

2022 MID-YEAR

# SAN JOSE CA

## Multifamily Report

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**BERKADIA**<sup>®</sup>  
INSTITUTIONAL SOLUTIONS

a Berkshire Hathaway and Jefferies Financial Group company





## Jobs Added / Lost

### LAST 12 MONTHS

55,800

↑ 5.1%

### NEXT 12 MONTHS\*

15,600

↑ 1.4%

## Unemployment

### MID-YEAR 2022

2.6%

↓ 250 BPS YOY

### MID-YEAR 2023\*

2.2%

↓ 40 BPS YOY

\*Projected

# SAN JOSE, CA EMPLOYMENT

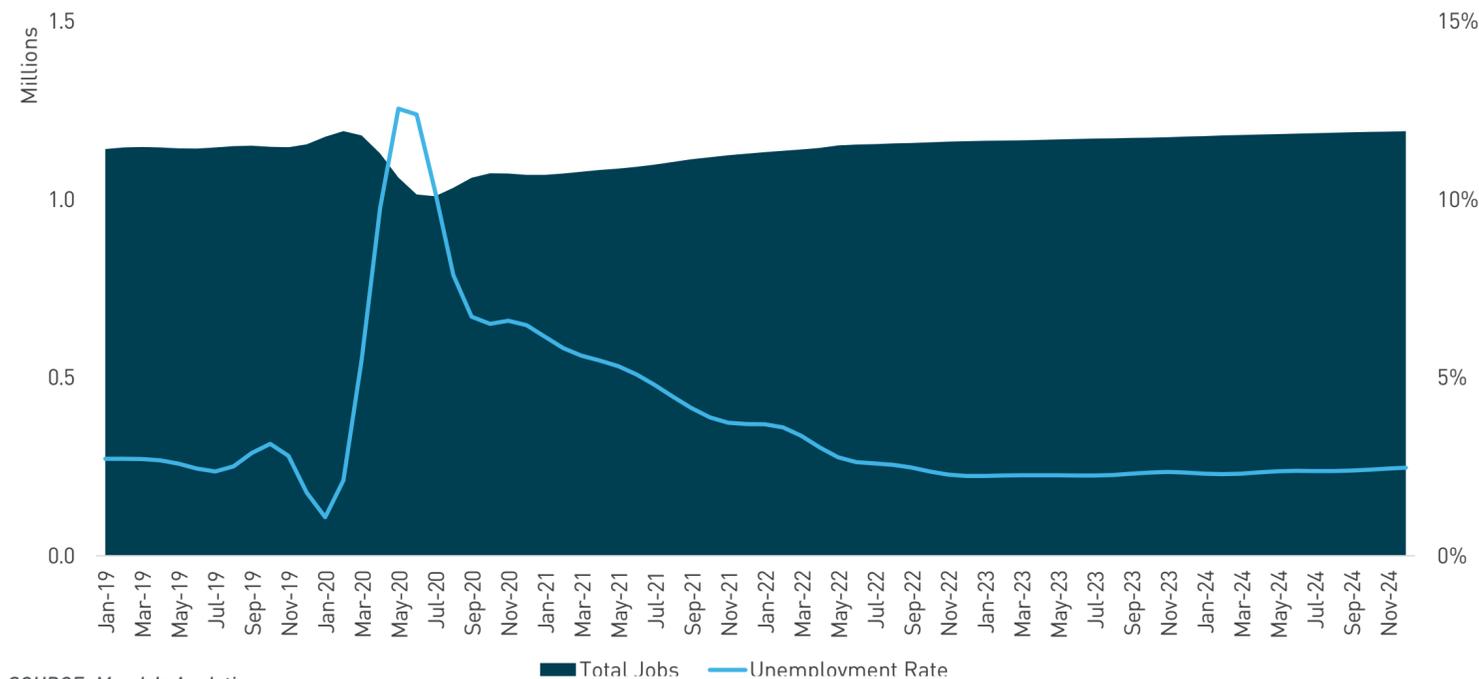
In the San Jose Metro, employment rose 5.1% since last June with the addition of 55,800 employees to payrolls. Though this is a slowdown from the previous year, the economy is transitioning from hypergrowth to efficient growth. Over the past two years, technology industry start-ups revitalized the area's economy with mass hiring efforts.

As the economy recovered and officials lifted pandemic restrictions, residents were drawn back to the metro to resume working in offices or in-person learning at local universities. With more people returning to the area, the leisure and hospitality sector experienced the most annual growth, increasing 21.9%, or by 17,000 net jobs.

The professional and business service sector expanded by 13,600 jobs, a rise of 5.7%. The sector's growth comes from companies such as Cepton Inc., Renesas Electronics Corporation, and Bloom Energy Corporation recently made corporate expansions in San Jose.

