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The Olivia on Marsh Creek

Prepared for William Jordan

Clayton, California

THE Gregory Group

This analysis was prepared by The Gregory Group, a market research firm that specializes in providing information and consulting services to the building industry. The Gregory Group provides quarterly market analysis for northern California; compiles a quarterly new-home database for MSA's within northern California and performs consulting and feasibility analysis throughout California.

The Gregory Group was commissioned by William Jordan to perform Market Assessment Services related to development of multi-family, for-rent apartments in the City of Clayton in Contra Costa County, California. The subject project, The Olivia on Marsh Creek, consists of three adjacent parcels totaling 3.02 acres and 81 units (a density of 26.8 units per acre) and is located generally south of Clayton Road and west of Marsh Creek Road (specifically: 6170 High Street, 6450 Marsh Creek Road and 6490 Marsh Creek Road).

The subject project is currently planned as an age-restricted, senior for-rent project (a minimum age of 55-years) and will consist of three separate buildings with three stories each of stacked flats. However, it is also understood that the project may be offered as a traditional, non-age-restricted community. In total, the project will consist of 45 one-bedroom units (each at 675 square feet) and 36 two-bedroom units (each at 950 square feet) as well as community space in each building (fitness and activity space).

The primary purpose of this study is to provide an analysis of multi-family, for-rent housing (both age-restricted and traditional non-age-restricted) within the subject market area as well as the relevant economics and demographics in order to help in determining demand, rental rates, occupancy and lease-up rates for the subject project.

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Executive Summary

There are currently two major threads that are having a significant impact on the economy and the housing market. The first is the impact of the rise in inflation and the resulting rise in interest rates and the second is the continuously changing structure of work (and the related employment picture). Both will prove to have a lasting influence on the housing market and may fundamentally influence the future of housing in ways we may not yet fully understand. The past several years, until very recently, has seen a robust housing market despite a pandemic and severe supply chain constraints; the economy was boosted by a strong increase in government spending--savings rates increased, incomes accelerated and ultimately, demand was pulled forward by a combination of these factors and others.

There was certainly some pain, both economically, emotionally and medically due to the pandemic, but the recovery was more robust than most predicted. In fact, the increased demand resulted in increasing home prices, a greater increase in stock market values and significant increases in employment for those willing and able to work. Unfortunately, the excessive demand for both goods and services (driven in part by the rapid increase in monetary benefits as a result of the pandemic) and the corresponding decrease in supply has resulted in aggressively increasing prices. Inflation may have peaked at 9.1% in June, far above the 2% target that the Fed is hoping to achieve, before declining in August to 8.3% (due primarily to lower energy costs and to a loosening supply chain).

There appears to be a straight line between a shut down in personal mobility due to the pandemic, a stinging and immediate recession, a significant increase in the flow of monetary assistance from the government to the people, a reopening of the economy and the shift in employees from an all in-office workforce to a work-from-home (WFH), or hybrid, workforce. It is easy to see how once the economy began to open up, the vaccines arrived, and people felt more comfortable engaging in society, that there would be a rush of activity for goods and services—goods and services that were often in short supply due to supply constraints. This perfect storm of greater demand and constrained supply includes everything from cars, to travel to housing (which also included the incentive to move beyond a current location due to the trend in WFH). In an exceptionally low interest rate environment coupled with significantly increased demand, there is really no economic outcome to be achieved more readily than increasing prices.

It is bound to be argued for decades as to the "real" cause of the current inflationary trend: government monetary policy, supply chain issues as a result of the pandemic, an increased demand for goods and services after a two-year lockdown, or a war in Ukraine—or a combination of all of these factors all at the same time—the Perfect Storm scenario. Historically, increasing inflation is best dealt with by decreasing demand, with a decrease in demand slowing the production and purchase of goods and services which ultimately results in a reduction in prices. The tricky part is slowing demand just enough to engineer a "soft-landing", something that has been historically very difficult to achieve. In fact, the majority of times that it has been tried, the result has more often than not, been a recession. The primary tool for the Federal Reserve to influence demand is by adjusting the federal funds rate—higher to slow demand and lower to increase demand. Higher interest rates increase borrowing costs, people purchase fewer goods and services, less goods and services are produced, depending on the severity of the slowdown layoffs can result and lead to downward spiral toward a recession. The hope is always that increasing interest rates will limit inflation while not dramatically harming the job market—a delicate balance.

Economy

Due to the onset of the coronavirus, economic growth peaked in February of 2020, declined in March and April of 2020 and bounced back in May of 2020 (due in large part to significant government spending); the result was the shortest recession on record of only two months. The economy, while moving past the recession, has moved forward in stops and starts; following the up-and-down nature of the pandemic. Both economic growth and employment have followed the pattern: 21.991 million jobs were lost in March and April and 22.231 million jobs have been regained between April 2020 and the end of August 2022 (total non-farm employment topped pre-pandemic levels in August of 2022).

However, the monthly change has been a bit sporadic: an average of 1.15% employment growth in 2020 (April through December), uneven growth in 2021 for an average of 0.39% and a continuation of the same into 2022 with an average of 0.29% growth per month year-to-date. It should be noted, however, that job growth is averaging 438,000 new jobs per month in 2022 year-to-date.

Furthermore, GDP posted a negative growth rate of -3.4% in 2020 and a strong 5.7% increase in 2021. However, it is anticipated that 2022 will boost more moderate growth: supply chain disruptions, rising prices, and higher interest rates have resulted in projections (by Wells Fargo Bank) of 1.9% in 2022 and a recently revised -0.2% rate of growth in 2023 and a 1.7% growth rate in 2024. To-date, the First Quarter of 2022 posted a negative growth rate of -1.6% and a Second Quarter rate of growth of -0.6%; it is yet to be seen if growth will be positive in 2022 (Wells Fargo is projecting a 3.5% growth rate in the Third Quarter of 2022 and a more modest 0.4% rate of growth in the Fourth Quarter of 2022).

Two quarters of GDP declines have traditionally been thought of as being in a recession (at least by the media and the general population); however, the National Bureau of Economic Research (NBER), the group that determines whether the US is in a recession or not, states that by definition a recession is “a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales”. Currently, most economists believe that the US is not in a recession, despite negative GDP growth, as most all of these parameters are still positive—but it is also clear that the economy is slowing, principally the housing market. It will be quite a feat if there is not recession as most US residents in a recent poll believe a recession is coming, and an increasing number of economists believe we will be in a recession within the next twelve months.

While there is softening in anticipated GDP growth for 2022 and 2023, employment growth surpassed pre-pandemic levels in August, quicker than originally projected. The unemployment rate was 5.4% in 2021 and projected to be 3.6% in 2022 (it is projected that the unemployment rate will be 4.3% in 2023 and 4.8% in 2024 (Wells Fargo)). Finally, incomes have been increasing (though not at the rate of inflation) and nominal personal income was up 7.5% in 2021 and is anticipated to be up only 3.0% in 2022 and 3.2% in 2023 (Wells Fargo).

On the other hand, inflation (the Consumer Price Index) averaged 1.2% in 2020 and 4.7% in 2021 before increasing to a projected 7.8% in 2022 (the August 2022 reading was 8.3%) before retreating to 3.2% in 2023 and 2.3% in 2024. Inflation may have peaked in June as energy prices are falling and housing prices are beginning a downward adjustment; both large contributors to the Consumer Price Index. By the Feds own admission, inflation has been more stubborn than anticipated (or underestimated, depending on your perspective) and the result has been a quicker and more dramatic increase in interest rates than imagined. The Federal Reserve’s federal funds rate increased 0.25% in March, 0.50% in May and 0.75% in June, 0.75% in July and 0.75% in September to a target rate of 4.25% to 4.50% by the end of 2022. The hope is that this rate increase will moderate demand enough that inflation will ease without a major disruption to employment; but the Fed has clearly stated that the main priority is to rein in inflation, even if that means an increase in unemployment (and presumably, a recession). In fact, Fed Chairman Powell has stated that increasing unemployment and a recession may be the result of attacking inflation with significant interest rate increase; an “acceptable” by-product of the current policy to fight inflation first. Given the continued growth in employment, Chairman Powell has termed the possible future recession a “growth recession”.

The Work Environment

The pandemic delayed the return to the office several times and as time has elapsed, workers have become more accustomed to working from home. The discussion has shifted from employees returning to the office full-time to employees working from home indefinitely (or more likely, in some form of hybrid environment). Business has struggled with this dynamic and been very inconsistent on policy. For much of the past two years, it is understandable as things have changed given the ups and downs associated with the virus and its variants; but more recently, things have become a bit more aggressive. Companies have tried to be firmer about a return date at the same time that employees have expressed a stronger desire to stay away from the office at least part of the week and Labor Day 2022 may have been a demarcation point as many companies have demanded that employees return to the office in some acceptable form—full-time or two or three days as stated by the company.

Despite the emphasis on alternative work environments, no one is suggesting that the office is dead (in fact, investment in A-Spec level office space has been increasing in recent months). Management, backed by numerous studies, have found that there is a greater synergy from workers being in one place (at least part of the time) and are beginning to push harder to help employees adapt to working (at least part of the time) back in the office. Pre-pandemic WFH employees accounted for approximately two-percent of all workers--working from home all five days--and eight-percent for workers working from home at least one-day a week. Current research suggests that the number of WFH and hybrid employees may be between 20% to 30%. However, worth keeping an eye on is the current trend (showing up in surveys and data) that some workers simply do not want to work (in fact, the labor force participation rate in February of 2020 was 63.4% and has edged lower to a rate of 62.4% in August of 2022). Since the government is unlikely to provide massive benefits to unemployed workers like during the pandemic, it is not clear how this lower participation rate gets resolved. A term has emerged related to the reluctance of work, quiet-quitting, a term that reflects, mostly younger workers, desire to meet the job objectives but nothing more—a stand for work-life balance. The key to all of this may be better trained and engaged managers; younger people that are engaged with their work consistently state that they are better managed than those that are not as engaged and dissatisfied with their work environment.

It will be difficult to imagine most companies not offering some type of flexibility in the future. The prospect of a more robust WFH environment and greater flexibility to WFH, continues to boost the housing market. Employees in WFH flexible companies are taking advantage of the new work policies and moving from urban areas within major cities to suburban areas within the same metropolitan area or moving to suburban areas further away (i.e., from coastal California to inland California, or from California to other, more affordable states).

Demographics is also driving this trend as the Millennial generation (and the emerging Gen Z generation) continues to move into the prime homebuying years and the formation of couples and families; many of this generation still desire to reside in suburban locations. These moves are also propelled by less dense living environments (traffic, congestion and commuting time), better living conditions (lower homeless population, better schools), locations that are close to friends and family (a return to childhood communities), less expensive living environments (lower utility, transportation and living costs), more affordable and attainable housing options (including many new, emerging and innovative communities outside of California and including rental communities), a lower tax environment, and in many cases, more space (including larger lots, parks, open space, bike and walking trails and mountains).

The Future

It appears that the US has worked its way through the pandemic and people have returned to a new-normal which includes working from home (or in some combination of home and the office), a resumption of social and entertainment events and a general acceptance of moving forward and past the pandemic. Most people are beginning to feel like their lives have returned to (some semblance of) normal; and when considering all of the medical, societal and economic factors together, it appears that the US has experienced a positive upside recovery to the pandemic. However, increased inflation and rising interest rates are putting a damper on what would otherwise be a robust economy.

There is no doubt that interest rates will continue to increase this year; the Fed has already stated that the remainder of 2022 will see additional interest rate hikes. These hikes will continue to have an affect on the housing market (both for-sale and for-rent), and while 6.0% or 7.0% mortgage rates may not shut down the for-sale housing market completely it will surely be a shock to buyers who have never experience mortgage rates in excess of 4.0% or 5.0%. Furthermore, wage rates are anticipated to remain under pressure as they are not expected to keep pace with inflation (in the near term--resulting in negative wage growth) or the longer-term effects of higher interest rates. Finally, with fewer people deciding to purchase a home (due to higher interest rates and declining housing affordability), more people will be receptive to renting.

This suggests that while Americans may continue to spend money on goods and services, they are clearly under pricing-pressure and, in many cases, will restrict the purchase of things that are unnecessary (or unaffordable)—this will include for-sale housing. It is evident, given the relative unaffordability of for-sale housing on a national level, that sales will slow dramatically, and pricing will decline—the extent of which is unknown at this time. Not every market area will experience this outcome, but it is almost a certainty that for-sale housing will remain under pressure for the remainder of 2022 and most likely, well into 2023. On the other hand, for-rent housing may prove to be more resilient as there are greater price options and it remains easier to qualify for the monthly rent. The hope is for a soft-landing or even a growth-recession; however, a bumpy road may be inevitable if inflation remains stubborn and the Fed holds true to its word of tackling inflation.

Contra Costa County offers a unique living environment within the East Bay Region for people looking for a lifestyle that includes more traditional suburban living as compared to the more urban and dense living environments further to the west (Contra Costa County can be differentiated by the western portion that is more urban and denser and the eastern portion that is less dense and more suburban). The areas along Interstate 680 can offer a combination of both suburban and urban type living. There is a greater diversity of housing types that includes traditional lot and large-lot homes (some of the homes are on acreage), newer subdivisions that offer a variety of lot sizes as well as high-density urban for-sale and for-rent housing in areas such as Walnut Creek and Concord.

Contra Costa County, especially the eastern portion of the county, is one of the few areas within the East Bay Region that can offer not only a variety of new-housing options, but the affordability that younger and older, price-sensitive and lifestyle buyers and renters, desire.

- Contra Costa County offers a living environment that is attractive to both price sensitive/affordable buyers and renters as well as equity rich lifestyle buyers and renters in a combination of first-time, move-up and last-time configurations.
- Contra Costa County is one of the areas that young and growing families consider that offers a family-oriented living environment but is still within commuting distance to employment (via Interstate 680, Highway 24, Highway 4 and BART), recreation and entertainment in greater San Francisco.
- It provides a lifestyle that is community focused and offers many different levels of affordability.
- It provides a diversity of housing with newer master planned communities, housing on larger lots (including acreage), traditional suburban subdivision housing and urban housing in several formats including mixed-use for-sale and for-rent housing.

Contra Costa County provides a culture that is rooted in community integration and family values, access to outdoor recreation, employment centers along the Interstate 680/Highway 580 corridors, and a presence of local entertainment balanced with a proximity to larger entertainment hubs, notably in San Francisco.

Many buyers and renters who choose to live in Contra Costa County are emanating from the greater San Francisco Bay Area:

- Buyers and renters have been pleased with the Contra Costa County lifestyle and what the community provides and have often transitioned from starter home to move-up home and some are now looking for empty-nester, move-down and retiree housing in both for-rent and for-sale configurations.
- As the population continues to age, many local residents (and others who are planning to move to the area) who have lived in their home for many years are looking for longer-term move-up or downsize housing (and are considering both for-sale and for-rent housing) and are looking to remain in the area.
- However, given the affordability and lifestyle associated with Contra Costa County, there is increasing traffic and buyers and renters from the City of San Francisco and the Peninsula. This is especially true given the lingering effects of the pandemic, the transition to a WFH environment and the exodus from urban to more suburban (and even rural) living environments.

Executive Summary
General Conclusions – City of Clayton

The City of Clayton is an attractive and desirable community within the East Bay Region because of its suburban, amenity rich and community-based living environment that includes a variety of living options available to a great mix of residents and a variety of businesses. It provides a culture that is rooted in community integration and family values, access to outdoor recreation, and proximity to employment centers, especially along the Ygnacio Valley Road, Clayton Road and Concord Boulevard toward Walnut Creek, Concord and Interstate 680.

Housing types in the City of Clayton includes existing planned communities, individual tracts of housing, homes situated on large lots with a country-feel and custom lots and custom homes; almost all built many years ago (in fact, only 9.9% of the housing stock has been constructed since 2000). The majority of the new, for-rent and for-sale development in Contra Costa County is located further to the east in the communities of Pittsburg, Antioch, Oakley and Brentwood.

The City of Clayton has the ability to offer an intimate and exclusive living environment that attracts households with more money to invest in housing, (the median income in the City of Clayton is $153,607). The success of homes for-sale and for-rent in Clayton rests in their ability to meet relative affordability criteria as well as the demographic need. The City of Clayton:

- Has the ability to offer a living environment that attracts households looking for a variety of housing types, especially attractive to young and growing families and older move-down and retiree households with a lifestyle that is safe, secure, centered around community, education and families.
- Attracts a significant number of San Francisco Bay Area transplants. Contra Costa County (and East Contra County in particular) is one of several areas that Bay Area buyers think of when deciding to move to the region, as the investment and lifestyle value is clearly demonstrated by what the area has to offer. Moreover, it is often one of the primary areas that provides an opportunity for aspirational living, where buyers can move-up or out to.
- Provides a location that is easily accessible to the major transportation corridors in the region, and which lead to Sacramento and Lake Tahoe to the east, and San Francisco and San Jose to the west.

