



MULTIFAMILY REPORT

# San Jose's Resilience

December 2024

**Supply Growth Returns to Normal**

**Transactions on Par With 2023**

**T3 Rents in Negative Territory**

# SAN JOSE MULTIFAMILY



## Development and Sales Stable, While Rents Slip

San Jose's multifamily market entered the fourth quarter with mixed results. Average advertised asking rents were down 0.2% on a trailing three-month basis through October, to \$3,171, 10 basis points below the U.S. figure. As development slowed down, occupancy climbed 50 basis points year-over-year, to 96.4%, as of October, above the 94.7% national average.

Unemployment in the metro reached 4.1% in September, on par with the U.S. figure, according to preliminary Bureau of Labor Statistics data. After registering a new wave of tech layoffs in 2024, San Jose's employment growth rate stood at 0.3% in August, 110 basis points below the U.S. figure. Over the 12-month period ending in August, San Jose added 7,100 net jobs. Education and health services led growth, with 12,000 positions gained, while information and manufacturing each lost 6,100 jobs. Major projects underway include HCA Healthcare's upcoming \$1.2 billion expansion of Good Samaritan Hospital.

Completions this year through October totaled 2,601 units, which was a return to San Jose's historical average. Meanwhile, construction starts decreased significantly, with developers breaking ground on only 889 units in the first 10 months of the year. Investment remained afloat despite the increased cost of capital, as \$693 million changed hands, for a \$13 million year-over-year increase.

## Market Analysis | December 2024

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### Recent San Jose Transactions

#### The Harlowe



City: Milpitas, Calif.  
Buyer: Pacific Urban Investors  
Purchase Price: \$109 MM  
Price per Unit: \$410,714

#### ARLO Mountain View



City: Mountain View, Calif.  
Buyer: Essex Property Trust  
Purchase Price: \$101 MM  
Price per Unit: \$616,463

#### Moreland

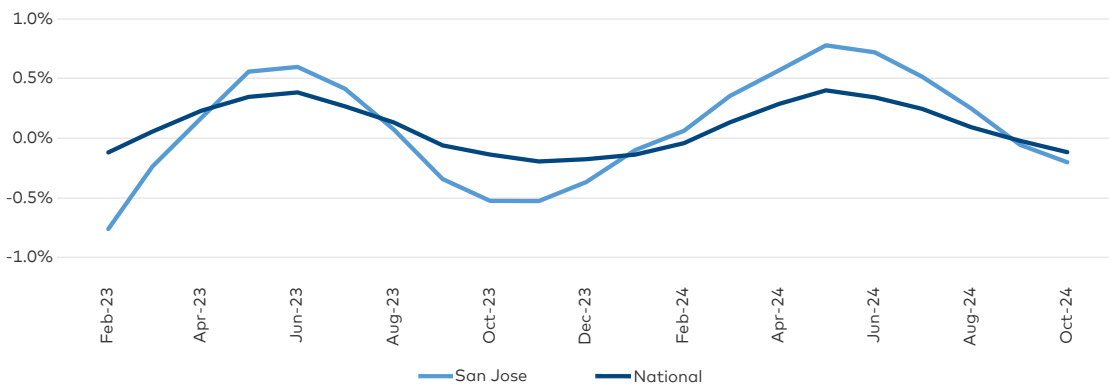


City: San Jose, Calif.  
Buyer: Reliant Group  
Purchase Price: \$71 MM  
Price per Unit: \$443,750

