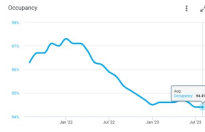


Dearest Friends, Clients, and Colleagues,

In this edition of our newsletter, we're focusing on rental trends in the East Bay, particularly in Berkeley. While the campus' growth still fuels the housing demand, a lackluster two years of expansion as well as lack of other demographics (many of whom relocated during Covid) moving into higher end housing has put a strain on absorption and performance. The question is, with all of the housing delivered and still coming online that is outpacing the enrollment growth in the next few years, what are the keys to outperforming the competition? Let's dig in...

Median Rental Price over Time

In the last year, rents have decreased by \$100 compared to the previous year.



As is shown, average rents are down somewhat and vacancy is up. While the changes aren't drastic, they are new for Berkeley, which hasn't seen a YOY decrease in quite a while. Let's look at two key factors: supply and population.

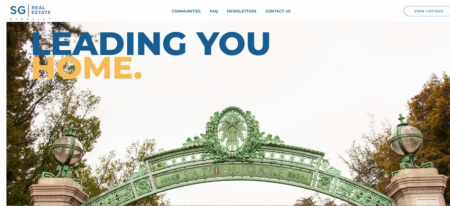
- **Supply:** In the next year, over 750 new units will be delivered in Berkeley, all targeting similar demographics and featuring many shared unit configurations and price points. That translates to approximately 3,000 "beds" or individual accommodations.
- **Population:** The UC Berkeley campus - the city's main housing market driver - does have a state endorsed plan to grow its enrollment. The figures that have been released publicly have indicated about 750-900 new students per year over a period through 2030. However, to date since the inception of that plan, that pace has not been realized (last year was approximately a net increase of 350).

The delivery of such a prolific amount of units all at the same juncture, in addition to a population growth that is below optimistic expectations, has pushed the average occupancy and rents downward in most areas. This shouldn't be alarming - it's to be expected given Berkeley's intense housing drought and the decades-long stall on zoning laws sufficient for adequate development. That being said, it does create some headwinds in the near term.

So, what to do about it? This is the part where we are proud to tell you that SGRE is the place to be. This academic year, while occupancy in Downtown hovers at 90% and Southside hovers at 95%, our portfolio of properties under our management sits at 99.8% across town. We're glad to deliver these results, however, the challenge on our doorstep will be even greater this year and the coming ones. So we're doubling down on the strategy and resources that have made us successful. This year we launched a campaign to make our buildings front and center in every local resident's minds, setting us apart from the competition:



- A new SGRE Berkeley website, spotlighting all of your Berkeley properties, designed to generate traffic as a standalone search tool and housing resource. Our goal is to lessen the dependence the market has on high-priced platforms (like apartments.com, for example) and to develop a one-stop-shop for all current or incoming residents to utilize.
- New billboard campaigns, drawing people to our new Berkeley-exclusive website and to websites for individual, large apartment communities that we proudly represent.
- Additional events, promotions, advertising strategies all designed to give us, and thereby YOU, the edge in a challenging market environment.



Here at SGRE, we don't shrink away from challenges, nor do we follow the path always travelled. When there is a demand to be met, we put our heads down and find a way to come out on top. As always, we'll be putting that ethos to work for all of our investors in this upcoming year and many to come.

Have a great holiday,

David Shamszad, CEO

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