Most people are pleased with the lifestyle that Contra Costa County and the City of Clayton provides and have transitioned from starter home to move-up home and are looking now, specifically to empty nester, for-rent and for-sale housing. As the population continues to age, many local residents who have lived in their home for many years are looking for longer-term downsize housing and are looking to remain in the same, or a similar, location.

While Clayton is only eight-miles to Walnut Creek and approximately six-miles to downtown Concord (and less than two-miles to the City of Concord city limits), the area lives differently than these two communities; less dense, more suburban and generally less hectic and congested. However, Walnut Creek is generally considered superior to Clayton in terms of home values and acceptability (due to its proximity to transportation, employment and entertainment) while Clayton is generally considered comparable to Concord if not “superior”.

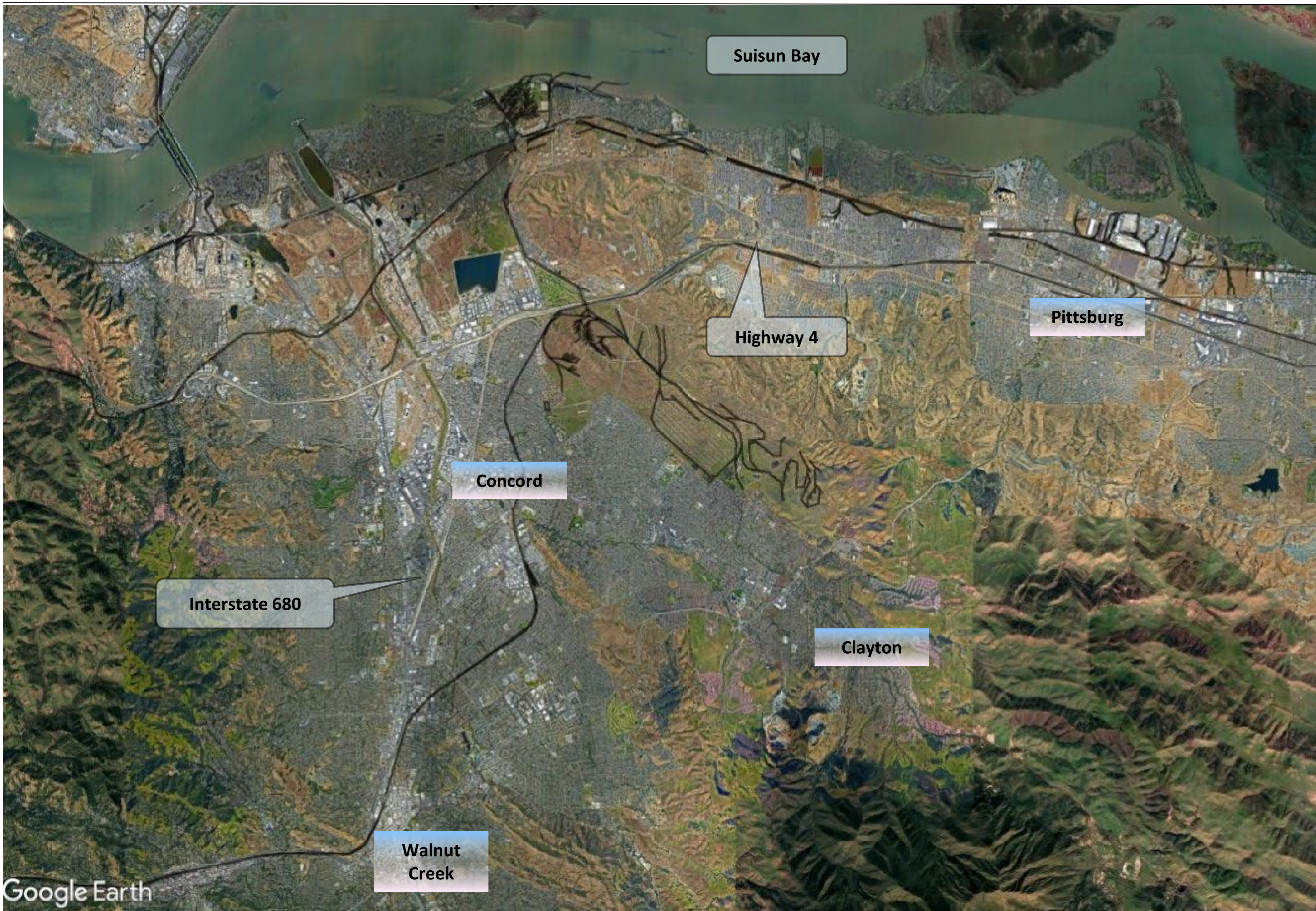
Overall, Clayton benefits from a location that is removed from the congestion of the Interstate 680 corridor yet is still close enough to provide easy access to the things that may not be readily available within the city (i.e., employment, entertainment, etc.). Furthermore, the City of Clayton has a wonderful downtown area, that while relatively small, is walkable and provides a community center with adjoining shops, eateries, services and entertainment. The one thing that Clayton has not provided for some time, is housing. There has been little development activity within the city and the surrounding area in many years; this is true for both for-sale housing and for-rent housing.

There are two major pandemic influences that are affecting the housing market in California. The first was brought about by the shelter-in-place orders that took effect in mid-March of 2020 and the second is the apparent fleeing from the more dense and urban areas of the state to the suburbs (either within California or out of the state entirely). While these influences may have peaked, especially as companies become more definitive in their return-to-work parameters and inflation takes hold (along with increasing interest rates), they are still relevant to the housing market in the East Bay Region.

It is clear that WFH will last beyond the pandemic but will most likely be implemented in a hybrid format rather than a strict full-time WFH format. Many thought leaders originally believed that WFH would be a driving force in the decades ahead; but the US is a society that tends to stay a little closer to the mean and is much slower to change than many believe. In other words, the recent expansion of WFH may not apply to every company and every industry; a more nuanced projection would be that the pre-pandemic WFH average of six-percent, may increase to 20% or 30%, but not the 75% that some have predicted. However, a majority of people in a recent survey stated that greater flexibility with in-office and WFH and/or WFA would be welcomed.

Likewise, the move to suburban areas is associated with the ability to WFH or WFA; many companies are allowing employees to move to wherever they like (and sometimes accepting a pay cut) and to-date, it appears that many employees are moving from the higher cost areas of California (and the generally more urban areas: San Francisco and Los Angeles for example), to suburban areas either within driving distance to the office or in some cases, completely out of the state. As companies finalize the return to the office, the trend of moving from the cities to the suburbs may lose some steam but is still an option for many potential home buyers.

Contra Costa County benefits from the shift to working-from-home and the fleeing of the urban cities to the suburbs. The communities of Walnut Creek, Concord and Clayton (as well as many other East Bay Region communities) are all located close to large populations, offer suburban type housing, include a well-educated population with excellent schools, and are readily in-demand and attractive to both buyers and renters. This is especially true for the Community of Clayton, which offers a lack of available housing options (both for-rent and for-sale) for potential households.


Suisun Bay
Highway 4
Pittsburg
Concord
Interstate 680
Clayton
Walnut Creek
Google Earth

The pandemic, coupled with an undersupply of for-sale housing, has not only affected the for-sale housing market but has greatly influenced the for-rent apartment market. The initial lockdowns and resulting WFH trends that emerged during the pandemic have resulted in apartment markets performing exceptionally well. Overall, multi-family, for-rent apartment occupancy and especially rents, have increased during the pandemic.

For instance, in the Second Quarter of 2022 (more than two years past the beginning of the pandemic) the average occupancy rate in the San Francisco Bay Area (the nine-county region) was 95.1% and the average rent was $2,570 (Contra Costa County posted an average occupancy rate of 94.6% and an average monthly rent of $2,079). This spans the higher monthly rents of San Francisco County ($2,902) to the lower rents of Solano County ($1,795) as well as the higher average occupancy of San Mateo County (97.7%) to the lower occupancy of Marin County (92.8%).

It is important to note that Year-Over-Year rent growth has been aggressive, increasing 6.8% in the San Francisco Bay Area Region as of the Second Quarter of 2022; this includes an increase of 12.3% in Santa Clara County and at the low end, a still robust 4.1% increase in San Francisco County (Contra Costa County posted an annual increase of 5.3%).

As of the Second Quarter of 2022 (the most recent available information) and for the nine counties in the San Francisco Bay Region, the average unit size is 772 square feet resulting in an average rent per square foot value of $3.33 (based on an average rent of $2,570). As previously mentioned, the average occupancy rate in the region is 95.1%. As a comparison, Contra Costa County posted an average unit size of 806 square feet that results in an average rent per square foot value of $2.58 (based on an average monthly rent of $2,079).

When considering inventory levels, the San Francisco Bay Region includes a total of 799,978 existing units with 28,487 units under construction (Contra Costa represents 8.8% of that total with 70,740 existing units and 2,862 units under construction—10.1% of the region total). More interestingly, the Year-Over-Year growth in inventory averaged 1.2% for the region and spanned from a high of 1.6% in both San Francisco County and Santa Clara County to a low of 0.2% in Sonoma County (Contra Costa County averaged 1.3%).

Despite aggressive inflationary pressures and increasing interest rates, there continues to be pressure on the for-rent housing market with both increasing monthly rental rates and decreasing vacancy rates (as of the Second Quarter of 2022). However, it is not anticipated that this trend will last forever; in fact, while this trend generally held true at the time of this survey, more recent intelligence has suggested that rental rate increases are beginning to show signs of sluggishness and vacancy rates are adjusting.

Furthermore, at the time of this survey, there were not many incentives in the market, and they were generally afforded to special units that were proving difficult to rent. This is slowly changing as incentives are becoming more prevalent and are including two to six weeks of free rent. It is inevitable that the for-rent housing market begins to moderate as it is unlikely to expand at the pace of recent history for a longer period of time, but with a continued lack of available housing (both for-sale and for-rent) it is believed that a return to a more balanced supply and demand scenario is in order and would be welcomed.

Clayton Market Summary – For-Rent Housing

A total of eleven for-rent apartment projects were surveyed from the Communities of Concord, Concord/Clayton, Pittsburg and Walnut Creek with nine of the projects offering traditional for-rent housing and two projects (in Pittsburg and Concord), offering senior for-rent housing (age restricted to 55-years and older). In total, three of the projects are from Concord, three are from Concord/Clayton (designated as the area that is closer to Clayton and offers similar suburban type living environments but is technically in the City of Concord), one project is from the City of Pittsburg and four projects are from the City of Walnut Creek.

It should be noted that the projects were chosen based on several factors including location, proximity to the subject site, product type, project orientation, year built and unit type. All the available projects from within each market area were not chosen; there were additional projects within both Concord and Walnut Creek for example, but a review of the competitive projects determined that only a select few were required, if chosen appropriately, and additional surveys would be redundant and unhelpful. Finally, many of the projects offered an urban orientation (i.e., multiple stores, denser building configurations, etc.) compared to the traditional “garden style” apartments that dot many suburban locations. While the subject project is clearly offering a more suburban than urban orientation, it does offer aspects of urban developments including its location, three stories and smaller bedroom counts. Overall, a combination of both urban and suburban type developments were surveyed for this analysis.

The eleven surveyed projects have a combined average rent rate of $2,918 ($3.22 per square foot). In terms of inventory, there are 2,550 units within the surveyed projects of which 2,347 units are leased (203 units are vacant and available); this results in an average occupancy rate of 92.0%--lower due to a couple of recently opened projects that are still in lease up. The projects were built, on average, in 2006 and offer an average density of 84.7 units per acre.

						INVENTORY SUMMARY					AVERAGE		
PROJECT	MANAGEMENT	COMMUNITY	PRODUCT TYPE	YEAR BUILD	DENSITY	TOTAL UNITS	UNITS LEASED	VACANT UNITS	VACANCY SUMMARY	OCCUPANCY SUMMARY	APT SIZE	BASE RENT	RENT $/SF
Competitive Projects													
Vintage Park (Senior)	USA Properties	Concord	Flats	2001	33.2	148	148	0	0.0%	100.0%	691	$1,609	$2.36
The Grant	Willowick Residential	Concord	Flats	2022	318.0	228	195	33	14.5%	85.5%	909	$3,439	$3.81
Renaissance Square	Legacy Partners	Concord	Flats/TH	2012	56.4	314	274	40	12.7%	87.3%	1,200	$3,073	$2.77
Clayton Creek	--	Concord/Clayton	Flats	1987	30.5	208	201	7	3.4%	96.6%	797	$2,323	$2.92
Arcadian	S101 Management Company	Concord/Clayton	Flats	1986	24.2	192	188	4	2.1%	97.9%	790	$2,075	$2.64
Crossroads	Avenue5 Residential	Concord/Clayton	Flats	1988	22.6	130	124	6	4.6%	95.4%	725	$2,455	$3.38
Creekside Village (Senior)	FPI Management	Pittsburg	Flats	2004	32.9	88	85	3	3.4%	96.6%	788	$2,000	$2.55
Avalon Walnut Creek	Avalon Bay Communities	Walnut Creek	Flats	2010	54.4	418	385	33	7.9%	92.1%	1,004	$3,343	$3.48
The Waymark	Greystar	Walnut Creek	Flats	2022	161.3	596	563	33	5.5%	94.5%	832	$3,890	$4.76
Ave Walnut Creek	Korman Communities	Walnut Creek	Flats	2015	77.7	92	88	4	4.3%	95.7%	855	$3,557	$4.22
Anton Noma	Anton Development Company	Walnut Creek	Flats	2022	120.8	136	96	40	29.4%	70.6%	732	$3,385	$4.65
APARTMENTS TOTALS/AVERAGES:				**2006**	**84.7**	**2,550**	**2,347**	**203**	**8.0%**	**92.0%**	**906**	**$2,918**	**$3.22**
APARTMENTS TOTALS/AVERAGES (Concord):				**2012**	**135.9**	**690**	**617**	**73**	**10.6%**	**89.4%**	**1,029**	**$2,838**	**$2.76**
APARTMENTS TOTALS/AVERAGES (Concord/Clayton):				**1987**	**25.8**	**530**	**513**	**17**	**3.2%**	**96.8%**	**776**	**$2,263**	**$2.92**
APARTMENTS TOTALS/AVERAGES (Pittsburg):				**2004**	**32.9**	**88**	**85**	**3**	**3.4%**	**96.6%**	**788**	**$2,000**	**$2.54**
APARTMENTS TOTALS/AVERAGES (Walnut Creek):				**2017**	**103.6**	**1,242**	**1,132**	**110**	**8.9%**	**91.1%**	**884**	**$3,526**	**$3.99**
APARTMENTS TOTALS/AVERAGES (Non-Senior):				**2007**	**96.2**	**2,314**	**2,114**	**200**	**8.6%**	**91.4%**	**935**	**$3,115**	**$3.33**
APARTMENTS TOTALS/AVERAGES (Senior):				**2003**	**33.1**	**236**	**233**	**3**	**1.3%**	**98.7%**	**740**	**$1,805**	**$2.44**

In comparison, and based on price per square foot values, Walnut Creek offers the highest values at $3.99 per square foot, followed by Concord/Clayton at $2.92 per square foot, Concord at $2.76 per square foot and finally Pittsburg at $2.54 per square foot. The highest average rents are in Walnut Creek at $3,526, Concord at $2,838, followed by Concord/Clayton at $2,263 and finally, Pittsburg at $2,000.

In terms of vacancy, of the eight-percent vacancy rate within the surveyed projects, 0.4% are studio units, 7.4% are one- and two-bedroom units and only 0.2% are three-bedroom units. By bedroom type, the one-bedroom units offer the highest rent per square foot value ($4.62) followed by three-bedroom units ($3.48), one-bedroom units ($3.14) and two-bedroom units ($3.07). Finally, the highest priced units are three-bedrooms ($4,479), followed by two-bedroom units ($3,218) and then surprisingly, studio units ($2,589) followed by one-bedroom units ($2,467).

BEDROOM COUNT	VACANT UNITS	UNITS VACANT PERCENTAGE	AVERAGE APT SIZE	AVERAGE BASE RENT	AVERAGE RENT $/SF
Totals for All Projects					
Studio	10	0.4%	560	$2,589	$4.62
One-Bedroom	96	3.8%	785	$2,467	$3.14
Two-Bedroom	92	3.6%	1,048	$3,218	$3.07
Three-Bedroom	5	0.2%	1,286	$4,479	$3.48
TOTALS/AVERAGES (All Projects):	**203**	**8.0%**	**906**	**$2,918**	**$3.22**

The subject project in the City of Clayton offers an attractive location with the ability to attract and capture both the large local renter pool (the City of Clayton and the greater Contra Costa County renters), as well as those emigrating from out of the area (generally the greater San Francisco Bay Area). Given many of the economic, demographic and societal dynamics associated with the pandemic, the attitudes and desires of renters is in constant flux; and while initially it appears that people are taking full advantage of the ability to WFH and relocating to areas that are more affordable, more suburban and rural and scenic, offer a greater flexibility in lifestyle choices, closer to family and friends and to areas that are less congested, only time will tell if this trend continues.

