



MULTIFAMILY REPORT

# San Jose Endures

March 2025

**T3 Rents Contract**

**Supply Remains Solid**

**Investment Improves Slightly**

# SAN JOSE MULTIFAMILY



## Rents Still On Downward Trend, Supply Strong

San Jose's multifamily market started the new year with mixed performance. On one hand, advertised asking rents were down 0.3% on a trailing three-month basis through January, to \$3,145. This was 20 basis points below the U.S. figure and marked the fourth consecutive month of contractions. On the other hand, the occupancy rate in stabilized assets grew 40 basis points, to 96.4% as of January, while the national figure slid 10 basis points, to 94.5%. Year-over-year rent growth stood at 1.8% through January, placing San Jose above most metros tracked by Yardi Matrix.

Employment growth stood at 0.5% year-over-year through November, 80 basis points below the U.S. figure, according to data from the Bureau of Labor Statistics. Over the 12-month period ending in November, San Jose added 5,900 net jobs. Education and health services led growth, up 12,300 positions, while four sectors recorded a combined loss of 14,700 jobs, with information taking the hardest hit (-5,700 jobs).

Meanwhile, supply dynamics remained stable in San Jose. The metro added 4,592 units, or 3.2% of total stock, in 2024, marking the second best year for deliveries in the past eight years. A total of 6,524 units were under construction in January, along with an additional 53,000 units in the planning and permitting stages. Meanwhile, investment activity signaled a slight recovery, with \$1 billion in assets changing hands last year.

## Market Analysis | March 2025

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### Recent San Jose Transactions

#### Summerwood



City: Santa Clara, Calif.  
Buyer: Interstate Equities Corp.  
Purchase Price: \$203 MM  
Price per Unit: \$434,081

#### The Harlowe



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

#### Parker Palo Alto



City: Palo Alto, Calif.  
Buyer: Spieker Cos.  
Purchase Price: \$66 MM  
Price per Unit: \$242,408

#### Sofi at Los Gatos Creek

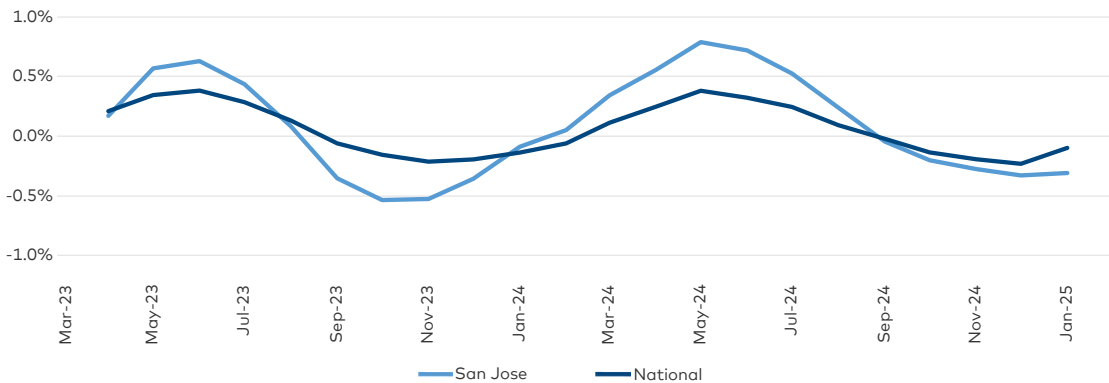


City: San Jose, Calif.  
Buyer: Bridge Investment Group  
Purchase Price: \$61 MM  
Price per Unit: \$316,710

