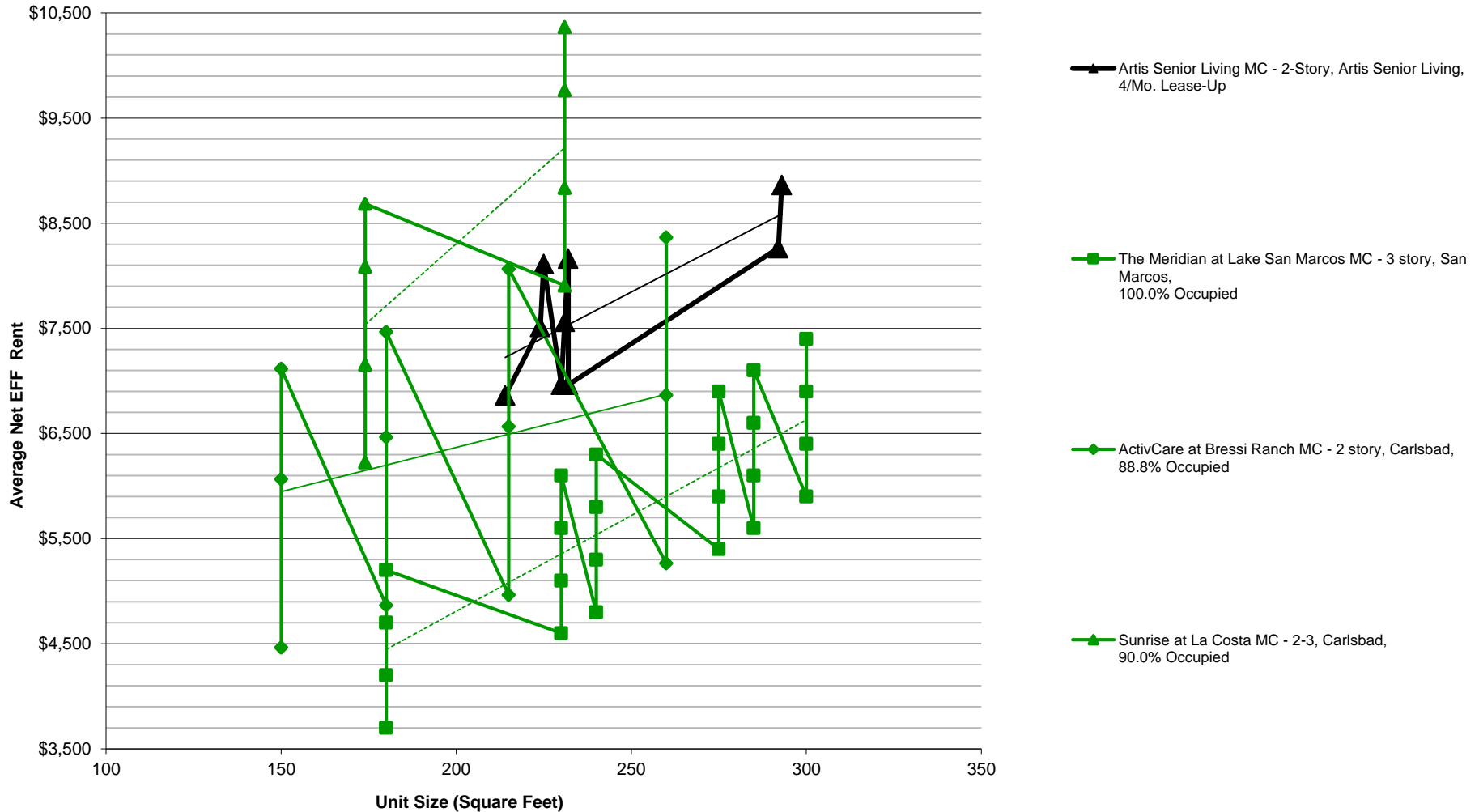


Source: Meyers LLC; Individual Community Management Offices

RECOMMENDED MEMORY CARE RENTS

Rent Pricing

The Subject is positioned slightly below Sunrise at La Costa, and above The Meridian at Lake San Marcos, which is the most recently built comparable in the CMA (constructed in 2013). The Subject MC units are positioned in line with ActivCare at Bressi Ranch which reflects a similar location and development.



Source: Meyers LLC; Individual Community Management Offices

RECOMMENDED UNIT ABSORPTION

Rent Pricing

Meyers analyzed the absorption rates for senior housing in the market, which ranges from 17 to 24 months for a 120-unit community. Owing to the demand for senior housing MC and AL units in this particular CMA, Meyers has assumed a collective absorption rate of 10 units per month, for a total market time of roughly 9 months. The more expensive memory care units typically take longer to lease up, and are therefore attributed a pace of 4 units per month, while the AL units should lease up at a conservative 6 units per month. This absorption schedule assumes a full-scale marketing operation with skilled leasing agents.

Community	Type	Building Stories	# of Units	Est Monthly Lease Up	Q1 2020	Q2 2020	Q3 2020
Artis Senior Living AL	Stacked Flats	2-Story	32	6	18	14	
Artis Senior Living MC	Stacked Flats	2-Story	32	4	12	12	8
COMMUNITY SUMMARY			64	10	30	26	8

San Diego Metro Market Trends

Artis Senior Living Residential Care Facility, San Marcos, California

This report reflects the following definitions of seniors housing classifications adopted by the American Seniors Housing Association (ASHA) and the National Investment Center (NIC). Artis Senior Living will contain AL and MC units.

Senior Apartment Community: Multifamily residential rental properties restricted to adults at least 55 years of age or older. These properties do not have central kitchen facilities and generally do not provide meals to residents, but may offer community rooms, social activities, and other amenities.

Independent Living (IL): Age-restricted multifamily rental properties with central dining facilities that provide access to meals and other services such as housekeeping, linen service, transportation, and social and recreational activities as part of their monthly fee. IL facilities (or units in mixed facilities that are designated as IL) do not provide assistance with activities of daily living (ADLs) such as supervision of medication, bathing, dressing, toileting, etc.

Assisted Living (AL): State-regulated rental properties that provide the same “basic” services as independent living communities but also provide supportive care to those who require assistance with activities of daily living (ADLs) including management of medications, bathing, dressing, toileting, ambulating and eating. These properties may have some skilled nursing beds, but the majority of units are licensed for assisted living. Many of these properties include wings or floors dedicated to residents with Alzheimer’s or other forms of dementia.

Memory Care (MC): Units within larger AL facilities or freestanding facilities that specialize in the care of residents with Alzheimer’s or other forms of dementia. Memory care is a subset of assisted living rather than a separate classification.

IL/AL/MC: Rental properties that offers IL, AL and MC services (not necessarily in demarcated units).

Senior Housing Continuum							
Type	Shelter	Activities	Transportation, Laundry, Housekeeping	Meals [1]	Multiple ADLs & IADLs [2]	Memory Care	Chronic Care
Senior Apartments							
Independent Living							
Assisted Living							
Memory Care							
Long-term Care							
<div><div>[1] Typically 1-3 meals in IL, 3 in AL.</div><div>[2] Assistance with Activities of Daily Living (bathing, dressing, toileting, transferring, continence and eating) and Instrumental ADLs (grocery shopping, meal preparation, housework, medication management and reminders, managing finances).</div></div>							
Source: Meyers Research, LLC							

NIC MAP®, a national data provider that covers elevated care supply/demand conditions, compiles quarterly subscription data on 140 U.S. submarkets, classified as “Primary,” “Secondary” or “Additional Markets” on the basis of total population. The submarkets conform to standard MSA boundaries.

The San Diego-Carlsbad, CA MSA is categorized by NIC MAP® as a Primary Market.

- The columns labeled “Metro” on NIC MAP® charts in this study correspond to the San Diego-Carlsbad, CA MSA.
- The columns labeled “Primary Markets” represent NIC MAP® aggregation of 31 largest core-based statistical areas (CBSAs) in the U.S. They serve as a national benchmark for Metro markets also categorized as Primary Markets.

Data in this study reflects NIC MAP® 4Q18 data.

Data is presented on the Metro as a whole, as well as a close-in area (15-minute drive time radius) that is most reflective of market conditions affecting the Artis Senior Living facility.

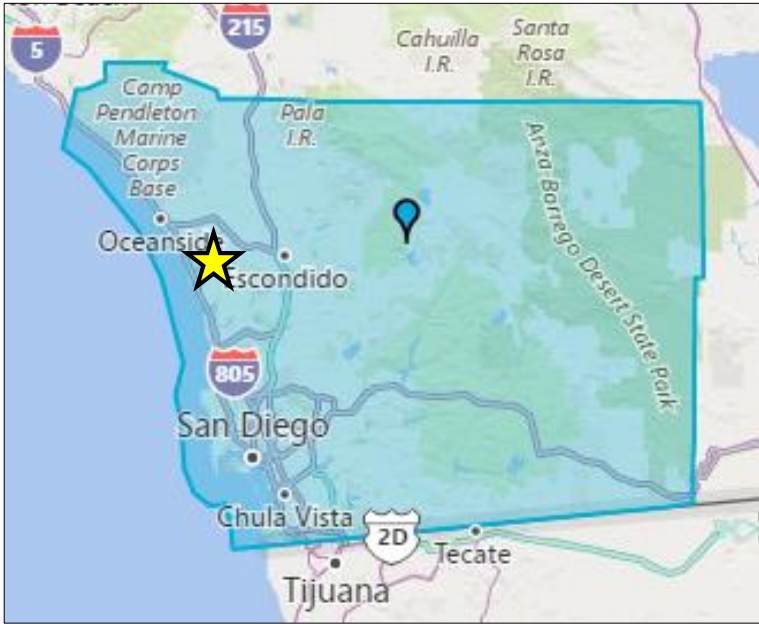
Our primary data focus is on “Seniors Housing” as defined by NIC – IL, AL and MC units, excluding skilled nursing beds. However, our analysis focuses on AL and MC units.

NIC MAP® breaks down the Seniors Housing category by dominant project positioning.

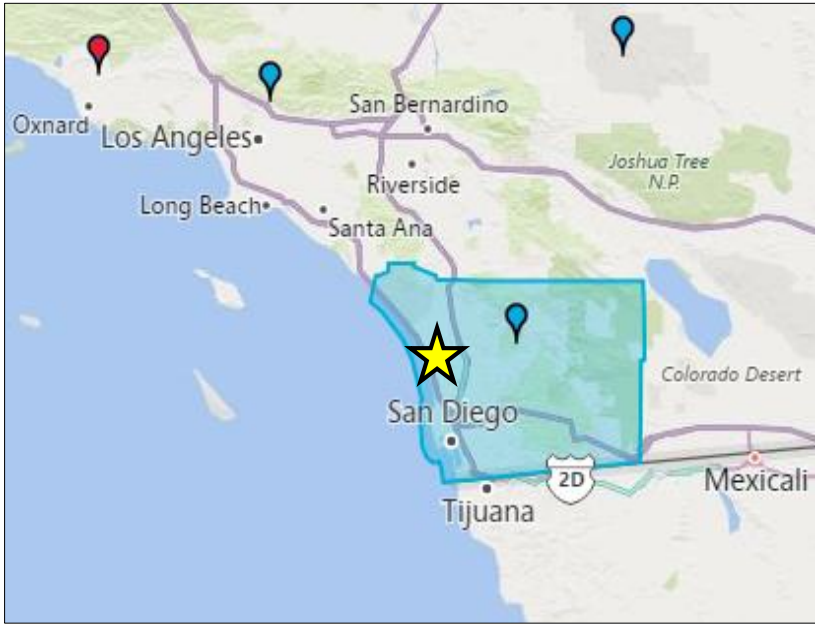
- “Majority IL” projects are those in which the majority (but not necessarily all) units are IL.
- “Majority AL” are those in which the majority (again, not necessarily all) units are licensed for Assisted Living and/or Memory Care.

San Diego is designated by NIC MAP® as a Primary Market Area. The closest NIC MAP® submarkets are all Primary Markets or Secondary Markets; the closest Primary Market is Los Angeles, CA.

NIC MAP® Submarket Boundaries (MSA)



Closest Other NIC MAP® Markets



Primary Markets Secondary Markets Additional Markets

Comparison of “Seniors Housing” [IL/AL/MC units, excluding skilled nursing] in the San Diego Metro Market to the aggregated performance of the 31 Primary Markets in the U.S. shows that, as of 4Q18:

- The San Diego Metro Market is outperforming the national benchmark with respect to stabilized occupancy (92.3% vs. 90.1%).
- At 4.1%, YOY rent growth in the San Diego Metro Market was above the rental growth for Primary Markets as a whole (3.0%).
- The ratio of new construction to inventory was just below that the Primary Markets overall (5.2% vs. 6.0%).
- Market penetration in the San Diego Metro Market, at 12.0%, was higher than the Primary Markets overall (10.8%).

	Seniors Housing	
	Metro	Primary Markets
Stabilized Occupancy	92.3%	90.1%
YoY Rent Growth	4.1%	3.0%
Quarterly Absorption	90	5,149
Quarterly Inventory Growth	10	5,341
Construction Units/Beds	759	37,355
Construction vs. Inventory	5.2%	6.0%
Inventory	14,487	618,985
Penetration	12.0%	10.8%

NIC MAP® 4Q18 data is shown below for 29 projects in which the majority of units are IL (“Majority IL”) and for 79 “Majority AL” projects.

In comparison to the 31 Primary Markets overall (i.e., benchmark):

- **Stabilized occupancy for Majority IL projects, at 93.1%, is far above the national benchmark (91.2%).** Majority AL occupancy is also far above the national benchmark 91.6% vs. 88.6%).
- **The average IL rent of \$4,138 is 24.2% above the national benchmark.** The average rent in Majority AL properties (\$5,146) is 2.9% above the national benchmark.
- The median project age for IL and AL properties is older than national norms (particularly in the case of Majority IL projects, at 29 years).
- **Penetration rates in the San Diego Metro Market for Majority IL is slightly under the Primary Markets overall (5.7% vs. 5.8%) and the Majority AL is above the Primary Markets overall (6.3% vs 5.0%).** This appears to be having little impact on IL units based on robust occupancy, but may be contributing to lower AL occupancy.
- The median size of Majority IL projects is 187 units/beds, larger than the national norm (186 units/beds). The median size of Majority AL projects is 81 units/beds, which is also higher than the national norm of 76 units/beds.
- A total of 710 units in “Majority IL” projects and 172 units in Majority AL projects are reported as under construction in the San Diego Metro Market.

Property Types ->	Majority IL		Majority AL	
	Metro	Primary Markets	Metro	Primary Markets
Stabilized Occupancy	93.1%	91.2%	91.6%	88.6%
Average Monthly/Daily Rent	\$4,138	\$3,331	\$5,146	\$4,999
Median Age	29	25	20	19
Reporting Need to Upgrade(%)	9.1%	17.2%	3.6%	15.2%
Median Units/Beds Per Property	187	186	81	76
For Profit (%)	62.1%	63.3%	93.7%	90.8%
Property Count	29	1,423	79	3,441
Inventory	6,838	333,807	7,649	285,178
Independent Living Units	5,134	244,627	601	15,577
Assisted Living Units ¹	925	54,934	6,876	262,046
Nursing Care Beds	779	34,246	172	7,555
Penetration	5.7%	5.8%	6.3%	5.0%
Construction Units/Beds	710	16,422	49	20,933

Roughly 13.5% of units in Majority IL projects are AL and 11.4% are nursing care beds. Majority AL projects are almost exclusively AL, with just 7.9% IL and 2.2% nursing care units/beds.

Occupancy rates for Majority IL projects in the San Diego Metro Market have consistently been in the 91% to 94.5% range over the past five years (2015 – 2018).

Year-over-year rent growth for 4Q18 was 3.2%, which is comparable to the rent growth over the past two years and far above 2016 and 2015's growth, during which the highest levels of new inventory came on line. The San Diego Metro Market has experienced new construction of approximately 1 to 2 Majority IL properties annually, at no time exceeding 710 total units.

MAJORITY IL

METRO TRENDS

	Existing Inventory		Occupancy		Quarterly Supply and Demand		Under Construction Inventory		
Period	# Properties	# Units/Beds	All Properties	Stabilized	Absorption	Inventory Growth	# Properties	# Units/Beds	YoY Rent Growth ¹
4Q2018	29	6,838	93.1%	93.1%	52	15	2	710	3.2%
3Q2018	29	6,823	92.6%	92.6%	-54	-12	2	710	3.2%
2Q2018	29	6,835	93.2%	93.2%	-11	15	2	710	3.3%
1Q2018	29	6,820	93.6%	93.6%	-67	-1	2	710	3.3%
4Q2017	29	6,821	94.5%	94.5%	58	-5	1	200	3.4%
3Q2017	29	6,826	93.6%	93.6%	66	0	1	200	3.5%
2Q2017	29	6,826	92.6%	92.6%	64	26	1	200	4.8%
1Q2017	29	6,800	92.1%	92.1%	70	-10	1	28	1.7%
2016	29	6,810	90.9%	90.9%	-67	51	1	28	1.4%
2015	29	6,759	92.6%	92.6%	90	92	0	0	2.6%

Occupancy rates for Majority AL projects in the San Diego Metro Market are lower than Majority IL projects, ranging from a low of 87.7% to a high of 90.8% since 2015. The pace of new construction has been lower than Majority IL projects (in no case exceeding 425 units/year, with just 49 units in one project currently under construction. Rent growth is high at 5.2% owing to the limited deliveries and good absorption.

MAJORITY AL

METRO TRENDS

	Existing Inventory		Occupancy		Quarterly Supply and Demand		Under Construction Inventory		
Period	# Properties	# Units/Beds	All Properties	Stabilized	Absorption	Inventory Growth	# Properties	# Units/Beds	YoY Rent Growth ¹
4Q2018	79	7,649	90.8%	91.6%	38	-5	1	49	5.2%
3Q2018	79	7,654	90.2%	91.0%	43	4	1	49	4.8%
2Q2018	79	7,650	89.7%	90.5%	110	5	1	49	1.5%
1Q2018	79	7,645	88.3%	89.4%	-11	-57	1	49	2.7%
4Q2017	79	7,702	87.8%	89.6%	11	59	1	49	2.4%
3Q2017	78	7,643	88.3%	90.3%	21	-3	2	97	4.2%
2Q2017	77	7,646	88.0%	90.3%	37	96	3	172	5.0%
1Q2017	75	7,550	88.6%	90.2%	-36	22	5	270	4.0%
2016	75	7,528	89.4%	92.0%	276	224	7	288	4.2%
2015	72	7,304	88.3%	91.1%	93	249	10	425	3.2%

Seniors Housing Competitive Supply

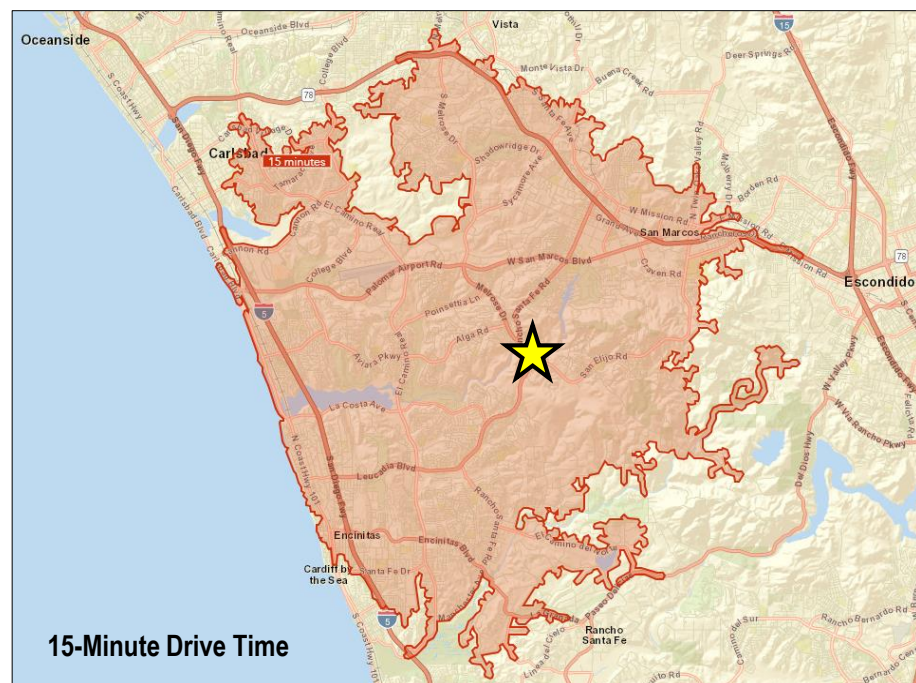
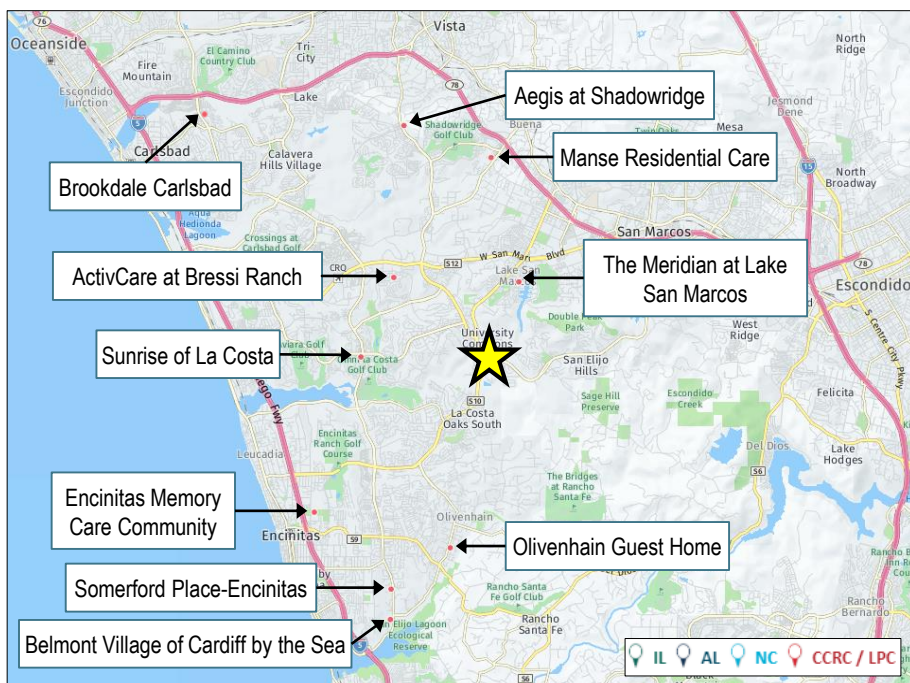
Artis Senior Living Residential Care Facility, San Marcos, California

PRIMARY MARKET AREA -- INVENTORY

Seniors Housing Competitive Supply

To drill down to the projects that are most reflective of the “seniors housing” (IL/AL/MC) stock in the San Marcos area, we examined projects within a 15-minute drive time from the Subject site (generally within 5 miles). NIC MAP® identifies 10 properties within a 15-minute drive time. Meyers’ survey totaled ten projects containing 857 units. Five of the ten are managed by national operators, including Aegis Living, Sunrise Senior Living, Mount Sinai Inc., Five Star Senior Living and Pacifica Senior Living.

Property Name	Operator	Type	Total Open Units	Year Opened	Distance From The Subject	Occupancy
ActivCare at Bressi Ranch	ActivCare Living	MC	80	2011	3.9	88.8%
Aegis at Shadowridge	Aegis Living	AL/MC	88	2000	6.0	91.0%
Belmont Village of Cardiff by the Sea	Belmont Village Senior Living	IL/AL/MC	142	2009	7.2	91.0%
Brookdale Carlsbad	Brookdale Senior Living	AL	45	1999	8.8	89.0%
Encinitas Memory Care Community	Silverado Senior Living	MC	71	2000	6.2	93.0%
La Costa, Sunrise at	Sunrise Senior Living	AL/MC	86	1999	3.7	91.0%
Manse Residential Care	Mount Sinai Inc.	AL	25	1990	6.3	88.0%
Olivenhain Guest Home	-	MC	22	2005	5.1	91.0%
Somerford Place-Encinitas	Five Star Senior Living	AL/MC	65	2001	6.7	92.5%
The Meridian at Lake San Marcos	Pacifica Senior Living	IL/AL/MC	233	2013	2.7	97.2%



10 PROJECTS WITHIN 15-MINUTE DRIVE TIME

Seniors Housing Competitive Supply

The 10 projects specialize in assisted living (AL) with a total of 857 open “senior housing” units per NIC MAP definition. The majority of units are AL and MC (83% of the “senior housing” total). All properties are open and year built dates range from 1990 to 2013, with a mean year built of 2003.

Comp Set Properties 4Q2018 | Property Advisor Report | 15-minute Drive Time Medium Traffic

Property Name	Distance From The Subject	Property Address	City	Zip Code	Year Opened	Operator	Property Type	Total Open Units	IL Total Open Units	AL Total Open Units	MC Total Open Units	NC Total Open Beds
ActivCare at Bressi Ranch	3.9	6255 Nygaard St	Carlsbad	92009	2011	ActivCare Living	Majority AL	80	0	0	80	0
Aegis at Shadowridge	6.0	1440 S Melrose Dr	Oceanside	92056	2000	Aegis Living	Majority AL	88	0	53	35	0
Sea	7.2	3535 Manchester Ave	Cardiff	92007	2009	Belmont Village Senior Living	Majority AL	142	51	50	41	0
Brookdale Carlsbad	8.8	3140 El Camino Real	Carlsbad	92010	1999	Brookdale Senior Living	Majority AL	45	0	45	0	0
Encinitas Memory Care Community	6.2	335 Saxony Rd	Encinitas	92024	2000	Silverado Senior Living	Majority AL	71	0	0	71	0
La Costa, Sunrise of	3.7	7020 Manzanita St	Carlsbad	92011	1999	Sunrise Senior Living	Majority AL	86	0	66	20	0
Manse Residential Care	6.3	2354 Watson Way	Vista	92081	1990	Mount Sinai Inc.	Majority AL	25	0	25	0	0
Olivenhain Guest Home	5.1	350 Cole Ranch Rd	Encinitas	92024	2005	-	Majority AL	22	0	0	22	0
Somerford Place-Encinitas	6.7	1350 S El Camino Real	Encinitas	92024	2001	Five Star Senior Living	Majority AL	65	0	22	43	0
The Meridian at Lake San Marcos	2.7	1177 San Marino Dr	San Marcos	92078	2013	Pacifica Senior Living	Majority AL	233	93	109	31	0
Total:								857	144	370	343	0

Just two projects in the PMA include IL units.

- Belmont Village of Cardiff by the Sea is operated by Belmont Village in coastal proximate Cardiff with IL occupancy at 91%.
- The Meridian at Lake San Marcos, a newer Pacific Senior Living project located just 2.7 miles away in the San Marcos Lakes neighborhood and has 100% occupancy in the IL units.

We treated the independent living of both projects as 0% competitive because the Subject will only offer assisted living and memory care product and will not be competing against independent living facilities/communities.

Existing Supply of Independent Living										
Property Name	Type	Year Built	Number of Independent Living Units	Miles From Subject (Driving Distance)	Percent of Units Considered Competitive	Number of Competitive Units (IL)	Range in Rental Rates			Occupancy
							Low	to	High	
Belmont Village of Cardiff by the Sea 3535 Manchester Ave, Cardiff	AL/MC/IL	2009	51	7.2	0%	0	\$5,240	to	\$11,630	91%
The Meridian at Lake San Marcos 1177 San Marino Dr, San Marcos	AL/MC/IL	2013	93	2.7	0%	0	\$3,400	to	\$4,200	100%
Total Units / Rental Rate Range / Weighted Average			144			0	\$3,400	to	\$11,630	97%

PRIMARY MARKET AREA – INVENTORY OF ASSISTED LIVING

Seniors Housing Competitive Supply

All of the ten communities surveyed in the defined PMA (15-minute drive time, roughly equivalent to a seven-mile radius) feature AL and/or MC units. Three of the ten are at the outer reaches of the PMA (6.5+ miles away), and were treated as 80% competitive. The communities that feature independent living had those units excluded from the competitive mix.