It is understood that the project is planned to offer units to age-restricted renters (55-years of age and older) but has the potential to offer units to renters regardless of age; thus, the renter analysis below will include all potential renter segments. More specifically, there is the potential for several major segmentations of renters at The Olivia on Marsh Creek project including:

1. **Young Millennials**; residents younger than 35-years of age and consisting primarily of singles and couples without children. These potential renters appreciate the design, amenities and features of newer housing (including technological and environmental features and amenities) and newer housing communities; they are often more willing to reside in a smaller home or attached units in order to afford the rent. Many of these renters are from the local area, but an increasing number will be from the urban and coastal areas to the west. The main driver for these buyers is affordability and the desire of homeownership, but many of these households cannot afford to purchase a home, especially in the Clayton area, and would welcome new rental housing in the area if available (many of these households may still decide to purchase a home in the East Bay areas of Pittsburg, Antioch, Oakley and Brentwood, as these areas are more affordable). It is believed that few of the renters at the subject project will consist of millennials (if the project is non-age-restricted).

2. **Young and Growing Families**; these moderate-income and upward mobile professionals, managers and government workers typically make a median income and have difficulty finding affordable living environments within the communities that they wish to reside. While this group of residents may include people younger than 35-years of age, it primarily consists of families aged between 35 and 55–years. Many will consider an older home, but older homes are aging rapidly, may need updating and do not include the most current and updated technology and energy efficiency (as well as being too expensive for many buyers in the area). These buyers welcome a location that is within close proximity to services, has direct access via major transportation corridors to employment, entertainment and recreation, and is generally more affordable. It is believed that very few of the renters at the subject site will include this demographic segment.

3. **Baby-Boomers**; these renters are older (55-years of age and older and can rent in an age-restricted community), do not have children living at home and may be singles or couples. Many within this group will be tired of living in a much older home, in congested or high traffic areas, and in housing without the most updated environmental and technology features and amenities. In addition, many of these renters are tired of the upkeep that a single-family home requires. Many of these residents also wish to stay within the greater general community that they have lived in for many years, while others are escaping the more urban, dense and congested areas to the west. These residents can be price sensitive but are sometimes willing to spend a little extra for the right home, and to make sure the home (possibly their last home) has all of the features and amenities that fits their current and projected future lifestyle. It is believed that the majority of the renters at the subject project will consist of older Baby-Boomers (regardless of whether the project is age-restricted or not).

The Olivia on Marsh Creek

Conclusions and Recommendations

The Olivia on Marsh Creek Conclusions and Recommendations

Rental Rate and Occupancy Recommendations

There are eleven multi-family, for-rent projects that are considered competitive to the subject development; nine are tractional non-age-restricted apartments and two are age-restricted. In addition, three are from Concord, three are from Concord/Clayton, one is from Pittsburg and four are from Walnut Creek. In total, the surveyed projects were built between 1987 and 2022 with the newer projects in Walnut Creek and Concord offering current development standards (in a high dense urban configuration) and are in excellent condition with expansive features and amenities as compared to the older projects that tend to offer more traditional garden style development (especially in the Concord/Clayton and Pittsburg areas) that are generally in average conditions.

The subject project is well located, will be the only new, market rate for-rent project to enter the area in many years, offers traditional units targeted toward the gap in the market (generally older renter regardless of whether it is age-restricted or not), and offers an appropriate feature and amenity package.

The recommended pricing for the age-restricted project is positioned toward the middle of the current competitive projects. Specifically, this includes a positioning that is generally comparable to projects in Concord, above projects in Concord/Clayton and Pittsburg and below projects in Walnut Creek. This positioning also considers additional factors such as the lack of current and future planned supply in the immediate area of the subject site (the City of Clayton), the demand within the marketplace, a strong renter base that consists of an older population, new product development (which includes newer features and amenities) and an excellent location (that is at the center of town in Clayton with superior walkability).

While projects in Concord and Walnut Creek have the added benefit of a closer location to transportation, local services and conveniences and major employment, the subject project will offer new units to a market and geographical area that has seen extremely limited development of both for-sale and for-rent housing. This is relevant as the population continues to age and the current housing stock becomes outdated, especially to an older population that is in need of better features and amenities related to mobility and accessibility. Ultimately, the longer-term prospects for the project are very positive; this is especially true given the current competitive nature of the area (including the lack of local supply), the economics and demographics of the region (currently and into the future and especially considering the aging population) and the strong locational attributes of the project. It is believed that the recommended rental rates and occupancy are appropriate given current market conditions.

Finally, the project was considered for both age-restricted and not-age-restricted; the positioning was slightly higher for the project as an age-restricted senior project due to the attributes previously discussed with the non-age-restricted project supporting a still strong positioning that is $100 per month less expensive than the age-restricted project. The project clearly lends itself to an older renter profile and it is not anticipated that there would be a significant number of younger renters if the project was non-age-restricted; however, some older renters may be reluctant to lease in a project that offers units to younger renters but would be less hesitant if the project was entirely age-restricted.

							INVENTORY SUMMARY					AVERAGE		
	PROJECT	MANAGEMENT	COMMUNITY	PRODUCT TYPE	YEAR BUILD	DENSITY	TOTAL UNITS	UNITS LEASED	VACANT UNITS	VACANCY SUMMARY	OCCUPANCY SUMMARY	APT SIZE	BASE RENT	RENT $/SF
S	The Oliva on Marsh Creek (Senior)	William Jordan	Clayton	Flats	2023	26.8	81	--	--	3.0%	97.0%	**813**	**$3,013**	**$3.76**
S	The Oliva on Marsh Creek (Non-Senior)	William Jordan	Clayton	Flats	2023	26.8	81	--	--	3.0%	97.0%	**813**	**$2,913**	**$3.63**

Rental Rate and Occupancy Recommendations

Based on a review of the competitive marketplace and considering the specific product type and density, the table below outlines the rental rates and occupancy for the subject project (as both an age-restricted and non-age-restricted project). The base rents are net of any incentives (and premiums and options), and the occupancy rate is recommended at 97% with the lease up rate estimated at between ten and fifteen units per month.

	COMMUNITY DETAILS										MARKET PRICING	
	Community Location Product Summary			Management Master Plan Sales Summary	(#) Mix	(%) Mix	Unit Size (SF)	Bed	Bath	Levels	Pkg	Base Rent	Base Rent/ Sq. Ft.
Subject	**The Olivia on Marsh Creek (Senior)**			**William Jordan**	45	56%	675	1	1	1	1	**$2,750**	**$4.07**
	Clayton			**--**	36	44%	950	2	2	1	1	**$3,275**	**$3.45**
	Product Type:	Apartments	Total Units:	81									
	Description:	Flats											
	Configuration	Three-Story Building/Three Buildings											
	Density:	26.8											
	Rec Occupancy:	97%											
				Averages:	**81**	**100%**	**813**					**$3,013**	**$3.76**

	COMMUNITY DETAILS										MARKET PRICING	
	Community Location Product Summary			Management Master Plan Sales Summary	(#) Mix	(%) Mix	Unit Size (SF)	Bed	Bath	Levels	Pkg	Base Rent	Base Rent/ Sq. Ft.
Subject	**The Olivia on Marsh Creek (Non-Senior)**			**William Jordan**	45	56%	675	1	1	1	1	**$2,650**	**$3.93**
	Clayton			**--**	36	44%	950	2	2	1	1	**$3,175**	**$3.34**
	Product Type:	Apartments	Total Units:	81									
	Description:	Flats											
	Configuration	Three-Story Building/Three Buildings											
	Density:	26.8											
	Rec Occupancy:	97%											
				Averages:	**81**	**100%**	**813**					**$2,913**	**$3.63**

In addition, the project will offer recreation space in each of the three buildings that includes a fitness room and activities room. There is no pool and spa planned for the project and given the small size and separate parcels of the project, it is appropriate that a pool and spa not be included. Furthermore, the unit mix is appropriate for an age-restricted project (and weighed a little heavily toward one-bedroom units for a non-age-restricted project) and finally, the number of parking spaces (a total of 106 including guest parking) is appropriate for an age-restricted project, but may be under parked for a non-age-restricted project (which may force residents and guests to park in the adjoining neighborhood and public streets--something that the neighborhood may not be too please with).

Locational Assessment

Locational Assessment

City of Clayton and Subject Site

Based on both the City of Clayton and the subject site location, the subject project will cast a wide net that attracts an expansive renter population. Clayton provides a desirable place to live for a generally older group of people, many of whom have lived in the area for many years. Residents particularly enjoy the community centric lifestyle, and the ability to know their likeminded neighbors well—which supports Clayton's high resident retention rates.

City of Clayton:

- Provides desirable lifestyle for today's renters;
- Provides a variety of housing options including existing housing, master planned community living, attached and detached housing and for-sale and for-rent housing;
- A family focused and friendly community that includes accessibility throughout the city;
- The community draws a combination of people including younger and middle-aged residents as well as older Baby-Boomers, many of whom are familiar with the area;

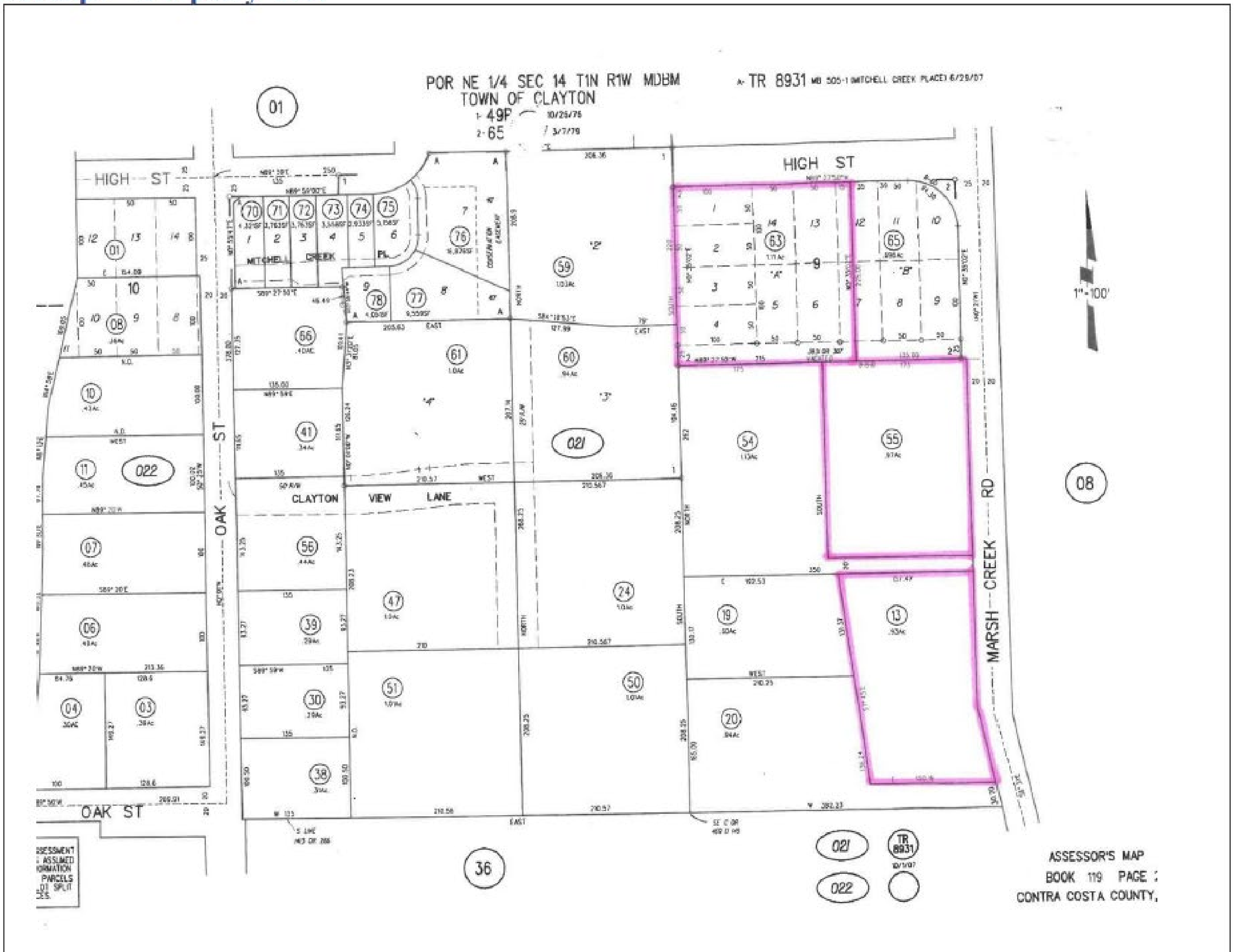
The Olivia at Marsh Creek:

- Is an integral part in offering new housing in an area where there is clear lack of new supply;
- Is located within close proximity to local services and conveniences (including healthcare) within Contra Costa County, East Contra Costa and the City of Clayton as well as employment and the major transportation corridors throughout the region;
- The subject project provides an opportunity for new housing in an area with connectivity and easy access to surrounding businesses, walking trails, community amenities, open space and parks;
- Is offering a strong land plan, community amenities and product design/execution.

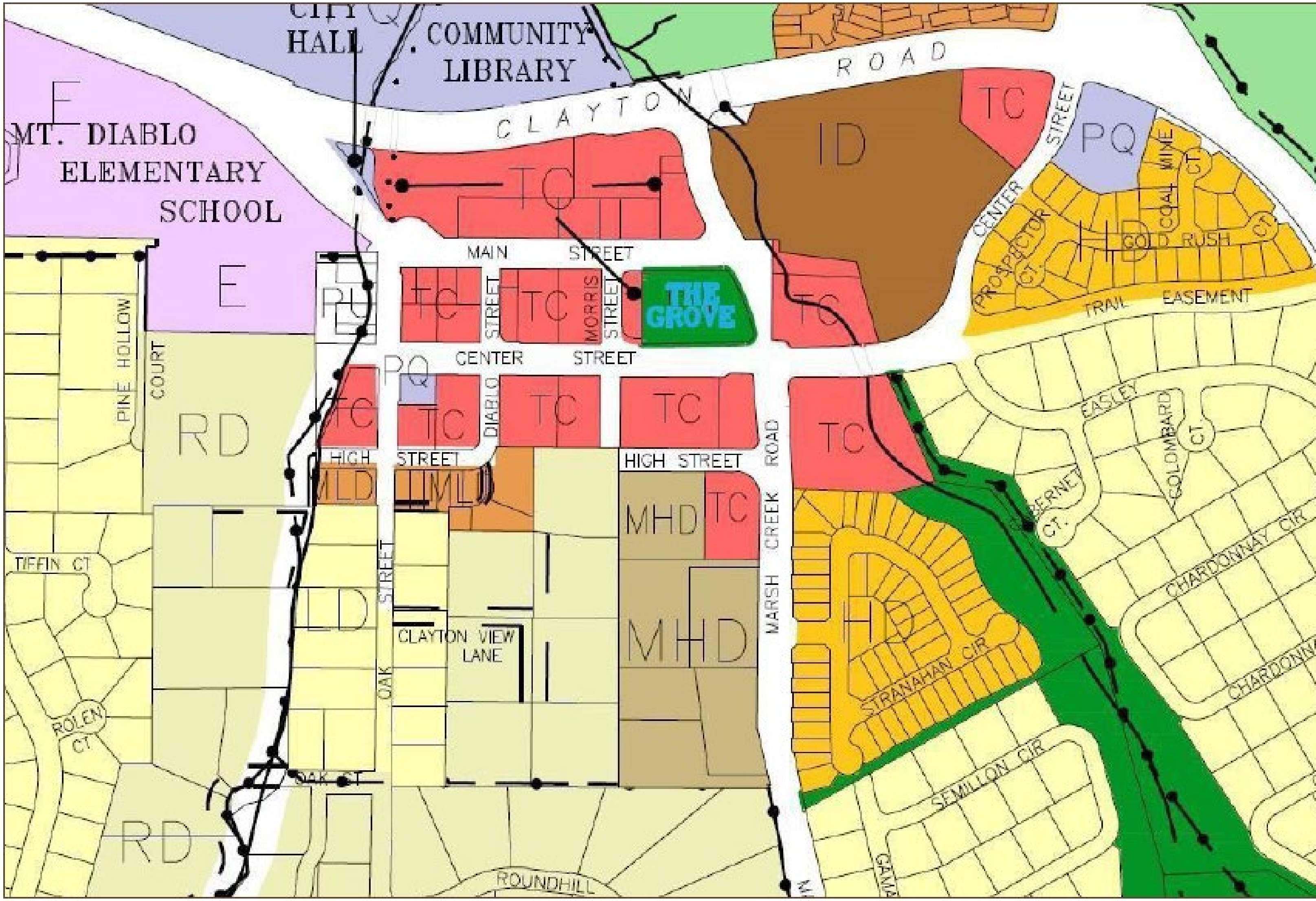
Based on its location, it is believed that the subject project will attract an older demographic that enjoys the local lifestyle and has been targeting new construction for many years due to an aging housing infrastructure and a home that provides a better lifestyle related to aging-in-place. The subject project can provide this opportunity due to the quieter, more private, and more residential culture of properties in the area.