## RENT TRENDS

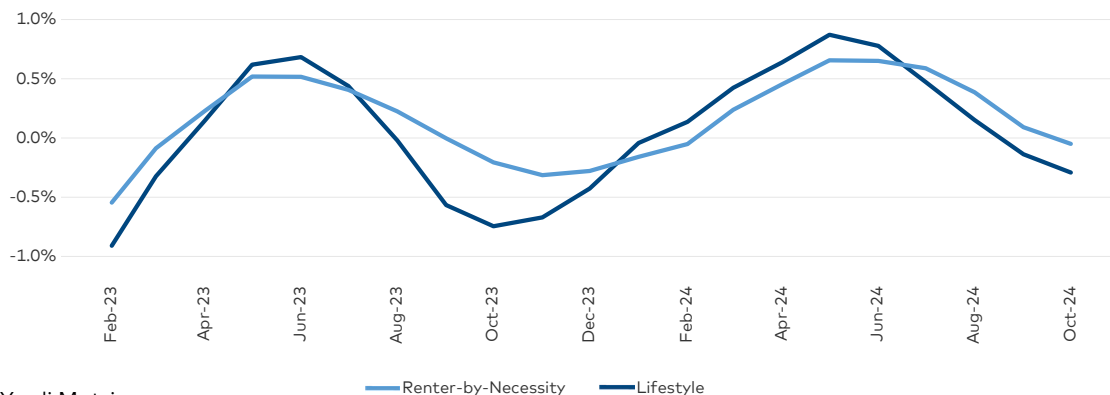
- ▶ Advertised asking rents in San Jose were down 0.2%, on a trailing three-month (T3) basis through October, to an average of \$3,171. Meanwhile, the national figure was down 0.1%, to \$1,748. T3 growth slowed from its 0.8% high point in May, when it was ahead of the national average. Rents were up 2.4% year-over-year, 150 basis points higher than the U.S. rate.
- ▶ Advertised asking rents for upscale Lifestyle assets decreased 0.3%, on a T3 basis through October, to \$3,436. The working-class Renter-by-Necessity segment posted slightly stronger performance, as T3 rates held fast, at \$2,842. The former had stronger gains in May (0.9%), while the latter reached 0.7%.
- ▶ The overall occupancy rate in stabilized assets was up 50 basis points year-over-year, to 96.4%, as of October, mirroring the drop in completions, while the U.S. figure stood unchanged, at 94.74%. Occupancy for Lifestyle assets increased basis points, to 96.8%, while the RBN rate climbed 40 basis points, to 96.0%.
- ▶ Of the South Bay's 20 submarkets, the central and western regions had the highest gains in year-over-year in average advertised asking rent growth. In Palo Alto–Stanford, rates were up 5.5%, to \$3,616, as of October, followed by Mountain View–Los Altos (4.9% to \$3,533), Cupertino (4.8% to \$3,603) and Santa Clara (3.1% to \$3,361).

**San Jose vs. National Rent Growth (Trailing 3 Months)**



Source: Yardi Matrix

**San Jose Rent Growth by Asset Class (Trailing 3 Months)**



Source: Yardi Matrix

## ECONOMIC SNAPSHOT

- San Jose unemployment reached 4.1% as of September, on par with the national figure, according to preliminary BLS data. The rate was down 30 basis points from January, but was 20 basis points higher year-over-year. Unemployment was significantly above pre-pandemic levels, as the metro faced a new wave of tech layoffs this year. California's unemployment rate was 5.3% as of September.
- The metro's job growth rate stood at just 0.3% year-over-year as of August, 110 basis points below the national figure. Still, this was an improvement from the negative 0.5% rate posted in January, as the market regained some momentum and layoffs slowed down.
- San Jose gained 7,100 net jobs over the 12-month period ending in August. Education and health services led growth, with 12,200 positions added. It was followed by professional and business services (6,100 jobs) and leisure and hospitality (2,300).
- The information and manufacturing sectors lost 6,100 jobs combined. Construction rounded out the bottom three, down 2,700 positions.
- The San Jose City Council approved a \$1.2 billion project to expand the Good Samaritan Hospital. HCA Healthcare's plans call for two new buildings encompassing 750,000 square feet and another 200,000-square-foot medical office.

### San Jose Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	206.8	17.8%
60	Professional and Business Services	249.1	21.4%
70	Leisure and Hospitality	106.1	9.1%
90	Government	95.9	8.3%
40	Trade, Transportation and Utilities	121.4	10.5%
55	Financial Activities	38	3.3%
80	Other Services	26.6	2.3%
15	Mining, Logging and Construction	52.5	4.5%
30	Manufacturing	174	15.0%
50	Information	91.1	7.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

## Population

- San Jose lost 13,767 residents from 2021 to 2022, a 0.7% decline but still in line with most major metros. Meanwhile, the U.S. population grew 0.4%.
- Over the past 10 years, however, the city has gained more than 137,000 residents.

