

SAN JOSE CA

INSTITUTIONAL MULTIFAMILY REPORT

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SAN JOSE, CA EMPLOYMENT

JOBS ADDED / LOST

LAST 12 MONTHS

79,700

↑ 7.9%

NEXT 12 MONTHS*

57,800

↑ 5.3%

UNEMPLOYMENT

MID-YEAR 2021

4.7%

↓ 750 BPS YOY

MID-YEAR 2022*

2.1%

↓ 260 BPS YOY

*PROJECTED

With COVID-19 restrictions lifting, San Jose's economy has begun to make progress towards pre-pandemic employment levels. Since June 2020, 79,700 net jobs have been added 7.9% annual increase.

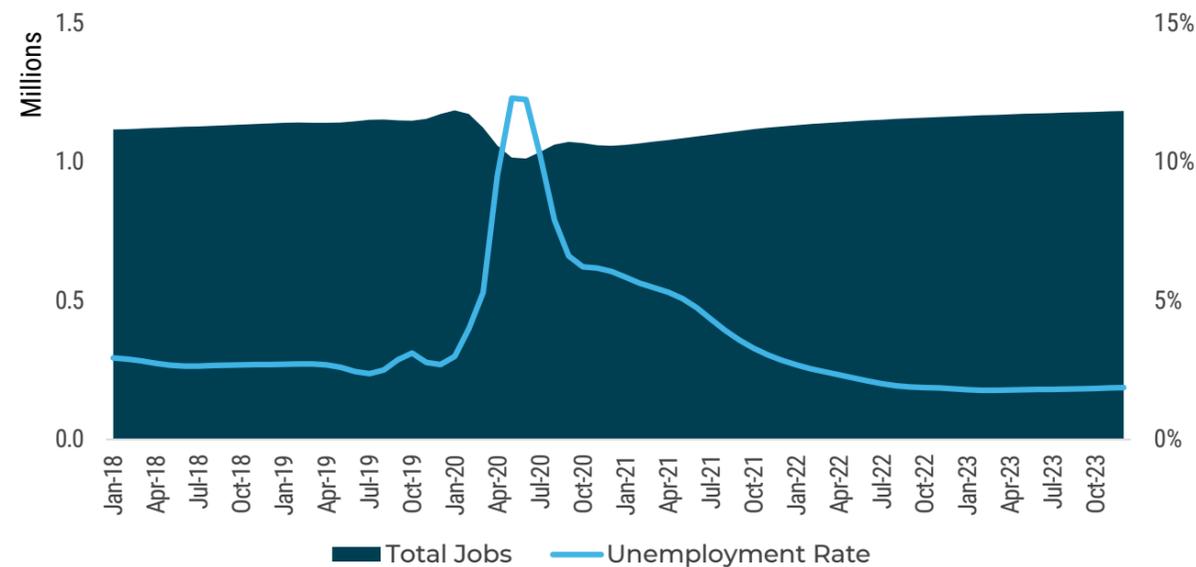
With life returning to pre-pandemic status, more people are traveling, going out to restaurants, and shopping has favorably impacted the local economy. In the last 12 months, employment in the leisure and hospitality industry increased 39.3% with 19,300 new jobs, having the most additions compared to other employment sectors.

Additionally, the trade, transportation, and utilities industries rehired or created the second-

most amount of jobs compared to other industries in the region adding 14,600 positions in the past year. Companies such as FedEx has ramped up their hiring in the Bay Area to keep up with more online orders spiked from the pandemic.

With broad-based hiring the unemployment rate dropped 750 basis points in the last year. The rate is projected to decrease another 260 basis points by June 2022. The addition of nonfarm net jobs will continue to cause unemployment rates to drop. In the next 12 months, about 57,800 net jobs will be joining the San Jose economy increasing by 5.3%.

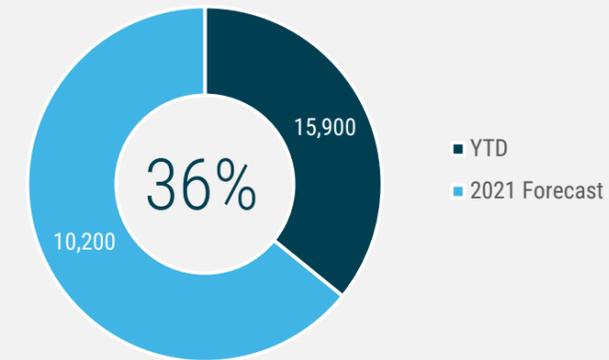
EMPLOYMENT TRENDS



SOURCE: MOODY'S ANALYTICS

WHO'S HIRING?