With the incoming jobs, unemployment dropped 250 basis points down in the last year to 2.6%. As of June 2022, the unemployment rate reached its lowest level since February 2020. Though it is not fully back to pre-pandemic levels, unemployment is forecast to continue to fall, reaching 2.2% by the end of this year.

## Employment Trends



SOURCE: Moody's Analytics

## Who's Hiring?

### LEISURE & HOSPITALITY INDUSTRY



■ YTD ■ 2022 Forecast

9%  
OF ALL JOBS IN THE METRO

\$40,600  
AVERAGE ANNUAL SALARY

## Top Leisure & Hospitality Employers



## In The News

- 🔗 [Semiconductor company plans to open new South San Jose campus](#)
- 🔗 [Tech company's deals leave it poised for growth, San Jose expansion](#)
- 🔗 [Adobe aims to move into new downtown San Jose office tower in early 2023](#)



## SAN JOSE, CA

# DELIVERIES & ABSORPTION

2022 Units\*

**DELIVERIES**

4,312

**ABSORPTION**

3,461

2023 Units\*

**DELIVERIES**

3,589

**ABSORPTION**

2,590

\*Projected

In the past five years, multifamily developers added 15,071 units to the San Jose metro, increasing the area's inventory 8.4%. By the end of 2022, 4,312 units are expected to come online, up 24.1% from the number of units delivered in 2021. Construction delays during the pandemic pushed some projects back to 2022, which bolstered the year-over-year growth of deliveries.

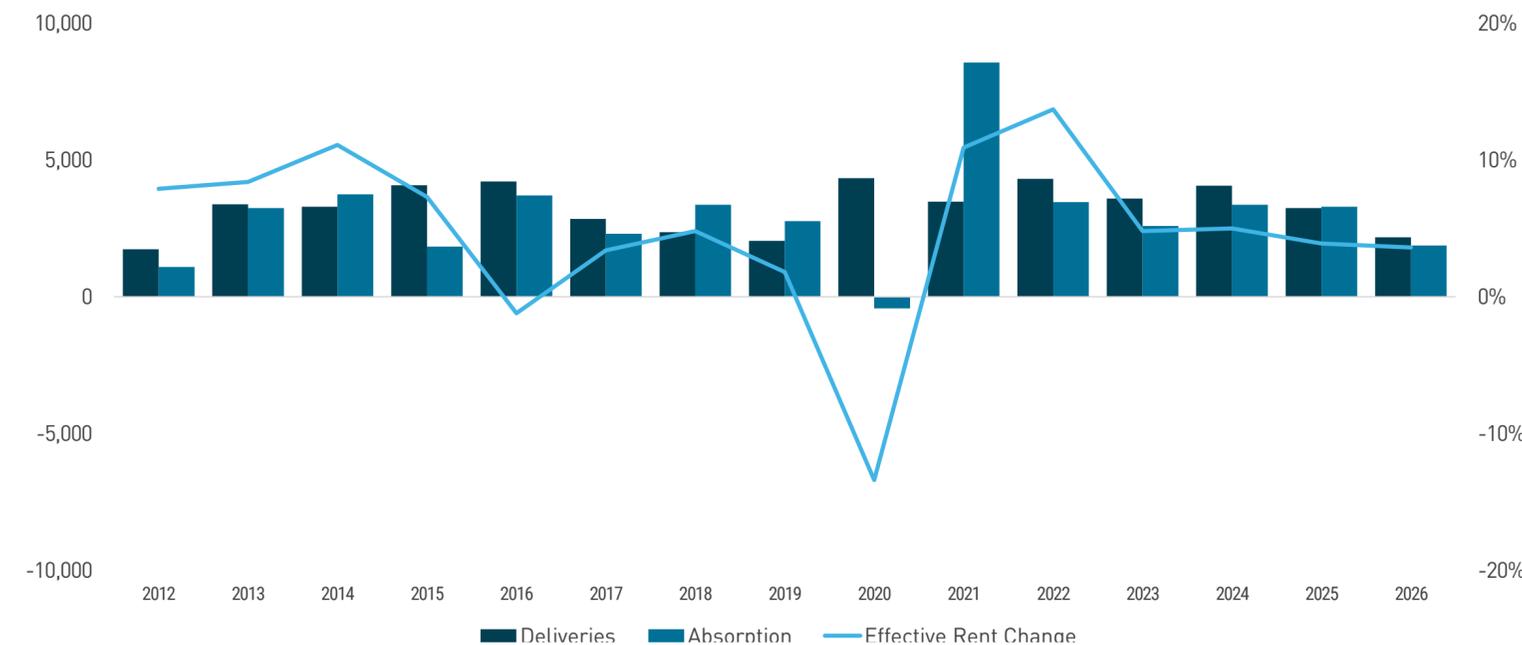
The Central San Jose and Mountain View/Palo Alto/Los Altos submarkets combined account for over 53.8% of the market's total projected deliveries in 2022. The Central San Jose submarket is forecast to have 1,115 units delivered by the end of 2022, and the Mountain View/Palo Alto/Los Altos submarket expects 1,205 new units. Builders

targeted these areas for multifamily developments to keep up with recent high demand.