Inventory of Assisted Living (including Memory Care)										
Property Name	Type	Year Built	Number of Assisted Living Beds	Miles From Subject (Driving Distance)	Percent of Beds Considered Competitive	Number of Competitive Beds (AL/MC)	Average Rent (AL/MC Units) to High			Occupancy
ActivCare of Bressi Ranch 6255 Nygaard St, Carlsbad	MC	2011	80	3.9	100%	80	\$4,956	to	\$8,365	89%
Aegis at Shadowridge 1440 S Melrose Dr, Oceanside	AL/MC	2000	88	6.0	100%	88	\$3,300	to	\$7,500	91%
Belmont Village Cardiff 3535 Manchester Ave, Cardiff	IL/AL/MC	2009	91	7.2	80%	73	\$5,240	to	\$11,630	91%
Brookdale Carlsbad 3140 El Camino Real, Carlsbad	AL/MC	1999	45	8.8	80%	36	\$3,995	to	\$7,850	89%
Encinitas Memory Care 335 Saxony Rd, Encinitas	AL/MC	2000	71	6.2	100%	71	\$4,925	to	\$7,050	93%
Sunrise of La Costa 7020 Manzanita St, Carlsbad	AL/MC	1999	66	3.7	100%	66	\$3,180	to	\$10,350	91%
Manse Residential Care 2354 Watson Way, Vista	AL/MC	1990	25	6.3	100%	25	\$3,265	to	\$5,250	88%
Olivenhain Guest Home 350 Cole Ranch Rd, Encinitas	AL/MC	2005	22	5.1	100%	22	\$3,571	to	\$7,400	91%
Somerford Place, Encinitas 1350 S El Camino Real, Encinitas	AL/MC	2001	65	6.7	80%	52	\$4,400	to	\$6,500	93%
The Meridian at Lake San Marcos 1177 San Marino Dr, San Marcos	IL/AL/MC	2013	140	2.7	100%	140	\$3,250	to	\$8,600	97%
Total Beds / Rental Rate Range / Weighted Average Occupancy			693			653	\$3,180	to	\$11,630	92%

Occupancy of AL units averages to roughly 92%. The highest AL occupancy (97%) corresponds to the AL/MC units offered at The Meridian at Lake San Marcos (which is also the largest community analyzed within the PMA). The lowest AL occupancy rate applies to Manse Residential Care in Vista, which is small 25 unit development built in 1990. It's important to note that the lowest AL occupancy rate in the PMA is in line with the San Diego Metro Market average, implying the PMA around the Subject outperforms the greater area overall. (The project totals 693 units vs. a mean of just 69 units across all ten projects; ~94% or 653 units were treated as competitive).

Nine projects in the PMA have units designated for memory care. We treated the projects at the outer edges of the PMA as 80% competitive, resulting in 345 competitive beds.

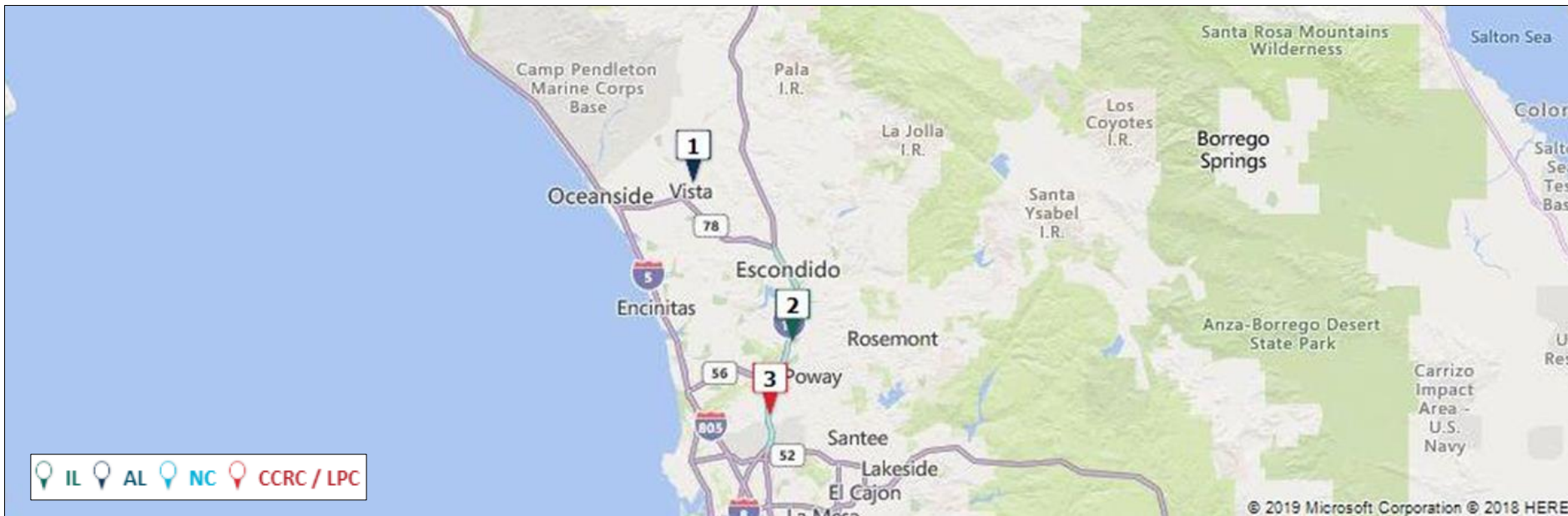
Inventory of Memory Care										
Property Name	Type	Year Built	Number of Dementia Assisted Living Beds	Miles From Subject (Driving Distance)	Percent of Beds Considered Competitive	Number of Competitive Beds (MC only)	Range in Rental Rates			Occupancy
							Low	to	High	
ActivCare of Bressi Ranch 6255 Nygaard St, Carlsbad	MC	2011	80	3.9	100%	80	\$4,965	to	\$8,365	89%
Aegis at Shadowridge 1440 S Melrose Dr, Oceanside	AL/MC	2000	35	6.0	100%	35	\$3,300	to	\$7,500	88%
Belmont Village Cardiff 3535 Manchester Ave, Cardiff	AL/MC/IL	2009	41	7.2	80%	33	\$5,240	to	\$11,630	92%
Brookdale Carlsbad 3140 El Camino Real, Carlsbad	AL/MC	1999	24	8.8	80%	19	\$3,995	to	\$7,850	90%
Encinitas Memory Care 335 Saxony Rd, Encinitas	AL/MC	2000	71	6.2	100%	71	\$4,925	to	\$7,050	89%
Sunrise of La Costa 7020 Manzanita St, Carlsbad	AL/MC	1999	20	3.7	100%	20	\$3,000	to	\$10,350	91%
Olivenhain Guest Home 350 Cole Ranch Rd, Encinitas	AL/MC	2005	22	6.3	100%	22	\$3,571	to	\$7,400	89%
Somerford Place, Encinitas 1350 S El Camino Real, Encinitas	AL/MC	2001	43	6.7	80%	34	\$4,400	to	\$6,500	93%
The Meridian at Lake San Marcos 1177 San Marino Dr, San Marcos	AL/MC/IL	2013	31	2.7	100%	31	\$3,400	to	\$8,600	94%
Total Beds / Rental Rate Range / Weighted Average Occupancy			367			345	\$3,000	to	\$11,630	90%

- Occupancy of MC units averages 90%. Four projects are running below 90%, however, as noted about the AL units, occupancy rates in the high 80's is the San Diego Metro Market average.
- Designated memory care components are primarily small scale. The mean size is 41 units, with a range of 20 to 80 beds.
- The mean year built calculates to 2004, with the newest units built in 2013 (6 years old).

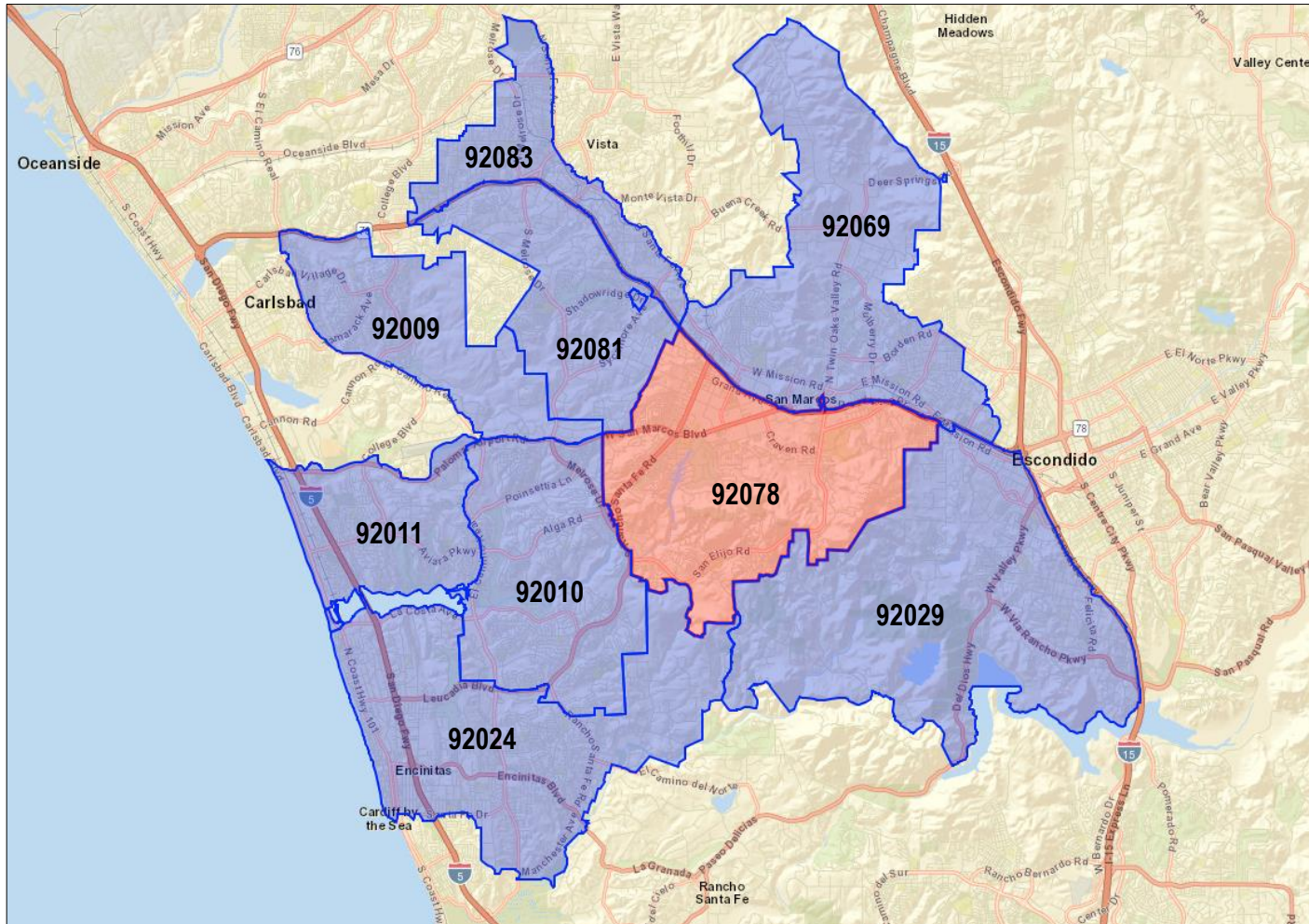
Meyers' research of IL/AL projects under construction or planned for development included review of 1) NIC MAP® data; 2) Dodge report inventory of the seniors housing pipeline in the MSA (including projects that have not received entitlements) and 3) and projects that have been submitted to the State for assisted living licensure through the North Carolina Division of Health Service Regulation [NCDHHS], Healthcare and Certificate of Need. NIC MAP® lists three projects currently under construction in the MSA, including one expansion. None of the under construction projects are within the PMA boundary. Distances range from 9.8 to 25.8 miles from the Subject site.

Construction Activity | Property Advisor Report | 15-minute Drive Time Medium Traffic

Property Name	Property Address	City	Distance From The Subject	Property Type	Campus Type	Construction Type	Operator	Total Units Under Construction
Pacifica Senior Living Vista	760 E Bobier Dr	Vista	9.8	Majority AL	Combined	Expansion	Pacifica Cos	47
Silvergate Rancho Bernardo	16061 Avenida Venusto	San Diego	18.7	Majority IL	Combined	New Construction	Residences	132
The Glen at Scripps Ranch CCRC	9903 Business Park Ave, Ste 104	San Diego	25.8	Majority IL	CCRC	New Construction	Continuing Life Communities	400



The Dodge report current as of April 2019 identifies 44 “senior” projects in the San Diego-Carlsbad MSA. This total include senior apartments, active adult, CCRCs, freestanding AL and IL, nursing facilities, education/day care facilities, mixed-use projects with senior housing components, etc. We sorted the list to identify projects in the Subject ZIP code (92078) and all ZIP codes within the 15-minute drive time to narrow the set geographically, and then plotted distances to the Subject site.



City	ZIP Codes
Carlsbad	92009
Carlsbad	92010
Carlsbad	92011
Encinitas	92024
Escondido	92029
San Marcos	92078 (Subject)
San Marcos	92069
Vista	92081
Vista	92083

Three of the 44 total “senior” projects identified in the MSA are located in the ZIP codes in a 15-minute drive time from the Subject (defined as the Primary Market Area for the Artis Senior Living Residential Care Facility). However, of the three communities, it appears that only the Oak Senior Living Complex in Carlsbad is a bona fide future community.

NIC MAP Dodge Data & Analytics Construction Pipeline | All Markets | All Regions | 03/2019

Type	Stage	Project	Owner	City	ZIP Code	Distance From The Subject	Address	Units	Construction Details
Assisted Living/ALF	Planning	Oakmont Senior Living Complex (Carlsbad CA)	Oakmont Senior Living	Carlsbad	92010	3.9 miles	NWC Faraday Avenue & El Fuerte Street	54 MC 97 AL	professional care facility consisting of three buildings: a 128,745-square-foot three story main building above a 32,078-square-foot subterranean parking garage, a 42,749-square-foot memory care building above a 15,921-square-foot subterranean parking garage, and a 4,208-square-foot administration building, on a 6.38-acre lot

Aside from the Subject, Oakmont Senior Living Complex and Pacifica Senior Living are the only AL/MC projects identified in the pipeline within the PMA. Together, they pose the potential to add 97 AL units and 103 MC units.

Supply of Independent Living Under Construction or Proposed						
Property Name	Current Status	Estimated Completion Date	Number of Independent Living Units	Miles From Subject (Driving Distance)	Percent of Units Considered Competitive	Number of Competitive Units
Silvergate Rancho Bernardo 16061 Avenida Venusto	Under Construction	2020-21	132	10.0	0%	0
The Glen at Scripps Ranch 9903 Business Park Ave	Under Construction	2020-21	400	12.0	0%	0
Relevant Supply Likely to be Complete Within Meyers' Forecast Period						0

Supply of Assisted Living Under Construction or Proposed						
Property Name	Status	Estimated Completed Date	Number of Assisted Living Beds	Miles From Subject (Driving Distance)	Percent of Beds Considered Competitive	Number of Competitive Beds
Artis Senior Living Residential Care Facility Rancho Santa Fe Ave, San Marcos	Proposed	2020	32	0.0	0%	0
Oakmont Senior Living Complex Faraday Avenue & El Fuerte Street	Under Construction	2020-21	97	3.9	100%	97
Relevant Supply Likely to be Complete Within Meyers' Forecast Period						97

Supply of Memory Care Under Construction or Proposed						
Property Name	Current Status	Estimated Completion Date	Number of Dementia Assisted Living Beds	Miles From Subject (Driving Distance)	Percent of Beds Considered Competitive	Number of Competitive Beds
Artis Senior Living Residential Care Facility Rancho Santa Fe Ave, San Marcos	Proposed	2020	32	0.0	0%	0
Pacifica Senior Living 760 E Bobier, Vista	Under Construction	2020-21	49	5.0	100%	49
Oakmont Senior Living Complex Faraday Avenue & El Fuerte Street	Under Construction	2020-21	54	5.0	100%	54
Relevant Supply Likely to be Complete Within Meyers' Forecast Period						103

Seniors Housing Demand

Artis Senior Living Residential Care Facility, San Marcos, California

This analysis provides a demand forecast for AL/MC units. (MC units are a subset of AL, since the licensing is the same).

Demand variables and assumptions incorporated in our analysis of AL/MC units are as follows:

- For purposes of assessing demand, we use a **qualifying minimum age of 75**. Although AL communities typically have a minimum age requirement of 62, occupancy research shows that the average age at move-in at AL projects is much higher, typically 83 to 85.
- Demand related to “adult children” of elderly parents is factored into the determination of supportable units. Children and/or other relatives of seniors typically play a key role in the placement of a senior in a seniors housing facility. Market areas where there are large concentrations of persons in the 45 to 64 age group can often support significantly more seniors housing than would be indicated through analysis of seniors already residing in the area. In many cases, more than 50% of the residents are brought in (“imported”) by adult children who live in the submarket.
- Demand calculations include filters for those who need assistance, since AL is need driven. The U.S. Census Bureau reports that 15.4% of seniors age 75 to 79 require assistance with the activities of daily living (ADLs) and/or instrumental activities of daily living (IADLs). For seniors 80+, that dependency increases to 30.2%. Taking into account the proportion of seniors age 75 to 79 versus seniors age 80+ within the PMA, a “needs qualified” ratio of 23.6% is used in the AL analysis. Definitions and examples of ADLs and IADLs are shown below.

Activities of daily living (ADLs) are basic personal care tasks. They include:

- Walking
- Bathing
- Dressing
- Grooming
- Toileting
- Brushing teeth
- Eating
- Climbing stairs

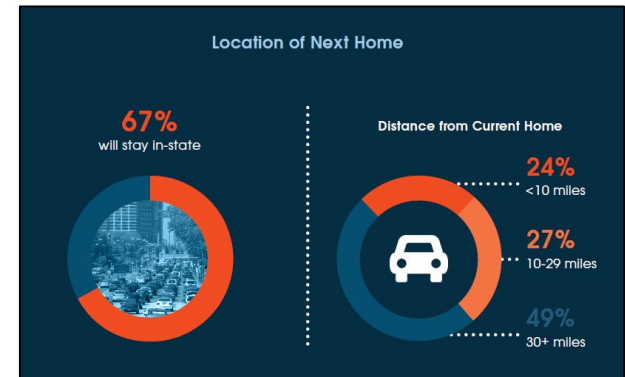
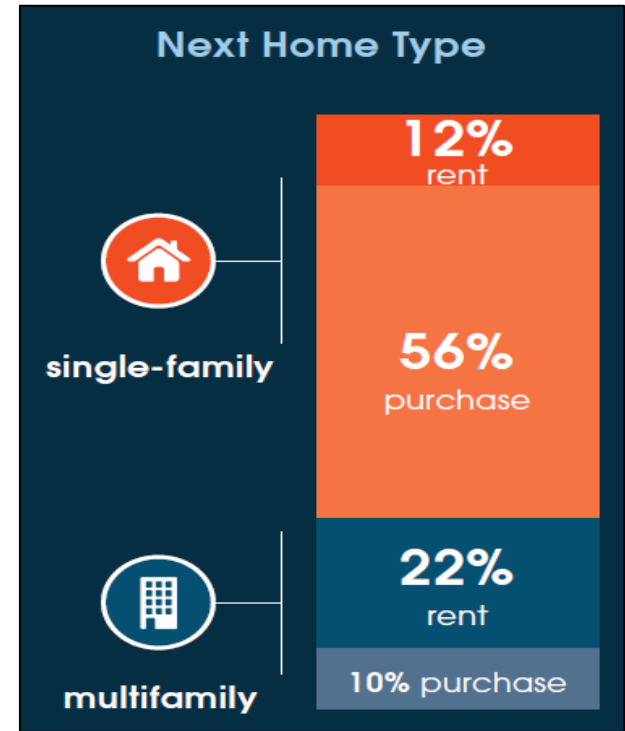
Instrumental activities of daily living (IADLs) are skills needed to successfully live independently. Many people can still live independently even though they need help with one or two of these IADLs.

- Cooking
- Driving or handling transportation
- Using the telephone or computer
- Shopping
- Keeping track of finances
- Managing medications
- Housework
- Laundry

The demand model also addresses mobility choices. According to a 2013 Demand Institute consumer survey (Baby Boomers & Their Homes), 37% of Baby Boomers are interested in moving, and approximately 54% will opt to downsize. Among these “downsizers,” 32% would opt for multifamily homes, in most cases renting rather than buying (22%/32% = 69%).

AARP research indicates that nearly half of senior households do not believe that they will be able to stay in their current homes for the next five to 10 years due to aging-in-place constraints. (Common challenges include two-story design with the master bedroom up, narrow doorways that impede assistive devices.)

For purposes of this analysis, Meyers considers a downsizing adjustment of 27% to be reasonable (base of 22% seniors preferring multifamily and/or retirement communities plus 50% of those opting to purchase (10% / 2 = 5%) (22% plus 5% = 27%).



Source: 2013 Demand Institute Housing & Community Survey

Market depth for “elevated care” senior housing primarily relates to persons aged 75+, since the average age of IL/AL/MC residents is in the mid to high 80s (80.5 for IL, 87 for AL nationally). While projects typically have a minimum age of 62, the bulk of demand relates to residents aged 75 and over.

There are 17,923 persons aged 75+ in the PMA (15-Minute Drive Time), equivalent to 7.6% of the total population. The 75+ age cohort is projected by ESRI to grow by 1.0% over the next five years, rising to 21,400 persons aged 75 and over.

75+ Population -- PMA		
	2018	2023
Total population	236,265	248,043
Persons age 75+	17,923	21,400
% Persons age 75+	7.6%	8.6%
Growth, Total population, 2018 to 2023	11,778	5.0%
Growth, 75+ population, 2018 to 2023	3,477	19.4%
75+ population growth as % of all growth	30%	

Source: Meyers; ESRI

Households with a head aged 75 or over are also projected by ESRI to experience robust growth. The current base of 11,400 “75+ households” is projected to increase by 2% over the next five years, rising to 13,307 75+ households.

Household Base by Age of Head, 15-Minute Drive Time PMA					
	2018	% of All	2023	% of All	% Growth
75+ Households	11,400	13%	13,307	15%	17%

The qualifying income threshold to live in a seniors housing community varies by region throughout the United States.

Some operators consider \$35,000 to be the minimum “qualifying” income, while some use \$50,000 as the benchmark. (Net worth/home value is presumed to further supplement purchasing power.)

Meyers concludes a minimum “qualifying” income of \$35,000 to be appropriate in this PMA considering prevailing income levels, housing values, and overall cost of living. Note that this simply serves as a benchmark. Most seniors will rely on and utilize equity from their homes and/or will receive financial assistance from their adult children.

Over 63% (7,218) of all 75+ households in the PMA have incomes over the \$35,000 threshold. This percentage is projected to increase to almost 69% by year 2023, with 9,156 75+ households meeting the \$35,000 income threshold.

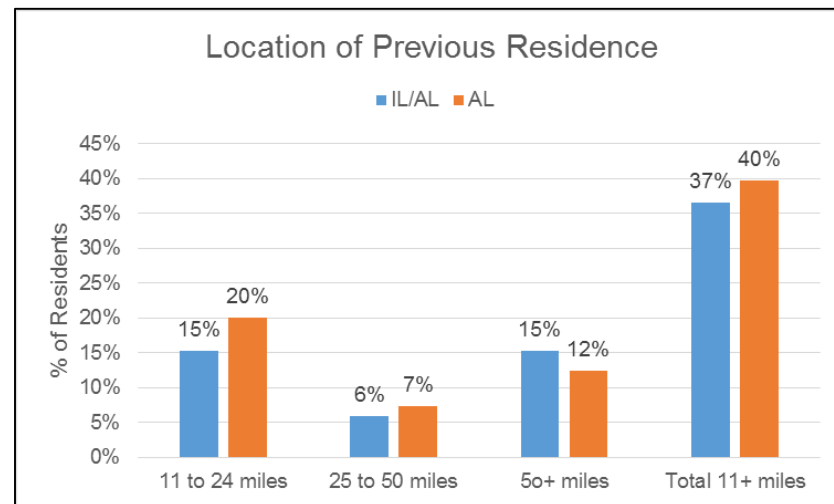
Total Income Qualifying Senior Households 75+ - Year 2018			
Income Range	Senior Households	% Income Qualified	Income Qualified Senior Households
Less than \$15,000	1,521	0.0%	0
\$15,000-\$24,999	1,508	0.0%	0
\$25,000-\$34,999	1,153	0.0%	0
\$35,000-\$49,999	1,657	100.0%	1,657
\$50,000-\$74,999	2,250	100.0%	2,250
\$75,000-\$99,999	1,027	100.0%	1,027
\$100,000-\$124,999	1,054	100.0%	1,054
\$150,000-\$199,999	566	100.0%	566
\$200,000 or more	664	100.0%	664
Total Income Qualifying Senior Households			7,218
Percentage of Qualifying Senior Households			63.3%

Total Income Qualifying Senior Households 75+ - Year 2023			
Income Range	Senior Households	% Income Qualified	Income Qualified Senior Households
Less than \$15,000	1,541	0.0%	0
\$15,000-\$24,999	1,478	0.0%	0
\$25,000-\$34,999	1,132	0.0%	0
\$35,000-\$49,999	1,749	100.0%	1,749
\$50,000-\$74,999	2,506	100.0%	2,506
\$75,000-\$99,999	1,294	100.0%	1,294
\$100,000-\$124,999	1,518	100.0%	1,518
\$150,000-\$199,999	854	100.0%	854
\$200,000 or more	1,235	100.0%	1,235
Total Income Qualifying Senior Households			9,156
Percentage of Qualifying Senior Households			68.8%

Children and/or other relatives of seniors typically play a significant role in the placement of a senior in an elevated care facility. Market areas with large concentrations of persons in the 45 to 64 age group can often support significantly senior housing units than would be indicated through analysis of seniors already residing in the area. In-migration of seniors into markets with large adult child populations is common, as the elderly are often relocated to a facility near the home of their adult children or other relative. Operators and developers of seniors housing recognize the importance of adult children in the decision making process, and actively market to the “adult child” population.

Data from the Assisted Living Federation of America's *Assisted Living Industry Overview*, below, indicates that 40% of AL residents had previously resided 11+ miles away, many of them likely “imported” by their children. A 2012 care.com survey found that the children of prospective AL residents were involved in 73% of transitions to senior housing, consistent with a survey conducted for NIC in 2012 that showed 72% of senior housing residents reported that their adult children/family members were “highly influential” in their decision to move as well as selection of a specific community.

Daughters or daughters-in-law wield the most influence, accounting for the majority (70%+) of contacts made at Brookdale, the nation's largest AL owner/operator. A common test to the extent of potential “importation” is to calculate the ratio of adult children (45 to 64) relative to persons 75+. Ratios above regional norms indicate that a given PMA contains a comparatively high percentage of adult children whose parents are residing elsewhere.



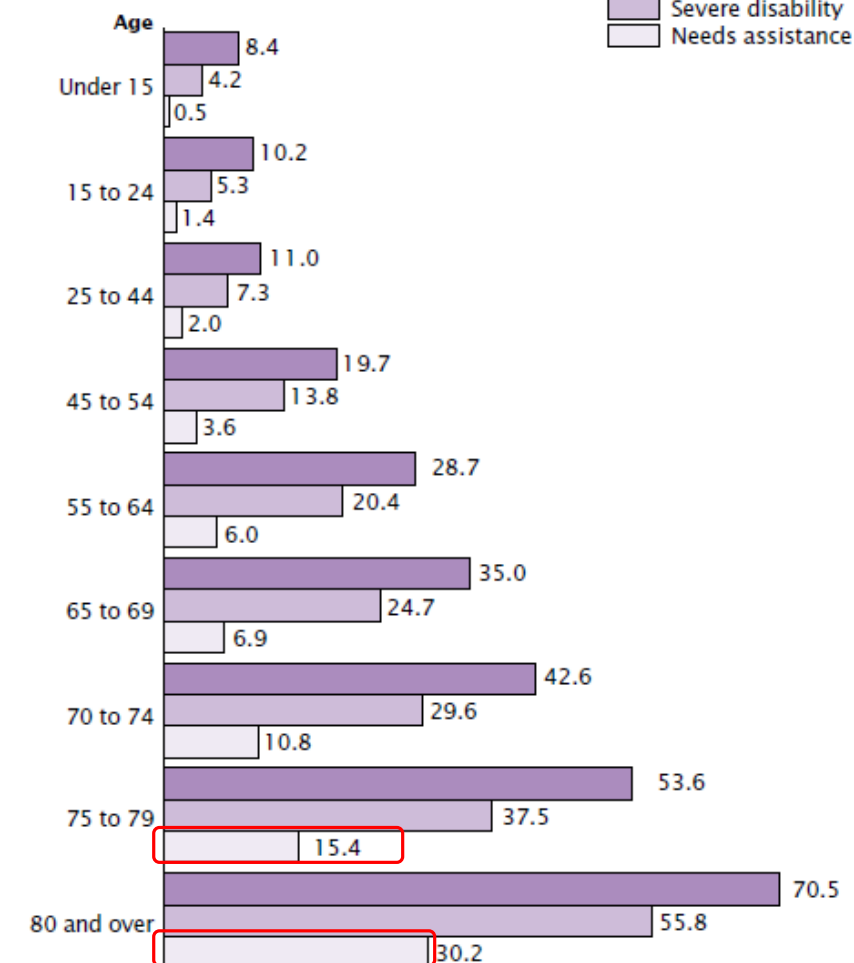
It should be noted that for the Subject PMA, the in-migration calculated in the two charts below is negative, and detracts slightly from demand.