PROFESSIONAL & BUSINESS SERVICES INDUSTRY



22%
OF ALL JOBS IN THE METRO

\$97,300
AVERAGE ANNUAL SALARY

TOP PROFESSIONAL & BUSINESS SERVICES EMPLOYERS

	3,000 JOBS
	2,100 JOBS
	1,500 JOBS

IN THE NEWS

- Big Tech is swallowing the rest of Silicon Valley
- San Jose white-collar job growth points to a new future office
- Solar manufacturer plans hundreds of jobs in San Jose
- South Bay Firms Commit to Creating Thousands More Jobs



SAN JOSE, CA

DELIVERIES & ABSORPTION

2021 UNITS*

DELIVERED

5,379

ABSORBED

6,250

2022 UNITS*

DELIVERED

5,567

ABSORBED

8,529

*PROJECTED

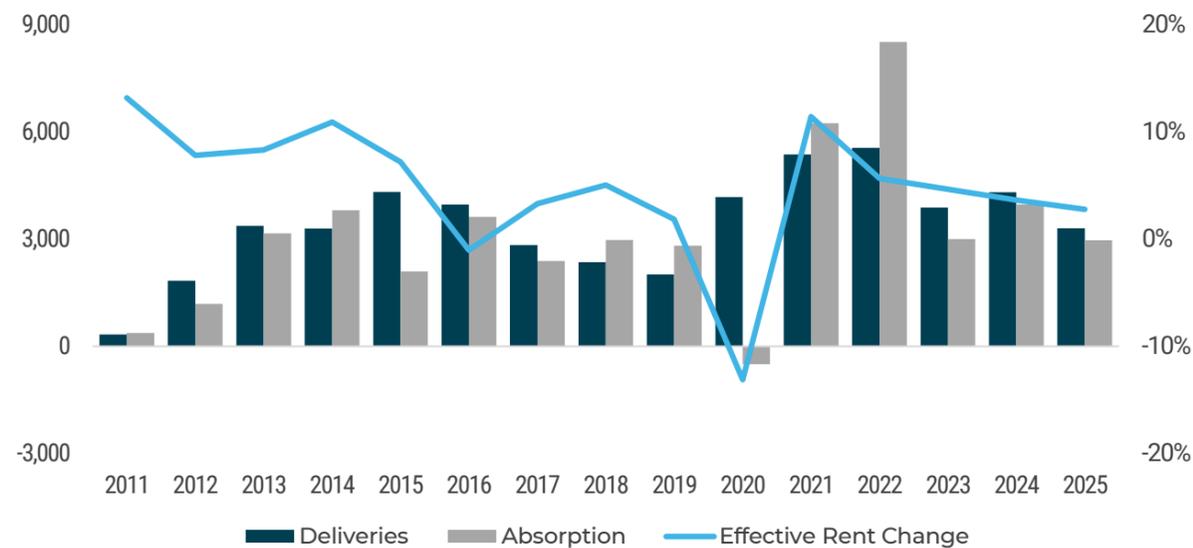
The effects of the pandemic were severe for the San Jose multifamily market, but the first half of 2021 has been a remarkable rebound period. More than 3,400 net units were absorbed in the last two quarters, a positive swing in leasing activity from negative absorption during the same time one year prior as the metro still offers residents white-collar job opportunities, culture diversity, and year-round great weather.

With pandemic restrictions lifting, residents are returning to San Jose. With limited available single-family housing that is among the highest in the country, apartments are serving as a necessity for housing. As such, sustained apartment demand is projected to lead to total 6,250 net units to be absorbed in 2021. Leasing

activity is predicted to outperform deliveries in 2021 and into 2022, reflecting the appeal of San Jose.

Builders are scheduled to bring nearly 5,400 units online this year and approximately 5,600 deliveries next year. As of mid-2021, the Central San Jose submarket leads the metro with 2,707 units under construction, which makes up 30.7% of the metro total. The area is the heart of Greater San Jose and Silicon Valley and attracts residents seeking a cultural urban-living lifestyle and reflects that there is still high demand in the area.

