SAN JOSE, CA
MULTIFAMILY REPORT

2024 | MID-YEAR

Jobs Added / Lost

LAST 12 MONTHS

7,700

0.7%

Unemployment

JUNE 2024

4.1%

70 BPS YOY

**Seasonally Adjusted*

SAN JOSE, CA

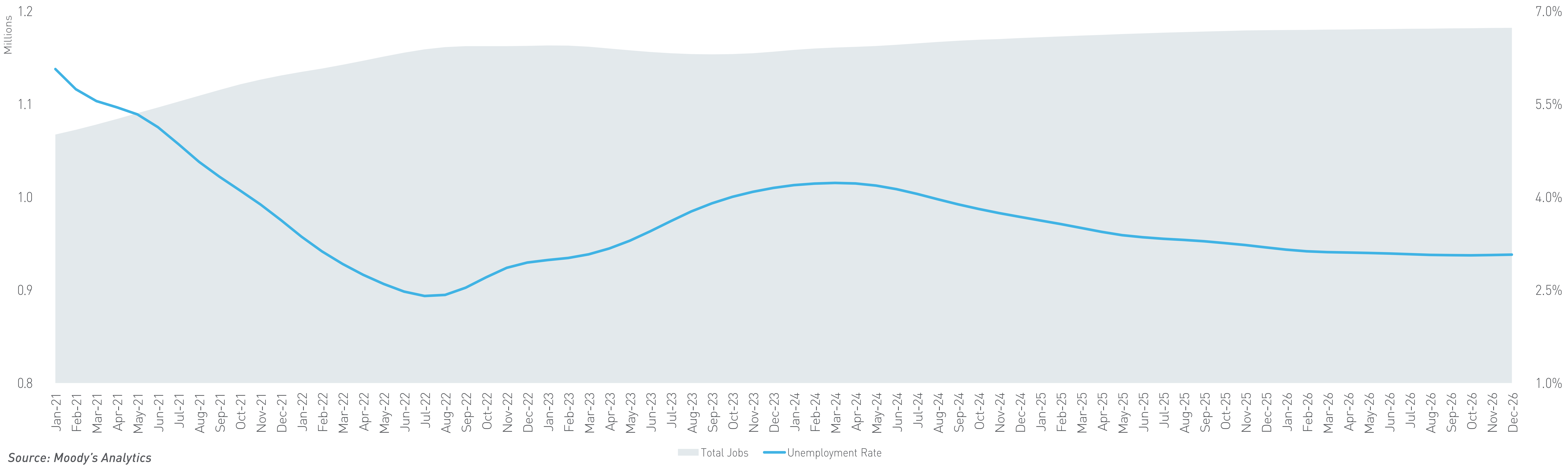
EMPLOYMENT

Silicon Valley is known to attract some of the world's top talent for technology, healthcare, research, and higher education, with the regional workforce representing a wide array of labor industries. Employment trends in Greater San Jose indicate moderate labor growth since the second quarter of 2023, expanding by 0.7% annually. The industry that grew the most since the middle of last year was the healthcare and private education sector, which increased 4.9% annually and added 9,600 net jobs. Major job gains in the industry are representative of a recent report by Stanford University claiming that the university's staff has increased by 950 workers each year since 2019. The university's goal of doubling its staff-to-student ratio has been fixated on the School of Medicine, with its staff growing by 5.6% annually for the past several years, with the goal of hiring 300 additional staff members by the end of the year. After increased development costs, a higher interest rate environment, and inflation worries, many building projects in the area were stalled in 2023 but are now being reintroduced or built out. On top of an uptick in healthcare and private education hiring over the past year, the area expects to see continued job growth after the recent announcement of a 10-story, 230,000-square-foot medical office building that will finish sometime next year. Santa Clara Valley Healthcare's new building is being constructed to create a mixed-use, pedestrian-friendly neighborhood centered around the new site.