In 2021, the San Jose apartment market had 8,561 net move-ins. Though absorption is forecast to cool down from the historic high in 2021, this year will still be above the metro's five-year average with 3,461 net units absorbed.

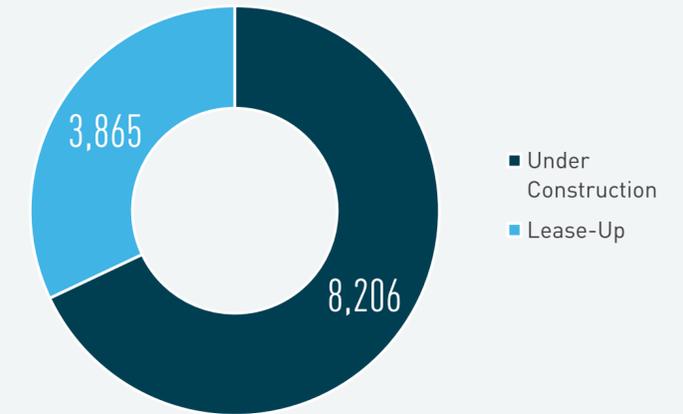
The San Jose metro's persistent level of housing demand is derived from white-collar job opportunities, cultural diversity, and year-round great weather. Apartments are filling the need in part due to the high cost of homeownership across the metro.