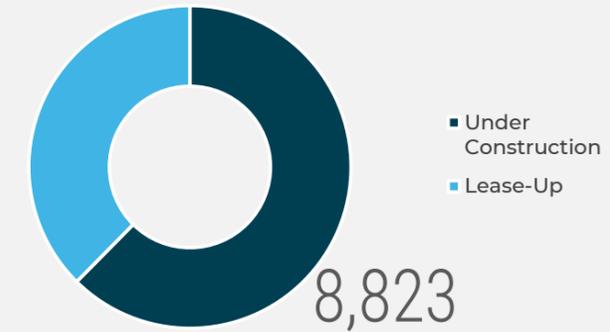
DELIVERIES, ABSORPTION, & EFFECTIVE RENT CHANGE



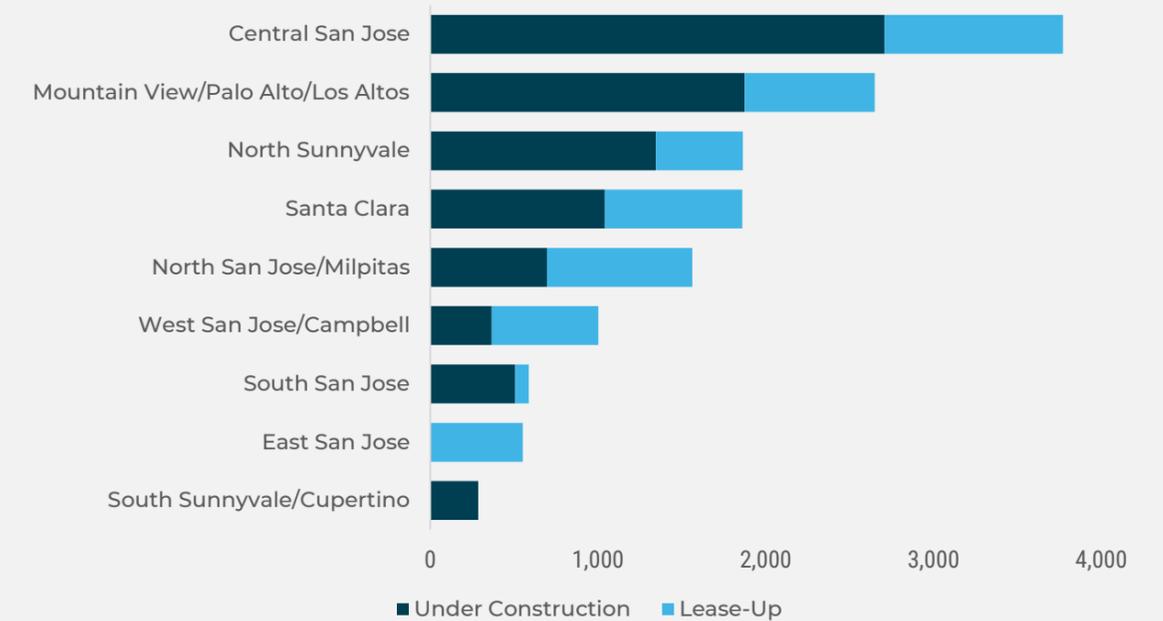
SOURCE: REALPAGE

MARKET PIPELINE

5,314



TOP 10 SUBMARKET PIPELINES



For a complete list of properties in the pipeline, [CLICK HERE](#)