## RENT TRENDS

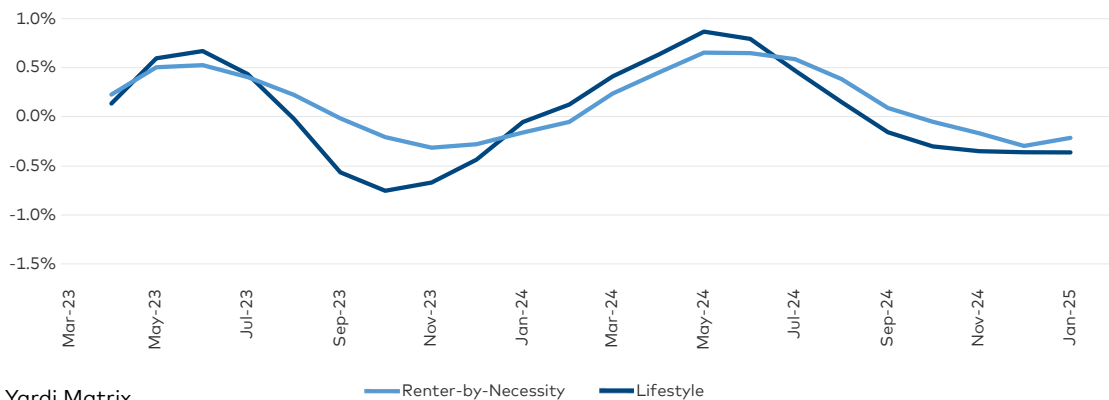
- Average advertised asking rents in San Jose were down 0.3% on a trailing three-month (T3) basis through January—20 basis points below the U.S. figure—to \$3,145. This was the fourth consecutive month of contractions for the metro. However, rents were up 1.8% year-over-year through January this year, placing the market in the upper half of the 30 metros tracked by Yardi Matrix. Meanwhile, the national year-over-year figure stood at 0.8% in January.
- The upscale Lifestyle segment contributed most to the overall contractions, with advertised asking rents down 0.4%, on a T3 basis through January, to \$3,403. Meanwhile, contractions for the working-class Renter-by-Necessity segment were softer, down 0.2%, to \$2,824.
- San Jose's overall occupancy for stabilized assets increased 40 basis points year-over-year, to 96.4% as of January. Meanwhile, the national figure slid 10 basis points, to 94.5%. Occupancy in the Lifestyle segment increased 30 basis points, to 96.7%, while the RBN figure improved 50 basis points, to 96.0%.
- Of San Jose's 20 submarkets, five stood out with significant year-over-year growth for advertised asking rents. Gains were strongest in Mountain View–Los Altos (up 4.2% to \$3,536), which also had a significant supply pipeline. Palo Alto–Stanford (4.0% to \$3,636), the Far South San Jose (3.7% to \$2,890), Cupertino (3.3% to \$3,508) and Santa Clara (3.2% to \$3,339) also registered strong gains.

### 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's employment growth was 0.5% year-over-year through November, 80 basis points below the national figure, according to BLS data. The metro did not cross the 1% mark last year, as it continued its sluggish post-pandemic recovery, lagging other major California markets. Two rounds of tech layoffs, in 2023 and last year, contributed to this dynamic.
- San Jose's unemployment rate stood at 3.9% in December last year, down 60 basis points from the previous six months, according to preliminary data from the BLS. Although job gains were sluggish, the metro's unemployment rate was lower than California's (5.5%), Los Angeles' (5.7%), San Diego's (4.3%) and the nation's (4.1%).
- The metro gained 5,900 net jobs over the 12-month period ending in November. Education and health services continued to lead growth, up 12,300 positions. It was followed by leisure and hospitality (2,600) and trade, transportation and utilities (2,000). Four sectors recorded a combined loss of 14,700 jobs. Information (-5,700) and manufacturing (-5,400) were most affected by layoffs and sluggish growth.
- San Jose State University is preparing to meet new demand, as enrollment is projected to grow by about 8,000 students through 2045. Plans call for the development of 1.8 million square feet in academic and student support space, which will include the addition of 2,100 beds.