Adult Child (45-64) Population		
	PMA	San Diego-Carlsbad MSA
Total Population		
2018 Population	236,265	3,344,185
Adult Child (45-64) Population		
2018 Population Age 45-64	84,779	1,072,826
2018 Age 45-64 Pop. as % of Total Pop.	35.88%	32.08%
75 Plus Population		
2018 Population 75+	17,923	199,107
2018 Age 75+ Pop. as % of Total Pop.	7.59%	5.95%
Ratio of Adult Children to Population 75+	4.7	5.4

Anticipated In-Migration Pool	
Item	PMA
2018 Population Age 45-64	84,779
Regional Ratio of Adult Children to Population 75+	5.4
Adjusted Population 75+	15,734
Current In-Place 2018 Population 75+	17,923
Potential In-Migration Pool for 2018	-2,189
% of Households with Incomes of \$100,000+	63.3%
Adjusted In-Migration Pool for 2018	-1,386
Annual Growth Rate of Population 75+ (2018-2023)	4.1%
Estimated In-Migration Pool for 2023	-1,666

Disability data from the 2010 U.S. Census, below, documents that among seniors age 75 to 79, 15.4% need assistance with ADLs and IADLs. The need for assistance nearly doubles for the 80+ age cohort, rising to 30.2%.

Need for Assistance



Taking into account the proportion of seniors age 75 to 79 versus seniors age 80+ within the PMA, an ADL/IADL factor of 24.8% is applied in the demand modeling.

Qualified Seniors in Need of Care - Year 2018				
Total Age and Income Qualifying Population	X	Percentage of Senior Population in Need of Care	=	Senior Population in Need of Care
27,094	X	24.8%	=	6,732

Qualified Seniors in Need of Care - Year 2023				
Total Age and Income Qualifying Population	X	Percentage of Senior Population in Need of Care	=	Senior Population in Need of Care
32,583	X	24.8%	=	8,095

NOTE: The preceding "Total Age and Income Qualifying Population" figures include current in-place seniors age 75+ adjusted for anticipated in-migration.

Meyers has not included a calculation for IL in this study, as the proposed use at the Subject is dedicated to AL/MC. The table shows the calculation of demand for assisted living (including memory care). The PMA (15-Minute Drive Time) could theoretically support 4,262 AL/MC units as of 2018. By 2020, the year of presumed market entry for the subject project, the market will support an estimated 4,607 AL/MC units.

Calculation of Demand for Assisted Living (including Memory Care)						
Item	Year					
	2018	2019	2020	2021	2022	2023
Current In-Place Population 75+	28,480	29,634	30,788	31,941	33,095	34,249
Plus Anticipated In-Migration Pool	-1,386	-1,442	-1,498	-1,554	-1,610	-1,666
Total Pool of Targeted Seniors 75+	27,094	28,192	29,290	30,387	31,485	32,583
Times % Requiring Assistance with ADLs and IADLs	24.8%	24.8%	24.8%	24.8%	24.8%	24.8%
Number of Seniors 75+ Requiring Assistance with ADLs and IADLs	6,732	7,004	7,277	7,550	7,822	8,095
Times % of Income Qualified Population 75+	63.3%	63.3%	63.3%	63.3%	63.3%	63.3%
Demand for Assisted Living (including Memory Care)	4,262	4,434	4,607	4,780	4,952	5,125

Comparison of Supply and Demand for Assisted Living (including Memory Care)						
	Year					
	2018	2019	2020	2021	2022	2023
Demand for Assisted Living (including Memory Care)	4,262	4,434	4,607	4,780	4,952	5,125
Supply of AL/MC Beds						
Existing Supply of AL/MC Beds	713	713	713	803	803	803
Pipeline Supply of AL/MC Beds	0	0	60	0	0	0
Subject's AL/MC Beds	0	0	30	0	0	0
Total Supply of AL/MC Beds	713	713	803	803	803	803
Unmet Demand for Assisted Living/Memory Care Beds	3,549	3,721	3,804	3,977	4,149	4,322

Assisted Living Penetration Rates	17%	16%	17%	17%	16%	16%
-----------------------------------	-----	-----	-----	-----	-----	-----

Demand for memory care is a subset of overall assisted living demand. Memory care facilities are normally licensed the same as "standard" assisted living facilities, allowing some fluidity in whether units are operated as AL or MC.

Many residents of traditional assisted living have mild to moderate dementia, and would be better suited for residency in a special care facility, but the supply of memory care units is lacking in many markets. (The Alzheimer's Association estimates that over 50% of AL residents have some form of dementia or cognitive impairment. However, in some cases the dementia is mild and does not necessitate the resident being in a 100% secure memory care unit.)

Memory care units in 15-minute drive time radius account for 35% of the combined AL/MC stock. The market for Memory Care is pent-up on the basis of differential occupancy rates (MC units are running nearly 34 bp higher than AL units), suggesting that MC units could and should account for a higher ratio of the combined AL/MC stock.

15-Minute Drive Time			
Type	# of Units	% of Total	Occupancy
IL	880	43%	98.2%
AL	749	37%	85.7%
MC	404	20%	89.1%
Total "Seniors Housing"	2033	100%	88.1%
AL/MC	1153		
MC as % of AL/MC	35%		

Major operators of memory care facilities such as JEA and Benchmark believe that demand for memory care is as high as 30-35% of total assisted living demand. Meyers' demand modeling for memory care attributes MC a 30% share of total AL/MC demand. By 2021 market entry, the PMA could support 1,382 new MC units. **Compared against existing and known pipeline supply there will be unmet demand for 956 MC units after the three projects come on line indicating a huge shortage for MC units in the market..**

Comparison of Supply and Demand for Memory Care						
Item	Year					
	2018	2019	2020	2021	2022	2023
Demand for Memory Care (30%)	1,279	1,330	1,382	1,434	1,486	1,538
Supply of MC Beds						
Existing Supply of MC Beds	345	345	345	426	426	426
Pipeline Supply of MC Beds	0	0	49	0	0	0
Subject's MC Beds	0	0	32	0	0	0
Total Supply of MC Beds	345	345	426	426	426	426
Unmet Demand for Memory Care Beds	934	985	956	1,008	1,060	1,112

Demographic Overview

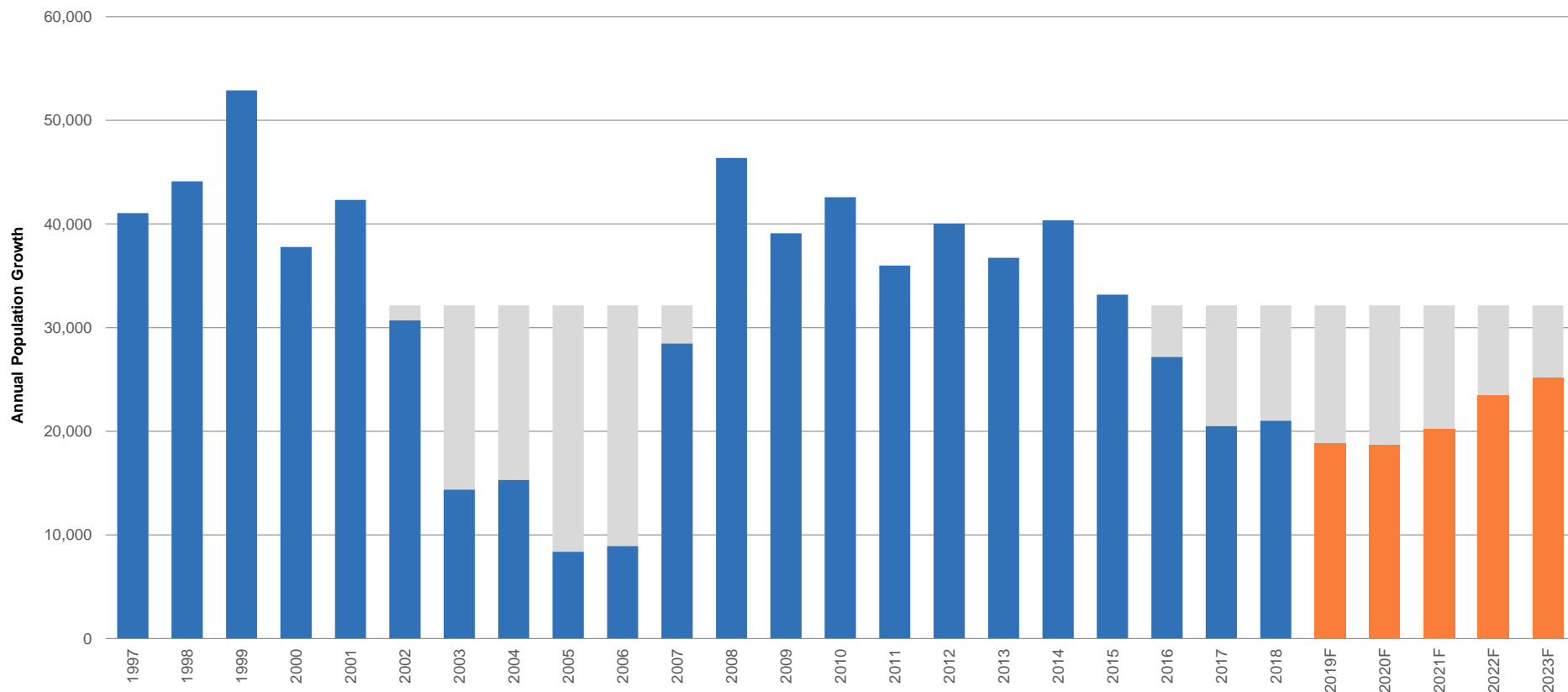
Artis Senior Living Residential Care Facility, San Marcos, California

POPULATION — SAN DIEGO-CARLSBAD MSA

Demographic Overview

Population growth in San Diego County slowed in 2015 from a historical trend of 1.3% average annual growth to 1%. That down trend has continued through 2018 to 0.6% growth per year. Economy.com forecasts that population growth will continue at this rate through 2021 and then increase to 0.7% annual growth through 2023.

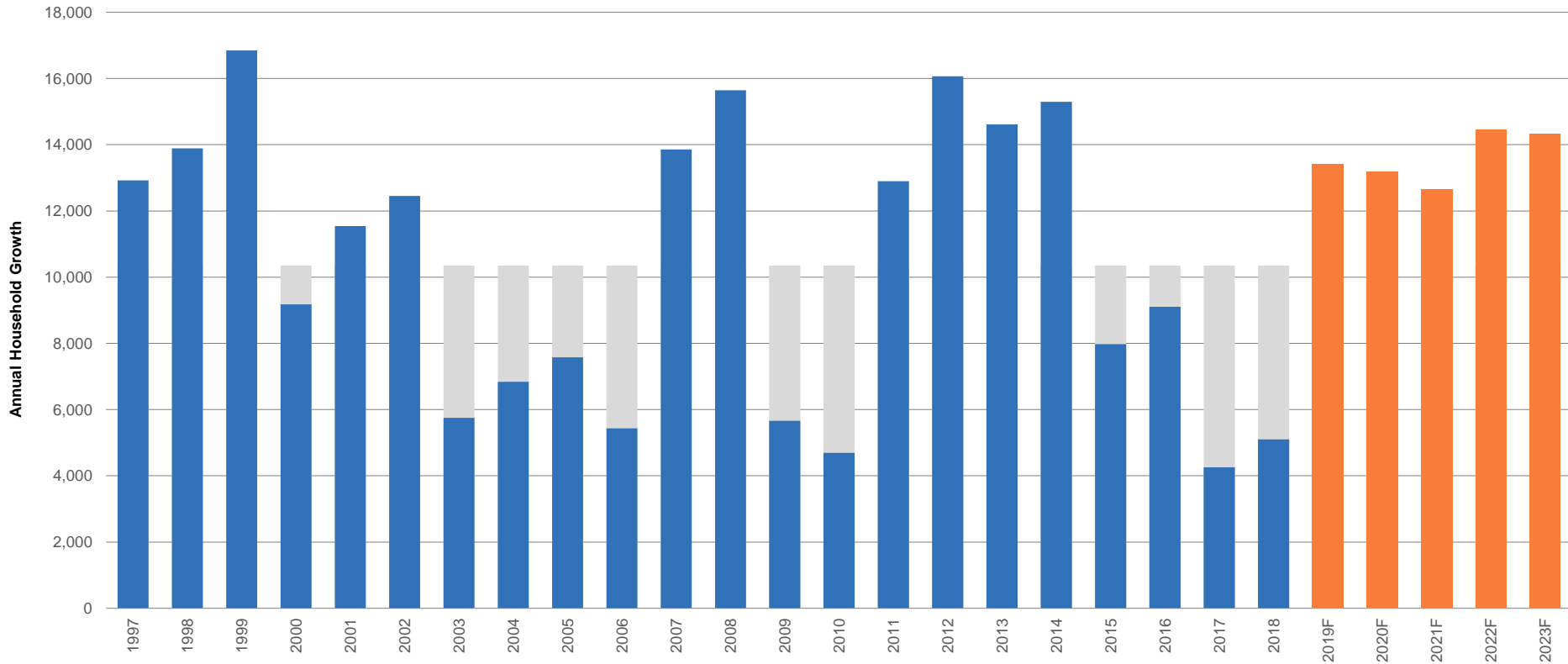
Population History & Forecasts	San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History										Economy.com Five-Year Forecast				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
Total Population	3,061,203	3,103,793	3,139,767	3,179,798	3,216,522	3,256,875	3,290,044	3,317,200	3,337,685	3,358,685	3,377,538	3,396,196	3,416,395	3,439,897	3,465,051
Prior Year Change	39,087	42,590	35,974	40,031	36,724	40,353	33,169	27,156	20,485	21,000	18,853	18,658	20,199	23,502	25,154
Annual %Change	1.3%	1.4%	1.2%	1.3%	1.2%	1.3%	1.0%	0.8%	0.6%	0.6%	0.6%	0.6%	0.6%	0.7%	0.7%



Source: Economy.com

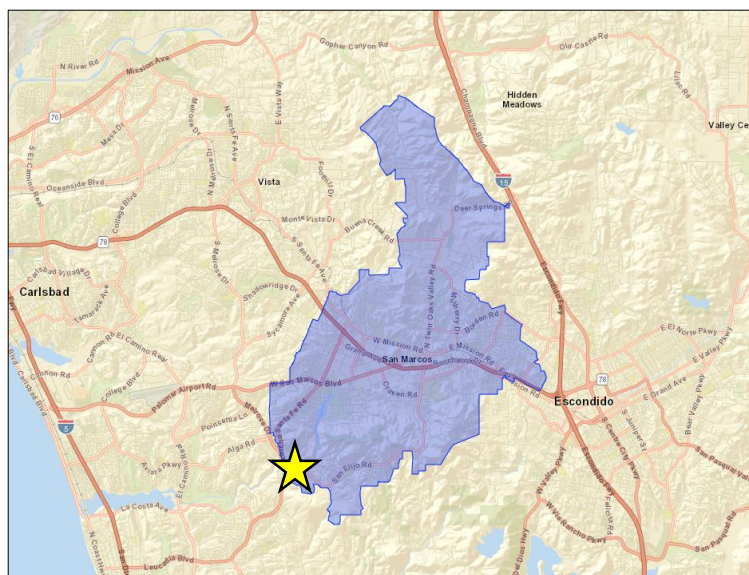
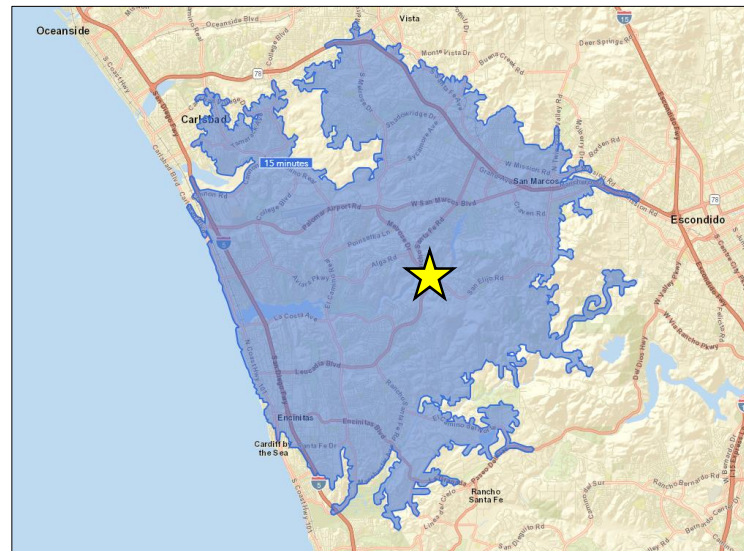
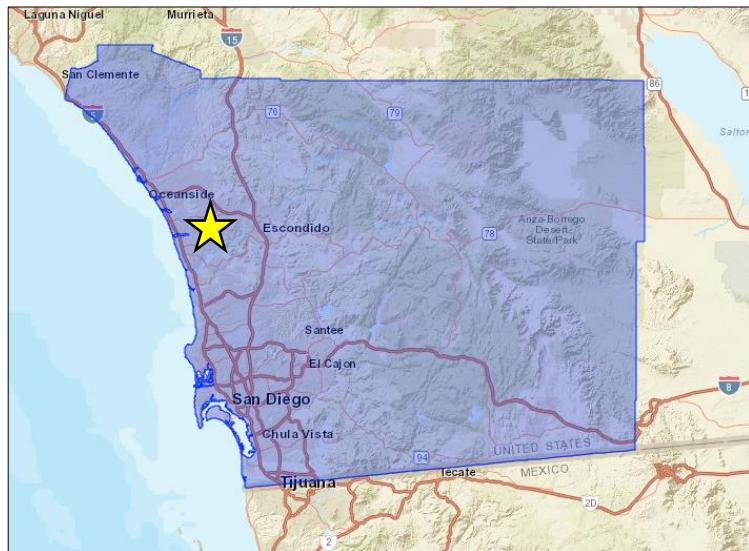
The San Diego MSA household growth has averaged between 4,250 to nearly 9,100 new households per year since 2015. The five year forecast suggests that strong household growth will begin in 2019 and will continue through 2023 for a total of 13,000 to 14,500 new households per year over the foreseeable future, generating demand for all types of new housing. The forecast growth rates mirror the level of growth seen between 2011 through 2014.

Household History & Forecasts	San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History										Economy.com Five-Year Forecast				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
Total Households	1,086,316	1,091,008	1,103,905	1,119,972	1,134,581	1,149,874	1,157,847	1,166,949	1,171,205	1,176,308	1,189,719	1,202,908	1,215,573	1,230,024	1,244,357
Prior Year Change	5,658	4,692	12,897	16,067	14,609	15,293	7,973	9,102	4,256	5,103	13,411	13,189	12,665	14,451	14,333
Annual %Change	0.5%	0.4%	1.2%	1.5%	1.3%	1.3%	0.7%	0.8%	0.4%	0.4%	1.1%	1.1%	1.1%	1.2%	1.2%



Source: Economy.com

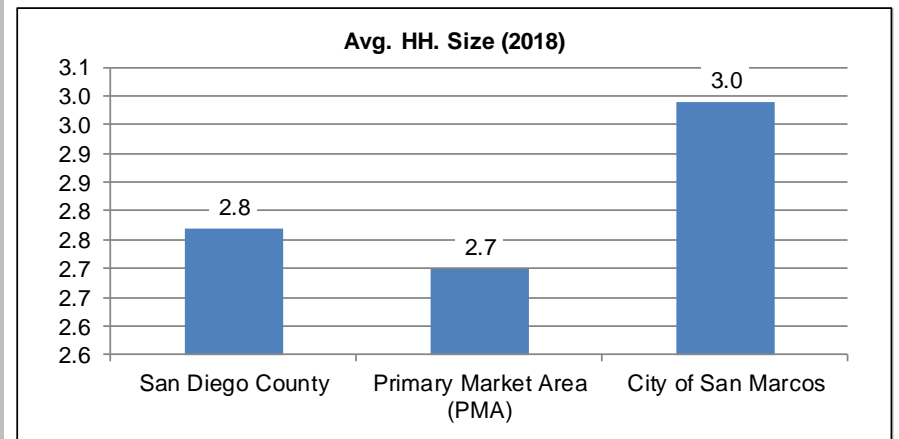
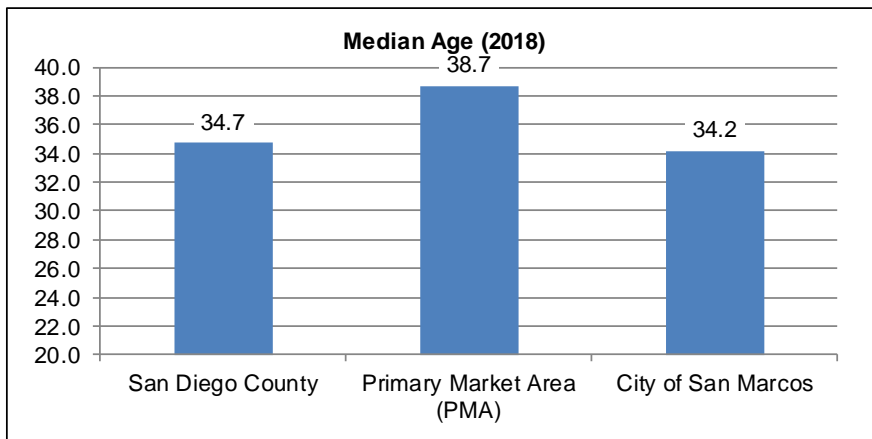
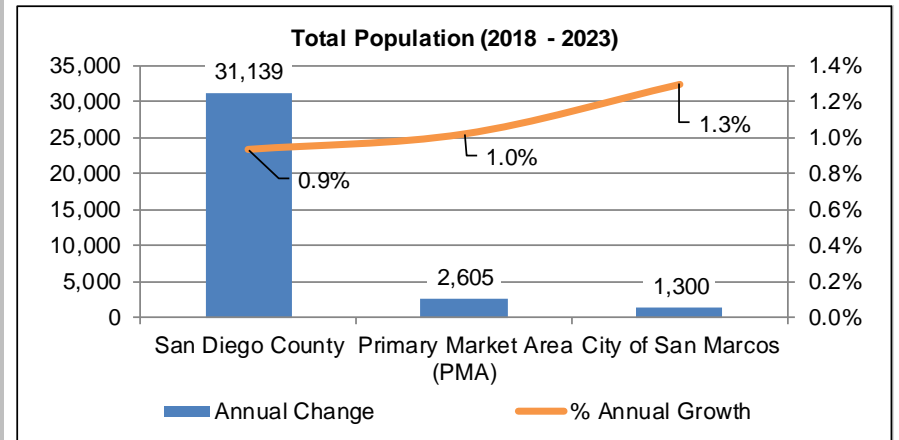
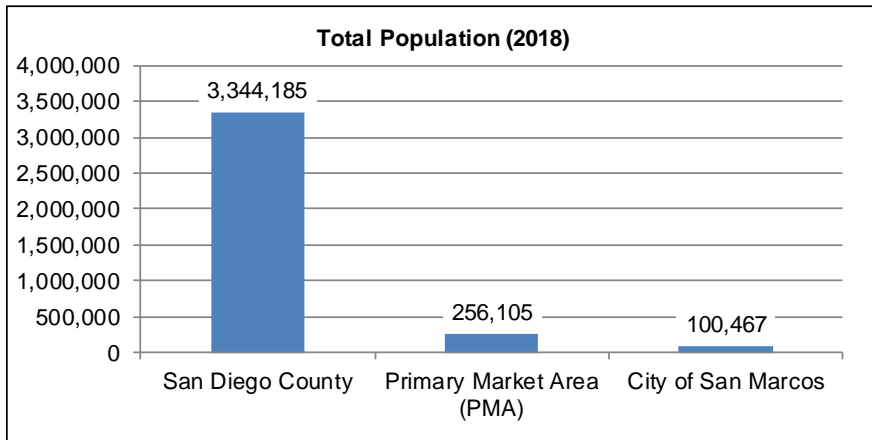
The three geographic area's considered in the ESRI demographic analysis are: San Diego County, the Primary Market Area (PMA), and the City of San Marcos.



The PMA used in the demographic analysis (15-minute drive time from the Subject) includes information from the following ZIP Codes:

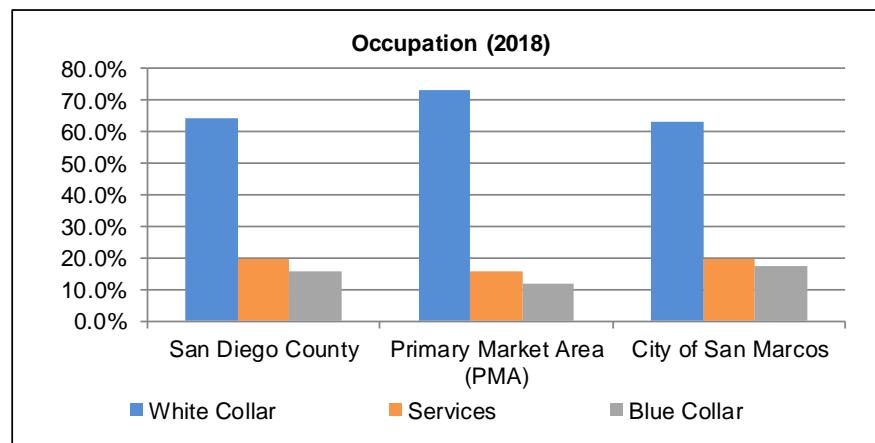
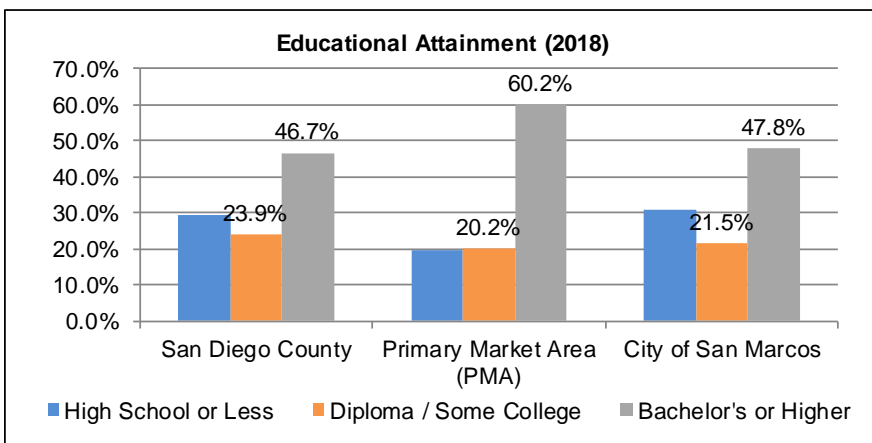
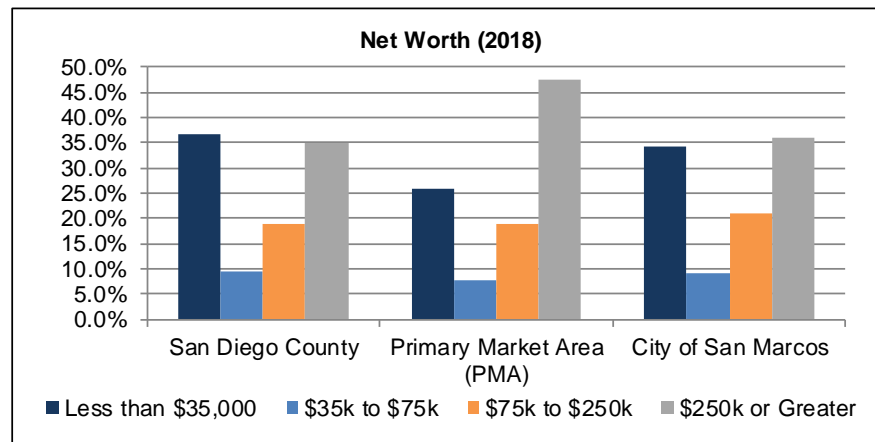
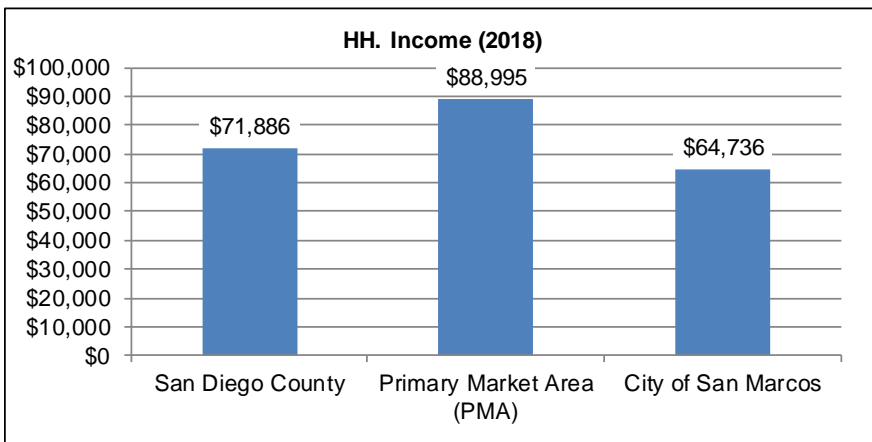
- Cardiff (92007)
- Carlsbad (92008/9/10/11)
- Encinitas (92024)
- Escondido (92029)
- Oceanside (92056)
- Rancho Santa Fe (92067)
- San Marcos (92069/78)
- Vista (92081/3)

The City of San Marcos has a total population of $\pm 100,500$ people and accounts for roughly 39% of the total population in the PMA. The population in the City of San Marcos is forecast to grow 1.3% between 2018 through 2023 owing to the developing Cal State San Marcos University and the aggressive growth plan of the City government. The average household size in San Marcos is 3.0 persons and is larger and younger than the PMA and the County overall.