In the News

- Stanford University doubles its staff-to-student ratio
- Santa Clara Valley Healthcare celebrates medical office building addition
- Kaiser Permanente to replace aging medical building

Employment Trends



Source: Moody's Analytics

2024 YEAR TO DATE

DELIVERIES
752 UNITS

ABSORPTION
1,276 UNITS

2024 TOTAL*

DELIVERIES
4,011 UNITS

ABSORPTION
3,448 UNITS

**Projected*

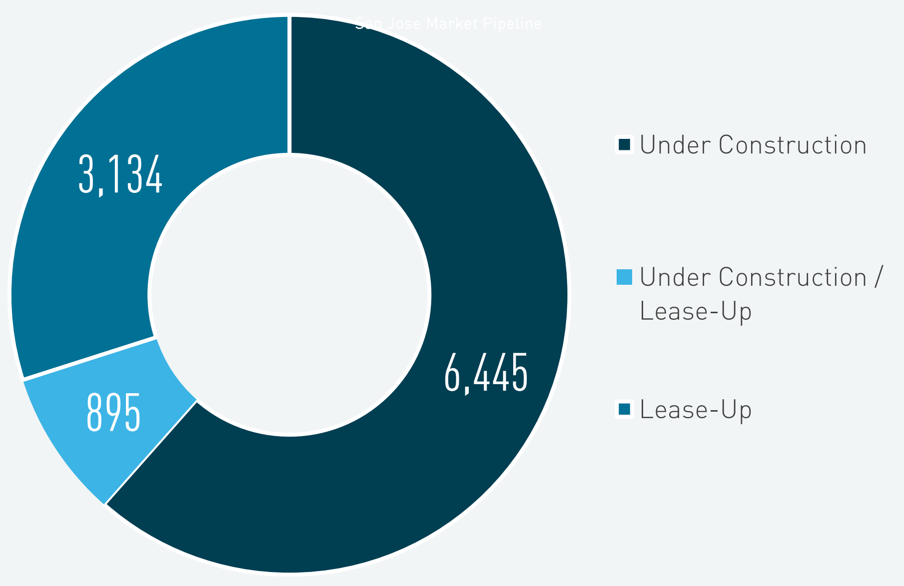
SAN JOSE, CA

DELIVERIES & ABSORPTION

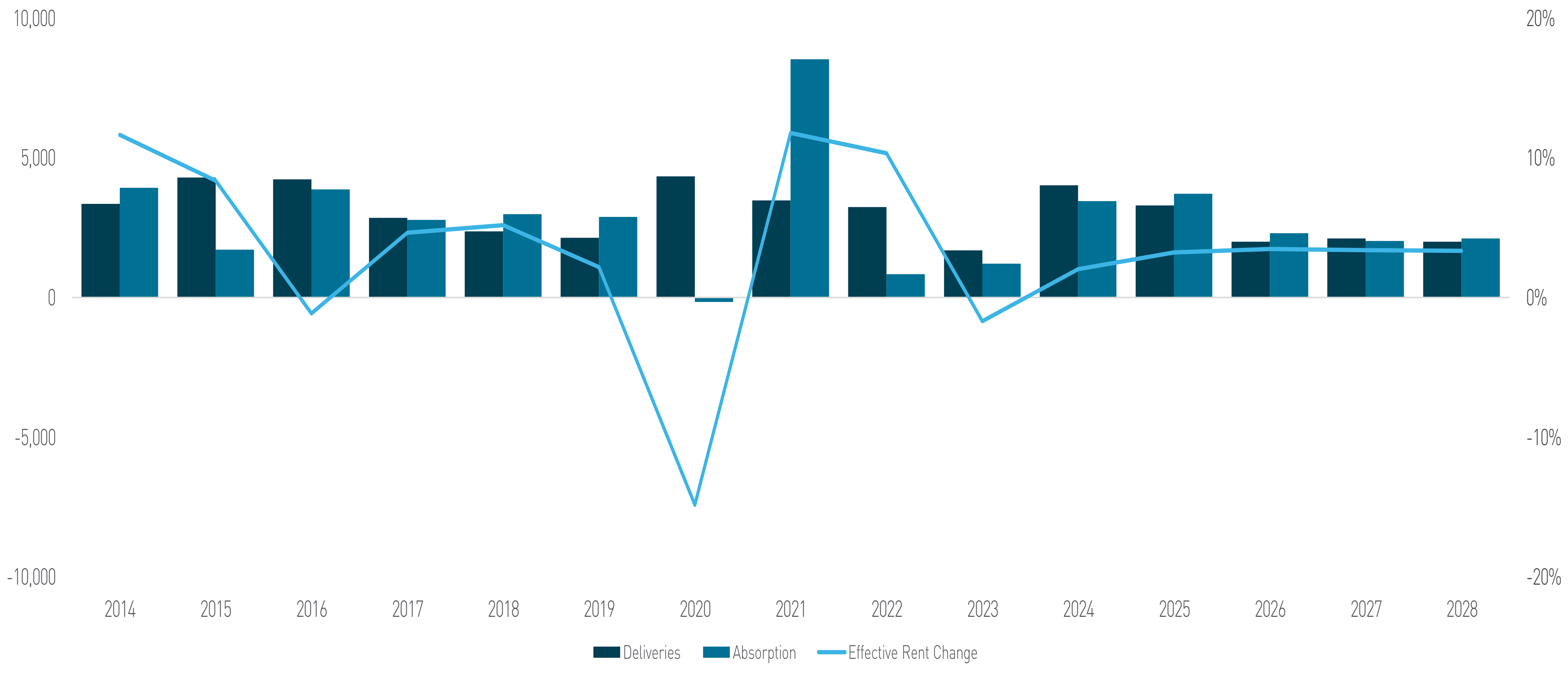
As of the second quarter of 2024, apartment demand outweighed new development throughout the San Jose metro. There were 1,276 net move-ins and 752 units delivered in the first half of the year. Demand for apartments in the area is trending positively through the first two quarters of the year and is slightly above historical pre-pandemic averages. After dealing with stagnant renter demand since 2022 due to tech-related layoffs and economic uncertainty, apartment operators have regained a healthy renter base in 2024.

San Jose's new supply pipeline is elevated from pre-pandemic averages, with the vast majority expected to come online in the second half of the year. However, a steadily growing population, which shrunk during the pandemic, paired with the high cost of home ownership, expects to offset the heightened level of new supply set to come online before year-end. Approximately 41% of under construction units are consolidated in the Santa Clara submarket, with much of the new construction tailored to renters who seek luxury features and amenities. Numerous prominent technology sector employers, such as Meta, Apple, and Google, all have a significant presence in the area, making it no surprise that new apartment activity has focused on Class A properties with a large concentration of nearby high-earning employees.