SAN JOSE, CA

RENT & OCCUPANCY

EFFECTIVE RENT

2Q 2021

\$2,540

↓ 9.1% YOY

OCCUPANCY

2Q 2021

94.6%

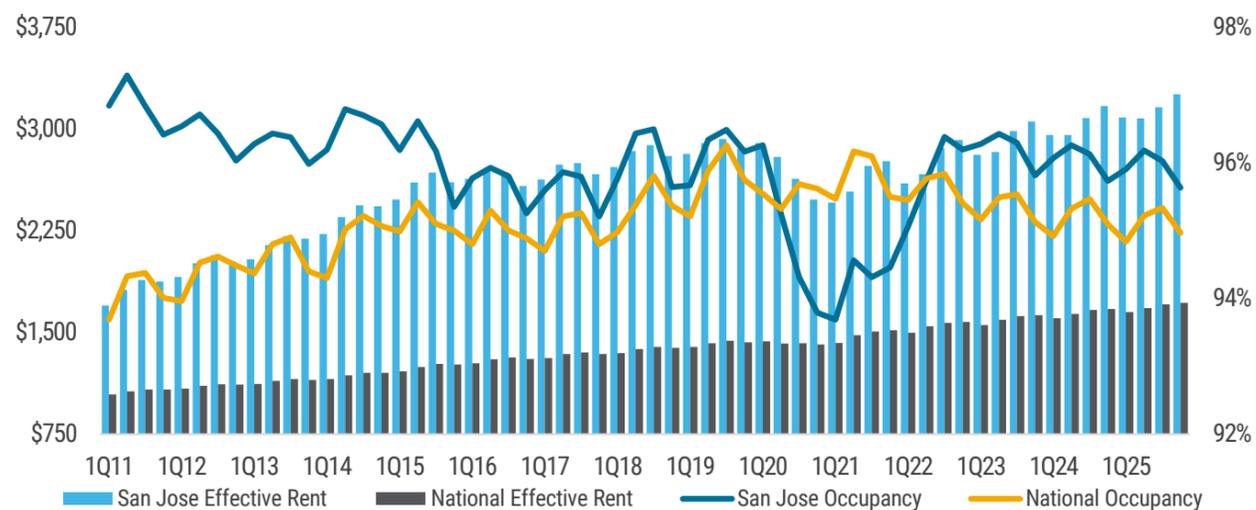
↓ 70 BPS YOY

The San Jose apartment market is starting to show some signs of recovery in effective rent and occupancy rates as pandemic restrictions start to lift. As of the second quarter of 2021, the metrowide average monthly effective rent of \$2,540 was up 2.4% from the close of 2020. Effective rent is predicted to rise an additional 8.8% to \$2,764 by year-end as people start to return to San Jose causing higher demand for multifamily units. The desire for rentals was reflected in the 80-basis-point rise in the average occupancy rate in the first half of 2021. This trend was most pronounced in the Central San Jose submarket, where net leasing activity led all areas in the last two quarters.

Sustained apartment demand amid rising

inventory growth is projected to have the occupancy reach pre-pandemic levels by year-end 2022. Underpinning the improvement of Greater San Jose apartment fundamentals will be the strength of the Central San Jose submarket. Builders are scheduled to bring more than 1,500 units online in the area over the next four quarters, while renters absorbed more than 1,700 net units. Developers and renters are targeting this area because it is the central hub of the metro with access to major office buildings and a unique urban lifestyle. The Central San Jose submarket's projected popularity is in part due to students from San Jose State University and Santa Clara University returning to downtown to attend in-person courses in the fall of 2021.

SAN JOSE VS. NATIONAL EFFECTIVE RENT & OCCUPANCY



SOURCE: REALPAGE

SUBMARKET PERFORMANCE

SUBMARKET NAME	2Q21 OCCUPANCY	YOY (BPS)	2Q21 EFFECTIVE RENT	YOY
Central San Jose	95.3%	-10	\$2,462	-7.6%
East San Jose	94.5%	-240	\$2,208	-4.7%
Mountain View/Palo Alto/Los Altos	92.1%	-140	\$2,913	-12.2%
North San Jose/Milpitas	96.0%	40	\$2,583	-8.4%
North Sunnyvale	95.0%	-60	\$2,538	-11.8%
Santa Clara	94.4%	-50	\$2,507	-12.0%
South San Jose	95.7%	30	\$2,428	-5.1%
South Sunnyvale/Cupertino	94.5%	-90	\$2,668	-10.5%
West San Jose/Campbell	94.5%	-150	\$2,363	-6.4%