Source: ESRI

The PMA has median income levels of \$89,000 which is 37.5% above the City of San Marcos and roughly 28% above the County overall. The majority (73%) of the residents in the PMA have white collar occupations and roughly 47% of residents have a net worth exceeding \$250,000. Additionally, roughly 80.5% of residents in the PMA have a diploma or degree from some higher learning institution.

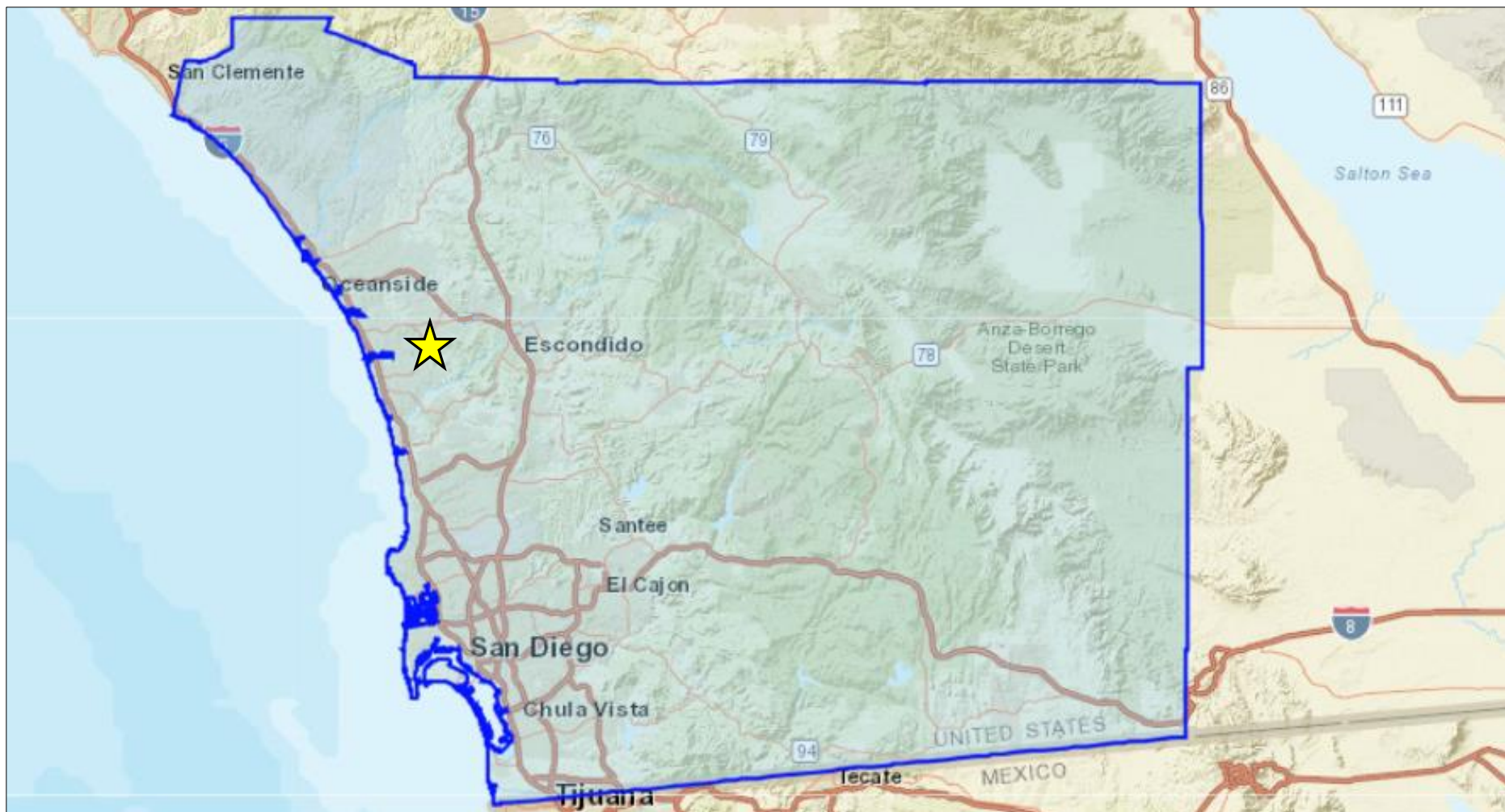


Source: ESRI

Economic Overview

Artis Senior Living Residential Care Facility, San Marcos, California

The Subject Property is located in the City of San Marcos which is within the San Diego-Carlsbad Metropolitan Statistical Area and San Diego County (the MSA and County are synonymous). San Marcos has gone through a comprehensive transition over the past two decades from an area to avoid, to a desirable location in the Inland North County area. San Marcos is now known for its housing choices, restaurants, retail, job centers and schools. Looking forward, the City should continue its ascent as it remains an area with both public and private interest. The following slides highlight current, historical and projected economic and demographic indicators that will have an impact on the success of Artis Senior Living Residential Care Facility.



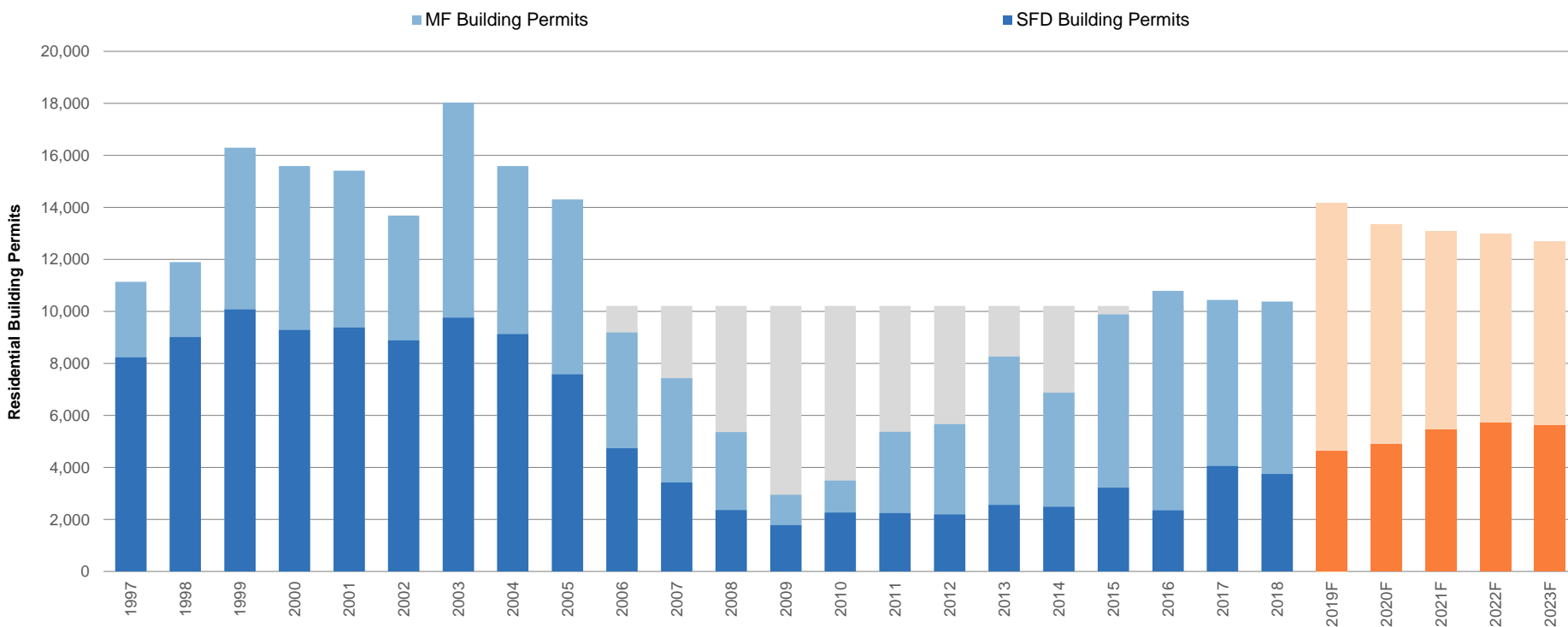
Source: ESRI

RESIDENTIAL BUILDING PERMITS — SAN DIEGO-CARLSBAD MSA

Economic Overview

Since 2011 multi-family building permits have constituted roughly 66% of the total building permits in the San Diego MSA, and Economy.com forecasts that total permit issuance will spike 36.5% in 2019 and moderate thereafter to an average of 12,900 total permits per year for the next five years. Total building permits issued reached a 10-year high in 2016 at 10,791 permits and since that time total permit issuance has dropped roughly 3.8%.

Residential Building Permit History & Forecasts	San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History										Economy.com Five-Year Forecast				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
Total Building Permits	2,946	3,494	5,370	5,666	8,264	6,875	9,883	10,791	10,441	10,379	14,174	13,327	13,083	12,974	12,690
Annual %Change	-45.0%	18.6%	53.7%	5.5%	45.9%	-16.8%	43.8%	9.2%	-3.2%	-0.6%	36.6%	-6.0%	-1.8%	-0.8%	-2.2%
SFD Building Permits	1,778	2,270	2,245	2,197	2,565	2,487	3,222	2,351	4,056	3,751	4,622	4,901	5,455	5,704	5,610
Annual %Change	-24.7%	27.7%	-1.1%	-2.1%	16.8%	-3.0%	29.6%	-27.0%	72.5%	-7.5%	23.2%	6.1%	11.3%	4.6%	-1.6%
MF Building Permits	1,168	1,224	3,125	3,469	5,699	4,388	6,661	8,440	6,385	6,628	9,552	8,426	7,628	7,270	7,080
Annual %Change	-61.0%	4.8%	155.3%	11.0%	64.3%	-23.0%	51.8%	26.7%	-24.3%	3.8%	44.1%	-11.8%	-9.5%	-4.7%	-2.6%



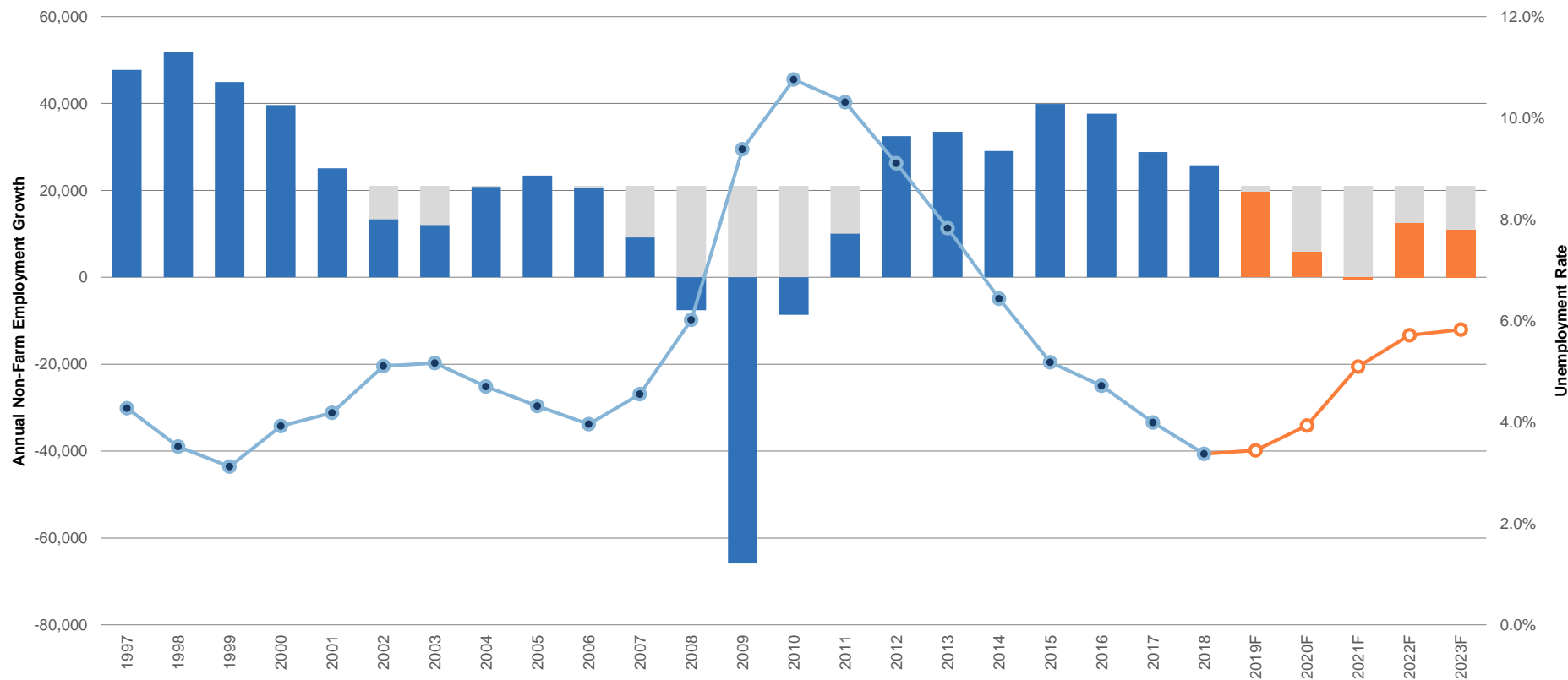
Source: Economy.com

EMPLOYMENT GROWTH — SAN DIEGO-CARLSBAD MSA

Economic Overview

The San Diego MSA non-farm employment has grown 2.4% per year over the past four years, with job growth moderating 31.5% over the past two years, at an unemployment rate of 3.4% (the second lowest rate recorded since 1999). Economy.com forecasts job growth slowing through 2020 and minor job losses in 2021. From 2015 to 2016, employment in San Marcos grew at a rate of 3.8%, from 39,116 to 40,613 employees.

Employment History & Forecasts	San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History										Five-Year Forecast*				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
Non-Farm Employment	1,250,525	1,241,883	1,251,925	1,284,425	1,317,892	1,346,975	1,386,842	1,424,492	1,453,283	1,479,062	1,498,580	1,504,348	1,503,632	1,516,163	1,527,134
Prior Year Change	(65,858)	(8,642)	10,042	32,500	33,467	29,083	39,867	37,650	28,792	25,779	19,518	5,768	(716)	12,531	10,971
Annual %Change	-5.0%	-0.7%	0.8%	2.6%	2.6%	2.2%	3.0%	2.7%	2.0%	1.8%	1.3%	0.4%	0.0%	0.8%	0.7%
Unemployment Rate	9.4%	10.8%	10.3%	9.1%	7.8%	6.4%	5.2%	4.7%	4.0%	3.4%	3.4%	3.9%	5.1%	5.7%	5.8%



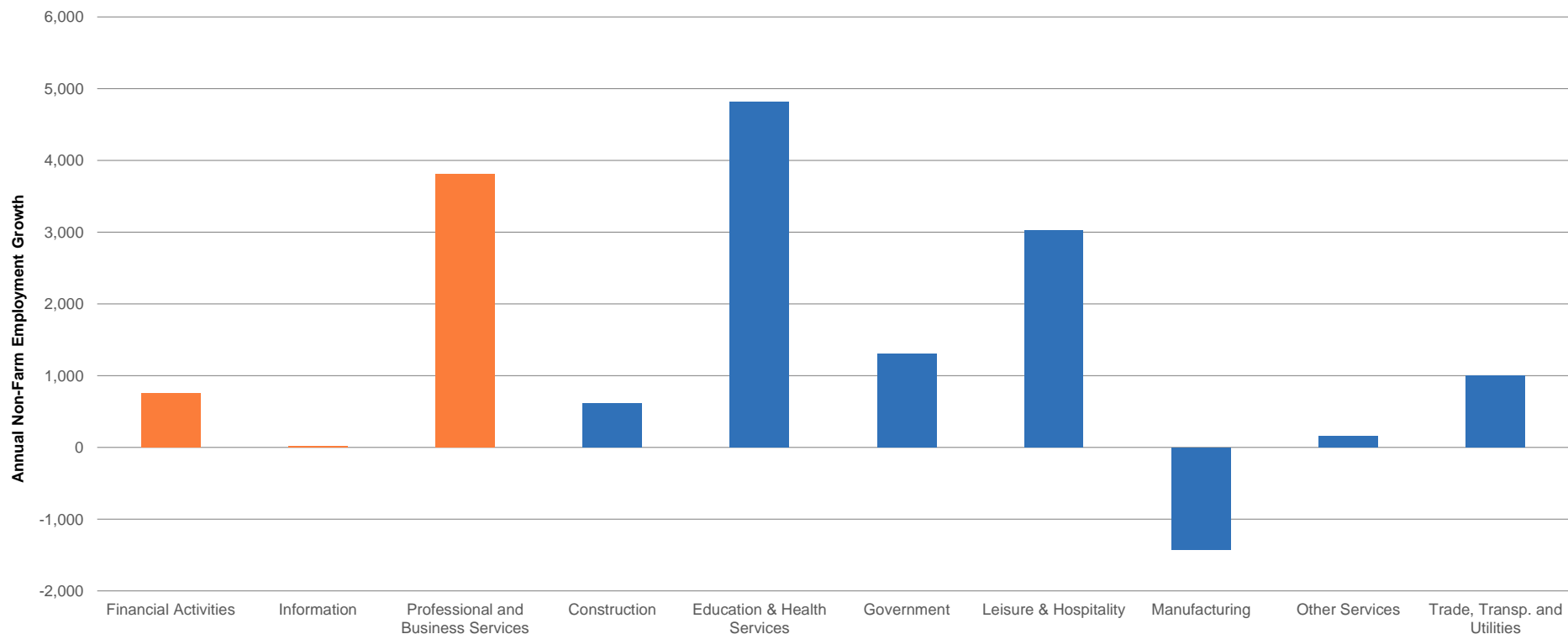
Source: Economy.com, DataUSA

EMPLOYMENT GROWTH BY SECTOR — SAN DIEGO-CARLSBAD MSA

Economic Overview

Employment gains in recent years have been largely driven by expanding employment in Education & Health Services, Professional and Business Services, followed by Leisure & Hospitality. Manufacturing is the only sector that has experienced job losses over the past year. The most common job groups, by number of people living in San Marcos are Management, Business, Science, & Arts, Sales & Office, and Service.

Employment by Sector	High Income Sectors			Other Sectors						
	Financial Activities	Information	Professional and Business Services	Construction	Education & Health Services	Government	Leisure & Hospitality	Manufacturing	Other Services	Trade, Transp. and Utilities
Current Month	74,571	24,473	254,169	83,483	217,161	253,051	196,431	112,477	57,874	229,704
Same Month Previous Year	73,822	24,452	250,361	82,869	212,345	251,751	193,406	113,902	57,720	228,704
12-Month Growth	749	21	3,808	614	4,816	1,300	3,025	-1,425	154	1,000



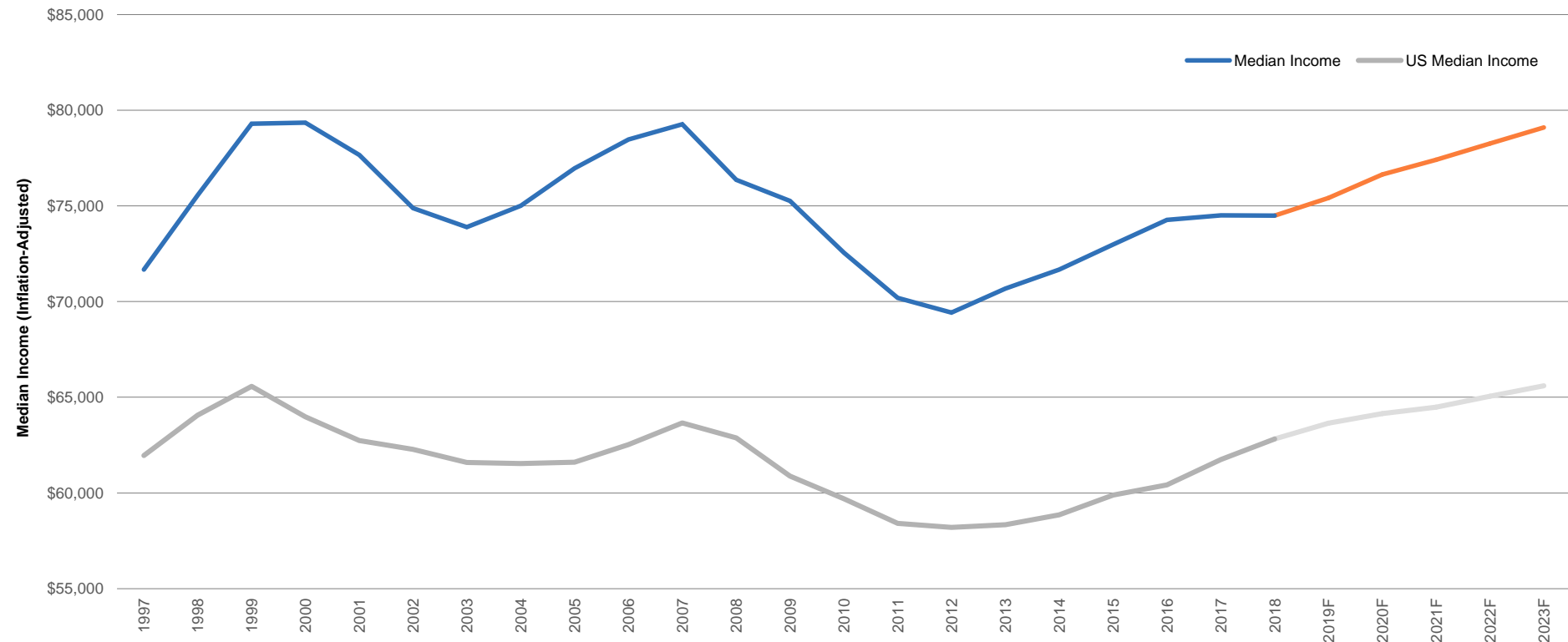
Source: Economy.com, Los Angeles Times

MEDIAN INCOME — SAN DIEGO-CARLSBAD MSA

Economic Overview

Median income levels in San Diego County are roughly \$12,000 higher than the national level however, median income growth in San Diego County remained unchanged while the national median income level increased 1.7% over the past year. Economy.com forecasts that median income levels in San Diego County will appreciate between 1% to 1.6% over the next five years.

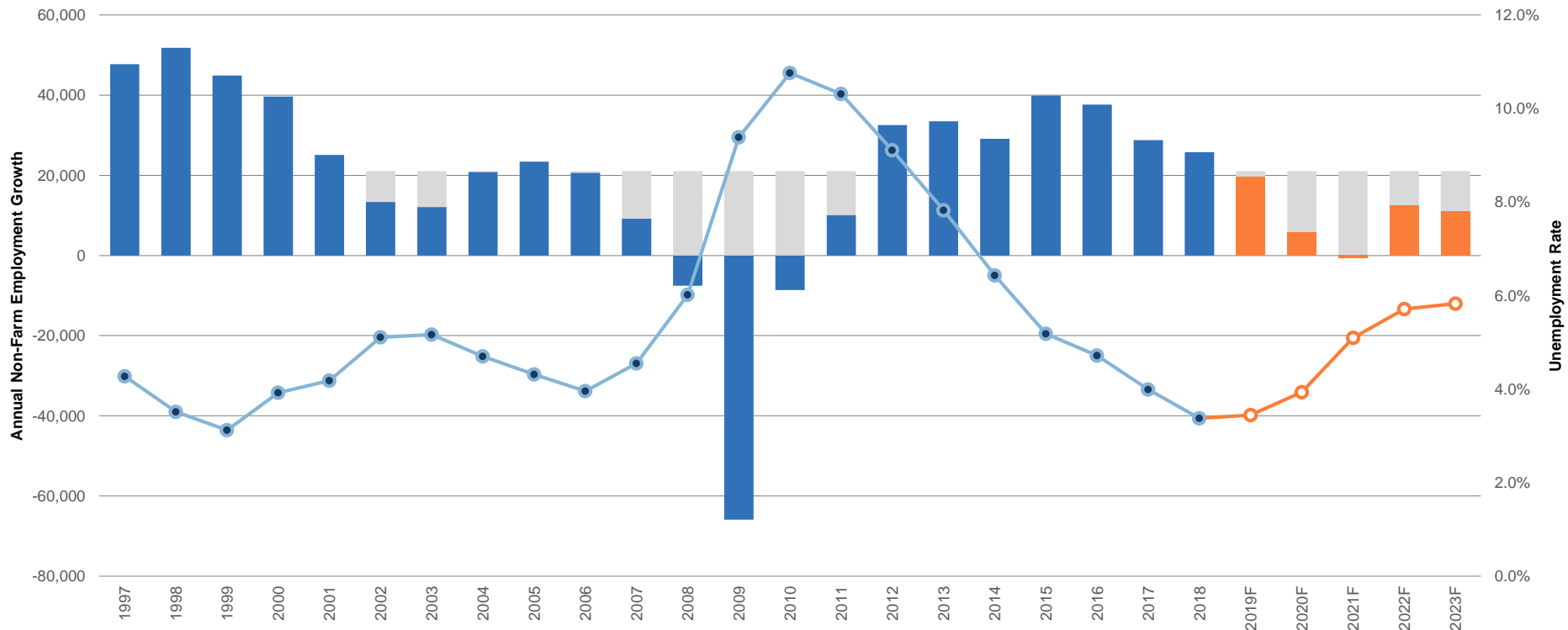
Median Income & Forecasts	San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History										Economy.com Five-Year Forecast				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
Median Income	\$75,261	\$72,557	\$70,191	\$69,423	\$70,676	\$71,667	\$72,992	\$74,270	\$74,509	\$74,497	\$75,414	\$76,649	\$77,404	\$78,259	\$79,105
Annual %Change	-1.4%	-3.6%	-3.3%	-1.1%	1.8%	1.4%	1.8%	1.8%	0.3%	0.0%	1.2%	1.6%	1.0%	1.1%	1.1%
Median Income - United States	\$60,885	\$59,694	\$58,404	\$58,200	\$58,333	\$58,853	\$59,896	\$60,420	\$61,746	\$62,815	\$63,644	\$64,143	\$64,480	\$65,059	\$65,597
Annual %Change	-3.2%	-2.0%	-2.2%	-0.3%	0.2%	0.9%	1.8%	0.9%	2.2%	1.7%	1.3%	0.8%	0.5%	0.9%	0.8%



Source: Economy.com

The E/P ratio has maintained levels above 2.0 from 2012 through 2018 indicating that for every 1.0 housing permit filed, an average of 2+ jobs were added in the San Diego MSA. Moody's forecasts that the E/P ratio will begin to decline as housing starts rise against moderating employment gains. The E/P Ratio is based on employment growth versus building permits. An E/P Ratio over 1.0 means more jobs are being added than homes are being built. Ratios above 1.0 - 1.5 indicate an opportunity to introduce new homes to a market.