### San Jose vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
San Jose	1,987,846	1,985,926	1,995,351	1,981,584

Source: U.S. Census

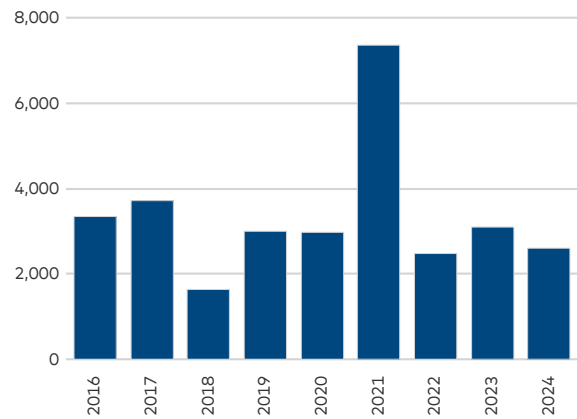
## SUPPLY

- ▶ Developers completed 2,601 units across the market year-to-date through October, in line with what was delivered during the same period last year. Completions this year amounted to 1.8% of existing stock, 60 basis points behind the U.S. figure. Activity has tempered since 2021, when deliveries spiked and 7,361 units were added. Since 2016, the metro has added an average of 3,447 units annually.
- ▶ The metro had 8,166 units under construction as of October, as well as an additional 53,000 units in the planning and permitting stages. A third of the units underway were in fully affordable projects—a significant share compared to most major metros—and just under 60% were in upscale Lifestyle assets.
- ▶ San Jose developers broke ground on six projects totaling 889 units year-to-date through October. This was a 61.8% decline from the 2,327 units that started construction during the same period last year, as high development costs and oversupply risks kept activity in check.
- ▶ Five submarkets had more than 1,000 units underway. Of these, Santa Clara took the lead, with 2,127 units under construction, followed

by Mountain View–Los Altos (1,239 units) and Central San Jose West (1,060 units).

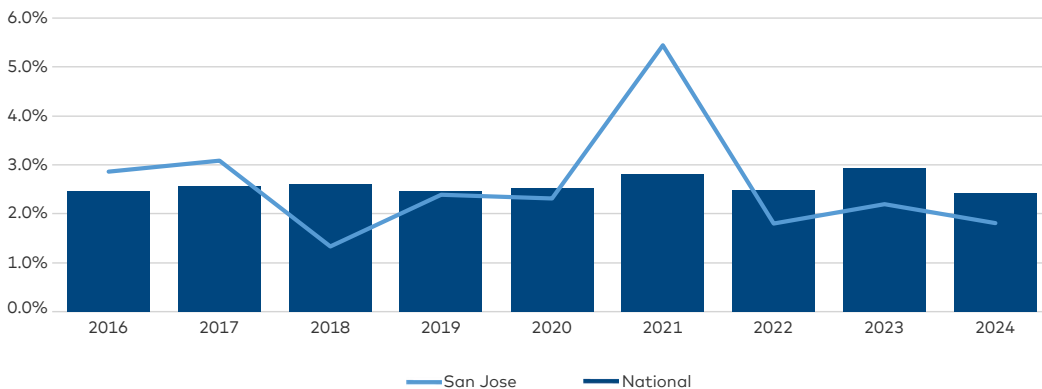
- ▶ In July, Sares Regis Group completed The Martin in Sunnyvale, Calif. At 479 units, it was the largest multifamily project delivered this year through October. The 12-story asset has 53 affordable units and 29,640 square feet of retail.