Market Pipeline

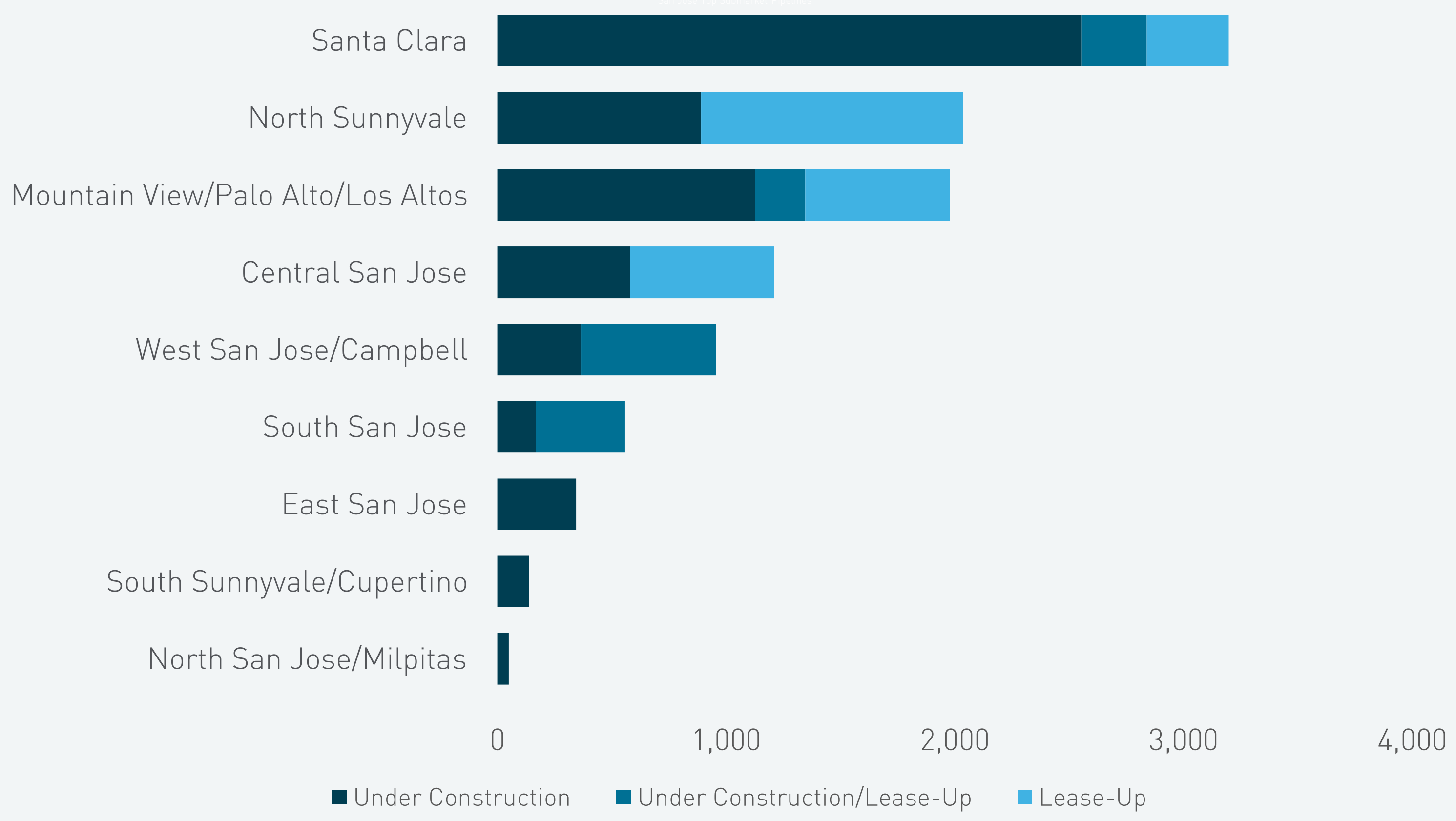


Deliveries, Absorption, & Effective Rent Change



Source: RealPage

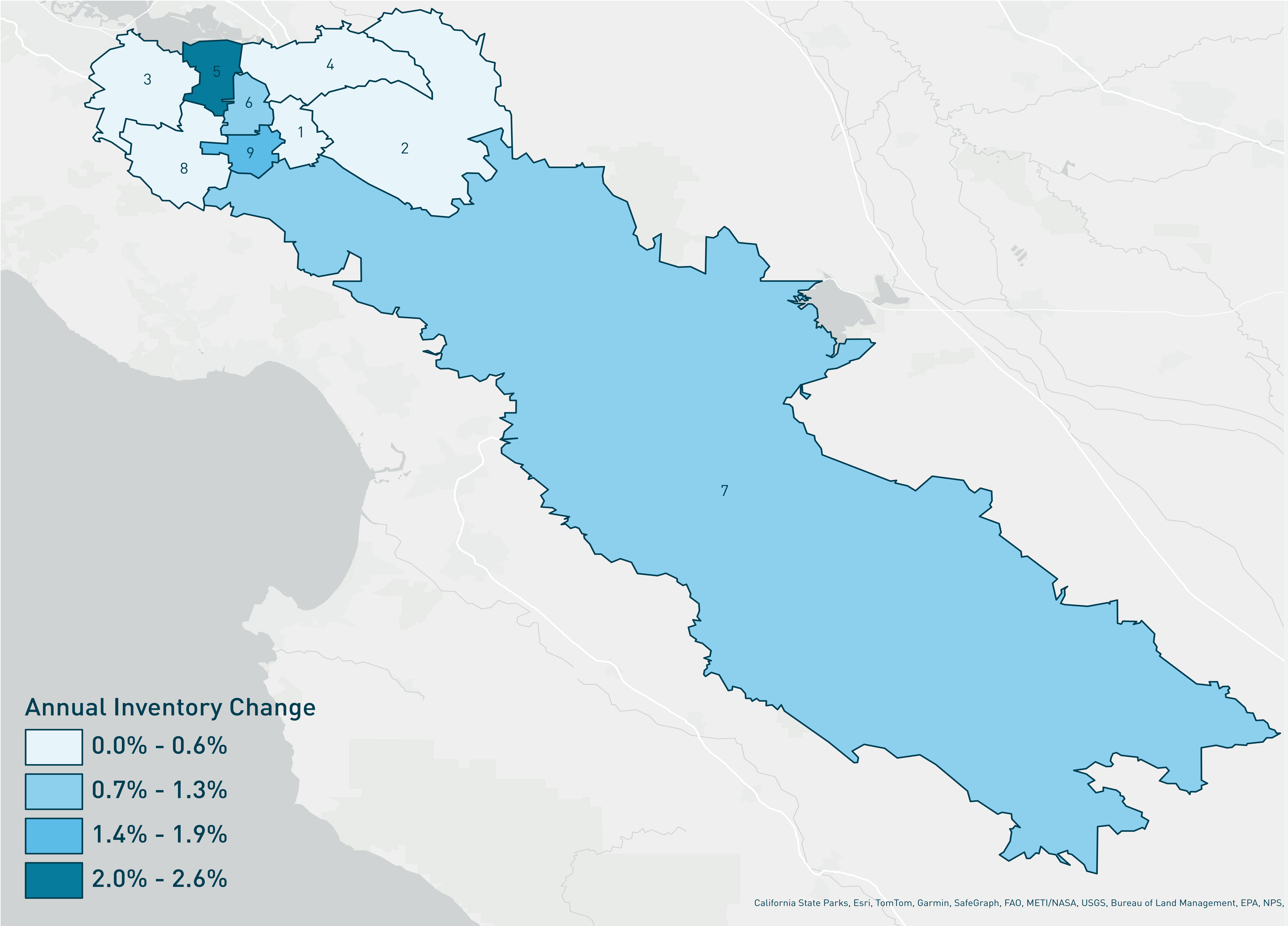
Top Submarket Pipelines



Due to economic uncertainty, high interest rates, and increased costs, new construction levels in 2023 were significantly lower than in previous years. In 2024, builders aim to compensate for this by increasing new deliveries slightly above their pre-pandemic averages from 2015 to 2019. Increased development activity in the first half of 2024 was focused on the North Sunnyvale, Santa Clara, and Mountain View/Palo Alto/Los Altos submarkets. These submarkets are all northwest of Downtown San Jose, with access to adjacent transportation routes offered by Caltrain and the Valley Transportation Authority. The submarkets appeal to high-earning tech workers who want a short commute to the office, premium amenities, and proximity to the downtown area, making it a focal point for current and future development. The North Sunnyvale submarket had the highest rate of new deliveries in the first two quarters of 2024, with the Santa Clara submarket having the most units in the development pipeline.