### San Jose Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	212.8	18.2%
60	Professional and Business Services	249.1	21.3%
70	Leisure and Hospitality	104.4	8.9%
40	Trade, Transportation and Utilities	124.8	10.7%
90	Government	101.5	8.7%
55	Financial Activities	37.9	3.2%
80	Other Services	26.1	2.2%
15	Mining, Logging and Construction	51.2	4.4%
30	Manufacturing	173.1	14.8%
50	Information	90	7.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

## Population

- San Jose's population decreased 0.7% from 2021 to 2022, accounting for a loss of 13,767 residents. Hybrid work and the high cost of living exerted pressure on migration trends, similar to other major cities. Meanwhile, the U.S. population grew 0.4% in the same year.

### 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

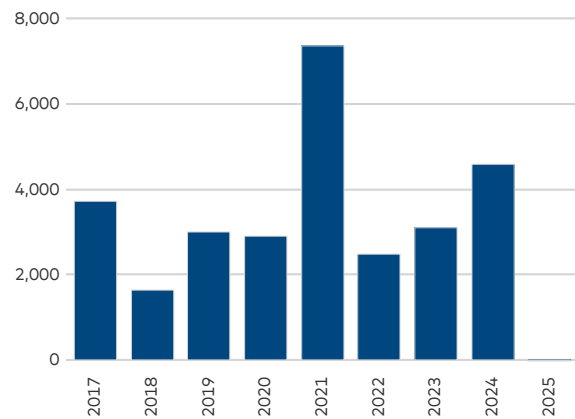
## SUPPLY

- ▶ San Jose developers completed 4,592 units in 2024, recording the second best year for deliveries in the past eight years, only trailing 2021's 7,361 units. Last year's completions represented 3.2% of existing stock and was 10 basis points below the national figure. Of the total, 3,529 units were in Lifestyle assets, 1,013 were in fully affordable projects and the remainder in RBN assets. Should market conditions hold, Yardi Matrix expects San Jose to add roughly 3,000 units to its inventory in 2025.
- ▶ In January, the metro had 6,524 units under construction and an additional 53,000 units in the planning and permitting stages. In line with the other major California metros, the share of fully affordable projects is growing in San Jose. More than 42% of all units under construction were in such developments, while units in Lifestyle assets comprised roughly 48%.
- ▶ Developers started work on 1,423 units across 10 properties last year, down 35.5% year-over-year. With the post-pandemic supply surge now in the rearview mirror, new construction is leveling off.
- ▶ Four submarkets accounted for nearly 80% of all units under construction in January. Santa Clara (1,809 units underway) led activity, followed by

Central San Jose West (1,360), Mountain View-Los Altos (1,019) and Central San Jose (1,010).

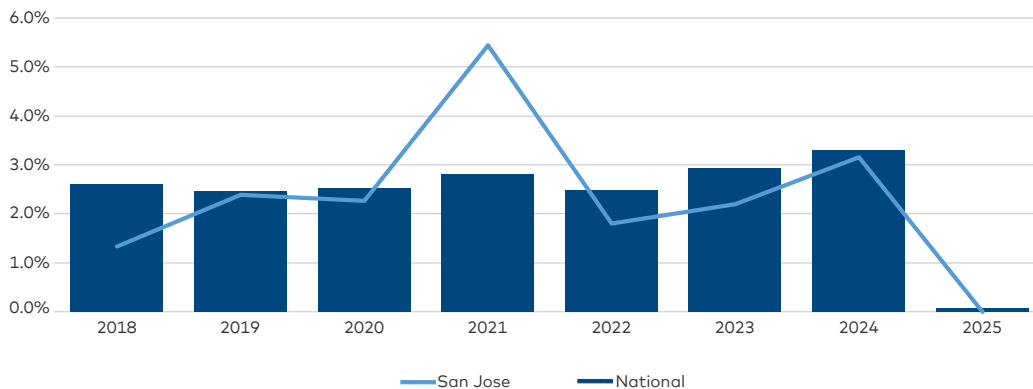
- ▶ Miramar Capital is working on the largest development underway in the market. The Sevens, a 716-unit community, is taking shape in Mountain View-Los Altos and will include 144 affordable units. Completion is scheduled for May this year.