**San Jose Completions** (as of October 2024)



Source: Yardi Matrix

**San Jose vs. National Completions as a Percentage of Total Stock** (as of October 2024)

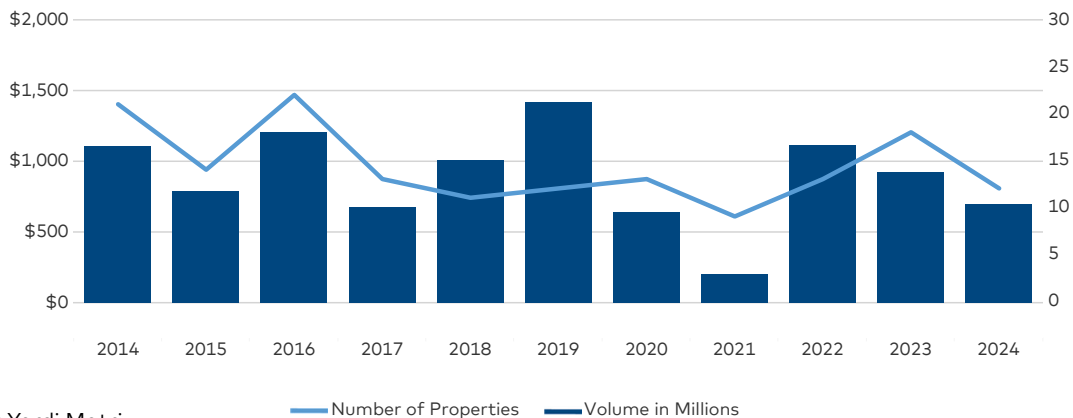


Source: Yardi Matrix

## TRANSACTIONS

- ▶ San Jose investors traded \$693 million in multifamily assets year-to-date through October. The figure was just \$13 million more than the amount logged in the same period of 2023. A total of 12 properties traded. Of these, six Lifestyle assets generated nearly \$563 million.
- ▶ Multifamily assets changed hands for an average per-unit price of \$488,063 this year, up 31.7% from 2023's figure and the highest it's been since 2020. San Jose remained among the priciest markets tracked by Yardi Matrix, outpacing California metros Sacramento (\$194,100), San Francisco (\$347,710), Los Angeles (\$346,850) and San Diego (\$408,876).
- ▶ Essex Property Trust paid the highest per-unit price recorded in the market this year. It acquired the 164-unit ARLO Mountain View for \$616,463 per unit, or \$101 million, from seller Greystar.

### San Jose Sales Volume and Number of Properties Sold (as of October 2024)



Source: Yardi Matrix

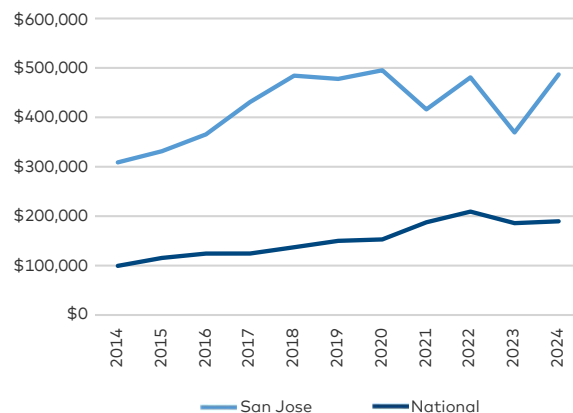
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Central San Jose West	298
Sunnyvale	187
Milpitas	109
Mountain View-Los Altos	101
North San Jose	73
West San Jose	71
Palo Alto-Stanford	60