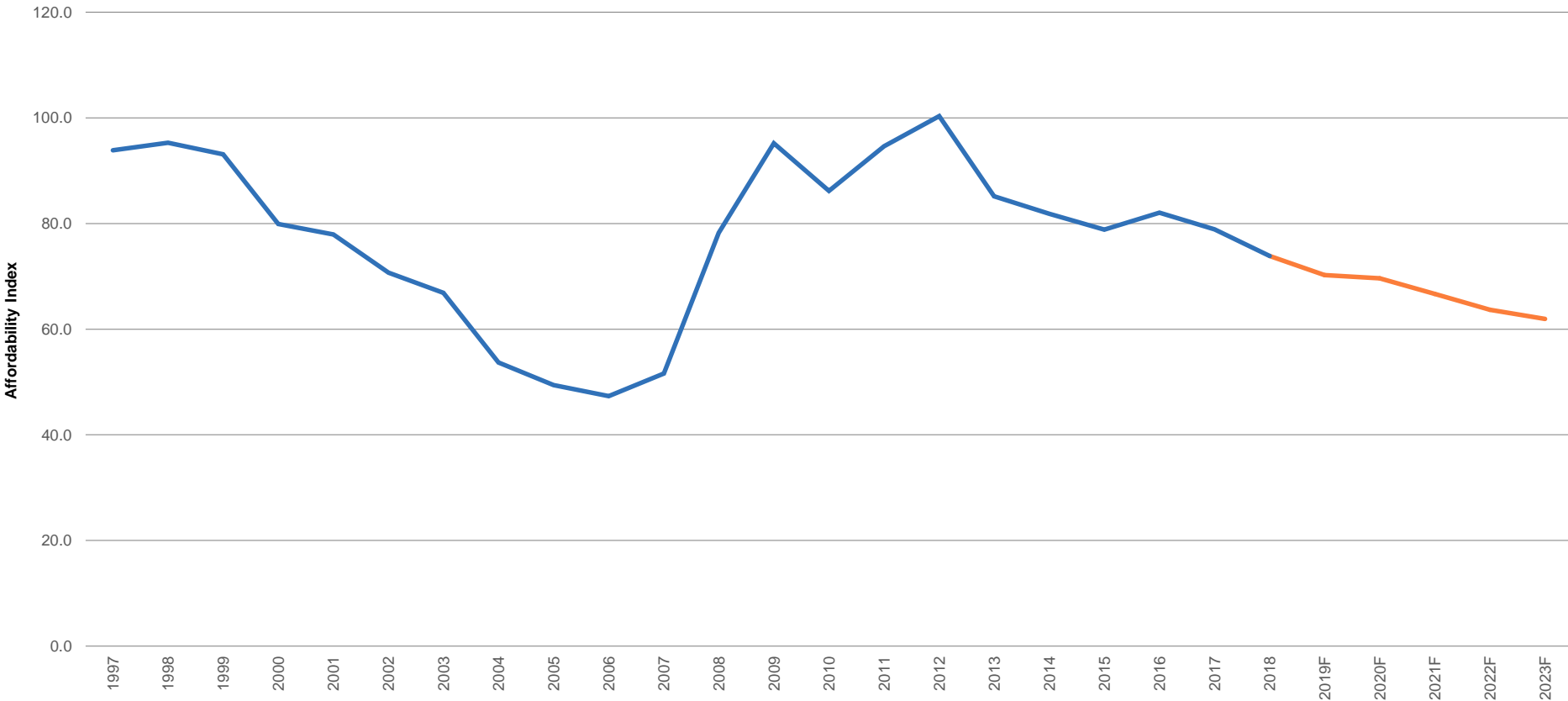
Employment/Housing History & Forecasts	San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History										Economy.com Five-Year Forecast				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
Non-Farm Employment	1,250,525	1,241,883	1,251,925	1,284,425	1,317,892	1,346,975	1,386,842	1,424,492	1,453,283	1,479,062	1,498,580	1,504,348	1,503,632	1,516,163	1,527,134
Prior Year Change	(65,858)	(8,642)	10,042	32,500	33,467	29,083	39,867	37,650	28,792	25,779	19,518	5,768	(716)	12,531	10,971
Building Permits	2,946	3,494	5,370	5,666	8,264	6,875	9,883	10,791	10,441	10,379	14,174	13,327	13,083	12,974	12,690
Employment/Housing	-22.36	-2.47	1.87	5.74	4.05	4.23	4.03	3.49	2.76	2.48	1.38	0.43	-0.05	0.97	0.86



Source: Economy.com

In recent years affordability peaked at 82.1 in 2016 due to a combination of price softening in the area and low interest rates. The index declined from 78.9 to 73.8 in 2018 and is forecast to decline over the next five years to levels into the 60's. The affordability index measures the ability of a family earning the median income amount to purchase a median-priced home. An index above 100 implies that the median income earning family has more than enough income to purchase a median-priced home.

Affordability Index w/ Forecasts	San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History										Economy.com Five-Year Forecast				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
Affordability Index	95.2	86.2	94.7	100.3	85.2	81.9	78.9	82.1	78.9	73.8	70.2	69.7	66.7	63.7	61.9



Source: Economy.com

ZIP CODE CLOSINGS (RESALES & NEW)

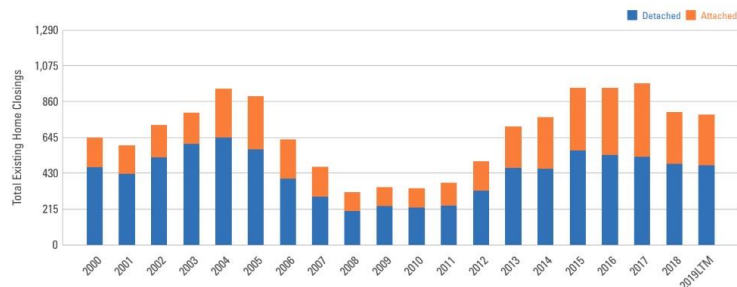
Economic Overview

ZIP CODE 92078

Total Existing Home Closings (Last twelve months) ↓ 789

Change over 2018: **-1.1%**

Updated 04-01-2019



Minimum: **316 in 2008**

Maximum: **970 in 2017**

20 Year Average: **674**

Source: Public Record Data; Zonda by Meyers Research

Existing housing in the subject ZIP code (92078) consists primarily of detached homes.

A total of 796 existing (resale) homes closed in the ZIP code in 2018, up down 21.9% year over year. Sales volume of the existing home inventory in 2018 is down from a three year average of 952 resales however, the sales volume still exceeds the 20-year average (668 resales).

New home closings have slowed down slightly (171 over the past 12 months, down 1.8% over the year).

Per Zonda, Meyers' proprietary iPad app, there are 105 units remaining in 6 active new home developments. The average sales rate in the 6 projects is 2.4 sales per month. (Sales at the project level range from a low of 0.83, at Thornbush (HQT Homes), a small, 14-unit project, to a high of 3.31 sales/month at Terracina (Brookfield Residential)).

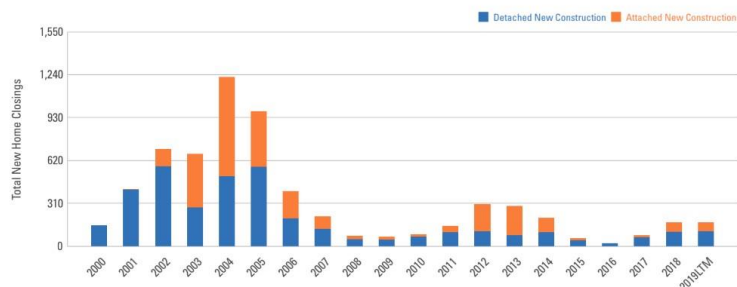
Source: Zonda, a Meyers Research iPad Application

ZIP CODE 92078

Total New Home Closings (Last twelve months) ↓ 164

Change over 2018: **-5.7%**

Updated 04-01-2019



Minimum: **23 in 2016**

Maximum: **1,224 in 2004**

20 Year Average: **321**

Source: Public Record Data; Zonda by Meyers Research

NEARBY 'FOR SALE' DEVELOPMENTS

Economic Overview

The 6 active for-sale communities in the local ZIP code include developments by Brookfield Residential, California West, Davison Communities, and HQT Homes. Prices range from approximately \$657,000 to \$1.85 million; most of the product is priced from the high 600's up to the mid 800's.

New Home Sales - ZIP Code 92078 (April 2019)												
Project	Builder	Master Plan	Open Date	Type	Min. Unit Size Sq Ft	Max. Unit Size Sq Ft	Min. Price	Max. Price	Total Units Planned (418)	Total Units Sold (313)	Total Units Remaining (105)	Average Sales Rate (2.38)
Terracina	Brookfield Residential	Rancho Tesoro	6/3/2017	Detached	2,211	2,550	\$ 657,000	\$ 691,100	117	74	43	3.31
Vientos	Brookfield Residential	Rancho Tesoro	6/3/2017	Detached	2,458	3,009	\$ 698,000	\$ 759,000	102	58	44	2.60
Westerly	California West Communities	Rancho Tesoro	6/3/2017	Detached	2,801	3,305	\$ 829,900	\$ 840,900	71	70	1	3.13
Candela	Brookfield Residential	Rancho Tesoro	6/3/2017	Detached	2,691	3,550	\$1,021,000	\$1,173,000	56	54	2	2.42
Estates at San Elijo Hills	Davidson Communities	San Elijo Hills	2/18/2017	Detached	3,946	4,868	\$1,725,840	\$1,856,055	58	52	6	2.01
Thornbush	HQT Homes	-	10/6/2018	Detached	2,667	3,047	\$ 759,000	\$ 790,000	14	5	9	0.83



SINGLE-FAMILY HOME PRICES

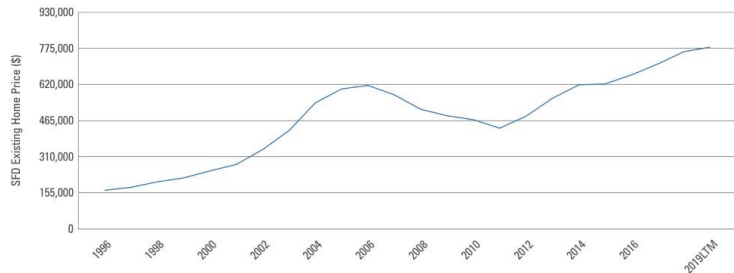
Economic Overview

ZIP CODE 92078

Median SFD Existing Home Price ↑ \$786,188

Change over month: **-3.8%** Change over 2018: **3.4%**

Updated 04-01-2019



Minimum: **\$249,000 in 2000**

Maximum: **\$786,188 in 2019LTM**

Avg. Price Appreciation: **7.1%**

Source: Public Record Data; Zonda by Meyers Research

Home prices in the 92078 ZIP code have been trending steadily upward since 2010 as evidenced by the latest Zonda data. The \$775,000 average single family detached resale closing price rose 3.4% year over year.

New home pricing (again shown for detached product) had experienced six years of price increases before a dip in 2017. Pricing of new detached homes rebounded in 2018 (up 28.8% over the past 12 months), reaching \$1,170,000.

The volume of new home and resale activity in the subject ZIP code correlates positively with senior housing.

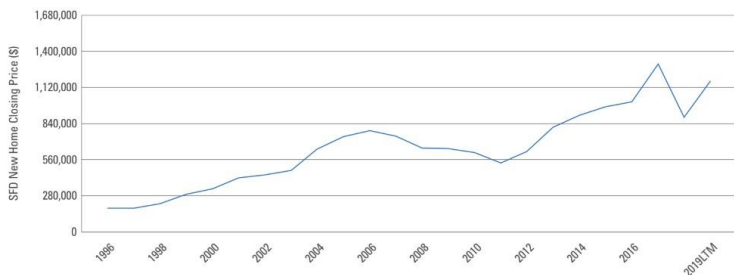
- Local seniors will be able to sell their homes without sacrificing price, allowing them to transition to IL or AL product.
- Remaining inventory in new home communities (105 homes) will continue to accommodate and spur household growth.

ZIP CODE 92078

Median SFD New Home Closing Price ↑ \$1,143,532

Change over month: **-7.0%** Change over 2018: **28.8%**

Updated 04-01-2019



Minimum: **\$182,500 in 1997**

Maximum: **\$1,299,000 in 2017**

Avg. Price Appreciation: **\$648,657**

Source: Public Record Data; Zonda by Meyers Research

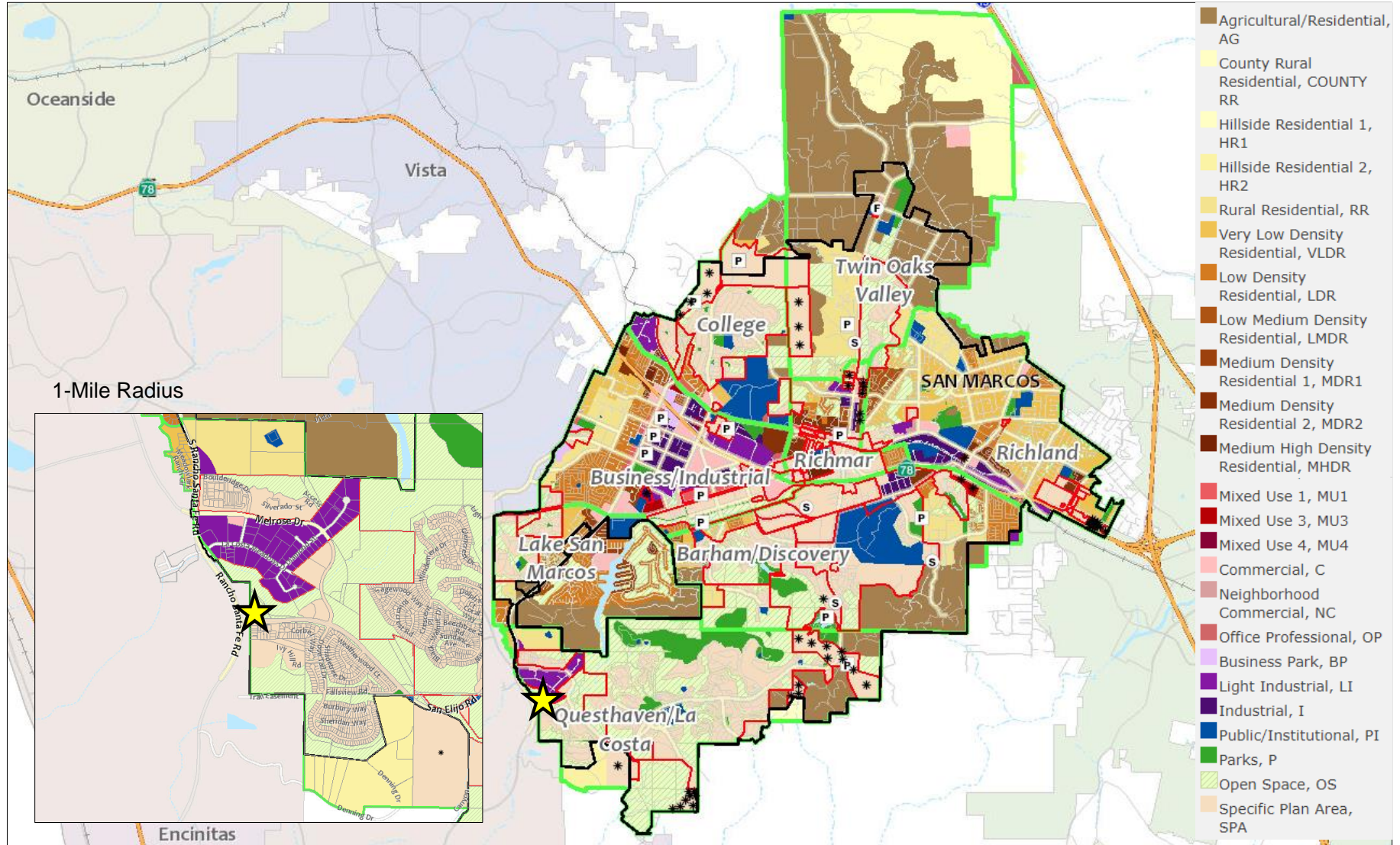
San Marcos Land Use

Artis Senior Living Residential Care Facility, San Marcos, California

SAN MARCOS LAND USE MAP

San Marcos Land Use

The Subject is located on the western boundary in South San Marcos. The San Marcos General Plan Land Use Map is shown below with the Subject displayed as a (yellow) star. The Subject is in the University Common Specific Plan Area (SPA) which is displayed as a (manila) color.



The Subject site is one of two planning area's in the specific plan that is currently designated for Light Industrial. A change of land use to Senior Residential will compliment the existing multi-family and single-family residential parcels in the surrounding area. Additionally, the San Marcos Creek recreation area will provide a tranquil scene for the residents at the assisted living and memory care facility.

The University Commons Specific Plan was adopted by the City of San Marcos on February 28, 1991, was amended in November 2001, in December 2002, in August 2003 and modified in March 2004. Amendment of the University Commons Specific Plan has been necessary to respond to changes in planning considerations, ownership, new regulatory demands, and changes in the marketplace. The design guidelines for University Commons establish the project's character, and ensure a high quality development. By providing continuity throughout the community, the landscape plan helps create a strong "sense of identity."

TABLE 9
Parking Standards - Light Industrial Uses
Planning Areas 4 and 5b

USES

Manufacturing structures, such as, but not limited to: bakeries, bottling plants, machine shops, research laboratories, printing shops, wholesale distribution plants and other permitted industrial/manufacturing uses not specified by this section (excluding warehouses)

Medical or dental clinics and medical-professional offices

Offices providing professional services on the premises, including office buildings

Uses not specifically listed in the University Commons Specific Plan Amendment No. 3 or in the City of San Marcos Zoning Ordinance Section 20.84.030 *et seq.*

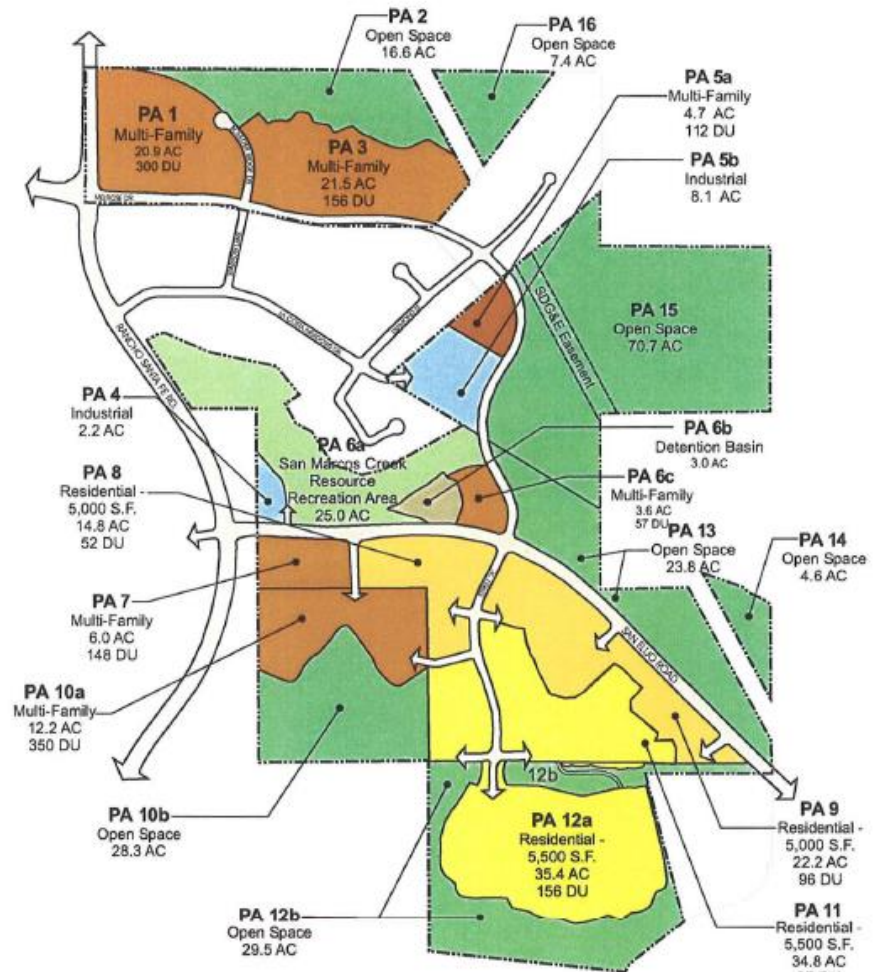
Spaces Required

1 space for every 500 square feet of gross floor area where permitted by use permits, retail sales, offices and office space (not serving an industrial use in the same building), and service shops serving the general public shall be provided with 1 space for each 200 square feet of floor area

1 space for each doctor and employee, plus 1 space for every 200 square feet of waiting examination room(s) floor area

1 spaces for every 250 square feet of gross floor area

Shall be determined by the Planning Commission.



UNIVERSITY
COMMONS



Adopted By City Council August 12, 2003
Modified by Propositions F & G March 12, 2004

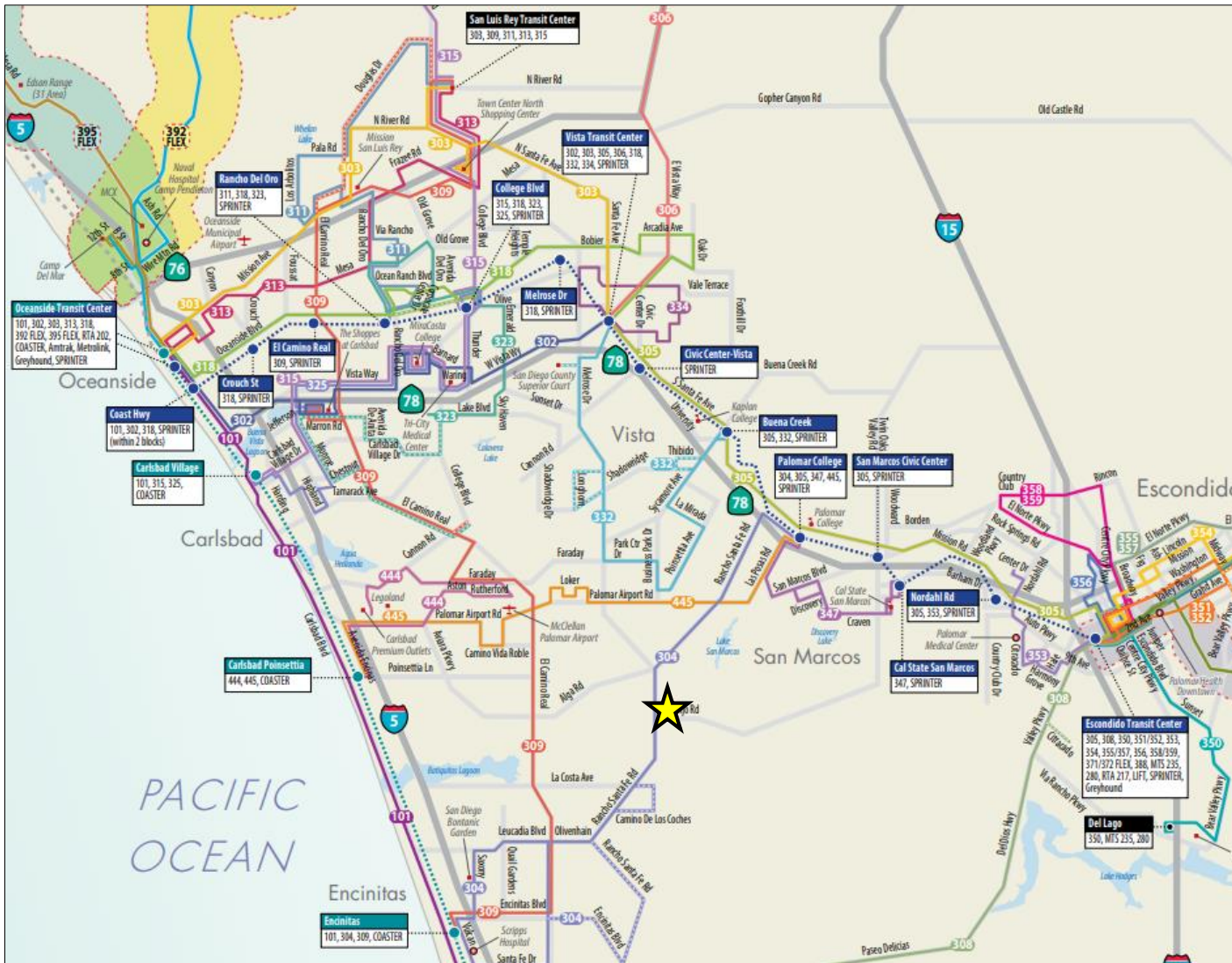
Figure 7
ADOPTED
SPECIFIC PLAN
LAND USE PLAN
Amendment No. 3

The Subject is located in close proximity to the 304 Breeze Bus line.

The nearest Breeze bus stop is located on the corner of Rancho Santa Fe Rd and San Elijo Rd which feeds commuters from San Marcos to Encinitas. Key destinations located along this bus line include: Palomar College, La Costa Canyon High School, San Marcos High School, Encinitas Ranch Town Center, YMCA, Scripps Memorial Hospital, UC San Diego North Coastal Clinic, Encinitas City Hall, and San Dieguito Academy.

BREEZE Bus Route Finder

- 101** Oceanside to VA/UCSD/UTC via Hwy. 101
- 302** Oceanside to Vista via Vista Way
- 303** Oceanside to Vista via Town Center North
- 304** Encinitas to San Marcos via Rancho Santa Fe Rd.
- 305** Escondido to Vista via Mission Rd. & S. Santa Fe Ave.
- 306** Fallbrook to Vista via Mission Rd.
- 308** Solana Beach to Escondido via Del Dios Hwy.
- 309** Oceanside to Encinitas via El Camino Real
- 311** San Luis Rey Transit Center to Rancho Del Oro SPRINTER Station via Douglas Dr.
- 313** Oceanside Transit Center to San Luis Rey Transit Center via Mesa Dr.
- 315** Carlsbad Village Station to 14 Area
- 318** Oceanside to Vista via Oceanside Blvd. & Bobier Dr.
- 323** College Blvd. SPRINTER Station to Quarry Creek
- 325** Carlsbad Village to College Blvd. SPRINTER Station
- 332** Vista to Buena Creek SPRINTER Station via Vista Business Park
- 334** Vista Circulator
- 347** Cal State San Marcos to Palomar College
- 350** Escondido to Del Lago Transit Station via Westfield North County Mall
- 351/352** Escondido Circulator
- 353** Escondido Transit Center to Nordahl Marketplace via Citracado Pkwy.
- 354** Orange Glen High School via Mission, Lincoln & Citrus
- 355/357** El Norte Pkwy. & Valley Pkwy.
- 356** Morning View Dr., El Norte Pkwy. & Escondido Blvd.
- 358/359** N. Broadway, Country Club & El Norte Pkwy.
- 388** Escondido to Pala
- 444** Carlsbad Poinsettia COASTER Connection via Faraday Ave. & Rutherford Rd.
- 445** Carlsbad Poinsettia COASTER Connection to Palomar College



San Diego Industrial Market Overview

Artis Senior Living Residential Care Facility, San Marcos, California

Flex R&D is a subset of industrial with particular adaptations including:

- A minimum total office percentage of 25%
- Qualifying uses include either Warehouse/ Distribution and/or specialty industrial space such as Research & Development and High-Tech space
- Other building characteristics include loading docks, dock-high doors, and high clear heights
- High-tech features such as non-medical labs, showrooms, and retail.

Uses which do not qualify as Flex/R&D include:

Office Showroom, Light Manufacturing, Medical Research Laboratories, Incubator Laboratories, Medical Centers/Offices, Retail Showrooms, Data Storage Centers.

Industrial Market Overview

The San Diego Industrial market started the 2019 year strong, and should remain steady through 2019, with increasing rents fueled by historically low interest rates. The market remains flush with capital which will keep the investment market steady for the foreseeable future.

Demand (Absorption) vs Supply:

- Speculative ground-up developers in markets such as Carlsbad, Poway, and Otay are counting on the continuously vigorous and pent-up tenant demand for space, with more than 1,200,000 square feet of product currently being developed.
- Strong tenant demand during the quarter remained consistent, with approximately 2,000,000 square feet of gross absorption (square footage of tenant move-ins).
- Net absorption finished above average, at 519,880 square feet which reflected a 54% increase over the same period in 2018.
- Market-wide vacancy is low at 4.28%

Lease Rates:

- Due to the strong demand in the market, many tenants are forced to renew in their existing space regardless of functionality or business needs.
- Concessions such as rental abatement have thinned dramatically and, in some cases, disappeared.
- Although the total square footage leased reflected a sizeable increase over 1st quarter 2018, there was a 28% decrease in the total number of leases.
- Rents reached an average of \$1.03 per square foot countywide and leasing velocity is holding steady.

Sales:

- Sales values have reached an all-time high, with markets such as Poway cresting well over \$200 per square foot.
- The total volume of sale transactions decreased by 26% over the same period in 2018. This was mainly due to a lack of available product.
- Investments also remained active, but with decreased volume from 2018, owing mainly attributed to record-low cap rates (higher pricing) and lack of available product.