**San Jose Completions** (as of January 2025)



Source: Yardi Matrix

**San Jose vs. National Completions as a Percentage of Total Stock** (as of January 2025)



Source: Yardi Matrix

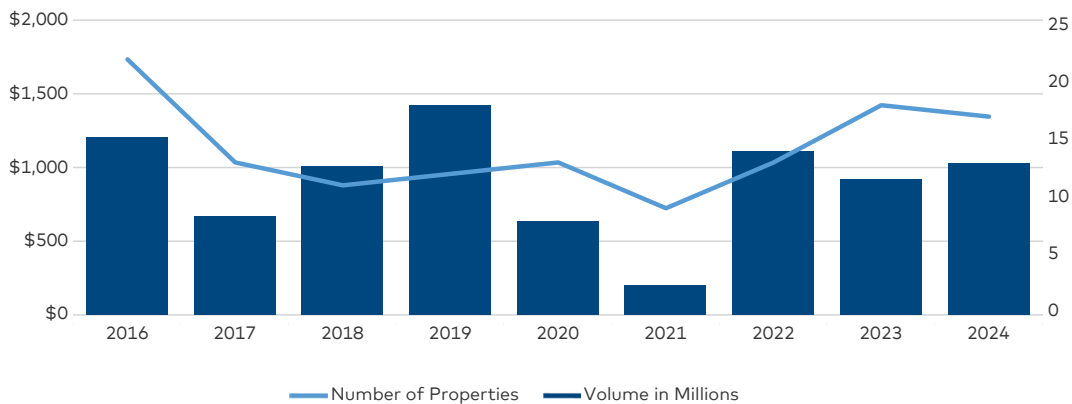
## TRANSACTIONS

- San Jose investors traded \$1 billion in multifamily assets last year, roughly \$100 million more than 2023's total. Over the past nine years, sales volume ranged between \$199 million and \$1.4 billion, placing last year at the higher end of the range. Of the 17 single-asset transactions closed in 2024, 10 were for Lifestyle properties and seven were for RBN.
- The average price per unit clocked in at \$434,956 for 2024's sales, up 17.4% year-over-

year. Meanwhile, the national figure grew just 3.8%, to \$194,036. The price gap between quality segments was somewhat tight in San Jose—Lifestyle assets traded for \$484,539 per unit and the RBN figure stood at \$386,622.

- In last year's largest transaction, Interstate Equities Corp. purchased the 468-unit Summerwood from RREEF Property Trust for \$203 million, placing Santa Clara at the top of the list among the metro's submarkets.

### San Jose Sales Volume and Number of Properties Sold (as of January 2025)



Source: Yardi Matrix

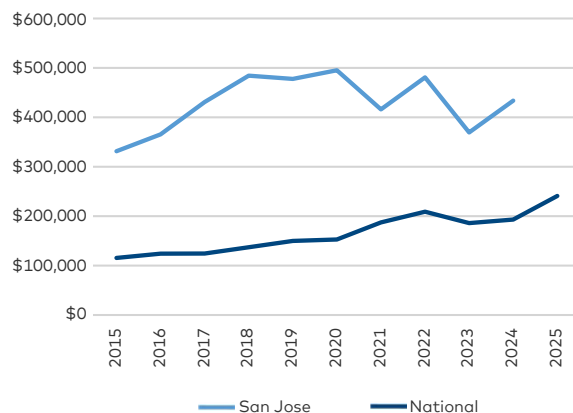
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Santa Clara	203
Central San Jose West	139
Palo Alto–Stanford	125
Sunnyvale	125
Milpitas	109
Mountain View–Los Altos	101
West San Jose	71

