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San Diego Multifamily Insights: Occupancy, Opportunity, and Returns

A Resilient Foundation
Despite broader macroeconomic pressures, San Diego's multifamily market continues to demonstrate strength. Recent industry reports indicate that vacancy sits near 4.5 %, well below the national average of approximately 6 %. Stabilized properties maintain around 96 % occupancy, highlighting consistent tenant demand. For investors, this limited idle inventory, combined with strong demand—particularly in mid-tier and affordable segments, creates a stable backdrop for value-add strategies, where occupancy and lease-up performance can meaningfully drive returns.

Supply Dynamics Present Opportunity
While new deliveries are underway, San Diego still trails other major U.S. metropolitan areas in apartment construction. Notable developments, such as a 721-unit mixed-use project in Mission Valley and a 101-unit affordable housing project in San Ysidro, signal developer interest, though completion timelines are extended. This limited short-term supply, paired with ongoing development, presents opportunities for value-add investors to enhance returns through property improvements, repositioning, and operational efficiencies.

Value-Add Potential
Investors can find upside by targeting submarkets with lower vacancy rates, such as East County and National City, which show strong occupancy. Modest rent growth across the market allows selective upgrades and lease-ups to outperform broader averages. The constrained pace of new supply reduces immediate competition from brand-new units, while high homeownership costs and limited land availability reinforce structural demand for rentals, particularly in the mid-tier segment.

Strategic Positioning
Success in this market hinges on thoughtful submarket selection, focusing on areas with strong fundamentals, manageable supply risk, and clear operational upside. Operational excellence—efficient lease-ups, careful management of concessions, and strong tenant retention—remains critical. Investors should also maintain a flexible 3–5-year exit strategy to capture both market appreciation and property-level improvements. Transparent communication with investors, including regular updates on key performance indicators and market trends, ensures alignment and confidence throughout the investment horizon.

Market Metrics to Watch
As of Q4 2025, San Diego's multifamily market exhibits stable occupancy at roughly 96 %, with vacancies around 4.5 %, tighter than the national average. Year-over-year rent growth is modest, ranging from 0.1–3 %, but selective value-add improvements can outperform. Approximately 12,000 new units are under construction, including mixed-use and affordable projects, providing moderate but manageable supply growth. Submarkets such as East County, National City, and Mission Valley stand out for lower vacancy and strong rent stability. Investor activity has shifted toward smaller buyers, giving nimble investors a competitive edge, while ongoing municipal support for affordable housing is evidenced by projects like the 101-unit development in San Ysidro. Overall, fundamentals remain solid, with tight occupancy, manageable supply, and operational upside for value-add strategies.

Bottom Line
San Diego's multifamily market offers an attractive combination of tight vacancy, moderate supply growth, and structural demand tailwinds. These conditions create an ideal environment for well-executed value-add strategies. Even amid broader market challenges, this segment continues to provide both stability and potential upside for investors. **SOURCES AXIOS, "SAN DIEGO TRAILS MAJOR METROS IN NEW APARTMENT CONSTRUCTION" (OCT 7, 2025); CALIFORNIA CONSTRUCTION NEWS, "GROUNDBREAKING FOR 101 AFFORDABLE APARTMENTS IN SAN YSIDRO" (OCT 20, 2025); MULTIHOUSING NEWS, "HINES JV BREAKS GROUND ON 721-UNIT MIXED-USE PROJECT IN SAN DIEGO" (OCT 29, 2025); INSTITUTIONAL PROPERTY ADVISORS, "SAN DIEGO 2Q 25 MULTIFAMILY MARKET REPORT"; PROPRIETARY INDUSTRY DATA (USED GENERICALLY FOR OCCUPANCY, VACANCY, AND DEMAND TRENDS)*

Unlocking Value in San Gabriel's Multifamily Market

The San Gabriel Valley multifamily market continues to demonstrate strong demand amid constrained supply. Average asking rents have increased by approximately **2.9% year-over-year**, and the average sales price per unit sits near **$380,000**, below the broader Los Angeles metro average. Transaction volume across Southern California has grown significantly this year, although pricing has softened slightly in certain segments. Overall, the market reflects solid fundamentals, with opportunities for investors who can execute operational improvements.

Development activity in the area remains meaningful but moderate. Roughly **1,900 multifamily units** are currently under construction, yet near-term supply remains limited. A notable project on **E. Valley Boulevard** will add 65 units, including live-work spaces and very-low-income units, with construction anticipated to begin in 2026. This moderate pace of new supply may provide support for occupancy and cash flow in existing properties.