SAN JOSE, CA

SUBMARKET MID-YEAR 2024 ANNUAL INVENTORY CHANGE



SUBMARKET BOUNDARIES

1. Central San Jose
2. East San Jose
3. Mountain View / Palo Alto / Los Altos
4. North San Jose / Milpitas
5. North Sunnyvale
6. Santa Clara
7. South San Jose
8. South Sunnyvale / Cupertino
9. West San Jose / Campbell

Effective Rent

Q2 2024

$3,124

0.8% YOY

Occupancy

Q2 2024

95.7%

10 BPS YOY

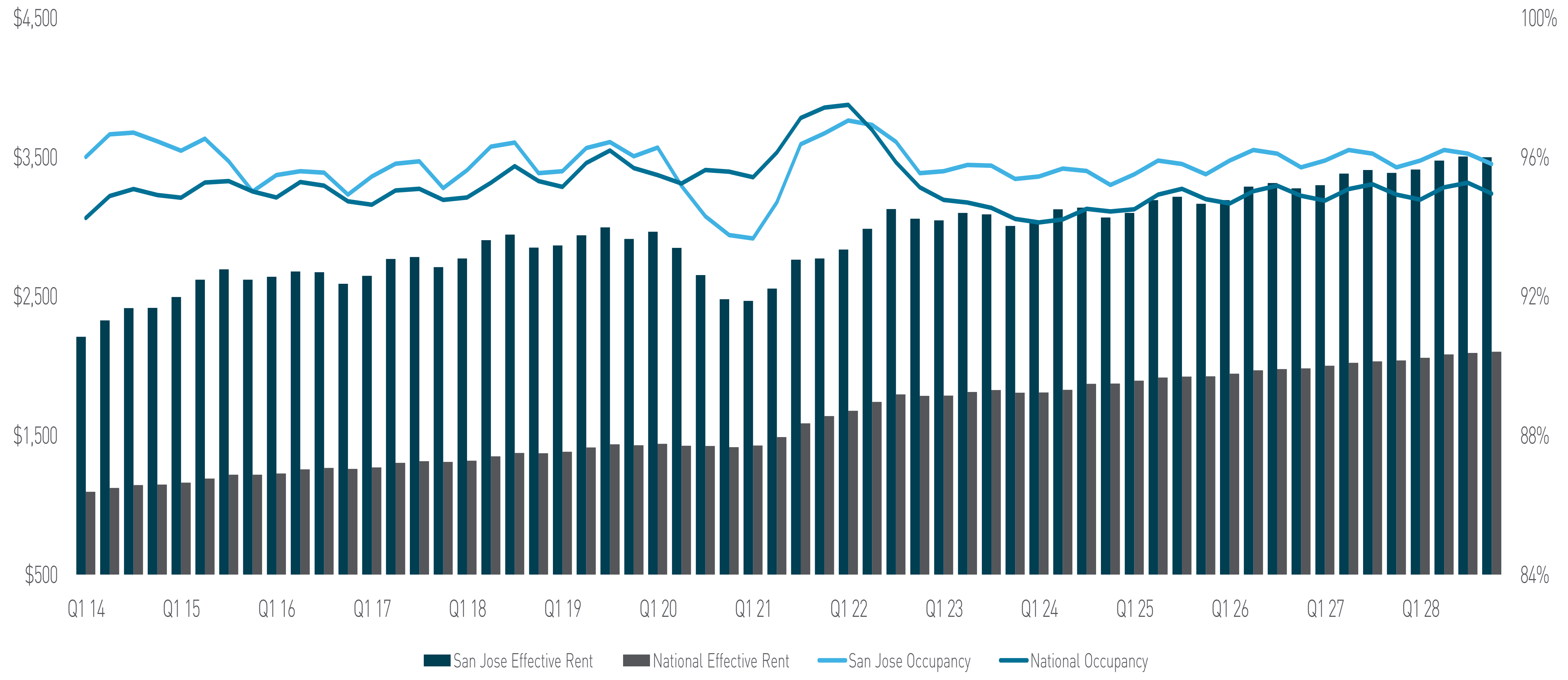
SAN JOSE, CA

RENT & OCCUPANCY

San Jose ranks among the most expensive multifamily markets in the United States, surpassed only by New York and nearby San Francisco. Over the past decade, high incomes and limited inventory in Greater San Jose's most desirable areas have enabled significant rent increases. However, the many economic unknowns during 2022 and 2023 caused leasing activity to dwindle compared to historic apartment demand levels in 2021, leading to minor rent contractions at year-end 2022 and 2023.