Source: Yardi Matrix

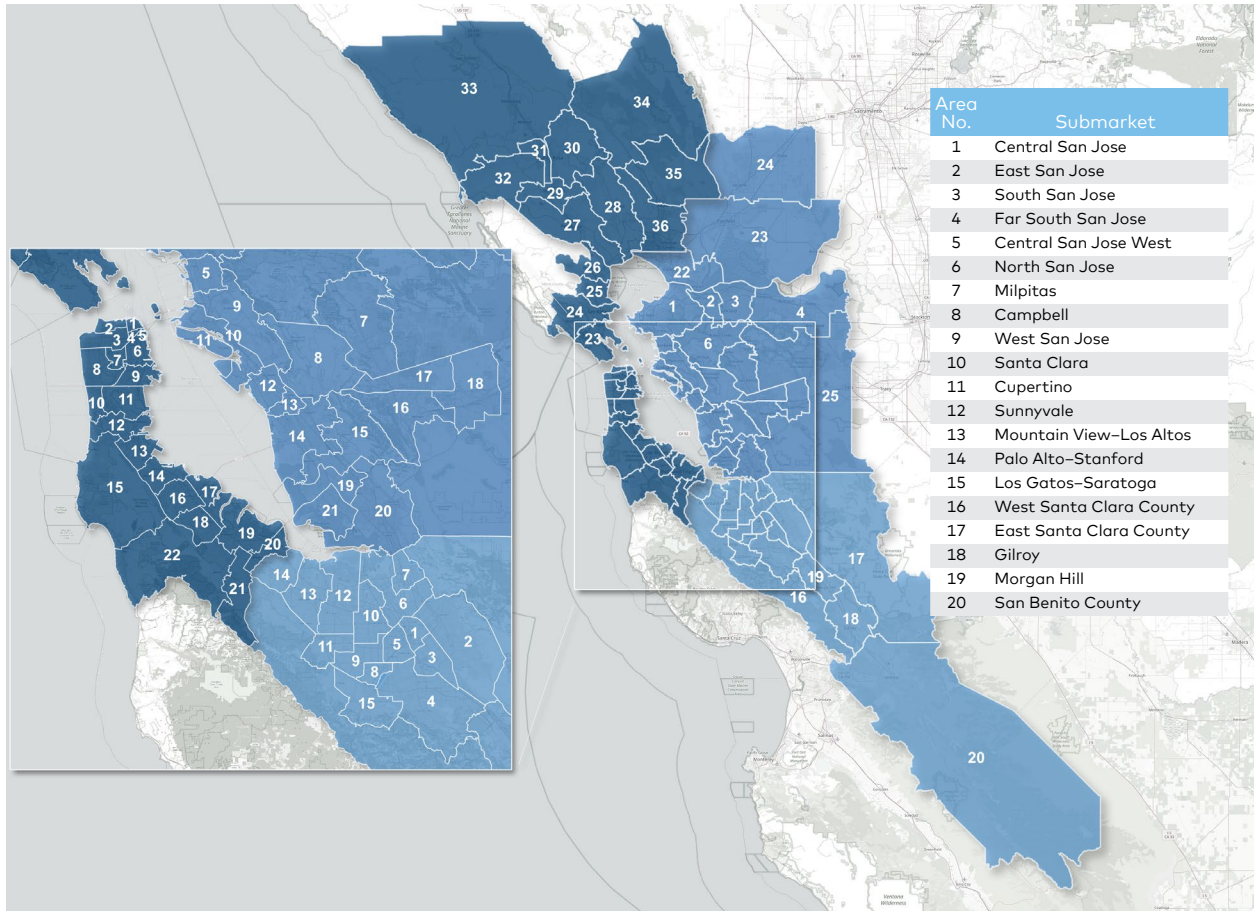
<sup>1</sup> From February 2024 to January 2025

### 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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