

**YARDI®** Matrix

# Priced Out in San Jose?

Multifamily Fall Report 2016

**Vacancies Low but Rent Growth Slows**  
**Investors Seek Value-Add Opportunities**  
**Developers Achieve Cyclical High**



# SAN JOSE MULTIFAMILY

**YARDI**® Matrix

## Market Analysis

Fall 2016

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## Silicon Valley's Supercharged Demand

San Jose is at the heart of the most dynamic tech market in the world, and its real estate market lives and dies with the IT world. Solid employment over the past half decade has pushed the area's multifamily market to new highs, as rents have increased to the point where they are pricing out even the well-paid, highly skilled workforce that is the multifamily industry's prime target.

The information and professional and business services sectors are attracting workers to the area, prompting the need for a very dynamic market. Most major companies are in the process of full expansion, with Facebook recently completing a new campus, Apple edging closer to finishing its futuristic Apple Campus 2, and Google continuing to expand in Mountain View. Meanwhile, the upcoming expansion of the Bay Area Rapid Transit system has prompted investors and developers to direct attention to Milpitas.

With rents above the \$2,600 mark and new inventory focused on the luxury segment, residents are being priced out of Silicon Valley. However, consistent employment growth and the ability to attract some of the strongest intellectual capital in the world are keeping demand at very high levels and vacancy rates below 4%. A 37,000-unit development pipeline is likely to moderate rent growth in the coming years, although absorption will remain very high. We expect rent growth to continue to decelerate throughout the year.

## Recent San Jose Transactions

Waterstone



City: San Jose  
Buyer: Grosvenor  
Purchase Price: \$160 MM  
Price per Unit: \$370,370

Avana Almaden



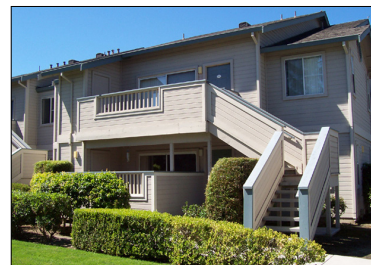
City: San Jose  
Buyer: Greystar  
Purchase Price: \$151 MM  
Price per Unit: \$380,050

Village Lake



City: Mountain View, Calif.  
Buyer: Tate, Ronald  
Purchase Price: \$145 MM  
Price per Unit: \$697,115

Avana Skyway



City: San Jose  
Buyer: LivCor  
Purchase Price: \$124 MM  
Price per Unit: \$355,652