

Yardi® Matrix

Technology Still Rules San Jose

Multifamily Report Spring 2018

**Affordability Issues
Deepen**

**Per-Unit Price Reaches
New Peak**

**Lifestyle Outpaces
Renter-by-Necessity**

SAN JOSE MULTIFAMILY

Yardi® Matrix

Market Analysis

Spring 2018

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Upscale Units Drive Rent Growth

A top-heavy job market, strong technology sector and solid population growth are upholding San Jose as one of the most economically vibrant metros in the U.S. Although 2018 is expected to be a banner year for completions, policy changes may lead to ballooning construction costs for multifamily properties. Until then, it is growth in the Lifestyle segment that's driving improvement in the local rental market.

At 2.7% as of November, San Jose's unemployment rate is among the lowest it's been in the current cycle. The metro's education and health services sector led growth, with the addition of 9,100 jobs in 2017. Due to the metro's position as the world's most high-profile technology hub, major companies are continuing their expansion—Google, LinkedIn and Apple still have projects lined up. The office development pipeline is expected to remain robust, as 3.3 million square feet is scheduled for delivery this year.

The metro's affordability issues are likely to continue, since developers are focusing on upscale assets, which are more profitable than working-class units. This trend is in fact predominant in most of the nation's major metros. As of February, 8,000 units were underway in San Jose, mostly concentrated in core submarkets. We expect 3,800 units to be added this year. As a result, rent growth will likely reach 2.4% in 2018.

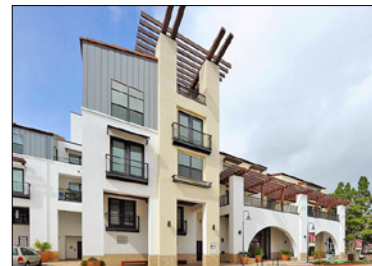
Recent San Jose Transactions

360 Residences



City: San Jose, Calif.
Buyer: Essex Property Trust
Purchase Price: \$134 MM
Price per Unit: \$626,760

Colonnade



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

Avana Sunyvale



City: Sunnyvale, Calif.
Buyer: Greystar
Purchase Price: \$107 MM
Price per Unit: \$557,291

Loft House



City: Sunnyvale, Calif.
Buyer: Shorenstein
Purchase Price: \$104 MM
Price per Unit: \$781,954