Source: Yardi Matrix

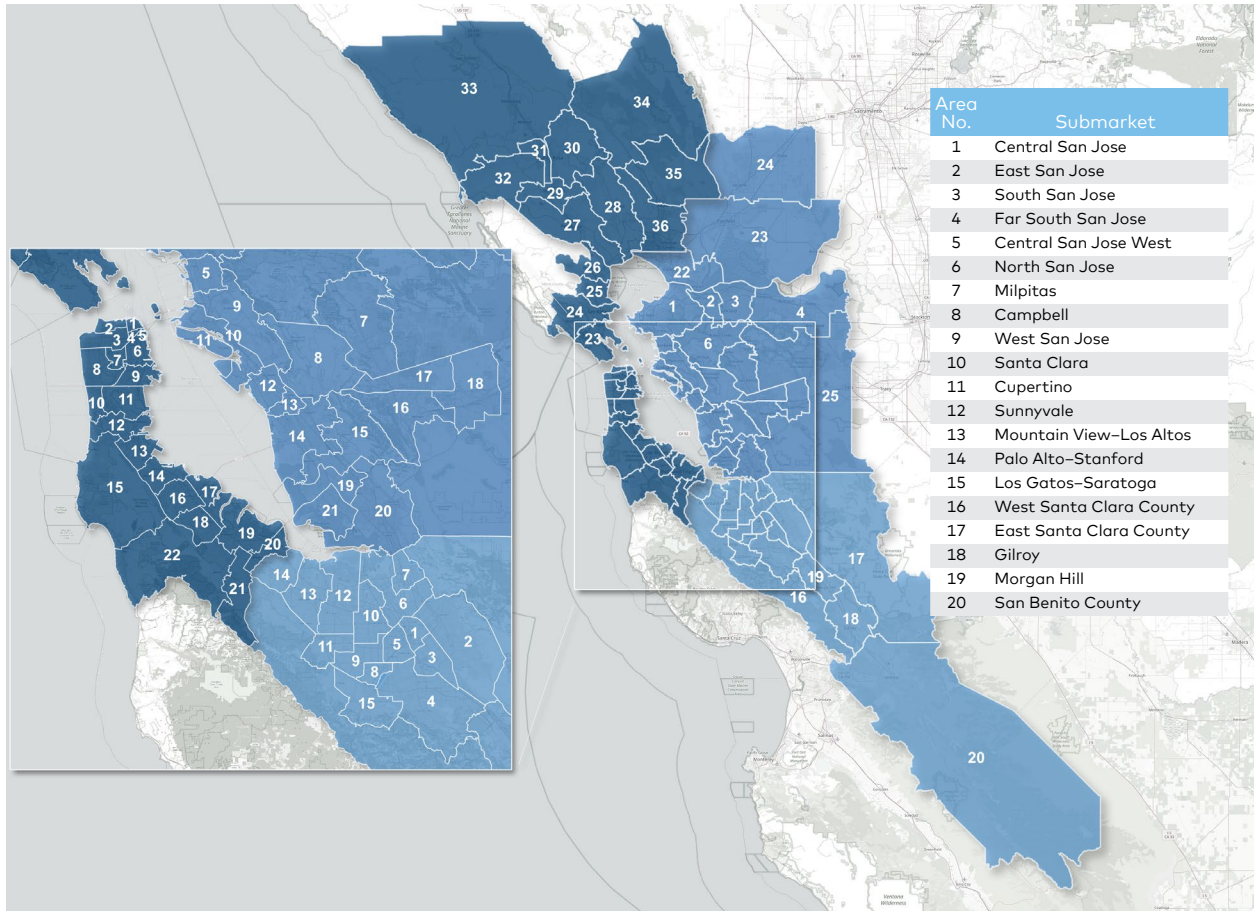
<sup>1</sup> From November 2023 to October 2024

### San Jose vs. National Sales Price per Unit



Source: Yardi Matrix

# SAN JOSE SUBMARKETS



Area No.	Submarket
1	Northeast San Francisco
2	Northwest San Francisco
3	Golden Gate Park
4	Market Street
5	China Basin
6	Eastern San Francisco
7	Central San Francisco
8	Southwest San Francisco
9	Southeast San Francisco
10	Broadmoor/Daly City
11	Colma/Brisbane
12	South San Francisco
13	Millbrae/Airport
14	Burlingame
15	Moss Beach
16	San Mateo
17	Foster City
18	Belmont/San Carlos

Area No.	Submarket
19	Redwood City
20	Menlo Park/East Palo Alto
21	Atherton/Portola
22	Woodside
23	Tiburon/Sausalito
24	San Rafael
25	Lucas Valley
26	Novato
27	Petaluma
28	Sonoma
29	Rohnert Park
30	Santa Rosa
31	Roseland
32	Sebastapol
33	Northern Sonoma County
34	Deer Park/St. Helena
35	Napa North
36	Napa South

Area No.	Submarket
1	Richmond
2	Pleasant Hill/Martinez
3	Concord
4	Antioch/Oakley
5	Berkeley
6	Walnut Creek/Lafayette
7	San Ramon-West/Danville
8	Castro Valley
9	Oakland East/Oakland Hills
10	Downtown Oakland
11	Alameda
12	San Leandro
13	San Lorenzo

Area No.	Submarket
14	Hayward
15	Union City
16	Pleasanton
17	Dublin
18	Livermore
19	West Fremont
20	East Fremont
21	Newark
22	Vallejo/Benicia
23	Fairfield
24	Vacaville
25	San Ramon-East

## DEFINITIONS

**Lifestyle households (renters by choice)** have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

**Renter-by-Necessity households** span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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