SAN JOSE, CA

POPULATION & MIGRATION

2021 RESIDENTS*

2,020,200

↑ 0.6% YOY

2022 RESIDENTS*

20,032,100

↑ 0.6% YOY

*PROJECTED

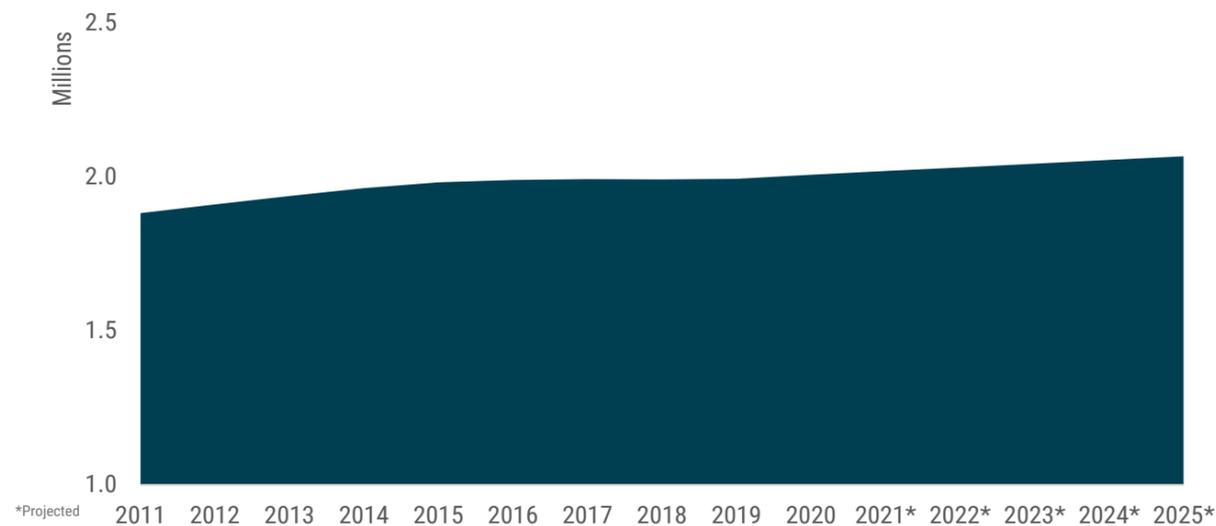
Throughout the pandemic, San Jose's population growth rate was unaffected. During the past few years, the area has maintained around a 0.6% population growth rate. On trajectory, the population is predicted to grow 0.6%, and reaching over 2.0 million residents by the end of 2021. It is expected that San Jose's population will continue 0.6% increase into 2022 as well.

Due to the pandemic's effect on employment and lifestyle, many residents across the country decided to leave highly populated urban areas. This was reflected in San Jose, as approximately 30,120 residents relocated to the suburbs of the metro. This was reflected in the North San Jose/ Milpitas submarket, where occupancy increased 40 basis points since the second quarter of 2020

to an average of 96.0% by mid-2021.

Residents and apartment demand is expected to return to the urban core as businesses such as Alphabet Inc. develop more office space downtown. The company plans to build an 80-acre campus that will house 25,000 employees upon completion in 2027. This development is expected to inspire other business to follow and will help revive San Jose in-migration. With effective rent being below pre-pandemic norms, some residents have seized the opportunity to return to the area while effective rent remains more affordable.