The subject project is located away from the heavily trafficked roads in the area and focused on the downtown core of Clayton—a small but inclusive enclave that attracts local residents to the quant shops and restaurants. As a result of this unique location, the subject will live quieter, more private and secure than many of the competitive apartment projects in the greater market area.

Site Maps – Property Tax

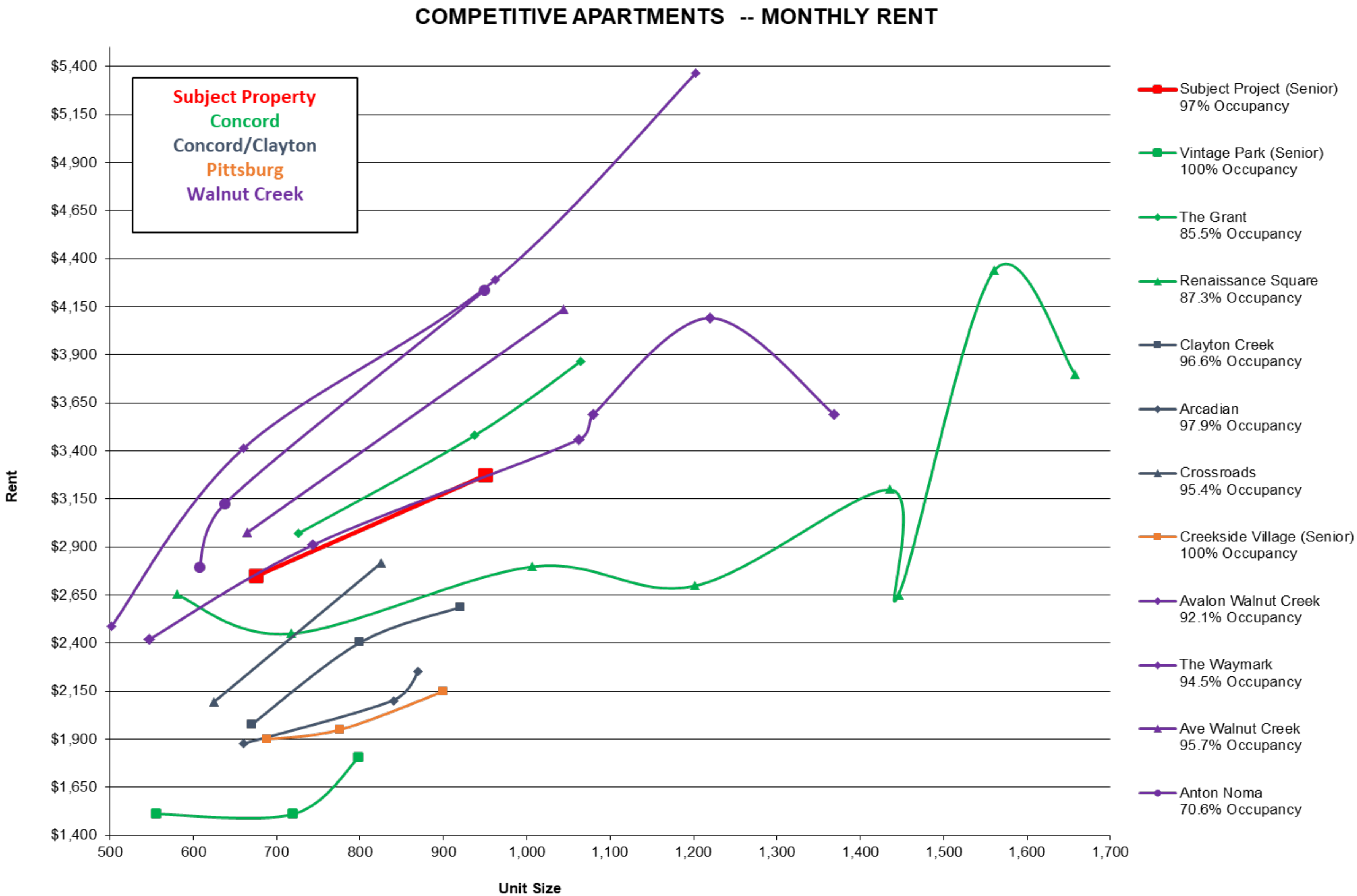


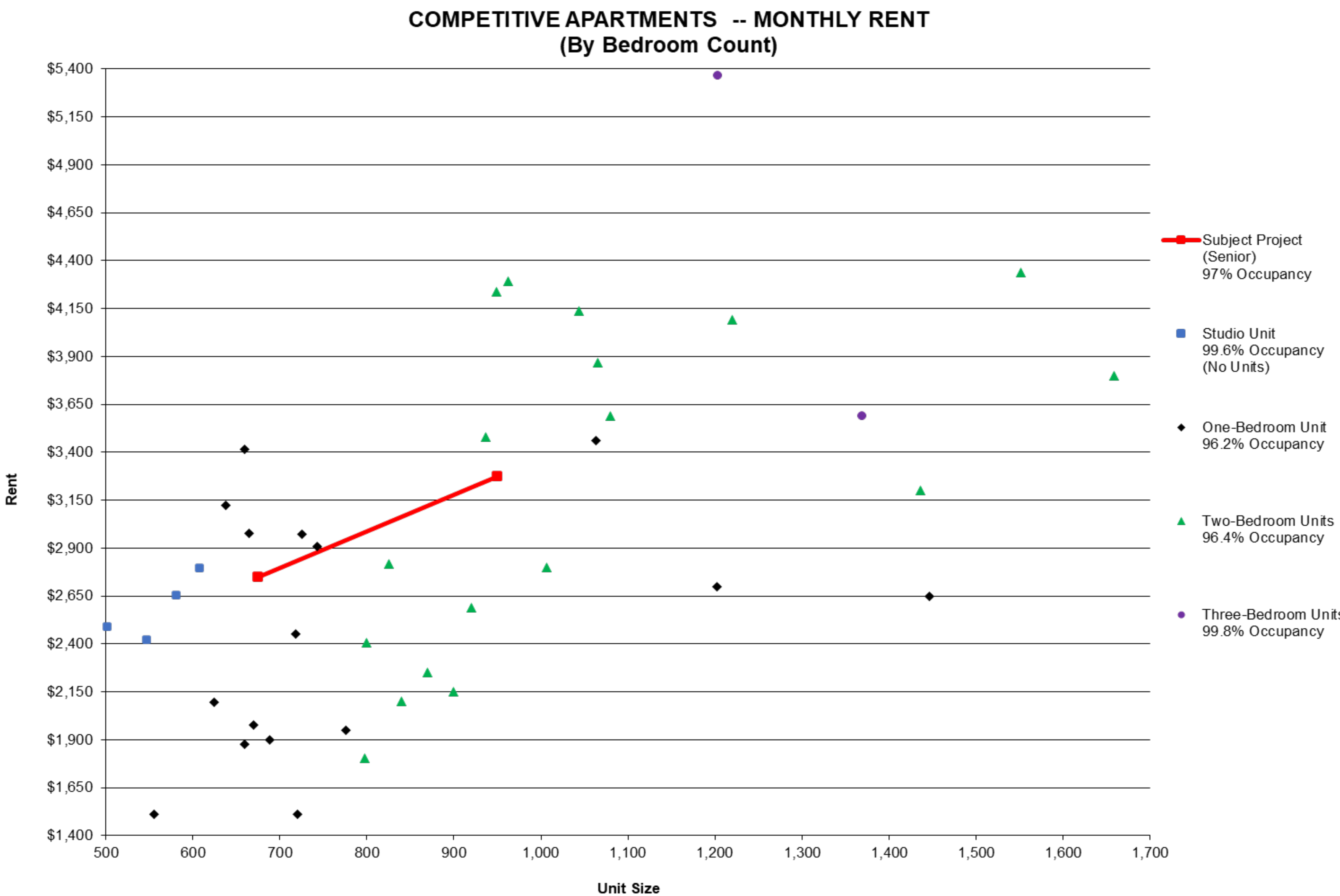
Site Maps – General Plan Land Use



ZONING DISTRICT - PLANNED DEVELOPMENT (PD) DISTRICT (Clayton Municipal Code Chapter 17.28)

Competitive Housing Analysis


COMPETITIVE APARTMENTS -- MONTHLY RENT
Subject Property
Concord
Concord/Clayton
Pittsburg
Walnut Creek
Rent
$5,400
$5,150
$4,900
$4,650
$4,400
$4,150
$3,900
$3,650
$3,400
$3,150
$2,900
$2,650
$2,400
$2,150
$1,900
$1,650
$1,400
500
600
700
800
900
1,000
1,100
1,200
1,300
1,400
1,500
1,600
1,700
Unit Size
Subject Project (Senior)
97% Occupancy
Vintage Park (Senior)
100% Occupancy
The Grant
85.5% Occupancy
Renaissance Square
87.3% Occupancy
Clayton Creek
96.6% Occupancy
Arcadian
97.9% Occupancy
Crossroads
95.4% Occupancy
Creekside Village (Senior)
100% Occupancy
Avalon Walnut Creek
92.1% Occupancy
The Waymark
94.5% Occupancy
Ave Walnut Creek
95.7% Occupancy
Anton Noma
70.6% Occupancy



COMPETITIVE APARTMENTS -- MONTHLY RENT
(By Bedroom Count)
Rent
$5,400
$5,150
$4,900
$4,650
$4,400
$4,150
$3,900
$3,650
$3,400
$3,150
$2,900
$2,650
$2,400
$2,150
$1,900
$1,650
$1,400
500
600
700
800
900
1,000
1,100
1,200
1,300
1,400
1,500
1,600
1,700
Unit Size
Subject Project (Senior) 97% Occupancy
Studio Unit 99.6% Occupancy (No Units)
One-Bedroom Unit 96.2% Occupancy
Two-Bedroom Units 96.4% Occupancy
Three-Bedroom Units 99.8% Occupancy

Competitive Housing Analysis

Multi-Family For-Rent Projects – Competitive Projects

	COMMUNITY DETAILS										MARKET PRICING SUMMARY				
	Community			**Management**	Unit	Unit						Base		Net	Net Base
	Location			**Master Plan**	Mix	Size					Base	Rent/		Base	Rent/
	Product Summary			Sales Summary	Avail.	(SF)	Bed	Bath	Levels	Pkg	Rent	Sq. Ft.	Incentives	Rent	Sq. Ft.
Concord	**Vintage Park (Senior)**			**USA Properties**	0	556	1	1	1	1	$1,512	$2.72	$0	$1,512	$2.72
	Concord			**None**	0	720	1	1	1	1	$1,512	$2.10	$0	$1,512	$2.10
	Product Type:	Apartment	Total Units:	148	0	798	2	1	1	1	$1,804	$2.26	$0	$1,804	$2.26
	Configuration:	Flats	Units Rented:	148											
	Lot Dimensions:	--	Units Available:	0											
	Density:	33.2	Vacancy %:	0.0%											
	Open Date:	2001	Occupancy %:	100.0%		Location: 4672 Melody Drive									
				Averages:	**0**	**691**					**$1,609**	**$2.36**	**$0**	**$1,609**	**$2.36**
Concord	**The Grant**			**Willowick Residential**	12	726	1	1	1	1	$2,972	$4.09	$0	$2,972	$4.09
	Concord			**None**	3	937	2	2	1	1	$3,479	$3.71	$0	$3,479	$3.71
	Product Type:	Apartment	Total Units:	228	18	1,065	2	2	1	1	$3,865	$3.63	$0	$3,865	$3.63
	Configuration:	Flats	Units Rented:	195											
	Lot Dimensions:	--	Units Available:	33											
	Density:	318.0	Vacancy %:	14.5%											
	Open Date:	2022	Occupancy %:	85.5%		Location: 1676 Grant Street									
				Averages:	**33**	**909**					**$3,439**	**$3.81**	**$0**	**$3,439**	**$3.81**
Concord	**Renaissance Square**			**Legacy Partners**	1	581	0	1	1	1	$2,652	$4.56	$0	$2,652	$4.56
	Concord			**None**	14	718	1	1	1	1	$2,450	$3.41	$0	$2,450	$3.41
	Product Type:	Apartment	Total Units:	314	16	1,007	2	2	1	1	$2,799	$2.78	$0	$2,799	$2.78
	Configuration:	Flats/TH	Units Rented:	274	1	1,202	1/L	2	1	1	$2,699	$2.25	$0	$2,699	$2.25
	Lot Dimensions:	--	Units Available:	40	3	1,436	2	2	1	1	$3,199	$2.23	$0	$3,199	$2.23
	Density:	56.4	Vacancy %:	12.7%	2	1,446	1	2	1	1	$2,650	$1.83	$0	$2,650	$1.83
	Open Date:	2012	Occupancy %:	87.3%	1	1,551	2	2	1	1	$4,338	$2.80	$0	$4,338	$2.80
					2	1,658	2	3	2	1	$3,799	$2.29	$0	$3,799	$2.29
						Location: 1905 Concord Boulevard									
				Averages:	**40**	**1,200**					**$3,073**	**$2.77**	**$0**	**$3,073**	**$2.77**
Concord/Clayton	**Clayton Creek**			**--**	4	670	1	1	1	1	$1,977	$2.95	$0	$1,977	$2.95
	Concord/Clayton			**None**	2	800	2	1	1	1	$2,404	$3.01	$0	$2,404	$3.01
	Product Type:	Apartment	Total Units:	208	1	920	2	2	1	1	$2,587	$2.81	$0	$2,587	$2.81
	Configuration:	Flats	Units Rented:	201											
	Lot Dimensions:	--	Units Available:	7											
	Density:	30.5	Vacancy %:	3.4%											
	Open Date:	1987	Occupancy %:	96.6%		Location: 5255 Clayton Road									
				Averages:	**7**	**797**					**$2,323**	**$2.92**	**$0**	**$2,323**	**$2.92**
Concord/Clayton	**Arcadian**			**S101 Management Company**	1	660	1	1	1	1	$1,875	$2.84	$0	$1,875	$2.84
	Concord/Clayton			**None**	1	840	2	1.5	1	1	$2,100	$2.50	$0	$2,100	$2.50
	Product Type:	Apartment	Total Units:	192	2	870	2	2.5	1	1	$2,250	$2.59	$0	$2,250	$2.59
	Configuration:	Flats	Units Rented:	188											
	Lot Dimensions:	--	Units Available:	4											
	Density:	24.2	Vacancy %:	2.1%											
	Open Date:	1986	Occupancy %:	97.9%		Location: 1447 Balhan Drive									
				Averages:	**4**	**790**					**$2,075**	**$2.64**	**$0**	**$2,075**	**$2.64**