Investor interest remains strong, particularly in value-add opportunities. For example, the 84-unit "Pacific Trails" community in Covina sold for **$21 million** in August 2025, achieving approximately **96% occupancy** at the time of sale. High occupancy in the region, coupled with modest rent growth, indicates that operational improvements, unit renovations, and lease-up of under-market units can create meaningful upside. Pricing for multifamily assets in the San Gabriel Valley remains below the core Los Angeles metro, offering potential yield premiums while maintaining a favorable risk profile.

While opportunities are compelling, investors should be mindful of risks. Rising capital costs and softer pricing for lower-quality assets may limit returns for certain properties. New developments, although moderate, could affect occupancy and rents over time. Value-add strategies require careful underwriting to ensure projected upside is achievable, and regulatory or zoning requirements may extend project timelines.

For firms focused on acquisition, renovation, and repositioning, the San Gabriel Valley offers a compelling mix of factors. Targeting stabilized or near-stabilized assets within the **$300K–$400K per unit** range can provide a solid foundation for value creation. Enhancing units, improving amenities, and streamlining operations can drive additional returns. Assets with strong transit access and attractive neighborhood amenities are likely to perform well, and a **5–7 year holding horizon** can help maximize returns while new developments come online. Careful exit planning is essential, particularly given moderate price growth and varying cap rates across asset classes.

In summary, the San Gabriel Valley multifamily market presents an attractive opportunity for experienced value-add investors. Strong occupancy, positive rent growth, and a manageable development pipeline create a favorable environment for operational improvements and strategic positioning, allowing investors to capture meaningful returns in this dynamic Southern California sub-market. **Sources Matthews™ Market Report – San Gabriel Valley, 2025; NorthMarq Insights – First-Half 2025 Multifamily SalesActivity in Southern California; Urbanize LA – Multifamily development pitched at 1105 E. Valley Blvd., San Gabriel; Yield PRO – Sale of Pacific Trails, San Gabriel Valley, August 2025*

Salt Lake City MixedUse Market Shows Recent Activity

The mixeduse sector in Salt Lake City is showing renewed activity, with recent developments highlighting momentum in both financing and local planning.

A major transaction this summer, a roughly $170 million refinancing of a 580unit downtown mixeduse community, illustrates that institutional capital remains active in the market. At the same time, local zoning updates are streamlining approvals for mixeduse developments, making it easier for projects to combine residential, retail, and office uses.

Developers are increasingly focused on adaptive reuse and groundfloor activation, converting older commercial or industrial spaces into modern live/work/play environments. While residential demand continues to support multifamily components, other uses such as office remain more challenged, and factors like construction costs and regulatory changes may impact project timelines. For properties in the area, these market shifts signal an environment of ongoing activity and refinement, with opportunities for well-located, thoughtfully designed mixeduse developments to thrive.**Sources: BusinessWire, Multihousing News, Buildings Salt Lake*

Denver Industrial Market Moves: Spotlight on Brighton

The industrial market in the Denver metro area—especially around Brighton, Colorado and the I76 corridor, is showing a nuanced picture of stability and transition. A headline transaction recently: a 614,000squarefoot facility in Brighton sold for about **$69.4 million**, underscoring ongoing demand for largescale logistics assets in the region.

Meanwhile, vacancy rates remain elevated relative to peak demand periods: the metro vacancy hovered around **7.4% to 8.5%** in recent months, up from historic lows, reflecting the supply surge of the 202123 cycle and softer leasing for largeformat space. Leasing velocity for smallerbay spaces (20,00050,000 sq ft) remains relatively stronger than for the biggest boxes, where some users are pulling back or postponing expansion.

Construction activity has decelerated, and many new builds are now preleased or buildtosuit rather than speculative, which helps limit further oversupply. Asking rents are mostly flat to slightly down in some segments, with limited upward pressure until absorption and tenant demand pick up further.