Fortunately for operators, rent growth has rebounded in the first half of 2024, predominantly affecting Class A and B properties, while lower-income apartment units have experienced about half the rent growth rate. The metro area benefits from a growing population, contrasting to trends observed during the pandemic. Coupled with a lower rate of multifamily construction in recent years and the unaffordability of single-family homes for many, these factors have contributed to a robust occupancy rate of 95.7%. The employers of much of San Jose's renter base, which are major technology companies such as Google and Apple, have a dominant presence in Silicon Valley and continue to show profit expansion and growth. These factors will ensure that San Jose remains a leading hub for innovation and technological employment for years to come.

San Jose vs. National Effective Rent & Occupancy



Source: RealPage *Note: Effective rent and occupancy reflect stabilized properties and does not include preleased units or properties in lease-up. A newly constructed property is considered stabilized once it becomes 85% occupied.*

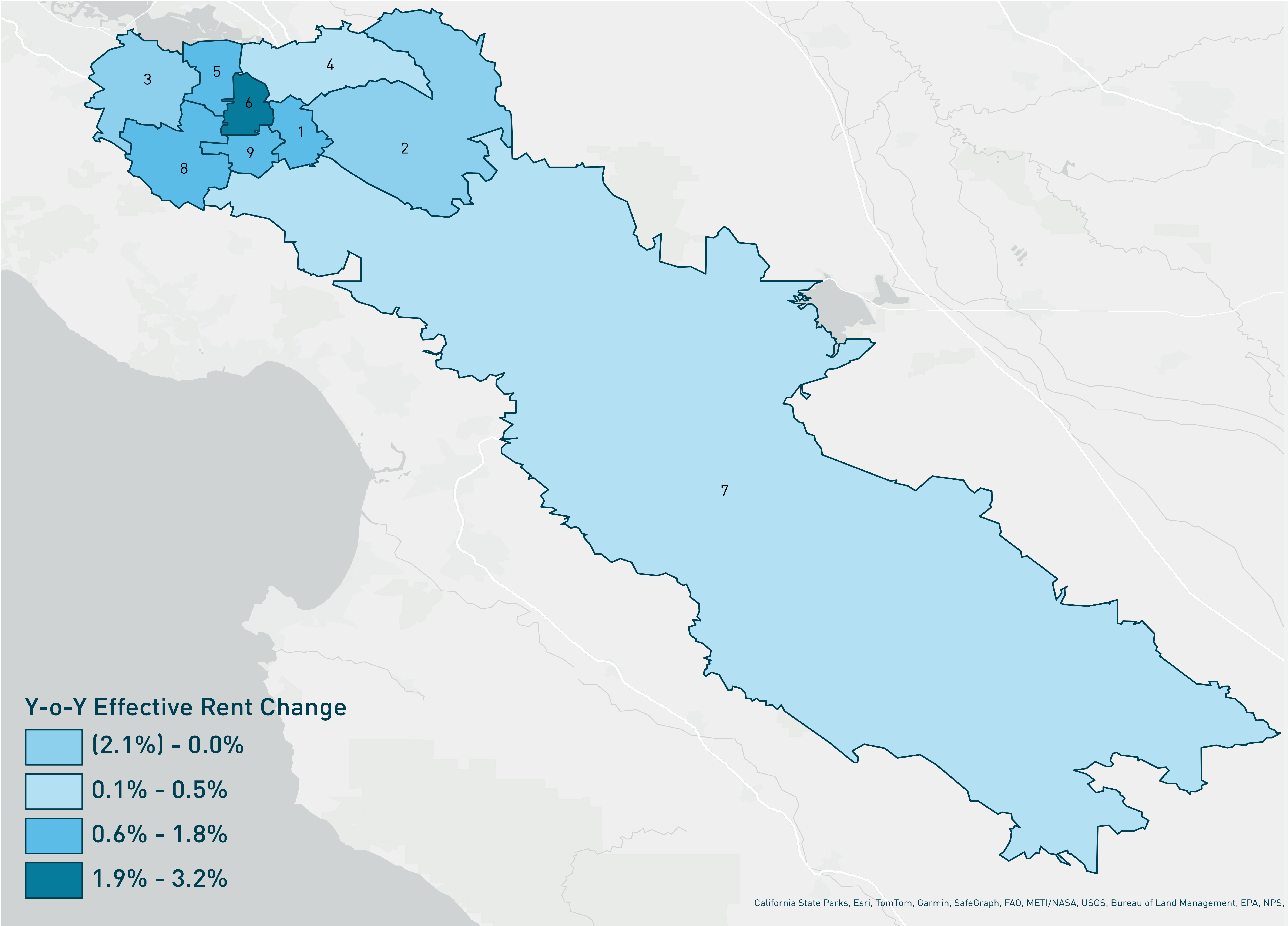
Submarket Performance

SUBMARKET NAME	Q2 2024 OCCUPANCY	YOY (BPS)	Q2 2024 EFFECTIVE RENT	YOY
Central San Jose	95.7%	50	$2,967	0.7%
East San Jose	92.9%	-80	$2,664	-2.1%
Mountain View/Palo Alto/Los Altos	93.9%	-120	$3,385	-1.3%
North San Jose/Milpitas	96.7%	-10	$3,152	0.5%
North Sunnyvale	96.4%	0	$3,212	1.8%
Santa Clara	96.2%	40	$3,300	3.2%
South San Jose	96.0%	-10	$2,913	0.5%
South Sunnyvale/Cupertino	95.6%	50	$3,291	0.8%