Competitive Housing Analysis

Multi-Family For-Rent Projects – Competitive Projects

	COMMUNITY DETAILS										MARKET PRICING SUMMARY				
	Community / **Location** / Product Summary		**Management** / **Master Plan** / Sales Summary		Unit Mix Avail.	Unit Size (SF)	Bed	Bath	Levels	Pkg	Base Rent	Base Rent/ Sq. Ft.	Incentives	Net Base Rent	Net Base Rent/ Sq. Ft.
Concord/Clayton	**Crossroads**		**Avenue5 Residential**		3	625	1	1	1	1	$2,095	$3.35	$0	$2,095	$3.35
	Concord/Clayton		**None**		3	825	2	2	1	1	$2,815	$3.41	$0	$2,815	$3.41
	Product Type:	Apartment	Total Units:	130											
	Configuration:	Flats	Units Rented:	124											
	Lot Dimensions:	--	Units Available:	6											
	Density:	22.6	Vacancy %:	4.6%											
	Open Date:	1988	Occupancy %:	95.4%		Location: 5378 Clayton Road									
			Averages:		**6**	**725**					**$2,455**	**$3.38**	**$0**	**$2,455**	**$3.38**
Pittsburg	**Creekside Village (Senior)**		**FPI Management**		1	688	1	1	1	1	$1,900	$2.76	$0	$1,900	$2.76
	Pittsburg		**None**		1	776	1	1	1	1	$1,950	$2.51	$0	$1,950	$2.51
	Product Type:	Apartment	Total Units:	88	1	900	2	1	1	1	$2,150	$2.39	$1	$2,151	$2.39
	Configuration:	Flats	Units Rented:	85											
	Lot Dimensions:	--	Units Available:	3											
	Density:	32.9	Vacancy %:	3.4%											
	Open Date:	2004	Occupancy %:	96.6%		Location: 30 Castlew ood Drive									
			Averages:		**3**	**788**					**$2,000**	**$2.55**	**$0**	**$2,000**	**$2.55**
Walnut Creek	**Avalon Walnut Creek**		**Avalon Bay Communities**		3	547	0	1	1	1	$2,420	$4.42	$0	$2,420	$4.42
	Walnut Creek		**None**		10	743	1	1	1	1	$2,910	$3.92	$0	$2,910	$3.92
	Product Type:	Apartment	Total Units:	418	1	1,063	1	1	1	1	$3,460	$3.25	$0	$3,460	$3.25
	Configuration:	Flats	Units Rented:	385	13	1,080	2	2	1	1	$3,590	$3.32	$1	$3,591	$3.33
	Lot Dimensions:	--	Units Available:	33	5	1,220	2	2	1	1	$4,090	$3.35	$2	$4,092	$3.35
	Density:	54.4	Vacancy %:	7.9%	1	1,369	3	2	1	1	$3,590	$2.62	$3	$3,593	$2.62
	Open Date:	2010	Occupancy %:	92.1%		Location: 1001 Harvey Drive									
			Averages:		**33**	**1,004**					**$3,343**	**$3.48**	**$1**	**$3,344**	**$3.48**
Walnut Creek	**The Waymark**		**Greystar**		3	502	0	1	1	1	$2,489	$4.96	$0	$2,489	$4.96
	Walnut Creek		**None**		19	660	1	1	1	1	$3,414	$5.17	$0	$3,414	$5.17
	Product Type:	Apartment	Total Units:	596	7	962	2	2	1	1	$4,290	$4.46	$0	$4,290	$4.46
	Configuration:	Flats	Units Rented:	563	4	1,203	3	2	1	1	$5,367	$4.46	$1	$5,368	$4.46
	Lot Dimensions:	--	Units Available:	33											
	Density:	161.3	Vacancy %:	5.5%											
	Open Date:	2022	Occupancy %:	94.5%		Location: 101 Pringle Avenue									
			Averages:		**33**	**832**					**$3,890**	**$4.76**	**$0**	**$3,890**	**$4.76**
Walnut Creek	**Ave Walnut Creek**		**Korman Communities**		2	665	1	1	1	1	$2,975	$4.47	$0	$2,975	$4.47
	Walnut Creek		**None**		2	1,044	2	2	1	1	$4,138	$3.96	$0	$4,138	$3.96
	Product Type:	Apartment	Total Units:	92											
	Configuration:	Flats	Units Rented:	88											
	Lot Dimensions:	--	Units Available:	4											
	Density:	77.7	Vacancy %:	4.3%											
	Open Date:	2015	Occupancy %:	95.7%		Location: 1960 North Main Street									
			Averages:		**4**	**855**					**$3,557**	**$4.22**	**$0**	**$3,557**	**$4.22**

Multi-Family For-Rent Projects – Competitive Projects

COMMUNITY DETAILS										MARKET PRICING SUMMARY				
Community **Location** Product Summary	**Management** **Master Plan** Sales Summary		Unit Mix Avail.	Unit Size (SF)	Bed	Bath	Levels	Pkg	Base Rent	Base Rent/ Sq. Ft.	Incentives	Net Base Rent	Net Base Rent/ Sq. Ft.
Walnut Creek	**Anton Noma**	**Anton Development Company**	3	608	0	1	1	1	$2,795	$4.60	$0	$2,795	$4.60
	Walnut Creek	**None**	25	638	1	1	1	1	$3,125	$4.90	$0	$3,125	$4.90
	Product Type: Apartment	Total Units: 136	12	949	2	2	1	1	$4,235	$4.46	$0	$4,235	$4.46
	Configuration: Flats	Units Rented: 96											
	Lot Dimensions: --	Units Available: 40											
	Density: 120.8	Vacancy %: 29.4%											
	Open Date: 2022	Occupancy %: 70.6%		Location: 1910 North Main Street (Project is in lease-up stage)									
		Averages:	**40**	**732**					**$3,385**	**$4.65**	**$0**	**$3,385**	**$4.65**

For-Rent Housing Market Overview

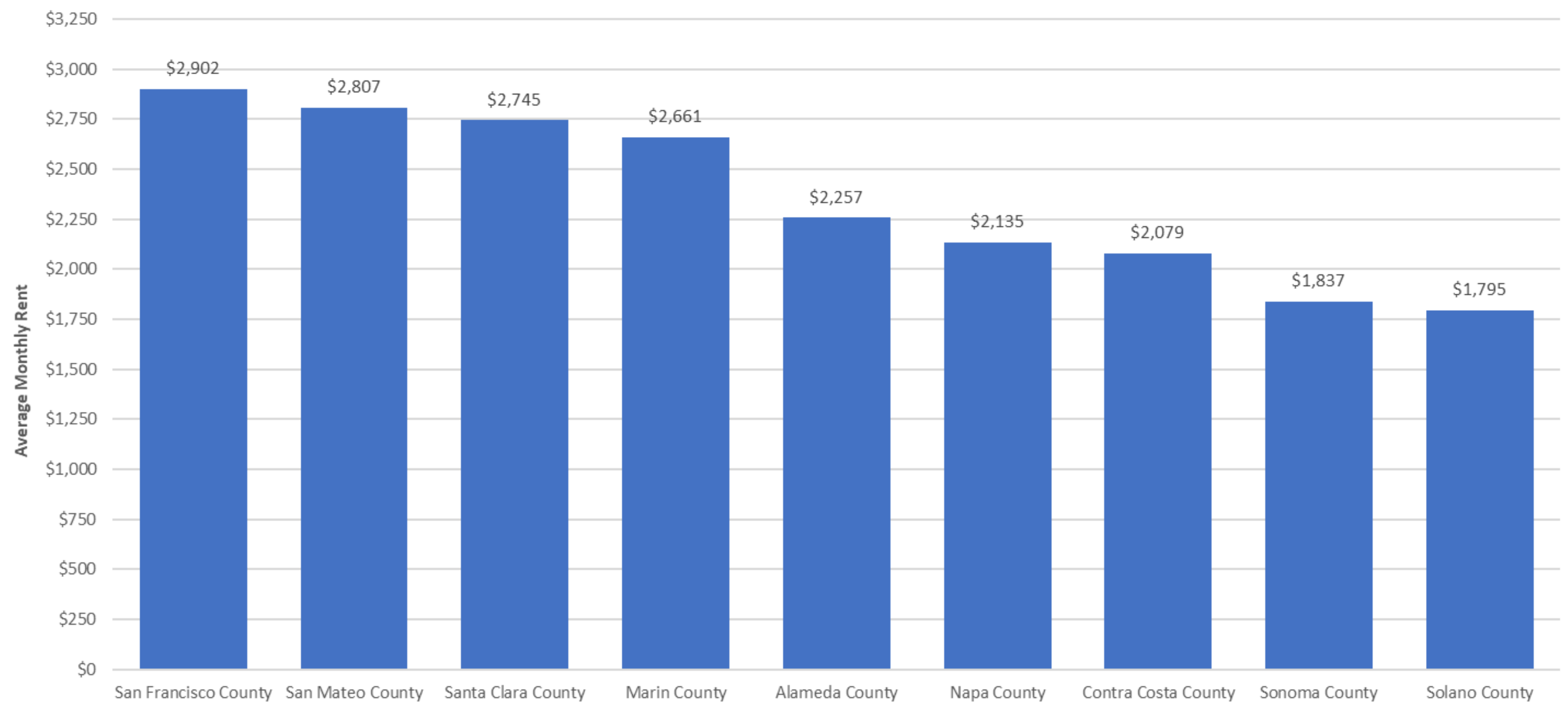
For-Rent Housing Market Overview

Rental Rate and Occupancy by County

Submarket (Second Quarter 2022)	Average Unit Size	Average Rent	Average Rent/ Square Foot	Average Occupancy	YOY Vacancy Change (bps)	YOY Rent Change
Alameda County	776	$2,257	$2.91	96.2%	-240	6.2%
Contra Costa County	**806**	**$2,079**	**$2.58**	**94.6%**	**10**	**5.3%**
Marin County	847	$2,661	$3.14	92.8%	0	6.4%
Napa County	847	$2,135	$2.52	94.4%	50	9.1%
San Francisco County	713	$2,902	$4.07	96.1%	-90	4.1%
San Mateo County	795	$2,807	$3.53	97.7%	-70	6.6%
Santa Clara County	834	$2,745	$3.29	95.7%	-260	12.3%
Solano County	827	$1,795	$2.17	96.7%	170	5.9%
Sonoma County	820	$1,837	$2.24	97.0%	-40	6.2%
San Francisco Bay Area Region	**772**	**$2,570**	**$3.33**	95.1%	**-140**	**6.8%**

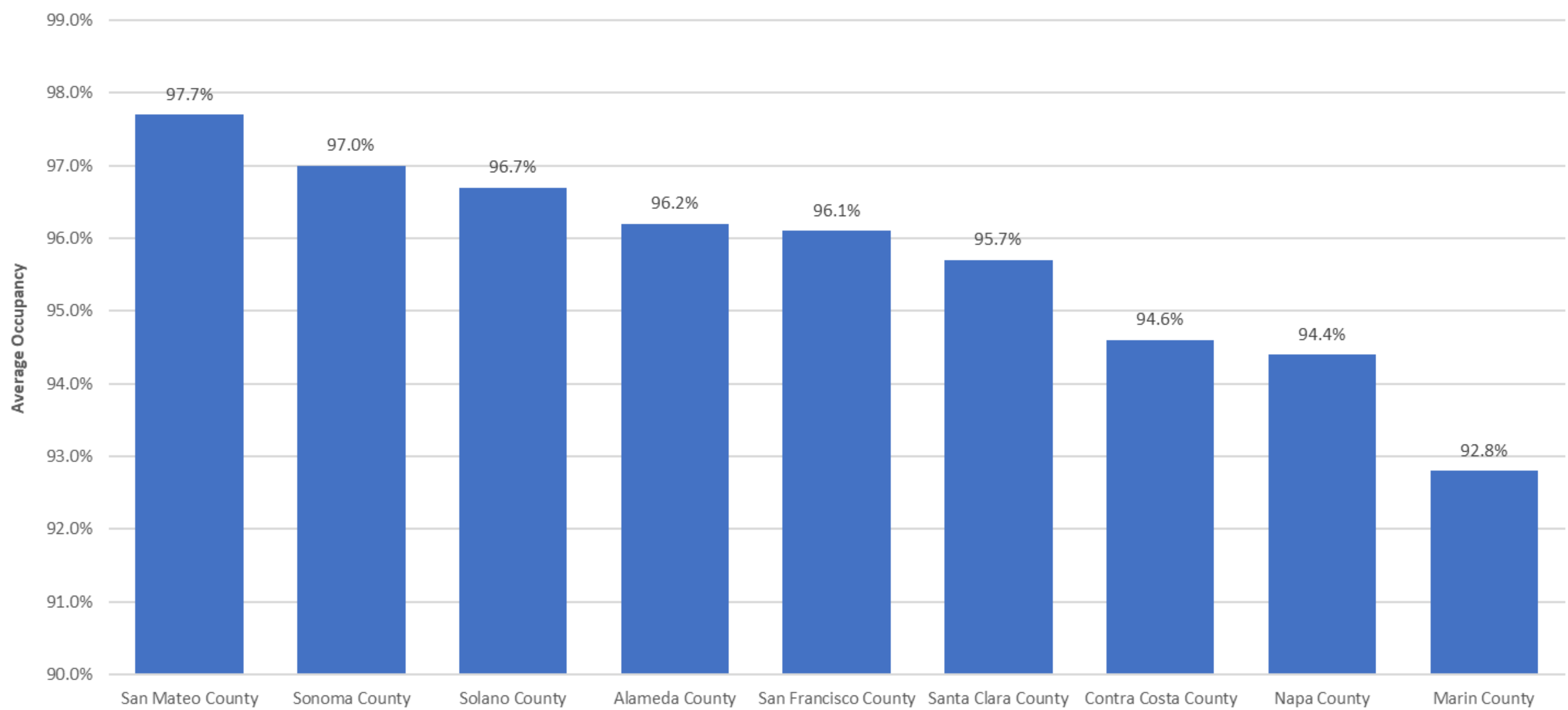
Source: Cushman & Wakefield; Marketbeat SF Bay Area Multifamily Q2 2022