For the Brighton/I76 submarket specifically, vacancy remains higher than metro average, driven by largeformat deliveries and legacy space repositioning. For our investors, the message is that while fundamentals aren't operating from a lowsupply base, the region retains strong logistics appeal (central MountainWest location, highway access, favorable tax climate) and current conditions may offer selective reposition or leaseup opportunities. Monitoring tenant demand (especially from ecommerce/fulfillment and manufacturing), constructionpipeline changes, and rent trend inflection will be key. **Sources: Bisnow (Trader Joe's Brighton sale), Avison Young Q2 2025 Industrial Report, Marcus & Millichap MidYear 2025 Industrial Outlook, Matthews Q2 2025 Market Report.*

Pomona Industrial Market Update: Stability Amid Change

The industrial market in Pomona and the Western Inland Empire region continues to evolve amid shifting supply and demand dynamics. Vacancy has remained elevated relative to historic lows, and construction activity has slowed, particularly for speculative largeformat buildings.

Transaction activity, however, shows that well-located and modern facilities are still attracting strong buyer interest: for example, a ~190,000 sf facility in Pomona sold recently for approximately $52.7 million, highlighting continued appetite for sizable industrial assets. Smallerbay properties in the area are also seeing activity, catering to owner-users and investors seeking shorterterm leasing opportunities.

Rental rates across the submarket have softened from their 2023 peaks, yet strategic locations near major freeways and population centers continue to benefit from tenant demand, particularly for logistics, ecommerce, and light manufacturing users. Market observers note that while absorption is moderate, competitive positioning, tenant quality, lease terms, and operating cost management remain key drivers for industrial property performance.

Overall, the Pomona and Western Inland Empire industrial sectors reflect a balance between market headwinds and long-term strategic opportunity, making careful monitoring of occupancy, lease activity, and new supply essential. ** Sources: Avison Young Inland Empire Industrial Report Q2 2025; Lee & Associates San Gabriel Valley Industrial Report Q1 2025; Crexi listings data for Pomona and Inland Empire industrial properties.*

WLA NEWS
Happy Thanksgiving from WLA!

As Thanksgiving approaches, we want to take a moment to express our sincere gratitude to all of our investors. Your patience, partnership, trust and support are the foundation of our success, and we are thankful for the opportunity to work together. This season reminds us of the importance of community, collaboration, and long-term relationships — values that guide how we manage and grow our portfolio.

Navigating Today's Commercial Real Estate Landscape

Commercial real estate activity remains measured across most asset classes, with cap rates adjusting upward over the past few years by roughly 1–2%. Rising construction, insurance, and financing costs continue to shape development and disposition strategies. While debt access has improved somewhat compared with last year, private lenders remain the most reliable source of capital, typically at higher rates in the 9–10% range plus points. Encouragingly, recent signals from the Federal Reserve suggest a potential pause or modest easing in rate hikes later this year, which could create more favorable financing conditions.

Our Approach in a Changing Market

WLA continues to take a proactive and disciplined approach to managing and growing our portfolio. Our focus remains on protecting investor capital, optimizing property performance, and positioning assets for long-term stability. Demand for well-located, modern industrial, logistics, and multifamily properties remains strong, supporting steady income streams. Where market conditions have shifted from original expectations, we have pursued thoughtful exits to preserve value and redeploy capital into higher-opportunity opportunities.

Construction and development costs are beginning to moderate, though labor availability and permitting delays remain challenges. We also continue to prioritize sustainability and technology enhancements, which are proving to be meaningful drivers of tenant retention and long-term property performance.

Looking Ahead

This market cycle underscores the importance of disciplined oversight and a long-term perspective. Many of our properties maintain healthy occupancy and continue to attract buyer interest despite slower transaction activity. Renewed institutional interest in stabilized assets with strong fundamentals, particularly in multifamily and industrial sectors, is encouraging.

Selectivity, remains our guiding principle. By focusing on markets with diversified economic foundations and emphasizing high-quality assets, we are confident in our ability to navigate near-term challenges while positioning for future growth.

We deeply appreciate your continued trust and partnership. From all of us at WLA, we wish you and your loved ones a joyous and safe Thanksgiving. If you would like to discuss your investment or any specific properties, please don't hesitate to reach out to us!

Update Your Investor Contact Information

To ensure timely delivery of important communications such as annual K-1s, asset listings, distribution notices, property updates, and newsletters, please make sure we have your current contact information on file.

If you've recently changed your address, email, or phone number, please contact below.

Andrea Powers at:

Phone: 949-851-2020
Email: apowers@wlainvestments.com

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***Important Note**: Prefunding is not a commitment to a specific offering. Funds may be used across a variety of transaction-related purposes including, but not limited to: contractual deposits, escrow extension fees, down payments, and other acquisition-related costs.*

WLA Investments

1301 Dove Street, Suite 1080
Newport Beach, CA 92660
949.851.2020
info@wlainvestments.com