Flex / R&D Market Overview:

The San Diego Flex / R&D market is coming off three consecutive years with 500,000+ square feet of new construction deliveries (more than double the 10-year annual average). This has placed pressure on the market's overall occupancy rate, and the glut of new product has pushed the average asking rental rate up significantly.

Vacancy:

- There was negative net absorption in Q1 of 2019, and transaction volume is down, which, if sustained in Q2, could point to increased vacancy at year-end.
- Direct/ sublease space (unoccupied) finished Q1 2019 at 7.39%, a significant increase from Q 4 2018 of 6.61%, but 3 basis points lower than the vacancy rate of a year ago.
- With the relatively large number of deliveries last year, vacancy rates are expected to move back towards the 8% range.

Lease Rates:

- The average asking triple net lease rate per square foot per month in San Diego County was \$1.94 at the end of the first quarter, (up \$0.04 over Q4 of 2018).
- Average asking lease rate has been on a long, steady increasing trend, but recent increases in the average are likely due to the composition of available space.
- There is now a larger portion of biotech space in the availability, which is pulling the average asking rate up.
- Despite a decrease in transaction volume (the lowest since 2009), average asking rates are anticipated to increase by approximately 2 – 3% over the next four quarters.

Sales:

Sales transaction volume in 2018 was at the lowest level seen in four years, with a combined amount space leased or sold in Q1 2019 totaling 1.0 million square feet, (a decrease from the 1.6 million square feet transacted in Q1 of 2018).

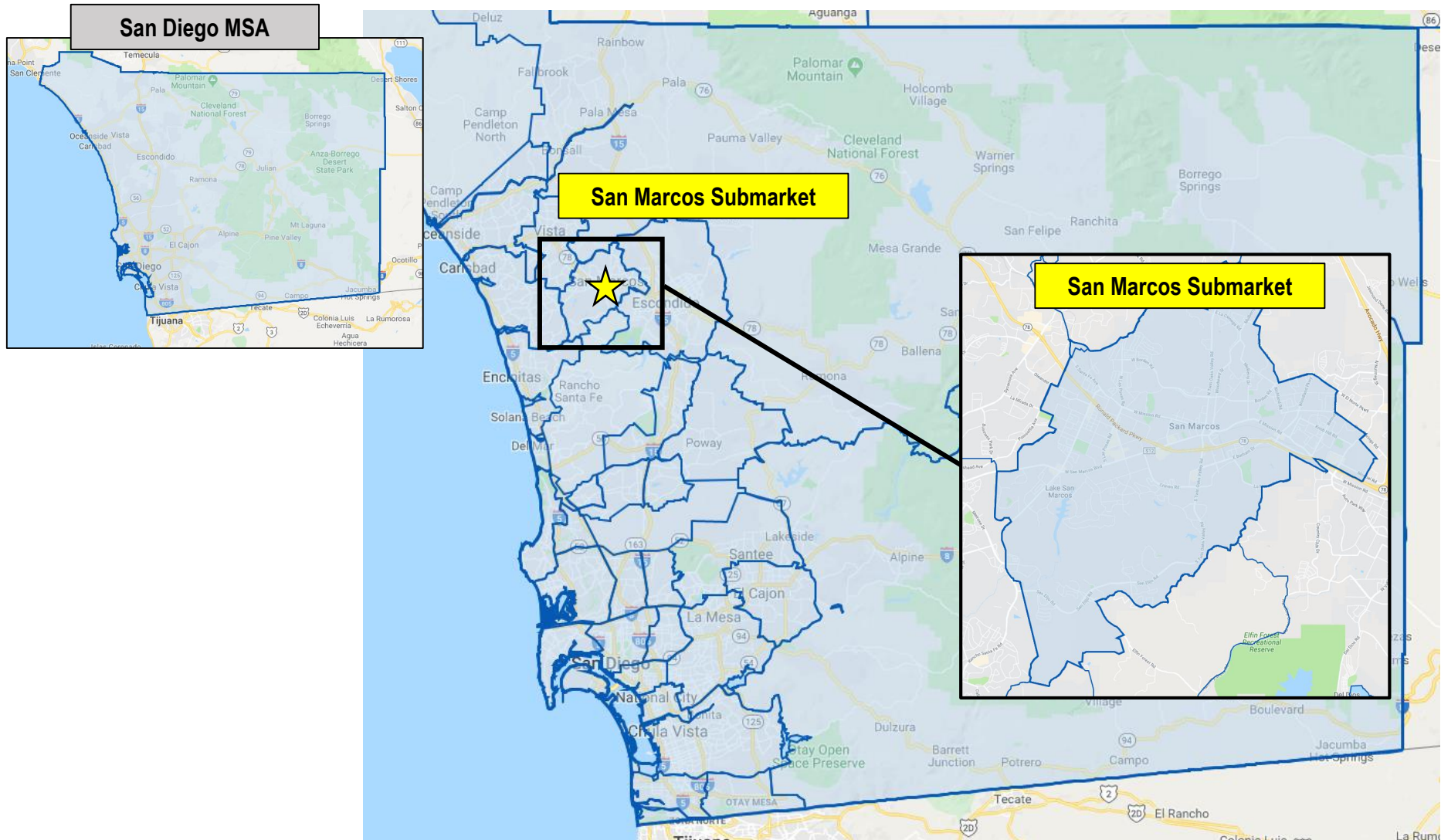
Demand (Absorption) vs Supply:

- In the first quarter of 2019 there were 168,000 square feet of new construction completed, which puts the market on pace for the fourth consecutive year of new construction above the 10-year average.
- The San Diego Flex /R&D market recorded 220,093 square feet of negative net absorption in the first quarter of 2019. The San Diego market has not seen a calendar year with negative net absorption since 2011.

San Diego Industrial Trends

Artis Senior Living Residential Care Facility, San Marcos, California

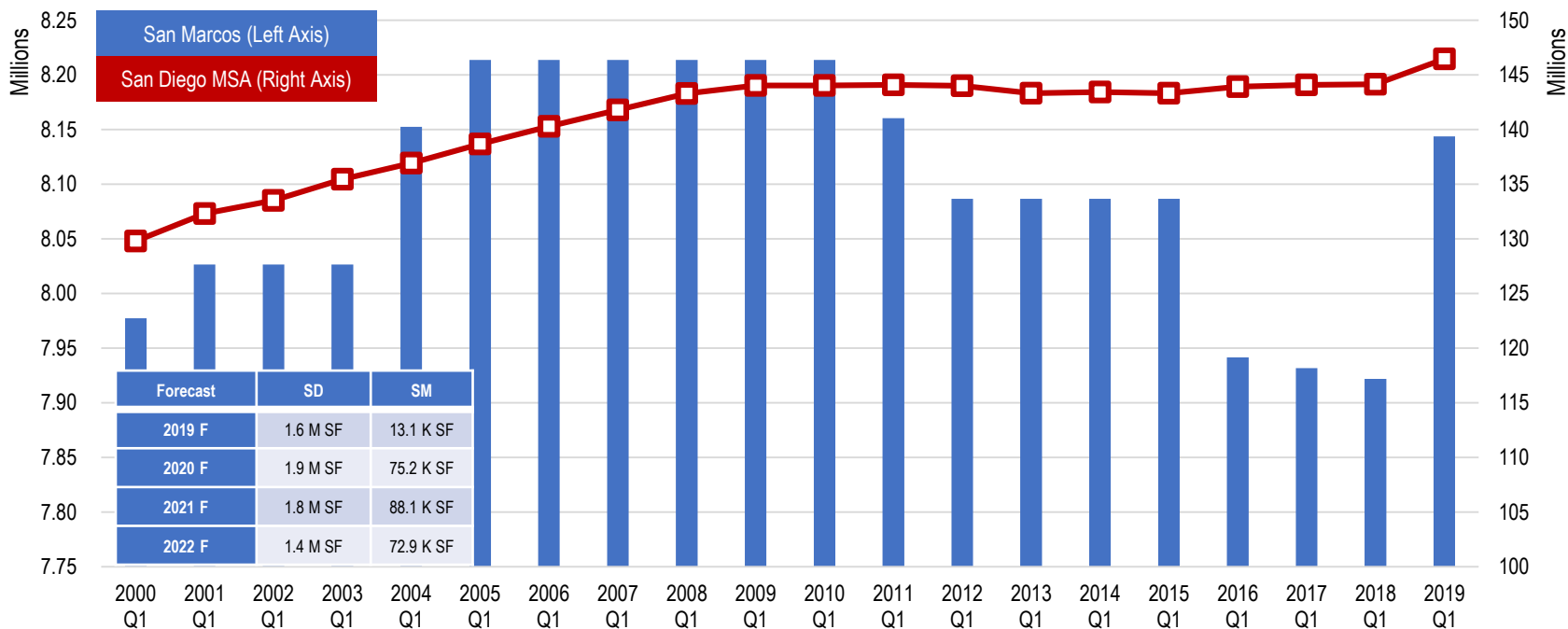
The San Diego MSA is comprised of 36 submarkets. The Subject is located in the San Marcos submarket, which is part of the greater North County market that includes the Escondido, Oceanside, Carlsbad and Vista submarkets.



The San Marcos industrial Submarket consist of 504 buildings with a total inventory of 8.14 million square feet, representing 5.6% of the total San Diego MSA industrial market. Over the past year, a total of 222,028 square feet of retail space was delivered in the San Marcos Industrial market.

Costar is forecasting 265,668 square feet of Industrial space over the next four years in 2022 with an annual average of 16,604 square feet.

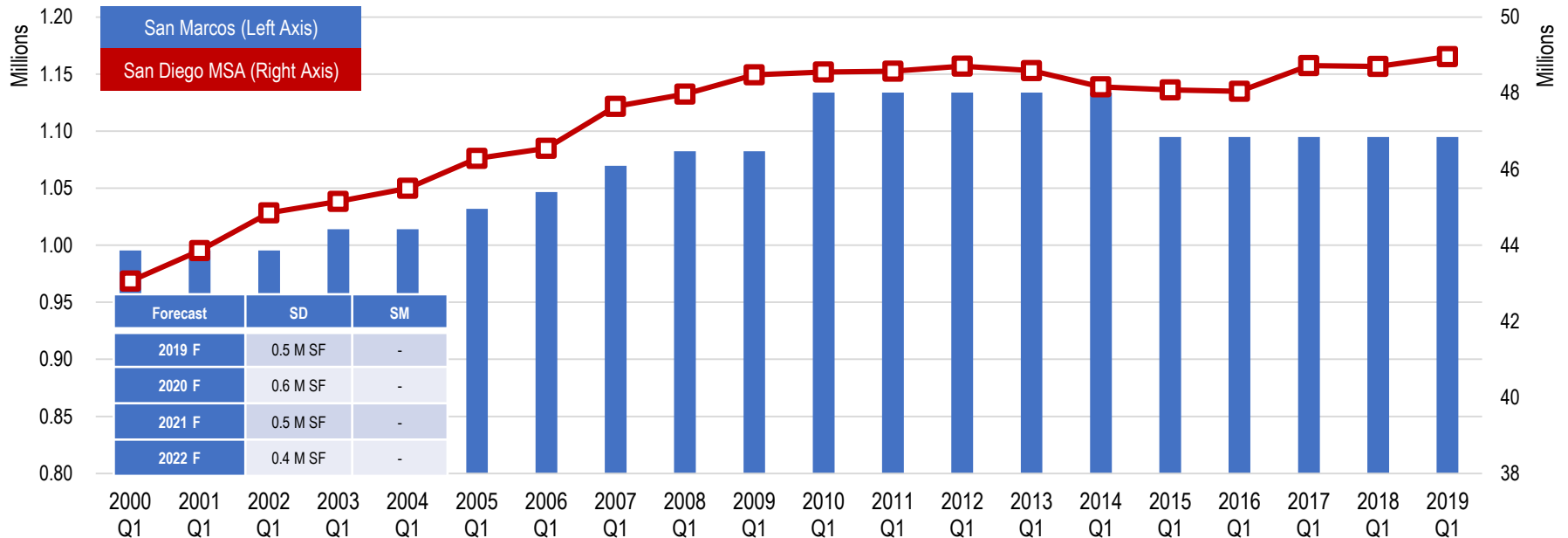
Total Inventory (in Millions of Square Feet): Industrial



Inventory	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
San Diego MSA										
Total Inventory (SF)	144,041,230	144,079,347	144,015,059	143,313,663	143,430,193	143,319,356	143,924,969	144,098,491	144,158,347	146,459,005
Inventory Change	-6,844	38,117	-64,288	-701,396	116,530	-110,837	605,613	173,522	59,856	2,300,658
% Change	0.0%	0.0%	0.0%	-0.5%	0.1%	-0.1%	0.4%	0.1%	0.0%	1.6%
San Marcos Submarket										
Total Inventory (SF)	8,213,650	8,160,434	8,086,655	8,086,655	8,086,655	8,086,655	7,941,387	7,931,787	7,921,787	8,143,815
Inventory Change	0	-53,216	-73,779	0	0	0	-145,268	-9,600	-10,000	222,028
% Change	0.0%	-0.6%	-0.9%	0.0%	0.0%	0.0%	-1.8%	-0.1%	-0.1%	2.8%

The San Marcos flex submarket consist of 61 buildings with a total inventory of 1.09 million square feet, representing 2.2% of the total San Diego MSA flex market. There has been no flex development according to Costar since 2010. Costar is not forecasting any new flex development in San Marcos over the next four years.

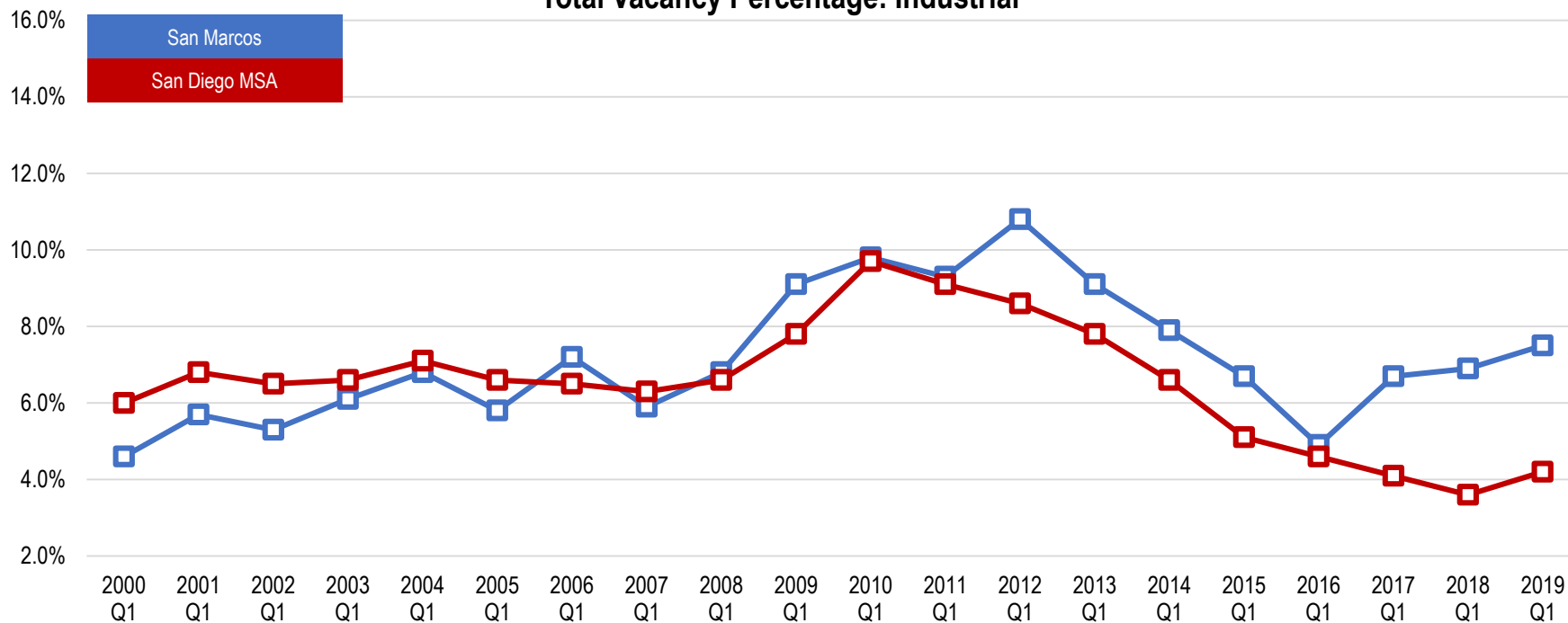
Total Inventory (in Millions of Square Feet): Flex



Inventory	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
San Diego MSA										
Total Inventory (SF)	48,554,045	48,575,045	48,708,410	48,589,608	48,166,025	48,084,572	48,043,724	48,721,260	48,700,477	48,957,083
Inventory Change	74,203	21,000	133,365	-118,802	-423,583	-81,453	-40,848	677,536	-20,783	256,606
% Change	0.2%	0.0%	0.3%	-0.2%	-0.9%	-0.2%	-0.1%	1.4%	0.0%	0.5%
San Marcos Submarket										
Total Inventory (SF)	1,133,870	1,133,870	1,133,870	1,133,870	1,133,870	1,094,862	1,094,862	1,094,862	1,094,862	1,094,862
Inventory Change	51,389	0	0	0	0	-39,008	0	0	0	0
% Change	4.7%	0.0%	0.0%	0.0%	0.0%	-3.4%	0.0%	0.0%	0.0%	0.0%

Industrial vacancy reached a historical low in 2018 in the San Diego MSA at 3.6%, but increased to 4.2% in Q1 2019. San Marcos industrial vacancy has remained higher than the MSA since 2008 and is currently at 7.5%. San Marcos industrial vacancy represents 10% of total vacancy in the MSA.

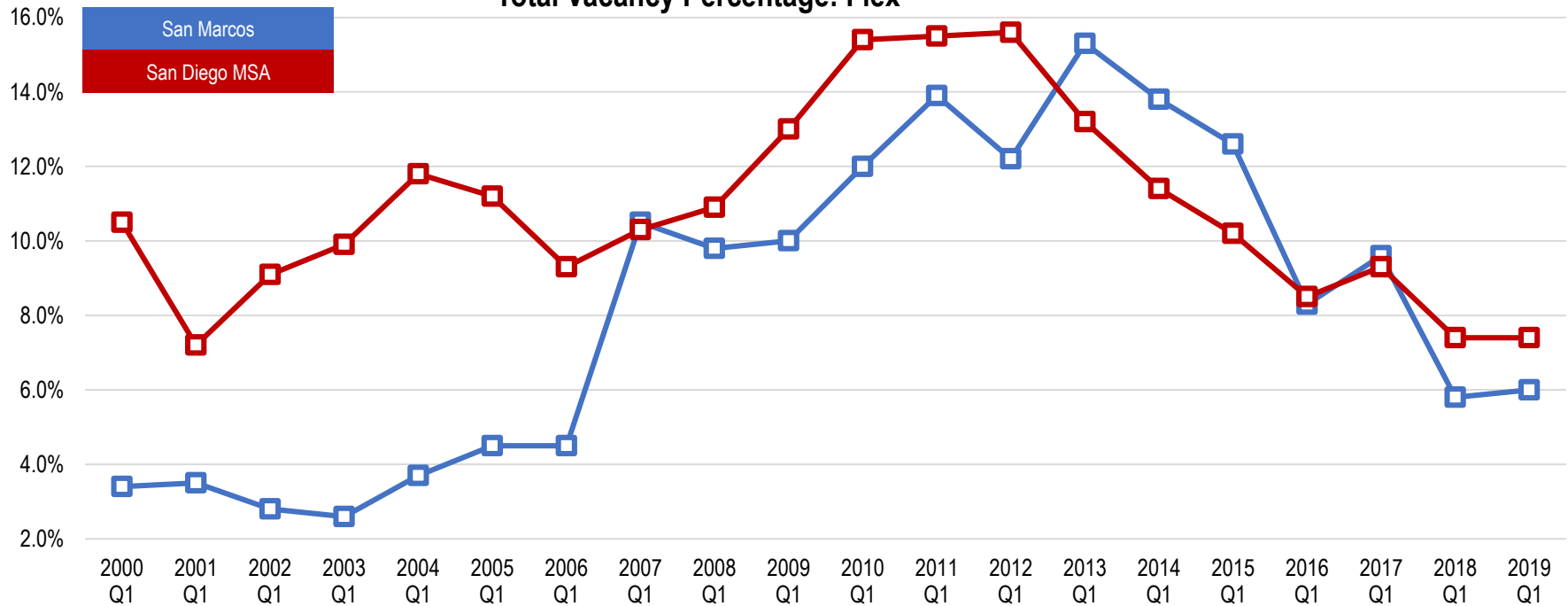
Total Vacancy Percentage: Industrial



Vacancy	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
San Diego MSA										
Vacancy %	9.7%	9.1%	8.6%	7.8%	6.6%	5.1%	4.6%	4.1%	3.6%	4.2%
Vacancy (SF)	13,985,229	13,055,795	12,404,561	11,205,315	9,511,734	7,281,960	6,632,757	5,969,439	5,146,821	6,147,786
San Marcos Submarket										
Vacancy %	9.8%	9.3%	10.8%	9.1%	7.9%	6.7%	4.9%	6.7%	6.9%	7.5%
Vacancy (SF)	804,584	759,782	870,217	738,604	635,787	540,509	392,916	534,288	547,506	613,545

Flex vacancy in the San Marcos is currently 6.0%, which is below the MSA overall average of 7.4%. With no new deliveries of new flex supply in the San Marcos Submarket, the vacancy rate decreased over 10.0% since 2013.

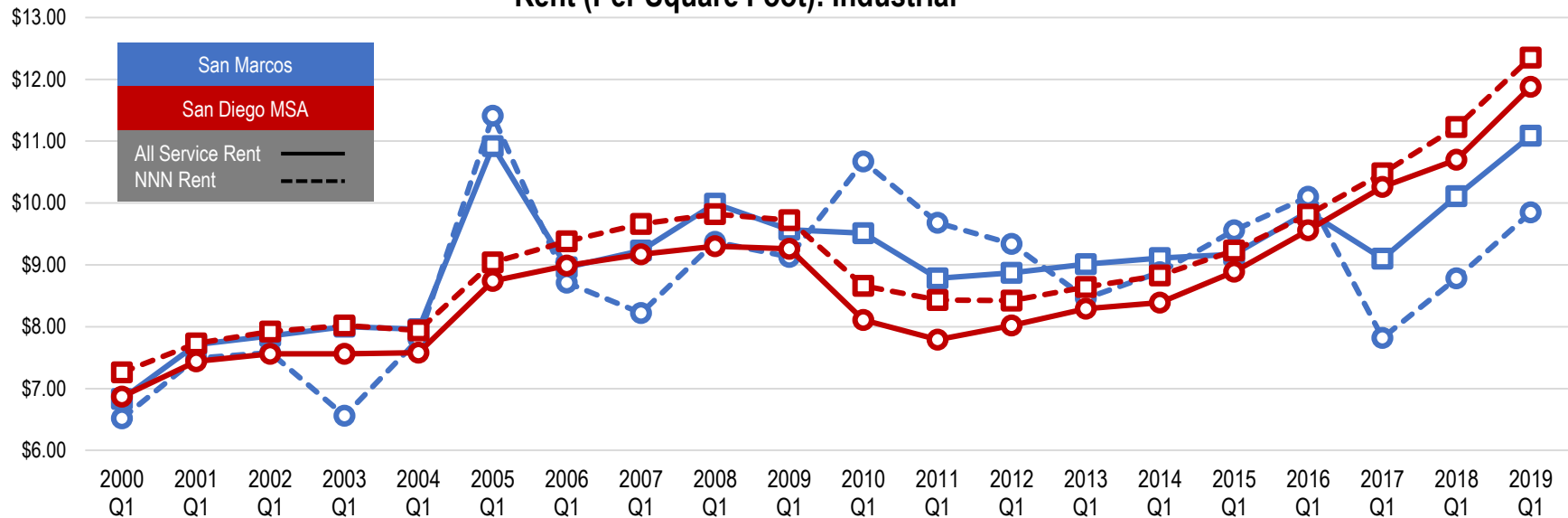
Total Vacancy Percentage: Flex



Vacancy	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
San Diego MSA										
Vacancy %	15.4%	15.5%	15.6%	13.2%	11.4%	10.2%	8.5%	9.3%	7.4%	7.4%
Vacancy (SF)	7,475,856	7,547,371	7,618,097	6,399,644	5,503,365	4,906,343	4,082,866	4,528,064	3,593,222	3,629,618
San Marcos Submarket										
Vacancy %	12.0%	13.9%	12.2%	15.3%	13.8%	12.6%	8.3%	9.6%	5.8%	6.0%
Vacancy (SF)	135,571	157,302	137,882	173,393	156,403	137,637	90,876	104,778	63,113	66,078

The average lease rate (\$/ SF/ Yr.) for industrial buildings in Q1 2019 are up over 9.7% year-over-year in the San Marcos and the San Diego MSA for all service type and triple-net (“NNN”) leases. In Q1 2019, San Marcos annual rents reached \$9.85 (\$0.82 per month) per square foot for NNN leases in the San Marcos industrial market.