For-Rent Housing Market Overview
Average Rent by County -- Graph

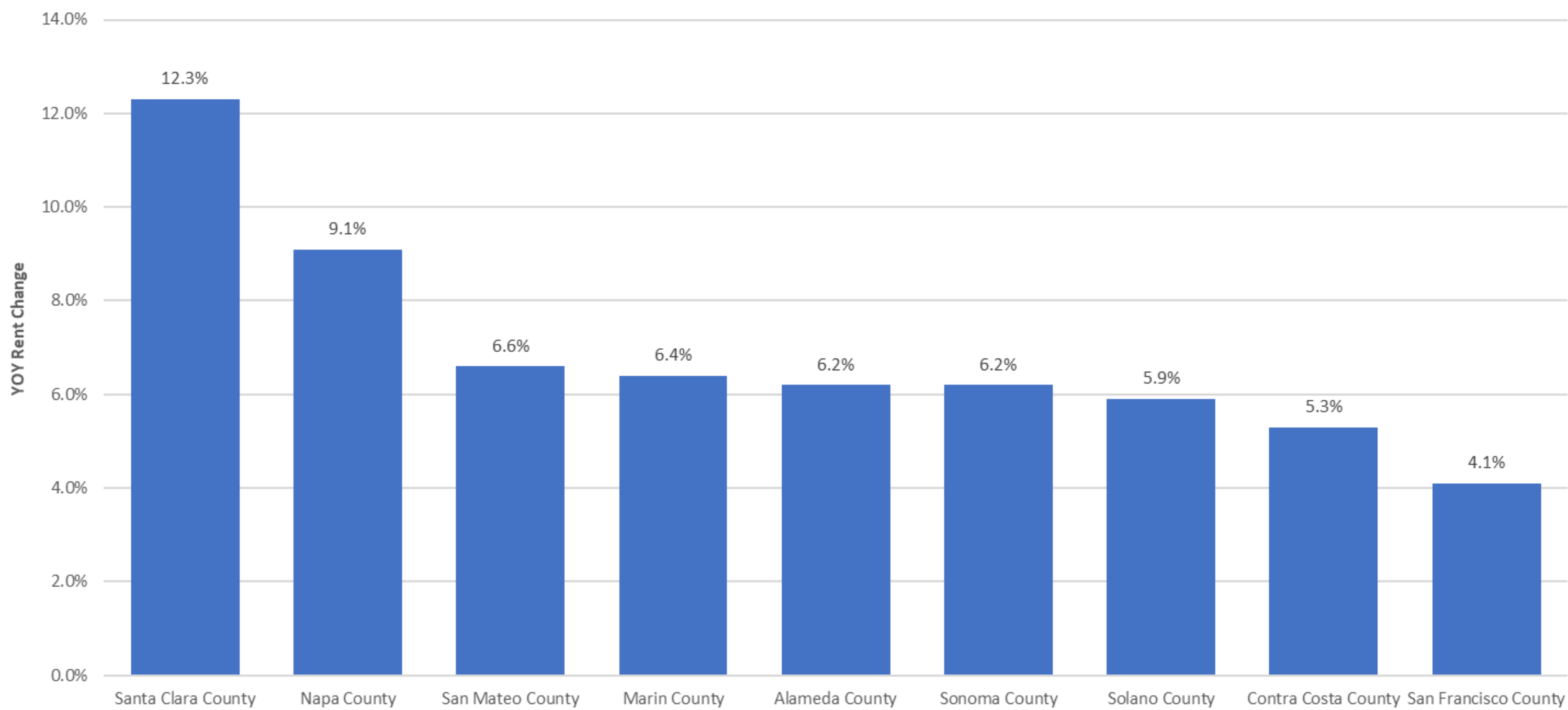


Source: Cushman & Wakefield

Average Occupancy by County -- Graph



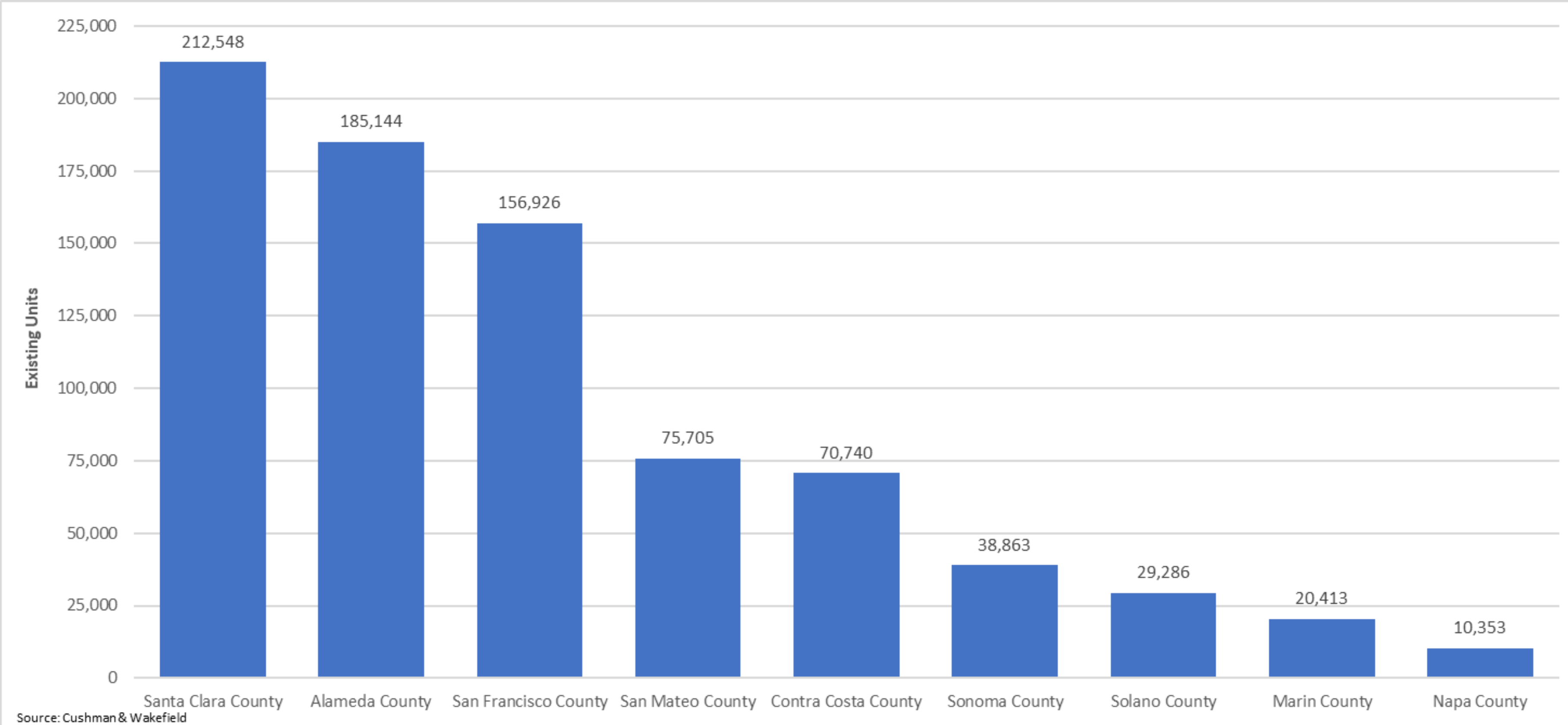
Source: Cushman & Wakefield



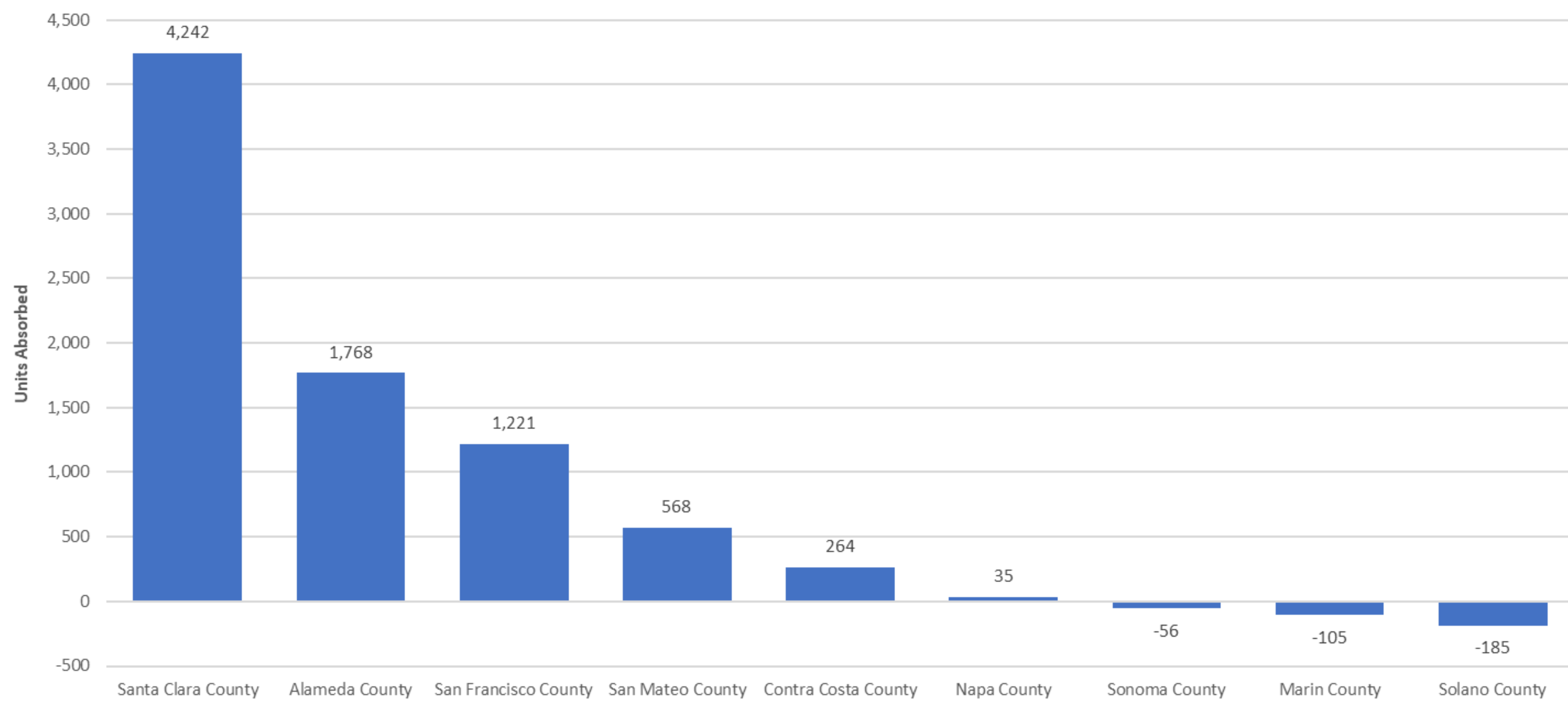
Source: Cushman & Wakefield

Submarket (Second Quarter 2022)	Existing Units	YTD Units Delivered	Units Under Construction	YTD Net Units Absorbed	YTD Inventory Growth
Alameda County	185,144	381	7,549	1,768	0.8%
Contra Costa County	70,740	424	2,862	264	1.3%
Marin County	20,413	0	0	-105	0.2%
Napa County	10,353	48	296	35	1.0%
San Francisco County	156,926	512	3,861	1,221	1.6%
San Mateo County	75,705	345	2,674	568	1.3%
Santa Clara County	212,548	1,517	7,991	4,242	1.6%
Solano County	29,286	160	574	-185	0.6%
Sonoma County	38,863	14	2,680	-56	0.2%
San Francisco Bay Area Region	**799,978**	**3,401**	**28,487**	**7,752**	**1.2%**

For-Rent Housing Market Overview
Existing Units by County -- Graph

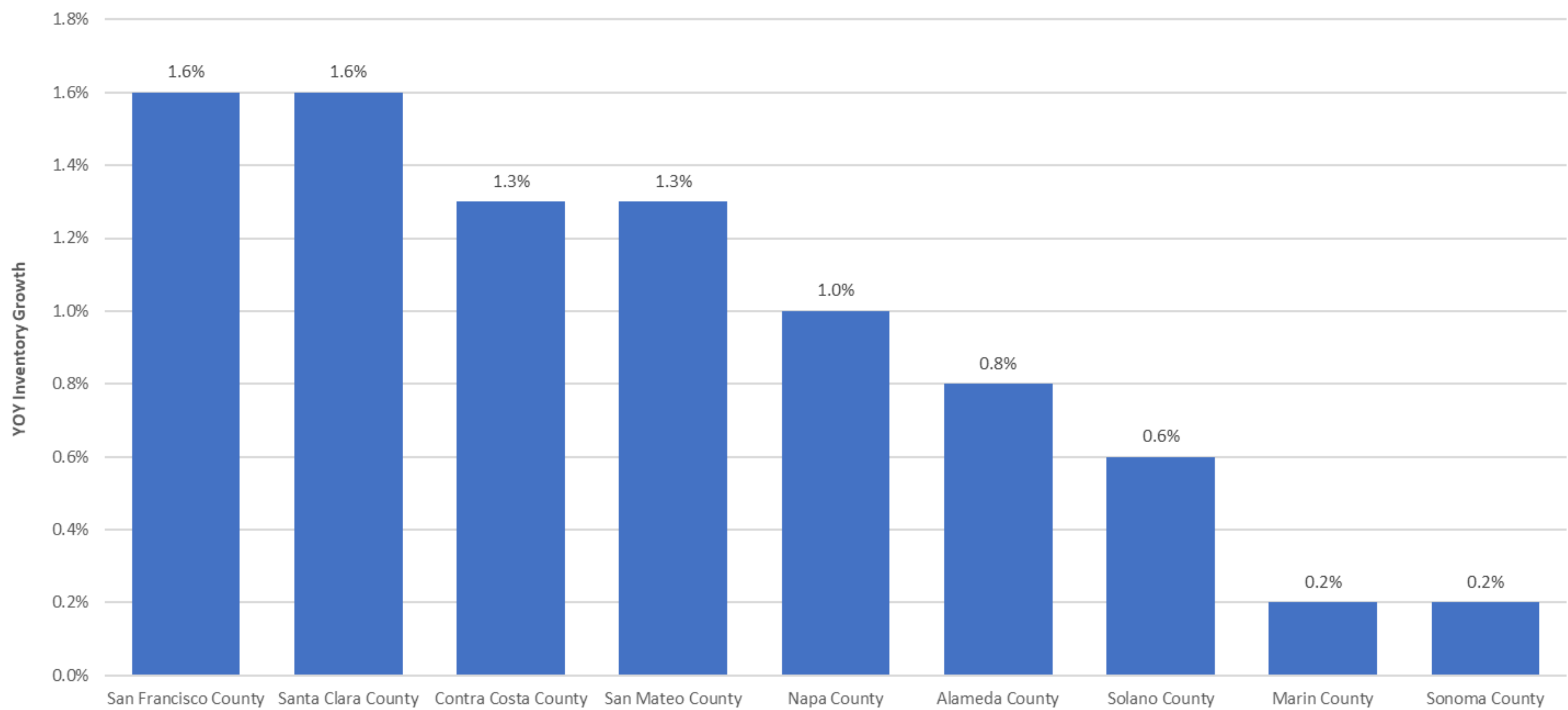


For-Rent Housing Market Overview
Units Absorbed by County -- Graph



Source: Cushman & Wakefield

For-Rent Housing Market Overview
YOY Inventory Growth by County



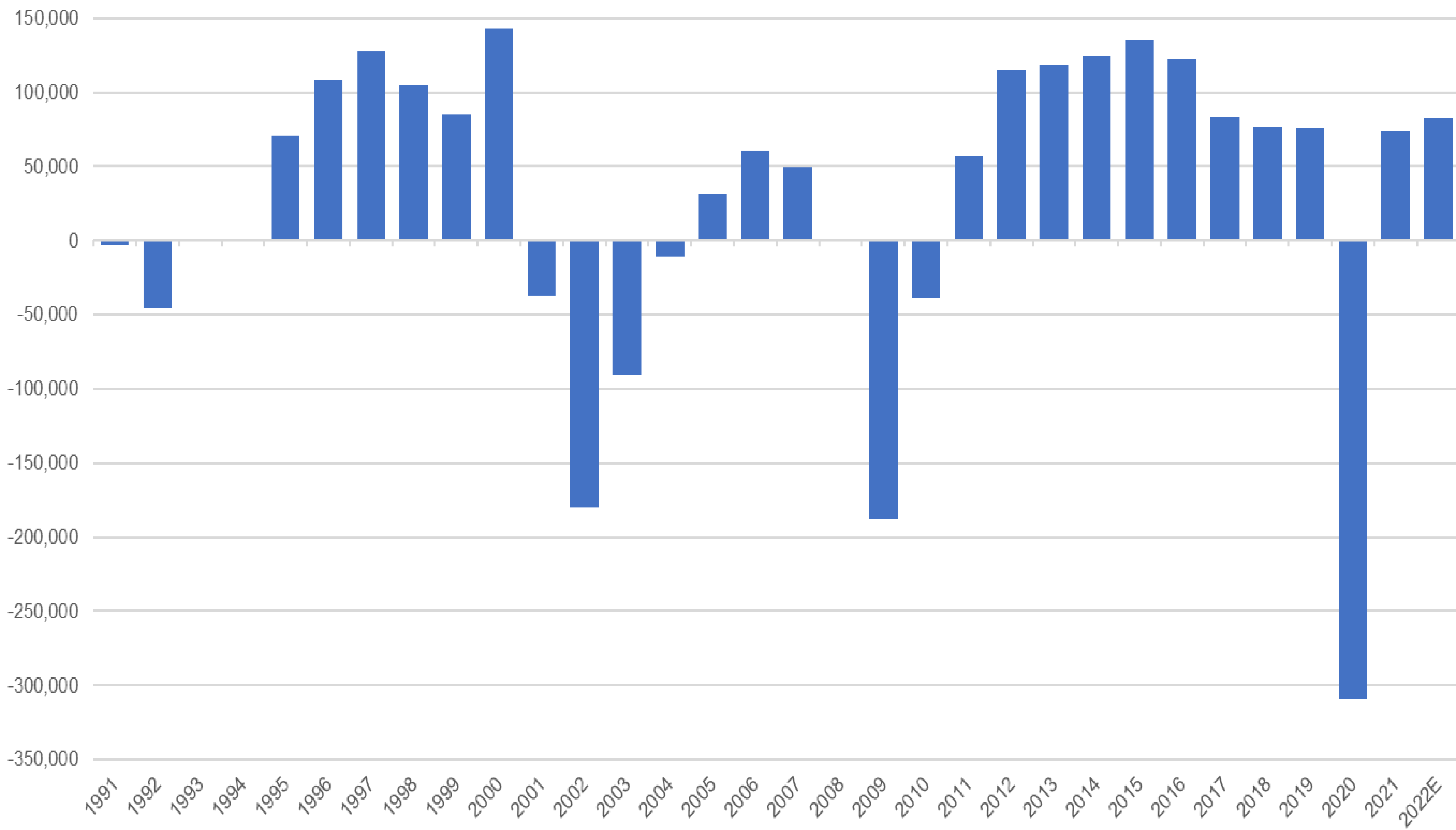
Source: Cushman & Wakefield

Economics and Demographics

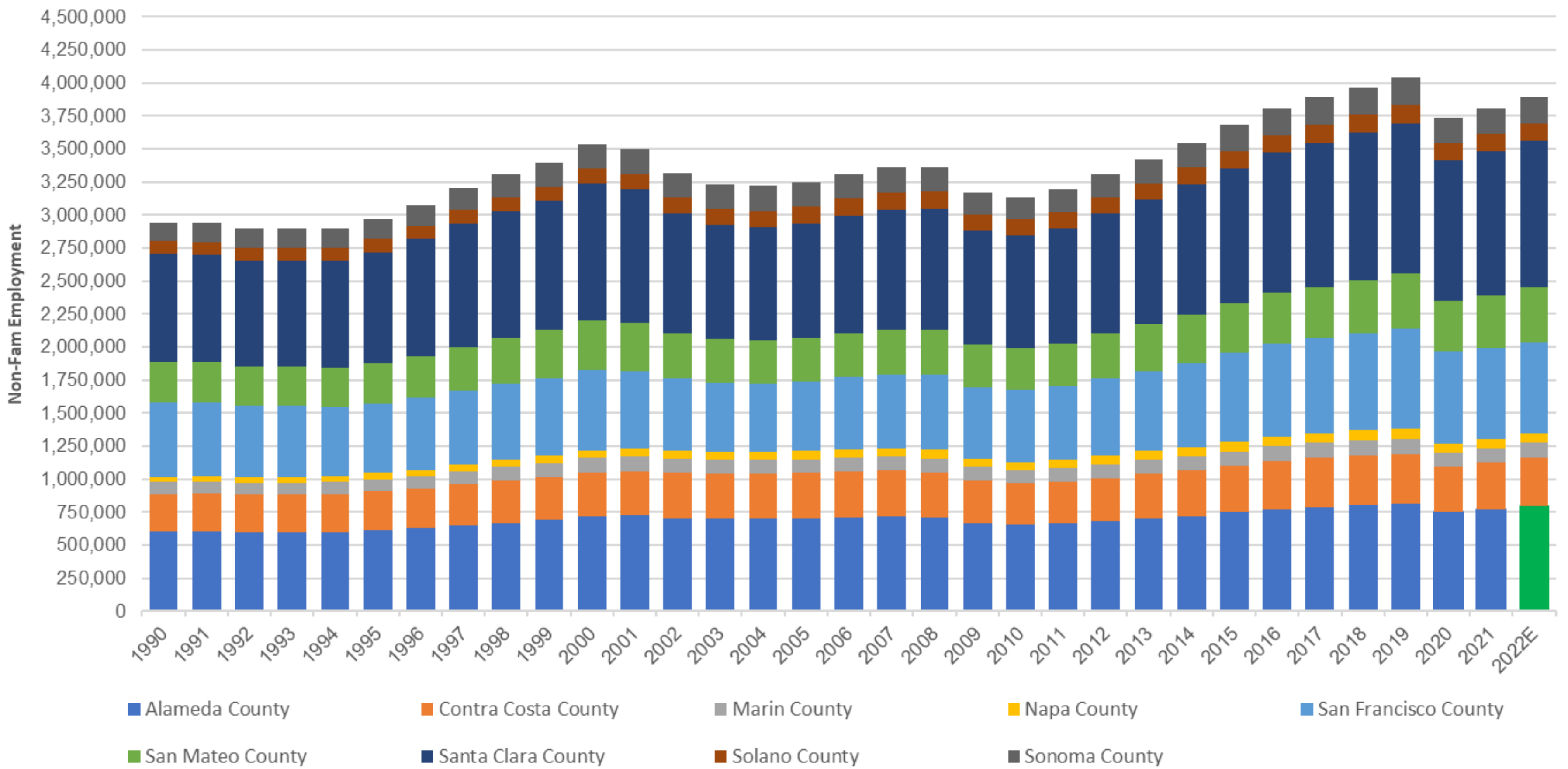
	City of Clayton		Contra Costa County	
	Number	Percent	Number	Percent
Population				
2021 Estimate	10,973	--	1,161,413	--
2020 Census	11,070	--	1,165,927	--
2010 Census	10,897	--	1,049,025	--
Growth 2020 - 2021	--	-0.9%	--	-0.4%
Growth 2010 - 2020	--	1.6%	--	11.1%
2020 Estimated Population by Age	**11,070**		**1,165,927**	
Age 0 - 14	2,092	18.9%	208,701	17.9%
Age 15 - 19	775	7.0%	75,785	6.5%
Age 20 - 24	863	7.8%	65,292	5.6%
Age 25 - 34	764	6.9%	144,575	12.4%
Age 35 - 44	1,317	11.9%	163,230	14.0%
Age 45 - 54	1,561	14.1%	158,566	13.6%
Age 55 - 64	2,004	18.1%	155,068	13.3%
Age 65 - 74	952	8.6%	116,593	10.0%
Age 75 - 84	542	4.9%	59,462	5.1%
Age 85 and over	199	1.8%	18,655	1.6%
Age 15 and over	8,978	81.1%	957,226	82.1%
Age 20 and over	8,203	74.1%	881,441	75.6%
Age 55 and over	3,697	33.4%	349,778	30.0%
Age 65 and over	1,694	15.3%	194,710	16.7%
2020 Estimated Median Age	**43.1**	**--**	**40.4**	**--**