West San Jose/Campbell	95.0%	-40	$2,878	1.4%

Rent growth has consolidated into more luxurious properties which offer the best amenities and provide numerous transportation modes to and from major employment centers. The Santa Clara submarket has dominated positive rent changes in San Jose, boasting a 3.2% annual gain. North Sunnyvale had the second-highest increase in effective rents since the middle of last year, ending the second quarter at $3,212 per month for an annual gain of 1.8%. Both submarkets have occupancy rates well above the area average at 96.2% and 96.4%, indicating that the higher-than-average rents are not an issue for top earners. Influencing factors of the growth of both areas have been its proximity to prominent technology campuses and top entertainment attractions, all with simple methods of travel due to nearby Caltrain Stations and routes provided by the Valley Transportation Authority.

SAN JOSE, CA

SUBMARKET MID-YEAR 2024 ANNUAL RENT CHANGE



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SAN JOSE, CA

SALES

2024 Year to Date*

VOLUME
$802.1M

PRICE PER UNIT (AVG)
$500,516

TRANSACTIONS
8

CAP RATE (AVG)
5.8%

What's Trading?*

UNITS (AVG)
206

YEAR BUILT (AVG)
2010s

BUILDINGS (AVG)
5

ACRES (AVG)
4.10

Top Buyers*

BUYER	LOCATION
KKR	New York, NY
Alliance Residential	Phoenix, AZ
PCCP (Pacific Coast)	Los Angeles, CA
Hines	Houston, TX
Essex Property Trust	San Mateo, CA

Top Sellers*

SELLER	LOCATION
Lennar Corp.	Miami, FL
SummerHill Homes	San Ramon, CA
The Hanover Co.	Houston, TX
CityView	Los Angeles, CA
Greystar	Charleston, SC

Source: MSCI Real Capital Analytics
**$50m+*