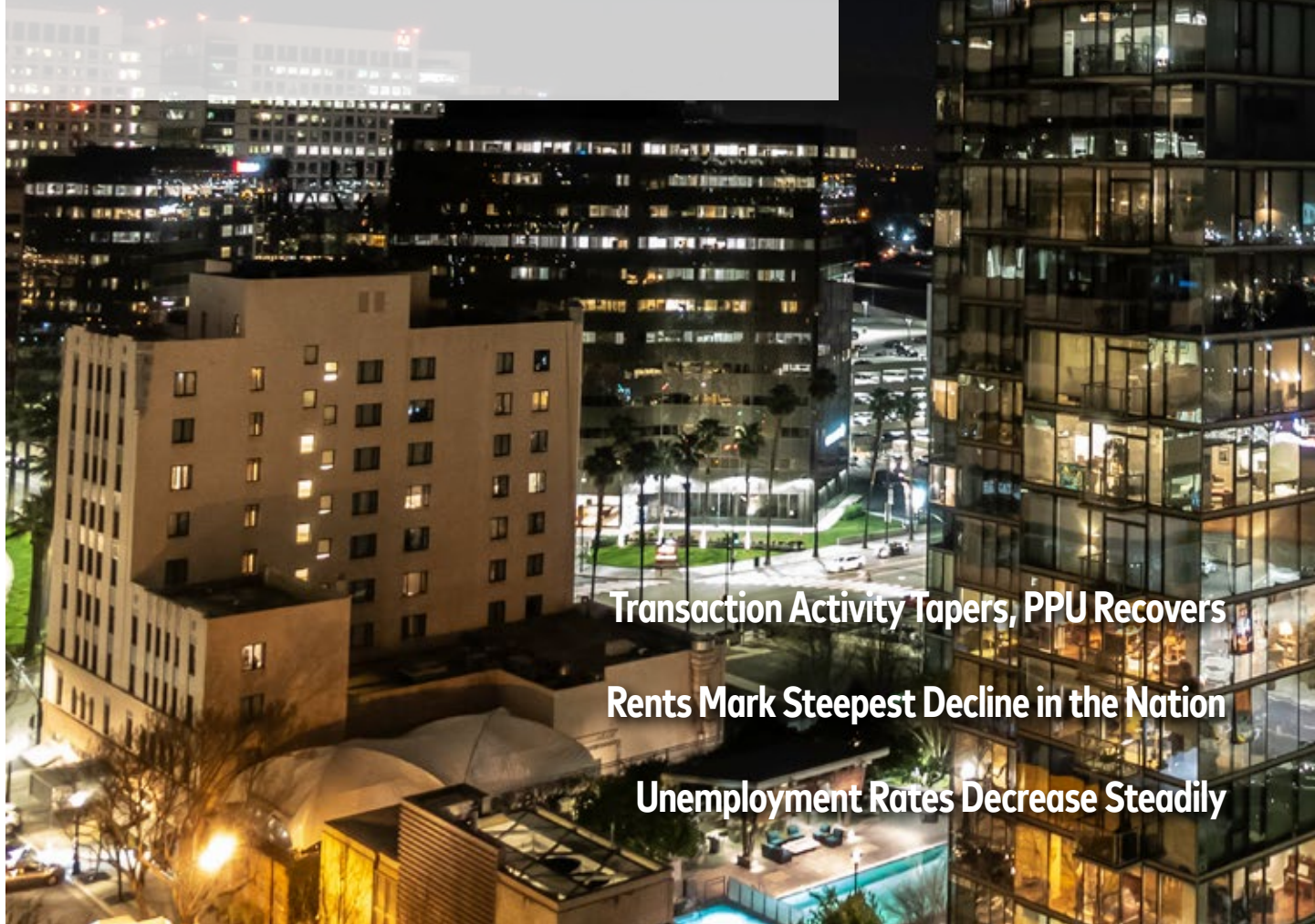




MULTIFAMILY REPORT

Autumn in The Garden City

Fall 2020



Transaction Activity Tapers, PPU Recovers

Rents Mark Steepest Decline in the Nation

Unemployment Rates Decrease Steadily

SAN JOSE MULTIFAMILY



Resetting the Rental Market

While fueled by one of the strongest economies, the recovery of San Jose's multifamily industry has stalled. The California city posted the steepest rent drop among major U.S. metros, down 1.1% to \$2,737 on a trailing three-month basis through September, while the U.S. average rose for the second-consecutive month to \$1,463. The occupancy rate in stabilized properties reflected lackluster demand, down 160 basis points to 94.2% year-over-year as of August.

The unemployment rate dropped to 9.5% in July from 12.0% in April, with preliminary data for August pointing to 7.6%. Unemployment claims filed across the state surpassed 8.8 million between mid-March and early October. Meanwhile, the employment market marked its fourth-consecutive month of contractions, declining 6.3% year-over-year through July. Its main economic driver—professional and business services—shrank by only 3.2%. Despite elevated uncertainty about employees' return to the office, projects remain underway or in the planning stages, including the Adobe North Tower and Google's Downtown West development.

Developers had brought 1,515 units online by September and had another 11,333 underway. Meanwhile, transaction activity dwindled to a total of \$554 million, for a price per unit that rose 11.9% to \$535,977. Accounting for current circumstances, Yardi Matrix expects rents to depreciate 6.9% in 2020.

Market Analysis | Fall 2020

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Recent San Jose Transactions

808 West



City: San Jose, Calif.
Buyer: Northwestern Mutual Real Estate Investors
Purchase Price: \$184 MM
Price per Unit: \$584,127

Gardens of Fountainbleu



City: Cupertino, Calif.
Buyer: Prometheus Real Estate Group
Purchase Price: \$70 MM
Price per Unit: \$569,106

Terra Willow Glen



City: San Jose, Calif.
Buyer: Stanford Properties
Purchase Price: \$51 MM
Price per Unit: \$455,357

Willow Pond



City: Sunnyvale, Calif.
Buyer: Prometheus Real Estate Group
Purchase Price: \$17 MM
Price per Unit: \$312,727