	City of Clayton		Contra Costa County	
	Number	Percent	Number	Percent
Households				
2020 Estimate	4,010	--	411,560	--
2020 Estimated Households by Household Income	**4,010**	**--**	**411,560**	**--**
Income Less than $15,000	20	0.5%	27,163	6.6%
Income $15,000 - $24,999	12	0.3%	16,051	3.9%
Income $25,000 - $34,999	64	1.6%	19,755	4.8%
Income $35,000 - $49,999	144	3.6%	29,632	7.2%
Income $50,000 - $74,999	140	3.5%	47,741	11.6%
Income $75,000 - $99,999	493	12.3%	43,625	10.6%
Income $100,000 - $149,999	846	21.1%	74,904	18.2%
Income $150,000 - $199,999	878	21.9%	53,914	13.1%
Income $200,000 or more	1,404	35.0%	98,774	24.0%
2020 Estimated Mean Household Income	**$187,641**	**--**	**$153,125**	**--**
2020 Estimated Median Household Income	**$153,607**	**--**	**$111,080**	**--**
2020 Estimated Average Household Size	**2.88**	**--**	**2.86**	**--**
2020 Estimated Housing Type	**4,010**	**--**	**411,560**	**--**
Renter Occupied	397	9.9%	136,226	33.1%
Owner Occupied	3,613	90.1%	275,334	66.9%
Owner Occupied -- With Mortgage	2,781	77.0%	198,791	72.2%
Owner Occupied -- Without Mortgage	831	23.0%	76,543	27.8%
Owner Occupied -- Year Built 2000 and Greater	356	9.9%	51,212	18.6%
Owner Occupied -- Year Built 1980 - 1999	2,051	56.8%	77,369	28.1%
Owner Occupied -- Year Built 1960 - 1979	1,376	38.1%	84,803	30.8%
Owner Occupied -- Year Built Before 1960	227	6.3%	61,675	22.4%

Employment History and Forecast	San Francisco Bay Area Region -- Ten Year History									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022E
Non-Farm Employment:	3,424,500	3,548,500	3,684,000	3,806,500	3,890,300	3,967,300	4,043,000	3,734,000	3,808,100	3,890,811
Change From Prior Year:	118,600	124,000	135,500	122,500	83,800	77,000	75,700	-309,000	74,100	82,711
Annual Percent Change:	3.6%	3.6%	3.8%	3.3%	2.2%	2.0%	1.9%	-7.6%	2.0%	2.2%

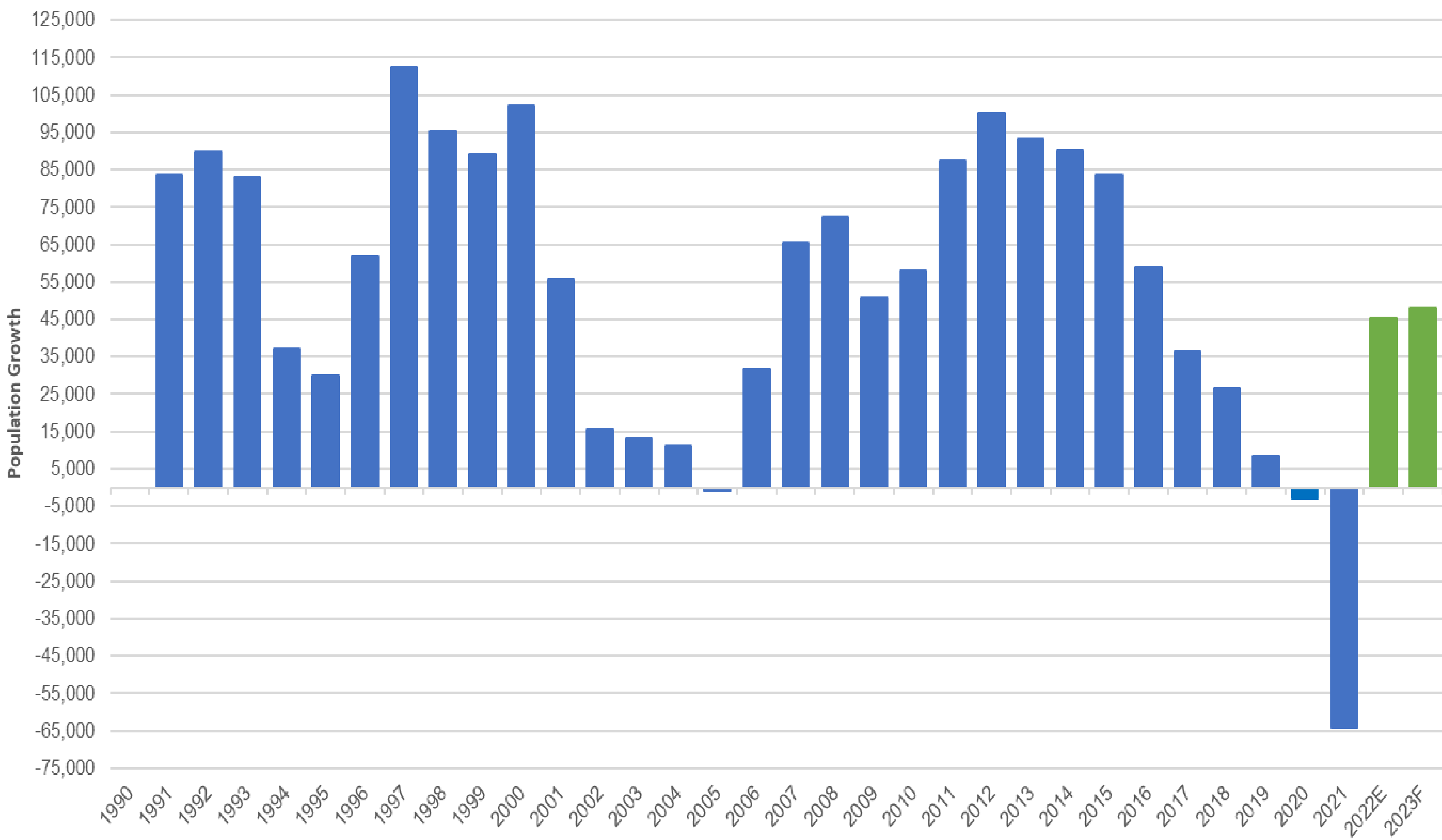


Source: California Department of Finance



Source: California Department of Finance

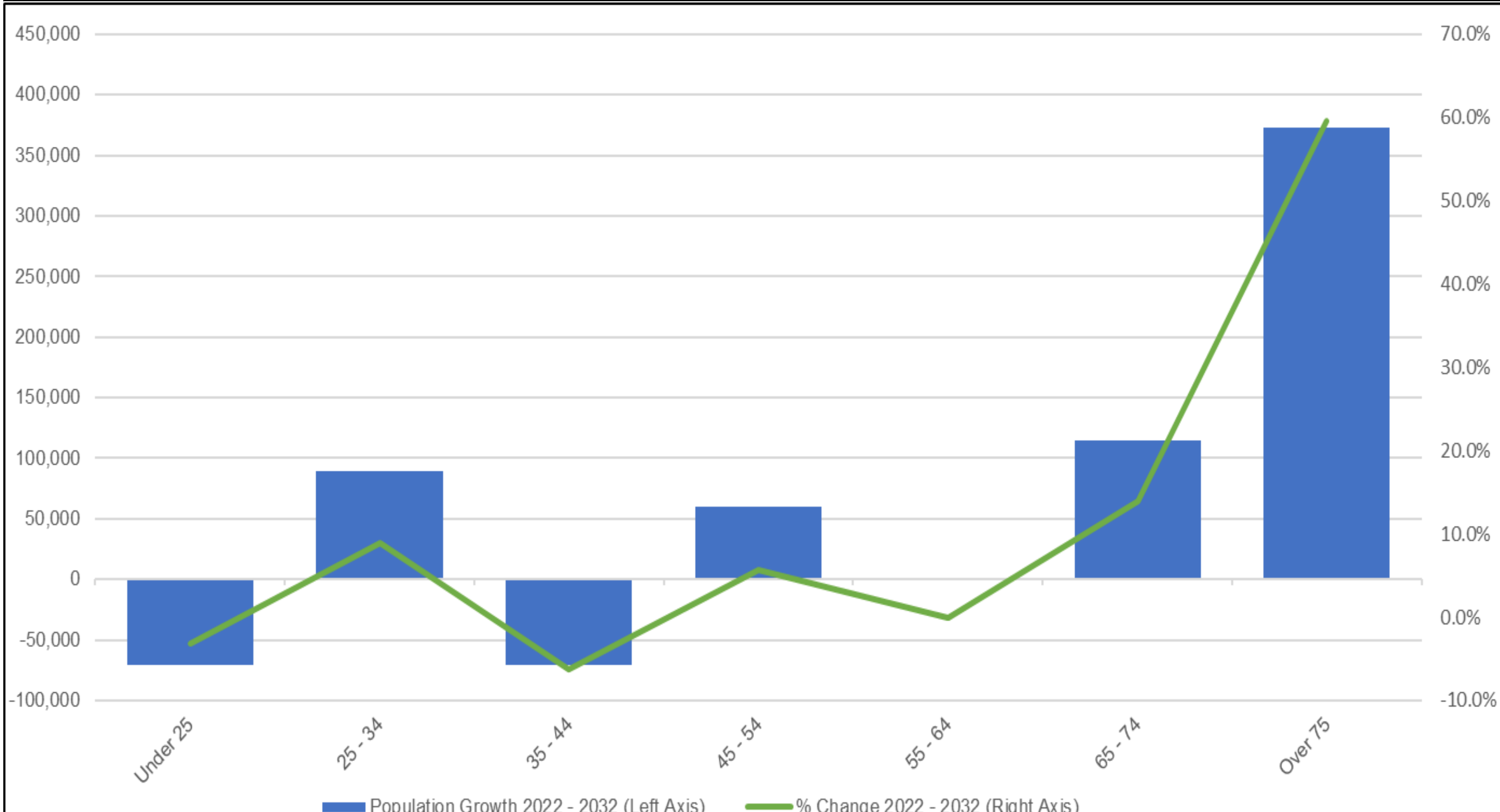
Population History and Forecast	San Francisco Bay Area Region -- Ten Year History										Forecast	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023F
Population:	7,365,887	7,459,202	7,549,265	7,632,828	7,691,911	7,728,518	7,755,172	7,763,502	7,760,495	7,696,482	7,741,861	7,790,017
Change From Prior Year:	100,161	93,315	90,063	83,563	59,083	36,607	26,654	8,330	-3,007	-64,013	45,379	48,156
Annual Percent Change:	1.4%	1.3%	1.2%	1.1%	0.8%	0.5%	0.3%	0.1%	0.0%	-0.8%	0.6%	0.6%



Source: California Department of Finance

Economics and Demographics
Population Change by Age

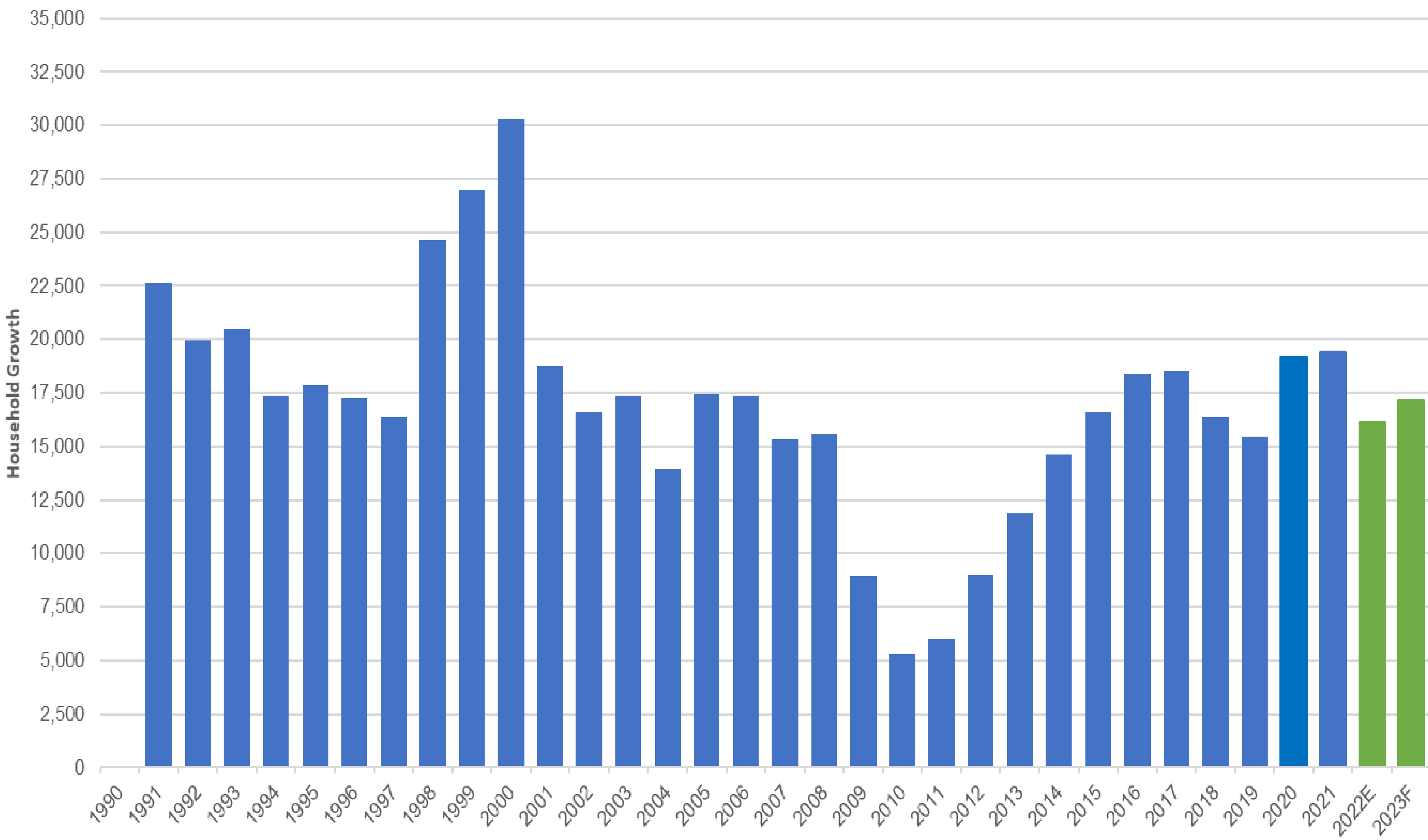
Population Growth by Age Range	San Francisco Bay Area Region -- Age Distribution							
	0 - 24 Years	25 - 34 Years	35 - 44 Years	45 - 54 Years	55 - 64 Years	65 - 74 Years	75+ Years	Median Age (Est.)
Population (2022):	2,233,084	993,897	1,125,827	1,057,548	1,011,643	822,605	625,872	38.7
Distribution	28.4%	12.6%	14.3%	13.4%	12.9%	10.5%	8.0%	--
Population (2032):	2,162,521	1,082,877	1,054,883	1,117,030	1,010,905	937,036	998,599	--
Distribution	25.9%	12.9%	12.6%	13.4%	12.1%	11.2%	11.9%	--
Change From Prior Decade:	-70,563	88,980	-70,944	59,482	-738	114,431	372,727	--
Decade Percent Change:	-3.2%	9.0%	-6.3%	5.6%	-0.1%	13.9%	59.6%	--