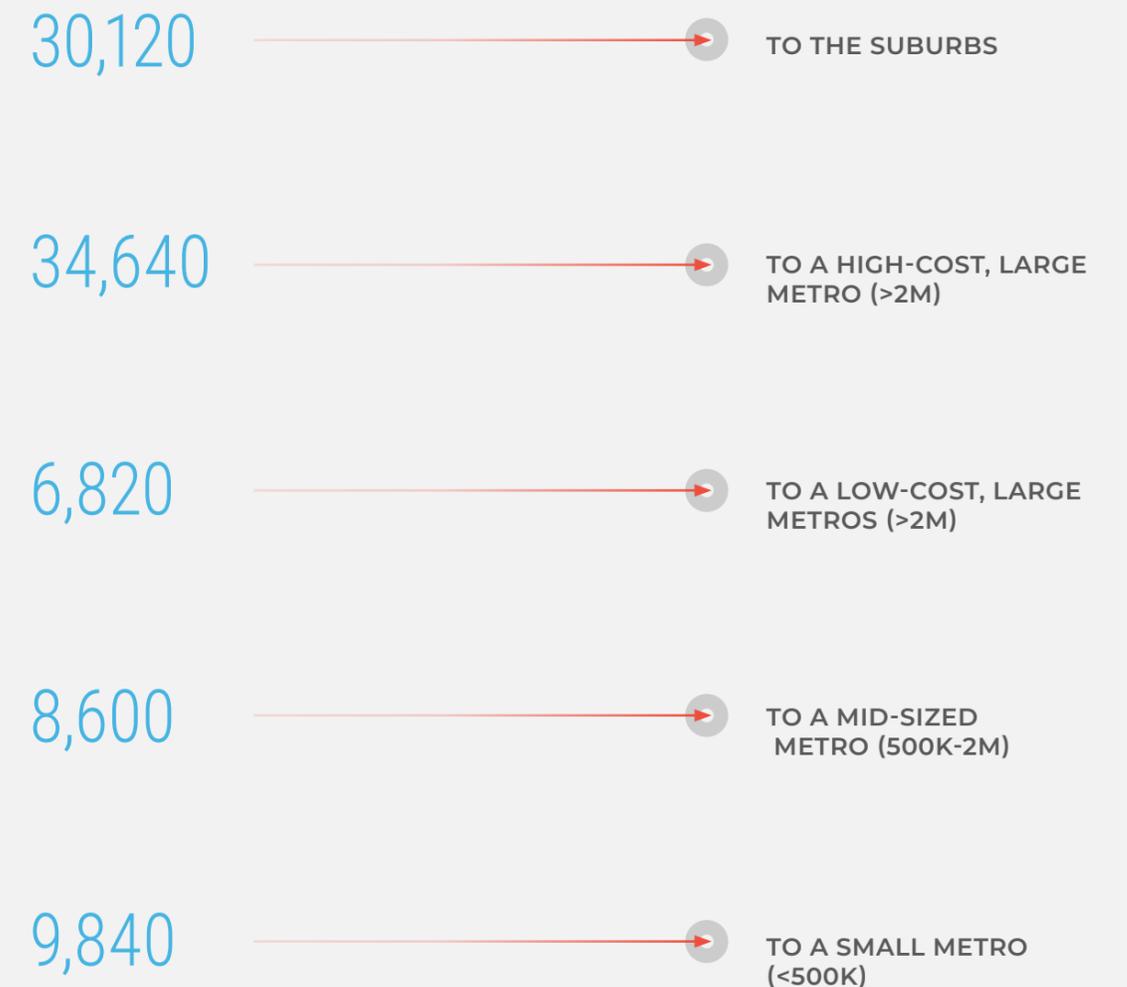
SAN JOSE POPULATION



SOURCE: MOODY'S ANALYTICS

URBAN MIGRATION DURING THE PANDEMIC

2Q 2020 - 1Q 2021



SOURCE: FEDERAL RESERVE BANK OF CLEVELAND



SAN JOSE, CA SALES

2021 YEAR TO DATE*



VOLUME

\$91.7M



PRICE PER AVERAGE (AVG)

\$331,985



TRANSACTIONS

6



CAP RATE (AVG)

4.3%

WHAT'S TRADING?*



UNITS (AVG)

52



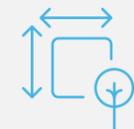
YEAR BUILT (AVG)

1960's



BUILDINGS (AVG)

2



ACRES (AVG)

1.54

TOP BUYERS**

BUYER	LOCATION
Brookfield Property REIT	Toronto, CAN
Lakevision Captial LLC	Costa Mesa, CA
Pacific Urban	Palo Alto, CA
Greystar	Charleston, SC
Northwest Mutual	Milwaukee, WI

TOP SELLERS**

SELLER	LOCATION
Carmel Partners	San Francisco, CA
Merlone Geier Partners	San Francisco, CA
Essex Property Trust	San Mateo, CA
Grosvenor	London, GBR
Miramar Capital	Santa Monica, CA

**Past 24 Months

*\$10M+
SOURCE: REAL CAPITAL ANALYTICS



SAN JOSE, CA

SALES

\$10+ MILLION TRANSACTIONS



AHWANEE BUNGALOWS

Sunnyvale, CA

UNITS	YEAR BUILT
68	1964
PRICE / UNIT	SALES PRICE
\$325,941	\$24,000,000



SARATOGA SAVOY

San Jose, CA

UNITS	YEAR BUILT
72	1964
PRICE / UNIT	SALES PRICE
\$307,639	\$22,150,000



IRIS PARK

Sunnyvale, CA

UNITS	YEAR BUILT
50	1962
PRICE / UNIT	SALES PRICE
\$360,000	\$18,000,000



GREEN VILLA

San Jose, CA

UNITS	YEAR BUILT
50	1962
PRICE / UNIT	SALES PRICE
\$290,000	\$14,500,000



420 SOUTH 3RD STREET

San Jose, CA

UNITS	YEAR BUILT
40	1957
PRICE / UNIT	SALES PRICE
\$325,000	\$13,000,000

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Sources: RealPage; Moody's Analytics; Real Capital Analytics; Federal Reserve Bank of Cleveland

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