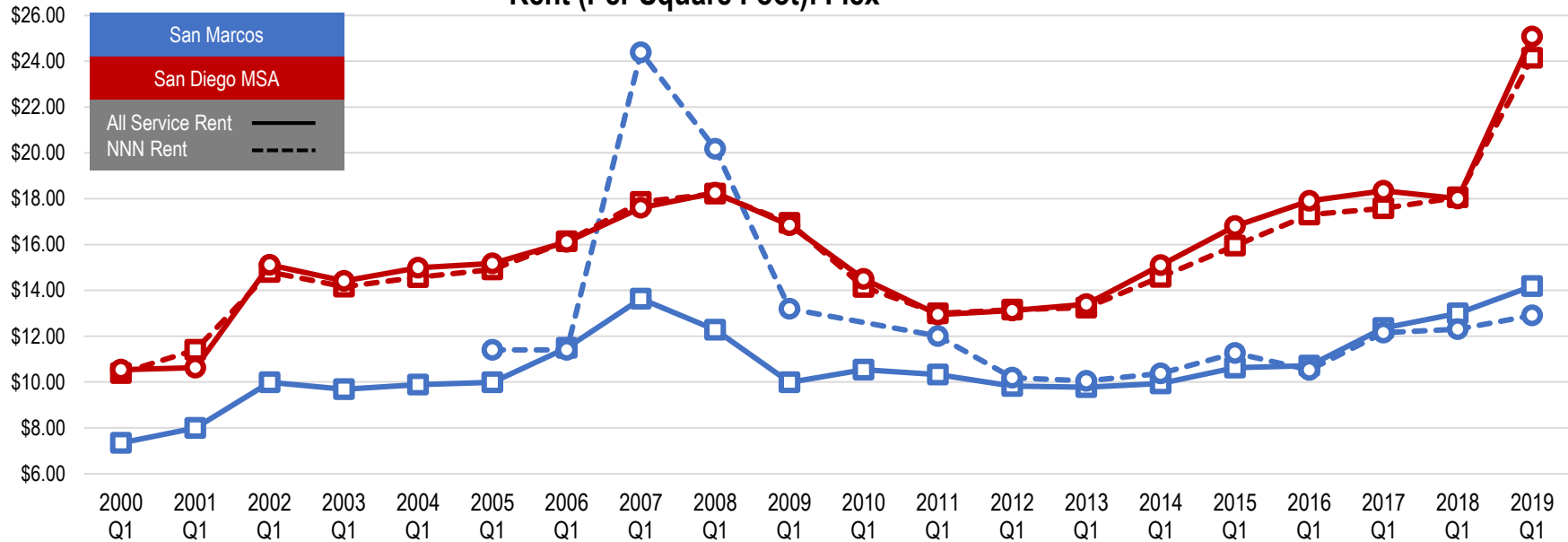
Rent (Per Square Foot): Industrial



Rent	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
San Diego MSA										
All Service Type Overall	\$8.66	\$8.43	\$8.42	\$8.64	\$8.83	\$9.23	\$9.81	\$10.48	\$11.23	\$12.35
All Service Type Change	-10.9%	-2.7%	-0.1%	2.6%	2.2%	4.5%	6.3%	6.8%	7.2%	10.0%
NNN Rent Overall	\$8.11	\$7.79	\$8.02	\$8.29	\$8.39	\$8.89	\$9.56	\$10.26	\$10.70	\$11.88
NNN Rent Change	-12.4%	-3.9%	3.0%	3.4%	1.2%	6.0%	7.5%	7.3%	4.3%	11.0%
San Marcos Submarket										
All Service Type Overall	\$9.51	\$8.78	\$8.87	\$9.01	\$9.11	\$9.17	\$9.86	\$9.10	\$10.11	\$11.09
All Service Type Change	-2.2%	-7.7%	1.0%	1.6%	1.1%	0.7%	7.5%	-7.7%	11.1%	9.7%
NNN Rent Overall	\$10.67	\$9.68	\$9.34	\$8.46	\$8.88	\$9.56	\$10.10	\$7.82	\$8.78	\$9.85
NNN Rent Change	15.2%	-9.3%	-3.5%	-9.4%	5.0%	7.7%	5.6%	-22.6%	12.3%	12.2%

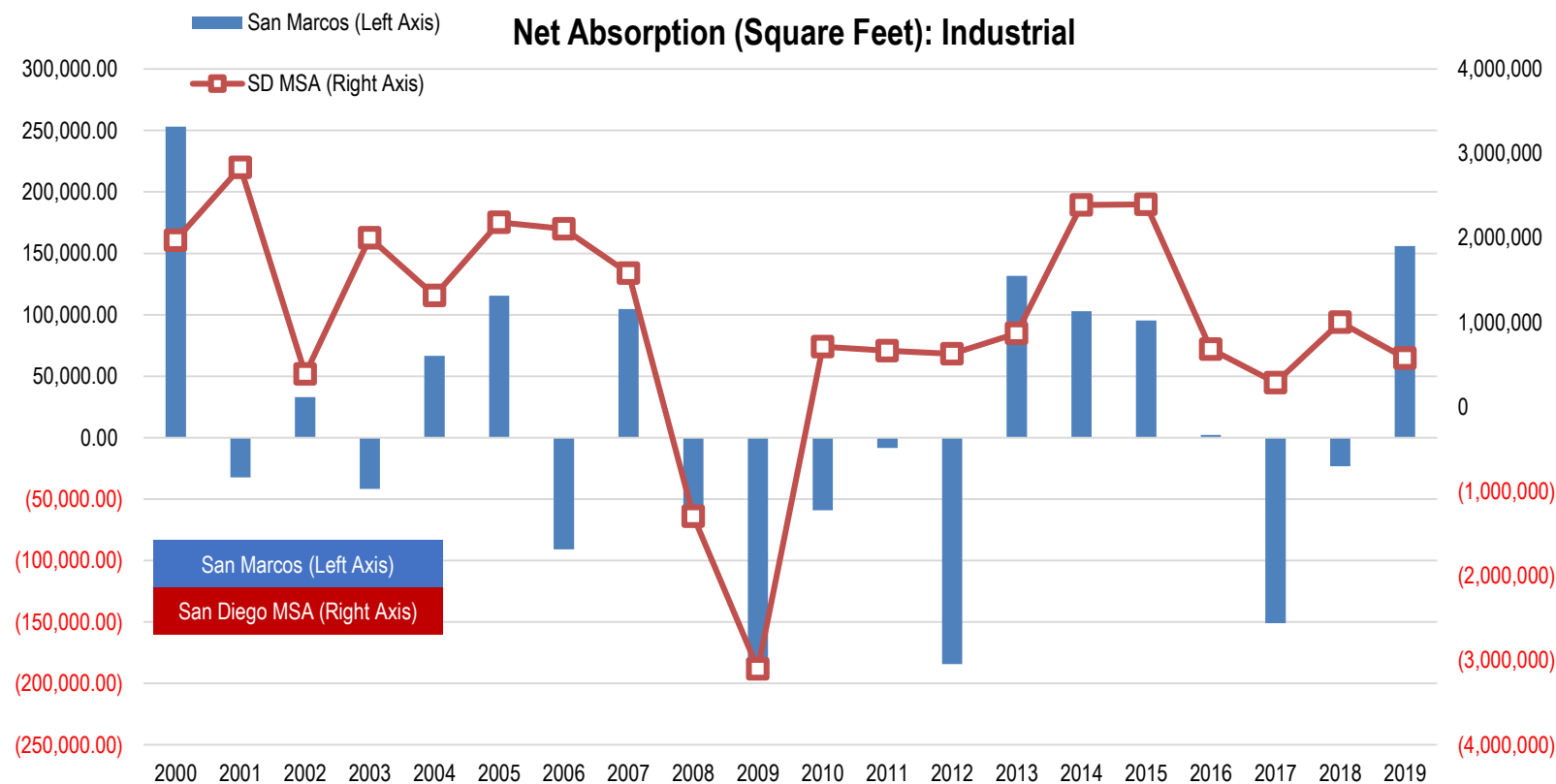
The average lease rate (\$/ SF/ Yr.) for flex buildings in Q1 2019 are up over 9.2% year-over-year in the San Marcos and the San Diego MSA for all service type and triple-net (“NNN”) leases. In Q1 2019, San Marcos annual rents reached \$12.91 (\$1.08 per month) per square foot for NNN leases in the San Marcos industrial market.

Rent (Per Square Foot): Flex



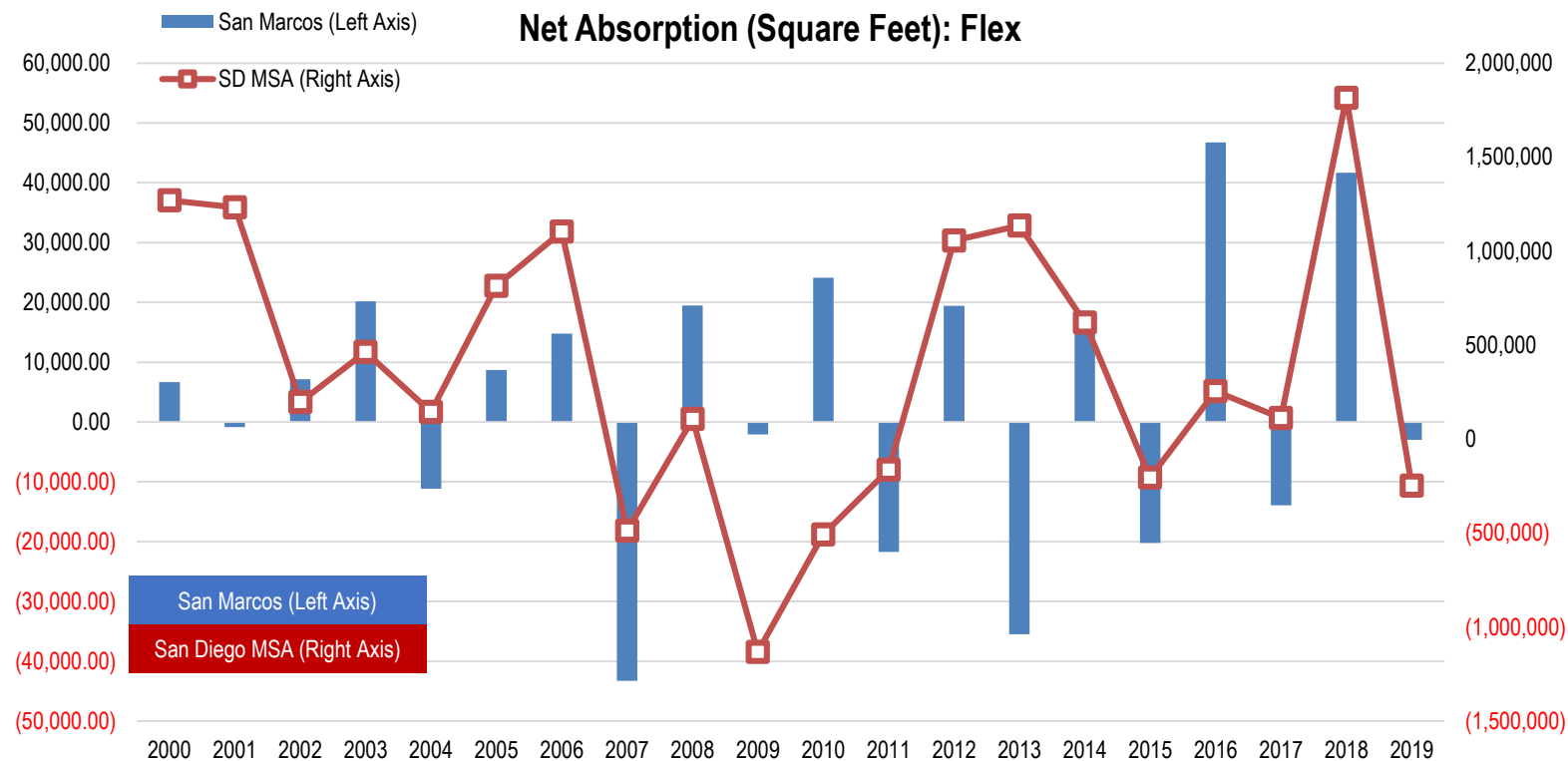
Rent	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
San Diego MSA										
All Service Type Overall	\$14.15	\$12.99	\$13.16	\$13.24	\$14.59	\$15.95	\$17.30	\$17.58	\$18.06	\$24.14
All Service Type Change	-16.5%	-8.2%	1.3%	0.6%	10.2%	9.3%	8.5%	1.6%	2.7%	33.7%
NNN Rent Overall	\$14.50	\$12.94	\$13.12	\$13.39	\$15.10	\$16.80	\$17.91	\$18.34	\$18.00	\$25.07
NNN Rent Change	-13.9%	-10.8%	1.4%	2.1%	12.8%	11.3%	6.6%	2.4%	-1.9%	39.3%
San Marcos Submarket										
All Service Type Overall	\$10.54	\$10.32	\$9.82	\$9.77	\$9.94	\$10.62	\$10.71	\$12.36	\$12.99	\$14.18
All Service Type Change	5.5%	-2.1%	-4.8%	-0.5%	1.7%	6.8%	0.8%	15.4%	5.1%	9.2%
NNN Rent Overall		\$12.00	\$10.19	\$10.05	\$10.37	\$11.27	\$10.53	\$12.15	\$12.30	\$12.91
NNN Rent Change	-	-	-15.1%	-1.4%	3.2%	8.7%	-6.6%	15.4%	1.2%	5.0%

Industrial net absorption for the San Diego MSA averages 647,273 square feet per year, while San Marcos averages a net over-supply of 11,689 square feet.



Net Absorption	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Average
San Diego MSA												
New Absorption (SF)	(3,099,396)	711,567	664,542	630,751	871,752	2,391,543	2,398,675	684,863	287,775	1,001,907	576,026	647,273
San Marcos Submarket												
New Absorption (SF)	(190,637)	(59,147)	(8,414)	(184,214)	131,613	102,817	95,278	2,325	(150,972)	(23,218)	155,989	(11,689)

Net absorption for Flex Industrial space in the San Diego MSA is 248,672 per year, while the San Marcos market has a net absorption of 4,776 square feet.



Net Absorption	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Average
San Diego MSA												
New Absorption (SF)	(1,132,024)	(508,288)	(163,348)	1,056,844	1,136,214	619,975	(205,778)	254,148	111,357	1,814,574	(248,277)	248,672
San Marcos Submarket												
New Absorption (SF)	(2,081)	24,137	(21,731)	19,420	(35,511)	16,990	(20,242)	46,761	(13,902)	41,665	(2,965)	4,776

SUBMARKET OVERVIEW

San Diego Industrial Trends

		Inventory				12 Month Deliveries				Under Construction			
No.	Submarket	Bldgs	SF (000)	% Market	Rank	Bldgs	SF (000)	%	Rank	Bldgs	SF (000)	%	Rank
1	Carlsbad	495	15,613	8.0%	3	9	1,202	7.7%	1	1	37	0.2%	8
2	Central San Diego	112	1,833	0.9%	24	0	0	0%	-	0	-	-	-
3	Chula Vista	405	9,852	5.0%	9	0	0	0%	-	3	163	1.7%	2
4	East City	63	992	0.5%	28	0	0	0%	-	0	-	-	-
5	El Cajon	527	9,890	5.1%	8	0	0	0%	-	2	82	0.8%	6
6	Escondido	713	8,325	4.3%	12	1	212	2.5%	7	0	-	-	-
7	Kearny Mesa	635	15,568	8.0%	4	3	439	2.8%	3	1	24	0.2%	10
8	La Mesa/Spring Valley	349	2,962	1.5%	21	1	1	0%	10	0	-	-	-
9	Mira Mesa/Miramar	807	17,997	9.2%	1	2	52	0.3%	9	1	130	0.7%	4
10	Mission Gorge	135	2,052	1.0%	23	0	0	0%	-	0	-	-	-
11	National City	278	4,155	2.1%	16	0	0	0%	-	0	-	-	-
12	North Beach Cities	62	438	0.2%	30	0	0	0%	-	0	-	-	-
13	Oceanside	439	10,296	5.3%	6	3	278	2.7%	5	0	-	-	-
14	Otay Mesa	343	16,190	8.3%	2	5	591	3.7%	2	0	-	-	-
15	Outlying SD County N	129	1,128	0.6%	27	0	0	0%	-	0	-	-	-
16	Outlying SD County S	96	849	0.4%	29	0	0	0%	-	0	-	-	-
17	PB/Rose Canyon/Morena	172	3,154	1.6%	19	0	0	0%	-	0	-	-	-
18	Poway	238	9,077	4.6%	10	5	362	4.0%	4	9	614	6.8%	1
19	Rancho Bernardo	139	7,782	4.0%	13	0	0	0%	-	0	-	-	-
20	San Marcos	533	9,046	4.6%	11	4	222	2.5%	6	1	9	0.1%	11
21	San Ysidro/Imp Beach	69	1,464	0.7%	25	0	0	0%	-	0	-	-	-
22	Santee	331	4,237	2.2%	15	0	0	0%	-	0	-	-	-
23	Scripps Ranch	56	1,455	0.7%	26	0	0	0%	-	0	-	-	-
24	Sorrento Mesa	230	10,009	5.1%	7	0	0	0%	-	1	28	0.3%	9
25	Sorrento Valley	142	3,261	1.7%	18	0	0	0%	-	0	-	-	-
26	Southeast San Diego	386	4,522	2.3%	14	0	0	0%	-	0	-	-	-
27	Sports Arena/Airport	177	3,045	1.6%	20	0	0	0%	-	0	-	-	-
28	Torrey Pines	51	3,922	2.0%	17	1	152	3.9%	8	1	138	3.5%	3
29	UTC	24	2,370	1.2%	22	0	0	0%	-	1	98	4.1%	5
30	Vista	591	14,160	7.2%	5	0	0	0%	-	2	78	0.5%	7

Appendix

Artis Senior Living Facility, San Marcos, California

THE MERIDIAN AT LAKE SAN MARCOS (IL)

Appendix

The Meridian at Lake San Marcos IL	Pacifica Senior Living	12	389	0	1.0	1	1	IL	\$2,795	-	\$2,795	\$2,795	\$7.19	-	\$7.19	\$7.19	\$0	\$0	\$0	\$2,795	-	\$2,795	\$2,795	\$7.19	-	\$7.19	\$7.19
San Marcos	-	12	654	1	1.0	1	1	IL	\$4,250	-	\$4,250	\$4,250	\$6.50	-	\$6.50	\$6.50	\$0	\$0	\$0	\$4,250	-	\$4,250	\$4,250	\$6.50	-	\$6.50	\$6.50
Product: 0	Total Units: 93	12	807	1	1.0	1	1	IL	\$4,500	-	\$4,500	\$4,500	\$5.58	-	\$5.58	\$5.58	\$0	\$0	\$0	\$4,500	-	\$4,500	\$4,500	\$5.58	-	\$5.58	\$5.58
Building Stories: 3 - Story	Total Leased: 92	12	842	1	1.0	1	1	IL	\$4,695	-	\$4,695	\$4,695	\$5.58	-	\$5.58	\$5.58	\$0	\$0	\$0	\$4,695	-	\$4,695	\$4,695	\$5.58	-	\$5.58	\$5.58
Parking (Included): 1 - Assigned	Currently Occupied: 92	12	902	1	1.0	1	1	IL	\$4,895	-	\$4,895	\$4,895	\$5.43	-	\$5.43	\$5.43	\$0	\$0	\$0	\$4,895	-	\$4,895	\$4,895	\$5.43	-	\$5.43	\$5.43
Year Built: 2013	Leased %: 100.0%	12	980	1	1.0	1	1	IL	\$5,000	-	\$5,000	\$5,000	\$5.10	-	\$5.10	\$5.10	\$0	\$0	\$0	\$5,000	-	\$5,000	\$5,000	\$5.10	-	\$5.10	\$5.10
Lease-Up Rate: 10.0	Occupancy %: 100.0%	7	1,097	2	1.0	1	1	IL	\$5,300	-	\$5,300	\$5,300	\$4.83	-	\$4.83	\$4.83	\$0	\$0	\$0	\$5,300	-	\$5,300	\$5,300	\$4.83	-	\$4.83	\$4.83
Turnover/Month: -	Available Units: 1	7	1,439	2	2.0	1	1	IL	\$6,250	-	\$6,250	\$6,250	\$4.34	-	\$4.34	\$4.34	\$0	\$0	\$0	\$6,250	-	\$6,250	\$6,250	\$4.34	-	\$4.34	\$4.34
	Online Rent Mgmt: Yes	7	1,787	2	2.0	1	1	IL	\$6,900	-	\$6,900	\$6,900	\$3.86	-	\$3.86	\$3.86	\$0	\$0	\$0	\$6,900	-	\$6,900	\$6,900	\$3.86	-	\$3.86	\$3.86
Totals/Averages:		93	916						\$2,795	-	\$6,900	\$4,761	\$3.86	-	\$7.19	\$5.20	\$0	\$0	\$0	\$2,795	-	\$6,900	\$4,761	\$3.86	-	\$7.19	\$5.20



THE MERIDIAN AT LAKE SAN MARCOS (AL)

Appendix

The Meridian at Lake San Marcos AL	Pacifica Senior Living	4	369	0	1.0	1	1	AL	\$3,250	-	\$3,250	\$3,250	\$8.81	-	\$8.81	\$8.81	\$0	\$0	\$0	\$3,250	-	\$3,250	\$3,250	\$8.81	-	\$8.81	\$8.81
San Marcos	-	4	369	0	1.0	1	1	AL	\$3,600	-	\$3,600	\$3,600	\$9.76	-	\$9.76	\$9.76	\$0	\$0	\$0	\$3,600	-	\$3,600	\$3,600	\$9.76	-	\$9.76	\$9.76
Product:	Total Units:	4	369	0	1.0	1	1	AL	\$4,200	-	\$4,200	\$4,200	\$11.38	-	\$11.38	\$11.38	\$0	\$0	\$0	\$4,200	-	\$4,200	\$4,200	\$11.38	-	\$11.38	\$11.38
Building Stories:	Total Leased:	4	369	0	1.0	1	1	AL	\$4,800	-	\$4,800	\$4,800	\$13.01	-	\$13.01	\$13.01	\$0	\$0	\$0	\$4,800	-	\$4,800	\$4,800	\$13.01	-	\$13.01	\$13.01
Parking (Included):	Currently Occupied:	4	369	0	1.0	1	1	AL	\$5,400	-	\$5,400	\$5,400	\$14.63	-	\$14.63	\$14.63	\$0	\$0	\$0	\$5,400	-	\$5,400	\$5,400	\$14.63	-	\$14.63	\$14.63
Year Built:	Leased %:	3	401	0	1.0	1	1	AL	\$3,450	-	\$3,450	\$3,450	\$8.60	-	\$8.60	\$8.60	\$0	\$0	\$0	\$3,450	-	\$3,450	\$3,450	\$8.60	-	\$8.60	\$8.60
Lease-Up Rate:	Occupancy %:	3	401	0	1.0	1	1	AL	\$3,800	-	\$3,800	\$3,800	\$9.48	-	\$9.48	\$9.48	\$0	\$0	\$0	\$3,800	-	\$3,800	\$3,800	\$9.48	-	\$9.48	\$9.48
Turnover/Month:	Available Units:	3	401	0	1.0	1	1	AL	\$4,400	-	\$4,400	\$4,400	\$10.97	-	\$10.97	\$10.97	\$0	\$0	\$0	\$4,400	-	\$4,400	\$4,400	\$10.97	-	\$10.97	\$10.97
	Online Rent Mgmt: Yes	3	401	0	1.0	1	1	AL	\$5,000	-	\$5,000	\$5,000	\$12.47	-	\$12.47	\$12.47	\$0	\$0	\$0	\$5,000	-	\$5,000	\$5,000	\$12.47	-	\$12.47	\$12.47
		3	401	0	1.0	1	1	AL	\$5,600	-	\$5,600	\$5,600	\$13.97	-	\$13.97	\$13.97	\$0	\$0	\$0	\$5,600	-	\$5,600	\$5,600	\$13.97	-	\$13.97	\$13.97
		3	515	1	1.0	1	1	AL	\$4,150	-	\$4,150	\$4,150	\$8.06	-	\$8.06	\$8.06	\$0	\$0	\$0	\$4,150	-	\$4,150	\$4,150	\$8.06	-	\$8.06	\$8.06
		3	515	1	1.0	1	1	AL	\$4,500	-	\$4,500	\$4,500	\$8.74	-	\$8.74	\$8.74	\$0	\$0	\$0	\$4,500	-	\$4,500	\$4,500	\$8.74	-	\$8.74	\$8.74
		3	515	1	1.0	1	1	AL	\$5,100	-	\$5,100	\$5,100	\$9.90	-	\$9.90	\$9.90	\$0	\$0	\$0	\$5,100	-	\$5,100	\$5,100	\$9.90	-	\$9.90	\$9.90
		3	515	1	1.0	1	1	AL	\$5,700	-	\$5,700	\$5,700	\$11.07	-	\$11.07	\$11.07	\$0	\$0	\$0	\$5,700	-	\$5,700	\$5,700	\$11.07	-	\$11.07	\$11.07
		3	515	1	1.0	1	1	AL	\$6,300	-	\$6,300	\$6,300	\$12.23	-	\$12.23	\$12.23	\$0	\$0	\$0	\$6,300	-	\$6,300	\$6,300	\$12.23	-	\$12.23	\$12.23
		2	678	1	1.0	1	1	AL	\$4,745	-	\$4,745	\$4,745	\$7.00	-	\$7.00	\$7.00	\$0	\$0	\$0	\$4,745	-	\$4,745	\$4,745	\$7.00	-	\$7.00	\$7.00
		2	678	1	1.0	1	1	AL	\$5,095	-	\$5,095	\$5,095	\$7.51	-	\$7.51	\$7.51	\$0	\$0	\$0	\$5,095	-	\$5,095	\$5,095	\$7.51	-	\$7.51	\$7.51
		2	678	1	1.0	1	1	AL	\$5,695	-	\$5,695	\$5,695	\$8.40	-	\$8.40	\$8.40	\$0	\$0	\$0	\$5,695	-	\$5,695	\$5,695	\$8.40	-	\$8.40	\$8.40
		2	678	1	1.0	1	1	AL	\$6,295	-	\$6,295	\$6,295	\$9.28	-	\$9.28	\$9.28	\$0	\$0	\$0	\$6,295	-	\$6,295	\$6,295	\$9.28	-	\$9.28	\$9.28
		2	678	1	1.0	1	1	AL	\$6,895	-	\$6,895	\$6,895	\$10.17	-	\$10.17	\$10.17	\$0	\$0	\$0	\$6,895	-	\$6,895	\$6,895	\$10.17	-	\$10.17	\$10.17
		4	821	1	1.0	1	1	AL	\$5,200	-	\$5,200	\$5,200	\$6.33	-	\$6.33	\$6.33	\$0	\$0	\$0	\$5,200	-	\$5,200	\$5,200	\$6.33	-	\$6.33	\$6.33
		4	821	1	1.0	1	1	AL	\$5,550	-	\$5,550	\$5,550	\$6.76	-	\$6.76	\$6.76	\$0	\$0	\$0	\$5,550	-	\$5,550	\$5,550	\$6.76	-	\$6.76	\$6.76
		4	821	1	1.0	1	1	AL	\$6,150	-	\$6,150	\$6,150	\$7.49	-	\$7.49	\$7.49	\$0	\$0	\$0	\$6,150	-	\$6,150	\$6,150	\$7.49	-	\$7.49	\$7.49
		4	821	1	1.0	1	1	AL	\$6,750	-	\$6,750	\$6,750	\$8.22	-	\$8.22	\$8.22	\$0	\$0	\$0	\$6,750	-	\$6,750	\$6,750	\$8.22	-	\$8.22	\$8.22
		4	821	1	1.0	1	1	AL	\$7,350	-	\$7,350	\$7,350	\$8.95	-	\$8.95	\$8.95	\$0	\$0	\$0	\$7,350	-	\$7,350	\$7,350	\$8.95	-	\$8.95	\$8.95
		4	893	1	1.0	1	1	AL	\$5,400	-	\$5,400	\$5,400	\$6.05	-	\$6.05	\$6.05	\$0	\$0	\$0	\$5,400	-	\$5,400	\$5,400	\$6.05	-	\$6.05	\$6.05
		4	893	1	1.0	1	1	AL	\$5,750	-	\$5,750	\$5,750	\$6.44	-	\$6.44	\$6.44	\$0	\$0	\$0	\$5,750	-	\$5,750	\$5,750	\$6.44	-	\$6.44	\$6.44
		4	893	1	1.0	1	1	AL	\$6,350	-	\$6,350	\$6,350	\$7.11	-	\$7.11	\$7.11	\$0	\$0	\$0	\$6,350	-	\$6,350	\$6,350	\$7.11	-	\$7.11	\$7.11
		4	893	1	1.0	1	1	AL	\$6,950	-	\$6,950	\$6,950	\$7.78	-	\$7.78	\$7.78	\$0	\$0	\$0	\$6,950	-	\$6,950	\$6,950	\$7.78	-	\$7.78	\$7.78
		4	893	1	1.0	1	1	AL	\$7,550	-	\$7,550	\$7,550	\$8.45	-	\$8.45	\$8.45	\$0	\$0	\$0	\$7,550	-	\$7,550	\$7,550	\$8.45	-	\$8.45	\$8.45
		2	979	1	1.0	1	1	AL	\$5,550	-	\$5,550	\$5,550	\$5.67	-	\$5.67	\$5.67	\$0	\$0	\$0	\$5,550	-	\$5,550	\$5,550	\$5.67	-	\$5.67	\$5.67
		2	979	1	1.0	1	1	AL	\$6,500	-	\$6,500	\$6,500	\$6.64	-	\$6.64	\$6.64	\$0	\$0	\$0	\$6,500	-	\$6,500	\$6,500	\$6.64	-	\$6.64	\$6.64
		2	979	1	1.0	1	1	AL	\$7,700	-	\$7,700	\$7,700	\$7.87	-	\$7.87	\$7.87	\$0	\$0	\$0	\$7,700	-	\$7,700	\$7,700	\$7.87	-	\$7.87	\$7.87
		2	1,190	2	2.0	1	1	AL	\$6,800	-	\$6,800	\$6,800	\$5.71	-	\$5.71	\$5.71	\$0	\$0	\$0	\$6,800	-	\$6,800	\$6,800	\$5.71	-	\$5.71	\$5.71
		1	1,190	2	2.0	1	1	AL	\$8,000	-	\$8,000	\$8,000	\$6.72	-	\$6.72	\$6.72	\$0	\$0	\$0	\$8,000	-	\$8,000	\$8,000	\$6.72	-	\$6.72	\$6.72
Totals/Averages:		109	657						\$3,250	-	\$8,000	\$5,500	\$5.67	-	\$14.63	\$8.37	\$0	\$0	\$0	\$3,250	-	\$8,000	\$5,500	\$5.67	-	\$14.63	\$8.37



THE MERIDIAN AT LAKE SAN MARCOS (MC)