Source: California Department of Finance

Economics and Demographics
Households

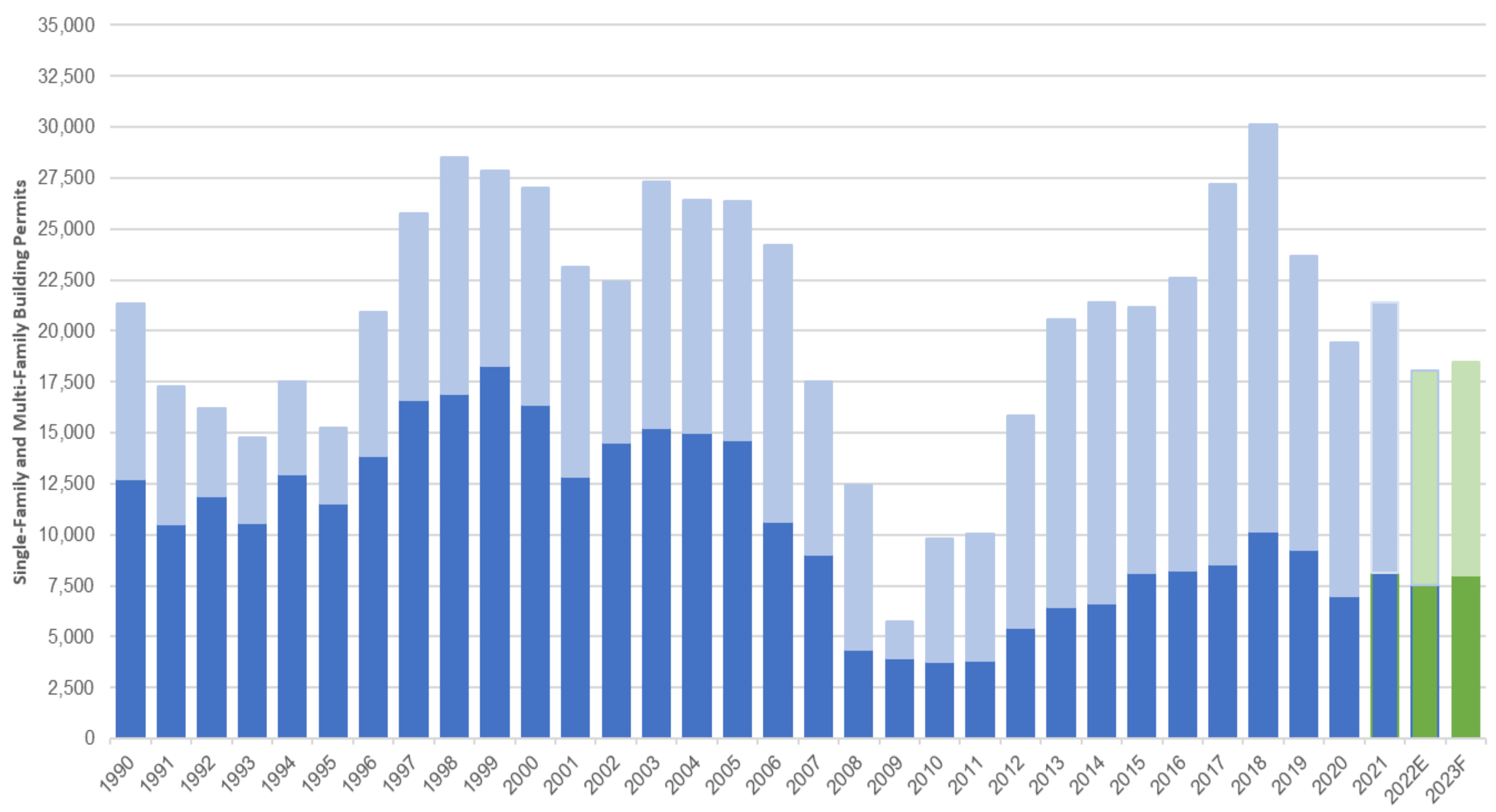
Households History and Forecast	San Francisco Bay Area Region -- Ten Year History										Forecast	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023F
Households:	2,621,500	2,633,378	2,647,976	2,664,596	2,683,011	2,701,508	2,717,860	2,733,340	2,752,510	2,771,914	2,788,043	2,805,168
Change From Prior Year:	8,977	11,878	14,598	16,620	18,415	18,497	16,352	15,480	19,170	19,404	16,129	17,125
Annual Percent Change:	0.3%	0.5%	0.6%	0.6%	0.7%	0.7%	0.6%	0.6%	0.7%	0.7%	0.6%	0.6%



Source: California Department of Finance

Economics and demographics
Building Permits

Building Permits	San Francisco Bay Area Region -- Ten Year History										Two-Year Forecast	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023F
Single-Family Permits	5,450	6,444	6,629	8,126	8,268	8,563	10,188	9,244	7,022	8,132	7,554	8,000
Annual Percent Change:	41.3%	18.2%	2.9%	22.6%	1.7%	3.6%	19.0%	-9.3%	-24.0%	15.8%	-7.1%	5.9%
Multi-Family Permits	10,414	14,135	14,760	13,057	14,303	18,625	19,962	14,400	12,389	13,251	10,506	10,500
Annual Percent Change:	68.9%	35.7%	4.4%	-11.5%	9.5%	30.2%	7.2%	-27.9%	-14.0%	7.0%	-20.7%	-0.1%
Total Permits	15,864	20,579	21,389	21,183	22,571	27,188	30,150	23,644	19,411	21,383	18,060	18,500
Annual Percent Change:	58.3%	29.7%	3.9%	-1.0%	6.6%	20.5%	10.9%	-21.6%	-17.9%	10.2%	-15.5%	2.4%



Source: US Census Bureau

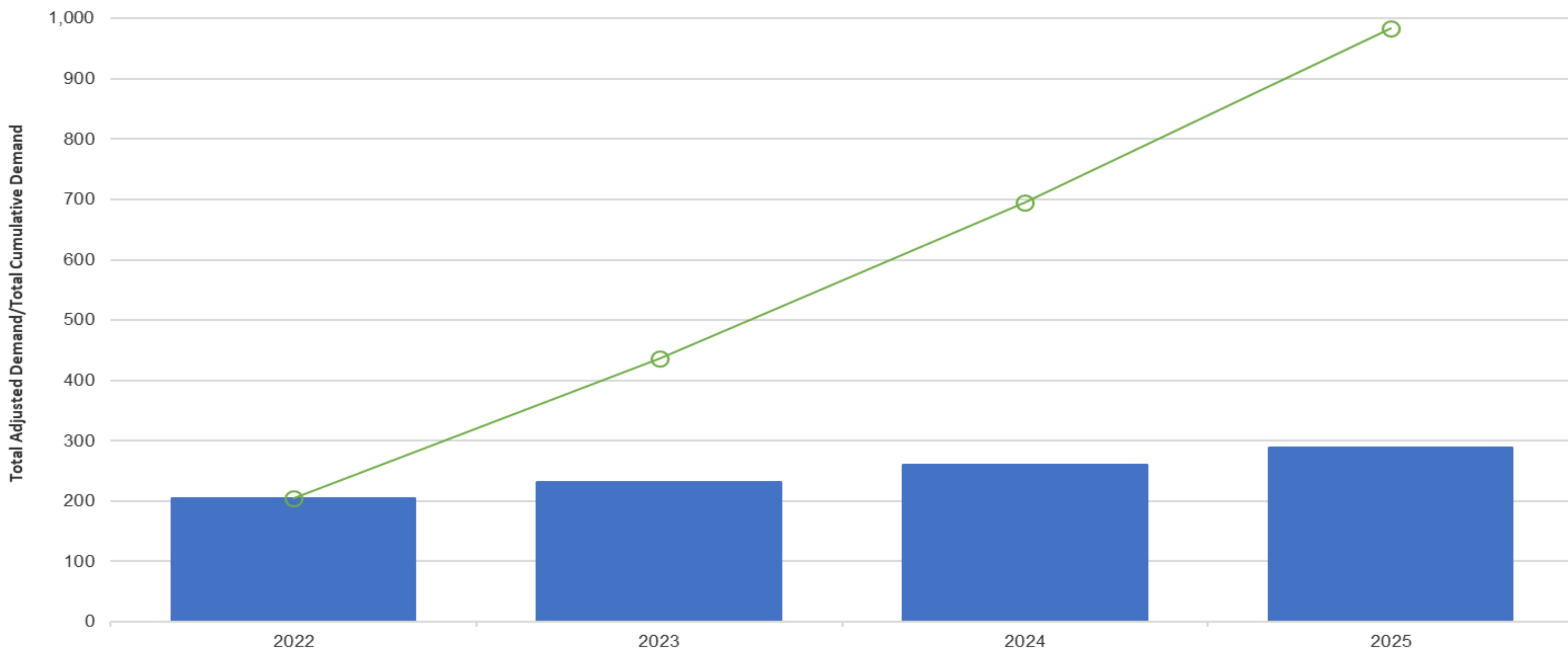
Demand Analysis (Age-Restricted and Non-Age-Restricted)

A demand analysis (see tables and graphs on the following two pages) was performed for the project as both age-restricted and non-age-restricted and for an estimated time period that includes 2022 through 2025. Several factors were considered when calculating the current and cumulative demand including:

- Population and Household Growth: was estimated at between 0.8% and 1.1% per year over the calculated time frame.
- Persons Per Household: is based on Census 2020 data for Contra Costa County.
- Market Area Population: was calculated at 21.02% of the county population and based on the population of Walnut Creek, Clayton, Concord and Pleasant Hill.
- Market Area Population Boost (Senior Demand Only): in addition to the natural growth in population within the defined market area, it is believed that the age-restricted project will draw from a larger market area that generally includes the areas of Contra Costa along the Interstate 680 corridor and to the east. This added population boost is estimated at 45.65% of Contra Costa County.
- Renter Occupied Housing: is from the 2020 Census and based on the renter occupancy of Contra Costa County (estimated at 33.1%).
- Age Qualified Housing (Senior Demand Only): provides an estimate of the percentage of the population in the market area that is aged 55-years and older (30.0% based on 2020 Census data).
- Income Qualified: an income of greater than $75,000 per year is estimated as appropriate to be able to afford the units at the subject project (this is a maximum of approximately 50% of income going toward rent).
- Total Subject Project Demand: based on all of the previous factors, the Total Subject Project Demand ranges from 89 units to 126 units for the senior demand and 204 units to 288 units for the non-senior demand for the four years of 2022 through 2025.
- Total Subject Project Cumulative Demand: the Total Subject Project Demand for each year is added together to get a “running” total of demand or (future) pent-up demand. The Total Subject Project Cumulative Demand totals 430 units for the senior project and 983 units for the non-senior project as of the end year of 2025.

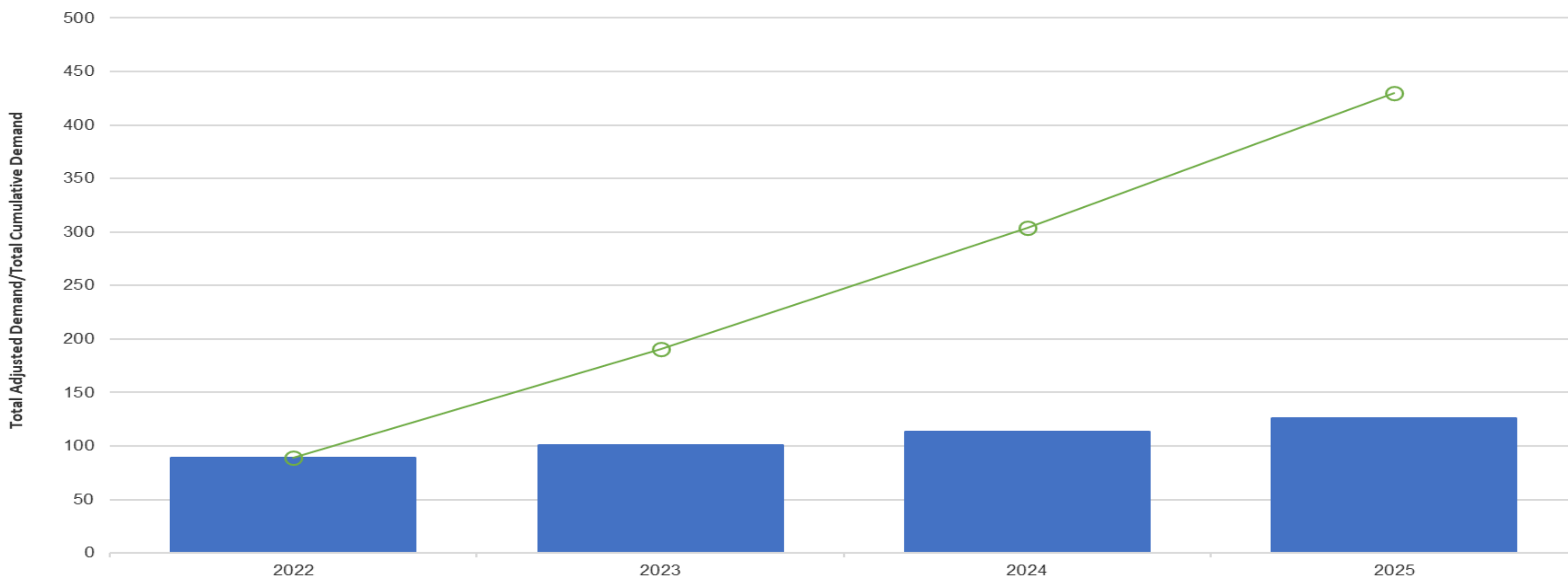
Based on the above analysis, it is clear that there exists a strong demand for new multi-family, for-rent housing regardless as to whether the project is senior orientated or non-senior orientated.

Demand Category (Non-Senior Demand)	Contra Costa County/City of Clayton			
	2022	2023	2024	2025
Population	1,170,704	1,181,240	1,193,052	1,206,175
Households	413,193	416,911	421,080	425,711
Persons per Household	2.86	2.86	2.86	2.86
Market Area Population (21.02% of County)	246,082	248,297	250,780	253,538
Market Area Households	86,043	86,817	87,685	88,650
Household Growth	683	774	868	964
Renter Occupied Housing (33.1%)	226	256	287	319
Income Qualified ($75,000+; 90.3%)	204	231	259	288
Total Subject Project Demand	**204**	**231**	**259**	**288**
Total Subject Project Cumulative Demand	**204**	**436**	**695**	**983**



Source: California Department of Finance, US Census, The Gregory Group

Demand Category (Senior Demand)	Contra Costa County/City of Clayton			
	2022	2023	2024	2025
Population	1,170,704	1,181,240	1,193,052	1,206,175
Households	413,193	416,911	421,080	425,711
Persons per Household	2.86	2.86	2.86	2.86
Market Area Population (21.02% of County)	246,082	248,297	250,780	253,538
Market Area Population Boost (45.65%)	358,418	361,644	365,260	369,278
Market Area Households	125,321	126,449	127,713	129,118
Household Growth	994	1,128	1,264	1,405
Renter Occupied Housing (33.1%)	329	373	419	465
Age Qualified (Age 55+; 30.0%)	99	112	126	139
Income Qualified ($75,000+; 90.3%)	89	101	113	126
Total Subject Project Demand	**89**	**101**	**113**	**126**
Total Subject Project Cumulative Demand	**89**	**190**	**304**	**430**



Source: California Department of Finance, US Census, The Gregory Group

Notes

The East Bay Region includes the two counties of Alameda and Contra Costa

All projections are provided by The Gregory Group

Sources include US Bureau of Economic Analysis, US Bureau of Labor Statistics, US Bureau of Census, Thomson Reuters/University of Michigan, Board of Governors of the Federal Reserve, NAHB/Wells Fargo Bank, National Association of Realtors, Zillow Real Estate Research, California Association of Realtors, Federal Reserve Bank of St. Louis, California Department of Finance, Google Maps, City of Clayton, City of Concord, City of Walnut Creek, City of Pittsburg, Contra Costa County, American FactFinder, MLS (Trends), The Gregory Group

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