

Yardi® Matrix

Silicon Valley Takes Steady Path

Multifamily Report Fall 2017

Rent Growth Picks Up

Property Values Top Nation

Major Affordability Issues Linger

SAN JOSE MULTIFAMILY

Yardi® Matrix

Market Analysis

Fall 2017

Contacts

Paul Fiorilla

Associate Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

Jack Kern

Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Author

Adina Marcut

Associate Editor

Jobs, Population Growth Sustain Demand

Silicon Valley remains the nation's top tech hub, as well as a strong multifamily market, although rent growth has been on a roller coaster ride. The market saw two quarters of double-digit growth in 2014. Then, at the beginning of 2016, rents rose 8%, before hitting seven consecutive months of negative growth. San Jose rents are now stabilizing, up 2.9% year-over-year through September.

A competitive economy is keeping San Jose's unemployment rate down, at 3.8% as of July. The leisure and hospitality sector is leading employment growth, having added 7,400 jobs, a 7.3% year-over-year increase. Apart from corporate clients, this is due to companies such as Google, Tesla and Facebook attracting an increasing number of tourists to their headquarters. The technology sector, a Silicon Valley staple, continues to be the area's main economic driver. And as major companies are relocating or expanding their footprint, the metro had more than 4 million square feet of office space under development as of the third quarter.

The multifamily pipeline is also strong, with 5,500 units under construction as of September, most of which are slated for completion in 2018. Transaction activity slightly softened this year, compared to 2016's cycle high of \$1.2 billion, as San Jose offers both the highest per-unit prices and the lowest acquisition yields of any U.S. metro. With Silicon Valley continuing to expand, demand for rentals is likely to remain healthy, albeit less frothy. Yardi Matrix expects a 1.2% rent growth in 2017.

Recent San Jose Transactions

Bella Vista



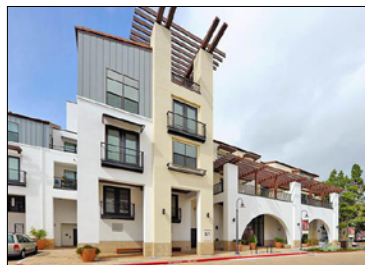
City: Santa Clara, Calif.
Buyer: Acacia Capital
Purchase Price: \$295 MM
Price per Unit: \$465,300

360 Residences



City: San Jose, Calif.
Buyer: Essex Property Trust
Purchase Price: \$134 MM
Price per Unit: \$626,761

Colonnade



City: Los Altos, Calif.
Buyer: Stanford University
Purchase Price: \$131 MM
Price per Unit: \$781,437

Avana Sunnyvale



City: Sunnyvale, Calif.
Buyer: Greystar
Purchase Price: \$107 MM
Price per Unit: \$557,292

To Subscribe

Hollie Zepke

Audience Development Specialist
Hollie.Zepke@Yardi.com
(800) 866-1124 x5389