Appendix

The Meridian at Lake San Marcos MC	Pacifica Senior Living	1	180	0	0.5	1	1	MC	\$3,700	-	\$3,700	\$3,700	\$20.56	-	\$20.56	\$20.56	\$0	\$0	\$0	\$3,700	-	\$3,700	\$3,700	\$20.56	-	\$20.56	\$20.56
San Marcos	-	1	180	0	0.5	1	1	MC	\$4,200	-	\$4,200	\$4,200	\$23.33	-	\$23.33	\$23.33	\$0	\$0	\$0	\$4,200	-	\$4,200	\$4,200	\$23.33	-	\$23.33	\$23.33
Product: -	Total Units: 31	1	180	0	0.5	1	1	MC	\$4,700	-	\$4,700	\$4,700	\$26.11	-	\$26.11	\$26.11	\$0	\$0	\$0	\$4,700	-	\$4,700	\$4,700	\$26.11	-	\$26.11	\$26.11
Building Stories: 3 - Story	Total Leased: 30	1	180	0	0.5	1	1	MC	\$5,200	-	\$5,200	\$5,200	\$28.89	-	\$28.89	\$28.89	\$0	\$0	\$0	\$5,200	-	\$5,200	\$5,200	\$28.89	-	\$28.89	\$28.89
Parking (Included): 1 - Assigned	Currently Occupied: 30	1	230	0	0.5	1	1	MC	\$4,600	-	\$4,600	\$4,600	\$20.00	-	\$20.00	\$20.00	\$0	\$0	\$0	\$4,600	-	\$4,600	\$4,600	\$20.00	-	\$20.00	\$20.00
Year Built: 2013	Leased %: 100.0%	1	230	0	0.5	1	1	MC	\$5,100	-	\$5,100	\$5,100	\$22.17	-	\$22.17	\$22.17	\$0	\$0	\$0	\$5,100	-	\$5,100	\$5,100	\$22.17	-	\$22.17	\$22.17
Lease-Up Rate: 8.0	Occupancy %: 100.0%	1	230	0	0.5	1	1	MC	\$5,600	-	\$5,600	\$5,600	\$24.35	-	\$24.35	\$24.35	\$0	\$0	\$0	\$5,600	-	\$5,600	\$5,600	\$24.35	-	\$24.35	\$24.35
Turnover/Month: -	Available Units: 1	1	230	0	0.5	1	1	MC	\$6,100	-	\$6,100	\$6,100	\$26.52	-	\$26.52	\$26.52	\$0	\$0	\$0	\$6,100	-	\$6,100	\$6,100	\$26.52	-	\$26.52	\$26.52
	Online Rent Mgmt: Yes	1	240	0	0.5	1	1	MC	\$4,800	-	\$4,800	\$4,800	\$20.00	-	\$20.00	\$20.00	\$0	\$0	\$0	\$4,800	-	\$4,800	\$4,800	\$20.00	-	\$20.00	\$20.00
		1	240	0	0.5	1	1	MC	\$5,300	-	\$5,300	\$5,300	\$22.08	-	\$22.08	\$22.08	\$0	\$0	\$0	\$5,300	-	\$5,300	\$5,300	\$22.08	-	\$22.08	\$22.08
		1	240	0	0.5	1	1	MC	\$5,800	-	\$5,800	\$5,800	\$24.17	-	\$24.17	\$24.17	\$0	\$0	\$0	\$5,800	-	\$5,800	\$5,800	\$24.17	-	\$24.17	\$24.17
		1	240	0	0.5	1	1	MC	\$6,300	-	\$6,300	\$6,300	\$26.25	-	\$26.25	\$26.25	\$0	\$0	\$0	\$6,300	-	\$6,300	\$6,300	\$26.25	-	\$26.25	\$26.25
		1	275	0	1.0	1	1	MC	\$5,400	-	\$5,400	\$5,400	\$19.64	-	\$19.64	\$19.64	\$0	\$0	\$0	\$5,400	-	\$5,400	\$5,400	\$19.64	-	\$19.64	\$19.64
		1	275	0	1.0	1	1	MC	\$5,900	-	\$5,900	\$5,900	\$21.45	-	\$21.45	\$21.45	\$0	\$0	\$0	\$5,900	-	\$5,900	\$5,900	\$21.45	-	\$21.45	\$21.45
		1	275	0	1.0	1	1	MC	\$6,400	-	\$6,400	\$6,400	\$23.27	-	\$23.27	\$23.27	\$0	\$0	\$0	\$6,400	-	\$6,400	\$6,400	\$23.27	-	\$23.27	\$23.27
		1	275	0	1.0	1	1	MC	\$6,900	-	\$6,900	\$6,900	\$25.09	-	\$25.09	\$25.09	\$0	\$0	\$0	\$6,900	-	\$6,900	\$6,900	\$25.09	-	\$25.09	\$25.09
		3	285	0	1.0	1	1	MC	\$5,600	-	\$5,600	\$5,600	\$19.65	-	\$19.65	\$19.65	\$0	\$0	\$0	\$5,600	-	\$5,600	\$5,600	\$19.65	-	\$19.65	\$19.65
		3	285	0	1.0	1	1	MC	\$6,100	-	\$6,100	\$6,100	\$21.40	-	\$21.40	\$21.40	\$0	\$0	\$0	\$6,100	-	\$6,100	\$6,100	\$21.40	-	\$21.40	\$21.40
		3	285	0	1.0	1	1	MC	\$6,600	-	\$6,600	\$6,600	\$23.16	-	\$23.16	\$23.16	\$0	\$0	\$0	\$6,600	-	\$6,600	\$6,600	\$23.16	-	\$23.16	\$23.16
		2	285	0	1.0	1	1	MC	\$7,100	-	\$7,100	\$7,100	\$24.91	-	\$24.91	\$24.91	\$0	\$0	\$0	\$7,100	-	\$7,100	\$7,100	\$24.91	-	\$24.91	\$24.91
		1	300	0	1.0	1	1	MC	\$5,900	-	\$5,900	\$5,900	\$19.67	-	\$19.67	\$19.67	\$0	\$0	\$0	\$5,900	-	\$5,900	\$5,900	\$19.67	-	\$19.67	\$19.67
		1	300	0	1.0	1	1	MC	\$6,400	-	\$6,400	\$6,400	\$21.33	-	\$21.33	\$21.33	\$0	\$0	\$0	\$6,400	-	\$6,400	\$6,400	\$21.33	-	\$21.33	\$21.33
		1	300	0	1.0	1	1	MC	\$6,900	-	\$6,900	\$6,900	\$23.00	-	\$23.00	\$23.00	\$0	\$0	\$0	\$6,900	-	\$6,900	\$6,900	\$23.00	-	\$23.00	\$23.00
		1	300	0	1.0	1	1	MC	\$7,400	-	\$7,400	\$7,400	\$24.67	-	\$24.67	\$24.67	\$0	\$0	\$0	\$7,400	-	\$7,400	\$7,400	\$24.67	-	\$24.67	\$24.67
Totals/Averages:		31	259						\$3,700	-	\$7,400	\$5,861	\$19.64	-	\$28.89	\$22.61	\$0	\$0	\$0	\$3,700	-	\$7,400	\$5,861	\$19.64	-	\$28.89	\$22.61



ACTIVCARE AT BRESSI RANCH (MC)

Appendix

ActivCare at Bressi Ranch MC	ActivCare Living	2	150	0	1.0	1	1	MC	\$4,465	-	\$4,465	\$4,465	\$29.77	-	\$29.77	\$29.77	\$0	\$0	\$0	\$4,465	-	\$4,465	\$4,465	\$29.77	-	\$29.77	\$29.77
Carlsbad	-	5	150	0	0.5	1	1	MC	\$6,065	-	\$6,065	\$6,065	\$40.43	-	\$40.43	\$40.43	\$0	\$0	\$0	\$6,065	-	\$6,065	\$6,065	\$40.43	-	\$40.43	\$40.43
Product: -	Total Units: 80	5	150	0	0.5	1	1	MC	\$7,115	-	\$7,115	\$7,115	\$47.43	-	\$47.43	\$47.43	\$0	\$0	\$0	\$7,115	-	\$7,115	\$7,115	\$47.43	-	\$47.43	\$47.43
Building Stories: 2 - Story	Total Leased: 70	2	180	0	1.0	1	1	MC	\$4,865	-	\$4,865	\$4,865	\$27.03	-	\$27.03	\$27.03	\$0	\$0	\$0	\$4,865	-	\$4,865	\$4,865	\$27.03	-	\$27.03	\$27.03
Parking (Included): 1 - Assigned	Currently Occupied: 70	8	180	0	1.0	1	1	MC	\$6,465	-	\$6,465	\$6,465	\$35.92	-	\$35.92	\$35.92	\$0	\$0	\$0	\$6,465	-	\$6,465	\$6,465	\$35.92	-	\$35.92	\$35.92
Year Built: 2011	Leased %: 88.8%	8	180	0	1.0	1	1	MC	\$7,465	-	\$7,465	\$7,465	\$41.47	-	\$41.47	\$41.47	\$0	\$0	\$0	\$7,465	-	\$7,465	\$7,465	\$41.47	-	\$41.47	\$41.47
Lease-Up Rate: 7.0	Occupancy %: 88.8%	9	215	0	1.0	1	1	MC	\$4,965	-	\$4,965	\$4,965	\$23.09	-	\$23.09	\$23.09	\$0	\$0	\$0	\$4,965	-	\$4,965	\$4,965	\$23.09	-	\$23.09	\$23.09
Turnover/Month: -	Available Units: 10	8	215	0	1.0	1	1	MC	\$6,565	-	\$6,565	\$6,565	\$30.53	-	\$30.53	\$30.53	\$0	\$0	\$0	\$6,565	-	\$6,565	\$6,565	\$30.53	-	\$30.53	\$30.53
	Online Rent Mgmt: Yes	8	215	0	1.0	1	1	MC	\$8,065	-	\$8,065	\$8,065	\$37.51	-	\$37.51	\$37.51	\$0	\$0	\$0	\$8,065	-	\$8,065	\$8,065	\$37.51	-	\$37.51	\$37.51
Totals/Averages:		80	211						\$4,465	-	\$8,365	\$6,587	\$20.25	-	\$47.43	\$31.15	\$0	\$0	\$0	\$4,465	-	\$8,365	\$6,587	\$20.25	-	\$47.43	\$31.15



SUNRISE AT LA COSTA (AL)

Appendix

Sunrise at La Costa AL	Sunrise Senior Living	5	174	1	0.5	1	1	AL	\$3,180	-	\$3,180	\$3,180	\$18.28	-	\$18.28	\$18.28	\$16	\$0	\$16	\$3,196	-	\$3,196	\$3,196	\$18.37	-	\$18.37	\$18.37
Carlsbad	-	5	174	1	0.5	1	1	AL	\$3,840	-	\$3,840	\$3,840	\$22.07	-	\$22.07	\$22.07	\$16	\$0	\$16	\$3,856	-	\$3,856	\$3,856	\$22.16	-	\$22.16	\$22.16
Product: -	Total Units: 70	5	174	1	0.5	1	1	AL	\$4,770	-	\$4,770	\$4,770	\$27.41	-	\$27.41	\$27.41	\$16	\$0	\$16	\$4,786	-	\$4,786	\$4,786	\$27.51	-	\$27.51	\$27.51
Building Stories: 2-3	Total Leased: 66	5	174	1	0.5	1	1	AL	\$5,700	-	\$5,700	\$5,700	\$32.76	-	\$32.76	\$32.76	\$16	\$0	\$16	\$5,716	-	\$5,716	\$5,716	\$32.85	-	\$32.85	\$32.85
Parking (Included): -	Currently Occupied: 66	5	231	1	1.0	1	1	AL	\$4,590	-	\$4,590	\$4,590	\$19.87	-	\$19.87	\$19.87	\$16	\$0	\$16	\$4,606	-	\$4,606	\$4,606	\$19.94	-	\$19.94	\$19.94
Year Built: 1999	Leased %: 95.0%	5	231	1	1.0	1	1	AL	\$5,250	-	\$5,250	\$5,250	\$22.73	-	\$22.73	\$22.73	\$16	\$0	\$16	\$5,266	-	\$5,266	\$5,266	\$22.80	-	\$22.80	\$22.80
Lease-Up Rate: 8.0	Occupancy %: 95.0%	5	231	1	1.0	1	1	AL	\$6,180	-	\$6,180	\$6,180	\$26.75	-	\$26.75	\$26.75	\$16	\$0	\$16	\$6,196	-	\$6,196	\$6,196	\$26.82	-	\$26.82	\$26.82
Turnover/Month: -	Available Units: 5	5	231	1	1.0	1	1	AL	\$7,110	-	\$7,110	\$7,110	\$30.78	-	\$30.78	\$30.78	\$16	\$0	\$16	\$7,126	-	\$7,126	\$7,126	\$30.85	-	\$30.85	\$30.85
	Online Rent Mgmt: Yes	5	350	1	1.0	1	1	AL	\$4,980	-	\$4,980	\$4,980	\$14.23	-	\$14.23	\$14.23	\$16	\$0	\$16	\$4,996	-	\$4,996	\$4,996	\$14.27	-	\$14.27	\$14.27
		5	350	1	1.0	1	1	AL	\$5,640	-	\$5,640	\$5,640	\$16.11	-	\$16.11	\$16.11	\$16	\$0	\$16	\$5,656	-	\$5,656	\$5,656	\$16.16	-	\$16.16	\$16.16
		5	350	1	1.0	1	1	AL	\$6,570	-	\$6,570	\$6,570	\$18.77	-	\$18.77	\$18.77	\$16	\$0	\$16	\$6,586	-	\$6,586	\$6,586	\$18.82	-	\$18.82	\$18.82
		5	350	1	1.0	1	1	AL	\$7,500	-	\$7,500	\$7,500	\$21.43	-	\$21.43	\$21.43	\$16	\$0	\$16	\$7,516	-	\$7,516	\$7,516	\$21.47	-	\$21.47	\$21.47
		3	441	2	1.0	1	1	AL	\$5,850	-	\$5,850	\$5,850	\$13.27	-	\$13.27	\$13.27	\$16	\$0	\$16	\$5,866	-	\$5,866	\$5,866	\$13.30	-	\$13.30	\$13.30
		3	441	2	1.0	1	1	AL	\$6,510	-	\$6,510	\$6,510	\$14.76	-	\$14.76	\$14.76	\$16	\$0	\$16	\$6,526	-	\$6,526	\$6,526	\$14.80	-	\$14.80	\$14.80
		2	441	2	1.0	1	1	AL	\$7,440	-	\$7,440	\$7,440	\$16.87	-	\$16.87	\$16.87	\$16	\$0	\$16	\$7,456	-	\$7,456	\$7,456	\$16.91	-	\$16.91	\$16.91
		2	441	2	1.0	1	1	AL	\$8,370	-	\$8,370	\$8,370	\$18.98	-	\$18.98	\$18.98	\$16	\$0	\$16	\$8,386	-	\$8,386	\$8,386	\$19.02	-	\$19.02	\$19.02
Totals/Averages:		70	279						\$3,180	-	\$8,370	\$5,646	\$13.27	-	\$32.76	\$20.26	\$16	\$0	\$16	\$3,196	-	\$8,386	\$5,662	\$13.30	-	\$32.85	\$20.32



SUNRISE AT LA COSTA (AL)

Appendix

Sunrise at La Costa MC Carlsbad	Sunrise Senior Living	4	174	1	0.5	1	1	MC	\$6,210	-	\$6,210	\$6,210	\$35.69	-	\$35.69	\$35.69	\$16	\$0	\$16	\$6,226	-	\$6,226	\$6,226	\$35.78	-	\$35.78	\$35.78	
	-	4	174	1	0.5	1	1	MC	\$7,140	-	\$7,140	\$7,140	\$41.03	-	\$41.03	\$41.03	\$16	\$0	\$16	\$7,156	-	\$7,156	\$7,156	\$41.12	-	\$41.12	\$41.12	
	Product: -	Total Units: 28	4	174	1	0.5	1	1	MC	\$8,070	-	\$8,070	\$8,070	\$46.38	-	\$46.38	\$46.38	\$16	\$0	\$16	\$8,086	-	\$8,086	\$8,086	\$46.47	-	\$46.47	\$46.47
	Building Stories: 2-3	Total Leased: 24	4	174	1	0.5	1	1	MC	\$8,670	-	\$8,670	\$8,670	\$49.83	-	\$49.83	\$49.83	\$16	\$0	\$16	\$8,686	-	\$8,686	\$8,686	\$49.92	-	\$49.92	\$49.92
	Parking (Included): -	Currently Occupied: 24	3	231	1	1.0	1	1	MC	\$7,890	-	\$7,890	\$7,890	\$34.16	-	\$34.16	\$34.16	\$16	\$0	\$16	\$7,906	-	\$7,906	\$7,906	\$34.22	-	\$34.22	\$34.22
	Year Built: 1999	Leased %: 90.0%	3	231	1	1.0	1	1	MC	\$8,820	-	\$8,820	\$8,820	\$38.18	-	\$38.18	\$38.18	\$16	\$0	\$16	\$8,836	-	\$8,836	\$8,836	\$38.25	-	\$38.25	\$38.25
	Lease-Up Rate: 9.0	Occupancy %: 90.0%	3	231	1	1.0	1	1	MC	\$9,750	-	\$9,750	\$9,750	\$42.21	-	\$42.21	\$42.21	\$16	\$0	\$16	\$9,766	-	\$9,766	\$9,766	\$42.28	-	\$42.28	\$42.28
	Turnover/Month: -	Available Units: 4	3	231	1	1.0	1	1	MC	\$10,350	-	\$10,350	\$10,350	\$44.81	-	\$44.81	\$44.81	\$16	\$0	\$16	\$10,366	-	\$10,366	\$10,366	\$44.87	-	\$44.87	\$44.87
		Online Rent Mgmt: Yes																										
Totals/Averages:		28	198						\$6,210	-	\$10,350	\$8,243	\$34.16	-	\$49.83	\$41.54	\$16	\$0	\$16	\$6,226	-	\$10,366	\$8,258	\$34.22	-	\$49.92	\$41.62	

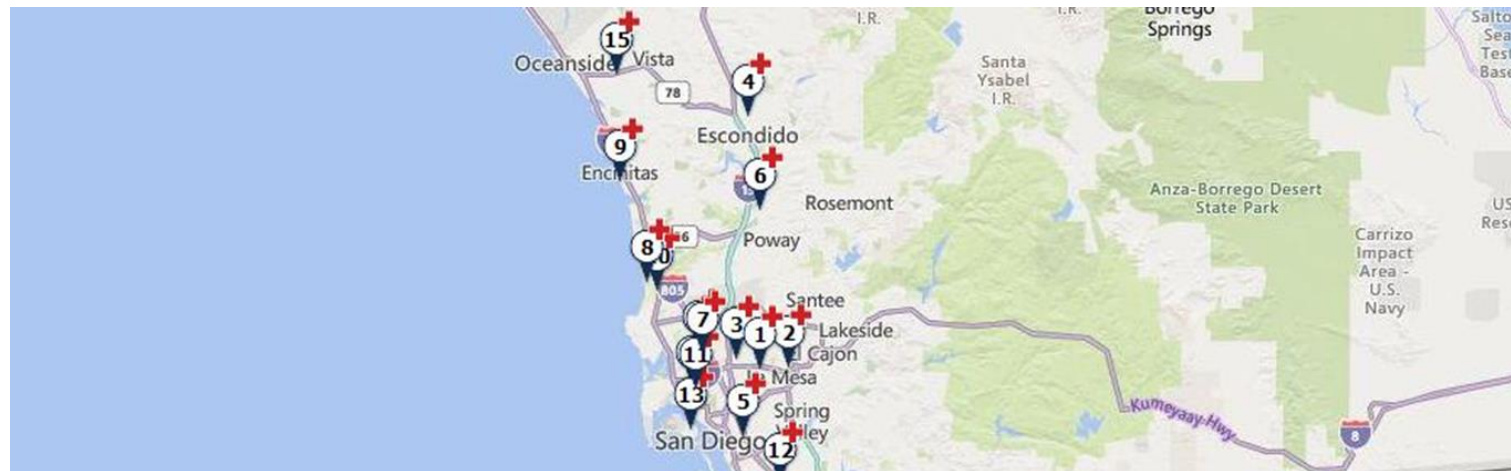


There are 16 hospitals within San Diego County and six hospitals located less than 20 miles from the Subject shown on the map below. Scripps

Memorial Hospital – Encinitas is the closest hospital to the Subject, and will serve as the primary care facility for residents in the Subject area.

Hospitals | Property Advisor Report

Map Pin No.	Hospital Name	Distance From The Subject	Address	City	ZIP	Ownership Type	Emergency Services
1	Alvarado Hospital Medical Center	33.4	6655 Alvarado Road	San Diego	92120	Proprietary	Yes
2	Grossmont Hospital	36.9	5555 Grossmont Center Drive	La Mesa	91942	Government - Hospital District or Authority	Yes
3	Kaiser Foundation Hospital - Zion	31.3	4647 Zion Ave	San Diego	92120	Voluntary non-profit - Private	Yes
4	Palomar Health Downtown Campus	11.3	555 East Valley Parkway	Escondido	92025	Government - Hospital District or Authority	Yes
5	Paradise Valley Hospital	36.2	2400 East 4th St	National City	91950	Proprietary	Yes
6	Pomerado Hospital	19.4	15615 Pomerado Road	Poway	92064	Government - Hospital District or Authority	Yes
7	Rady Children's Hospital - San Diego	28.0	3020 Childrens Way	San Diego	92123	Voluntary non-profit - Other	No
8	Scripps Green Hospital	18.5	10666 North Torrey Pines Road	La Jolla	92037	Voluntary non-profit - Other	No
9	Scripps Memorial Hospital - Encinitas	8.0	354 Santa Fe Drive	Encinitas	92024	Voluntary non-profit - Private	Yes
10	Scripps Memorial Hospital La Jolla	18.1	9888 Genesee Avenue	La Jolla	92037	Physician	Yes
11	Scripps Mercy Hospital	30.2	4077 5th Ave	San Diego	92103	Voluntary non-profit - Private	Yes
12	Sharp Chula Vista Medical Center	42.2	751 Medical Center Court	Chula Vista	91911	Proprietary	Yes
13	Sharp Coronado Hospital and Hlthcr Ctr	36.1	250 Prospect Place	Coronado	92118	Proprietary	Yes
14	Sharp Memorial Hospital	27.9	7901 Frost St	San Diego	92123	Voluntary non-profit - Private	Yes
15	Tri-City Medical Center	9.7	4002 Vista Way	Oceanside	92056	Government - Hospital District or Authority	Yes
16	UC San Diego Health Hillcrest	30.7	200 West Arbor Drive	San Diego	92103	Voluntary non-profit - Other	Yes



Assisted living (AL) units	The part or section of a property that provides supportive care from trained employees to residents who are unable to live independently and require assistance with ADLs. Assisted living residences, not including memory care, typically have state licensure requirements for the delivery of assisted living services.
Campus Type	The arrangement of the units and/or buildings of the property.
Care Segment Type	Levels of care and services provided by the property. This can also be referred to as care segment. One unit of independent living, assisted living or memory care is equivalent to one nursing care bed.
CCRCs / LPCs	Continuing care retirement communities (CCRCs) / life plan communities (LPCs): Age-restricted properties that offer at least independent living and nursing care, and may include a full continuum of care including assisted living, memory care, and other supportive services to residents all on one campus.
Combined campus	Properties offering at least two types of service, except where independent living and nursing care are jointly offered.
Construction vs. Inventory (%)	The number of units under construction divided by the inventory currently in the market.
Contract type	Within entrance fee communities, a legal agreement between a resident and a property outlining a payment structure for future care delivery.
Entrance fee	A type of seniors housing community that charges the resident a lump-sum amount of money at the beginning of the stay for the right to occupy the residence. This type of community generally charges an additional monthly fee.
Freestanding	A property offering only a single care segment (e.g., exclusively independent living)
Independent living (IL) units	The part or section of a property that provides independent living services. As part of the monthly fee, access to meals and other services, such as housekeeping, transportation, and social and recreational activities, is provided to residents. Independent living does not provide assistance with ADLs or skilled nursing services.
Inventory (units/beds)	The number of independent living units, assisted living units, memory care units, and nursing care beds that are operational and available for residence. One unit of independent living, assisted living, or memory care is equivalent to one nursing care bed.
Majority assisted living (AL)	Properties where assisted living units and/or memory care units comprised the largest share of inventory. Residents receive assistance with activities of daily living (ADLs). Twenty-four hour protective oversight is provided, but twenty-four hour medical care is not. The majority assisted living properties included in NIC MAP are only market-rate properties where 80 percent or more of the residents are 55 years or older.
Majority independent living (IL)	Properties where independent living units comprise the largest share of inventory. Majority independent living properties typically include services such as communal dining, housekeeping, transportation, emergency call, and social programming services in the monthly fee.
Majority nursing care (NC)	Properties where nursing care beds comprise the largest share of inventory. A majority nursing care property is generally a licensed long-term health care and residential property that serves persons who require constant medical supervision and/or who require significant physical assistance in transferring, management of continence and use of medical devices. The NIC MAP database does not include properties that are limited to sub-acute, properties limited to inpatient-based, properties that are hospital-based, or properties that are predominantly rehabilitation facilities where people come for short-term stays for nursing care.
Memory care (MC) units	The part or section of a property that provides services to persons with Alzheimer's disease or other forms of dementia. These are generally separate or secured areas, with specific programming for persons with memory impairment in addition to services provided for persons in assisted living.
Metropolitan market/metro market (CBSA)	The U.S. Office of Management and Budget (OMB) defines a set of core-based statistical areas (CBSAs) throughout the country. CBSAs are delineated on the basis of a central urban area or urban cluster—a contiguous area of relatively high population density. CBSAs are composed of counties and county-equivalents. The terms metropolitan market/metro market are interchangeable with CBSA.

The following are additional terms that are used in describing and analyzing seniors housing properties:

Licensed beds: The number of beds a facility is licensed to operate by the appropriate state licensing agency.

Living units: The number of living units, consisting of one or more rooms, designed to accommodate residents of the facility.

Operating beds: The number of beds a facility actually operates. This may be less than the number of licensed beds.

Private bed: A bed situated in a room with no other beds/residents.

Semi-private bed: A bed situated in a room with one other bed/resident.

Private pay: Refers to a resident whose charges are funded by: personal funds, assistance from relatives or other private individuals or groups, or by long term care insurance.

Activities of daily living (ADLs) are tasks that are required to get going in the morning, get from place to place using one's body, and then close out the day in the evening. They involve caring for and moving the body, including:

- Walking
- Bathing
- Dressing
- Toileting
- Brushing teeth
- Eating

Instrumental activities of daily living (IADLs) are the activities that people do once they are up, dressed, put together. These tasks support an independent lifestyle. Many people can still live independent even though they need help with one or two of these IADLs. They include:

- Cooking
- Driving
- Using the telephone or computer
- Shopping
- Keeping track of finances
- Managing medication

The following key team members participated on this analysis:

Tim Sullivan, Managing Principal, oversees our Advisory practice. With over three decades of experience, Mr. Sullivan is an expert in residential and mixed use feasibility studies, strategic planning and product development, and regularly conducts market analyses around the United States and internationally.

Annie Gerard, Vice President, has focused on apartment analysis (conventional and age-qualified) for the past 20 years. Since 1985, she has conducted over 500 senior housing engagements throughout the U.S. for many of the country's top developers and operators, and has written and lectured extensively on the changing dynamics of age-qualified housing across the spectrum of senior living environments.

Alexis Wilmot, Manager, has 16 years of experience in real estate development, and a strong background in financial analysis of residential home building markets. Her career has focused on master-planned communities, transit oriented development, infill and mixed-use projects, and affordable housing development, both new construction and acquisition rehabilitation.

Mason Brusseau, Analyst, conducts analysis on a variety of product types while aiding the advisory team.

Additional support was provided as needed.

COMPANY EXPERIENCE

Appendix

Meyers Research, a Kennedy Wilson Company, is a nation-wide research firm guiding real estate investors throughout the country. Our highly educated and experienced consulting staff believes in providing the highest quality service possible to our clients, which means completing the exact analysis they need. Based in Beverly Hills, we are home to over 140 experts in 10 offices across the country.

Our company offers a unique research tool known as Zonda that offers an edge to our research with easy access real-time data at a local level across the United States. Our local Zonda database provides our team with a history of new and resale housing information, maps, comprehensive data, and many other metrics we use in our analyses to begin the reporting process with greater accuracy -- quickly, accurately and cost-effectively -- with on the ground and in person research. Zonda provides access to over 275 metrics influencing the housing industry including monthly and annual historical trends, future projections and real-time narrative reported by seasoned analysts across the country.

Our senior executive team are thought leaders that individually have more than 30 years of experience in housing and real estate research. With our advisory services, we have navigated builders through different housing cycles and have a deep understanding of local markets. Our consulting team has a broad range of housing expertise and experience spanning the country including consumer research, feasibility studies, portfolio valuation, business planning, and custom research designed to make better decisions related to any real estate investment.

Zonda and Our Research

- Competitive Analysis throughout the Country
- Exclusive Access to our Research & Consulting Executives
- Metro Analysis & Housing Trends
- Apartment Analysis & Forecast
- Exclusive Client Events
- Presentations & Webinars
- Proprietary Surveys

Advisory

- For-Sale, Apartment, Commercial & Mixed Use
- Resort & International Development
- Strategic Direction & Planning
- Home Builder Operations Assessment
- Demand Analysis
- Consumer Research & Focus Groups
- Custom Economic Analysis & Forecasting
- Litigation Support & Expert Witness
- Financial Modeling
- Project & Product Positioning

Consumer and Product Strategy

- Consumer and Product Insights
- Tactical and Marketing Strategies
- Product Design Advisory
- Custom Consumer Research
- Customer Shop Research

Thank you!

This analysis was prepared by Meyers Research, LLC, a Kennedy Wilson company.