## Deliveries, Absorption, & Effective Rent Change

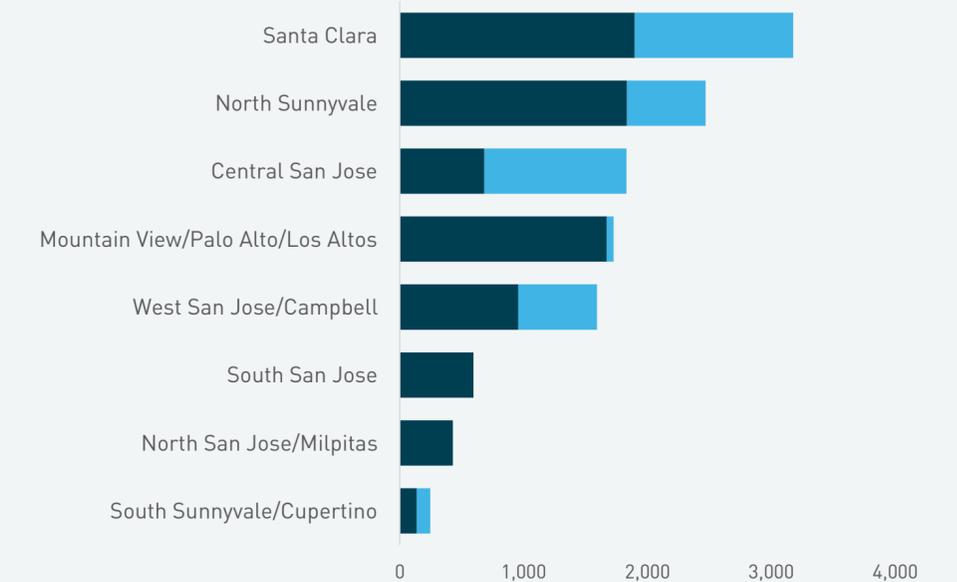


Source: RealPage

## Market Pipeline



## Top 10 Submarket Pipelines

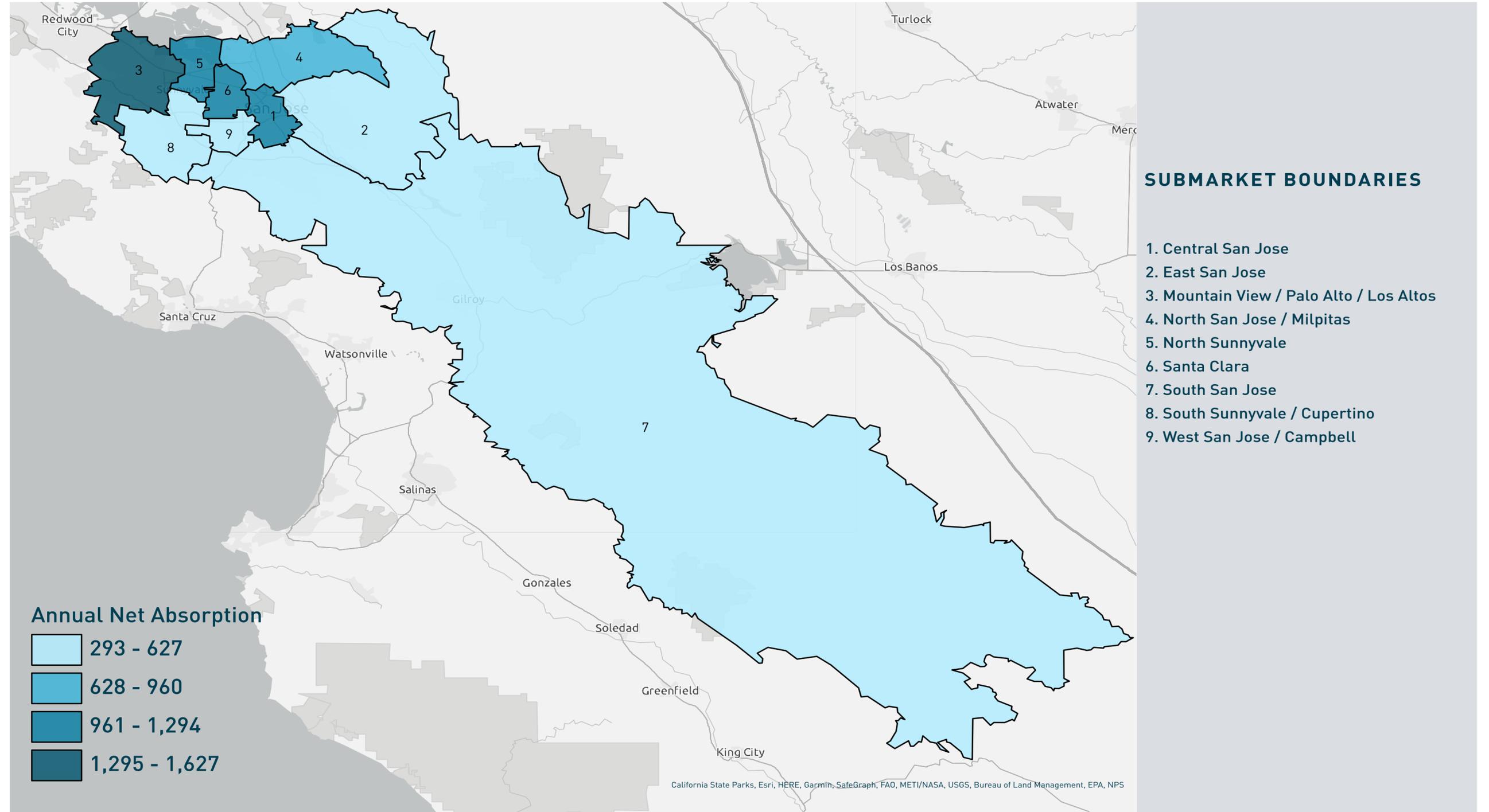




## SAN JOSE, CA

# SUBMARKET ANNUAL ABSORPTION

Consistent with the level of construction, the Central San Jose and Mountain View/Palo Alto/Los Altos submarkets are expected to have the most net move-ins in 2022. The Central San Jose submarket's absorption is forecast to hit over 1,000 net units, accounting for 29.4% of the entire metro's projected leasing activity in 2022. The Mountain/Palo Alto/Los Altos submarket absorption projection is just over 800 net units. The demand in these two submarkets can be traced back to the return of in-person learning at Stanford University and San Jose State University. Between the two universities, about 50,000 students require off-campus housing. The incoming students and young professionals returning to office put apartment in the Downtown San Jose area in high demand; thus, making the Central San Jose submarket lead the other eight submarkets in net absorptions.





# SAN JOSE, CA RENT & OCCUPANCY

## Effective Rent

**2Q 2022**  
\$2,960  
↑ 16.2% YOY

## Occupancy

**2Q 2022**  
96.8%  
↑ 230 BPS YOY

The San Jose metro gained notoriety for having one of the highest effective rents in the country. Historically, there was a larger margin between rates in San Jose and neighboring market, San Francisco-Oakland, nearly \$200 more five years ago. As of the second quarter of 2022, San Jose's effective rent is only \$3 less at \$2,960. The 16.2% increase is the highest annual rental spike the metro has seen in the past decade.

Though the year-over-year effective rent change appears drastic, it was a correction needed to rebound from the devastation it underwent during the pandemic. After having a 9.3% annual rent decrease since mid-2020, the San Jose MSA's effective rent fully recovered.

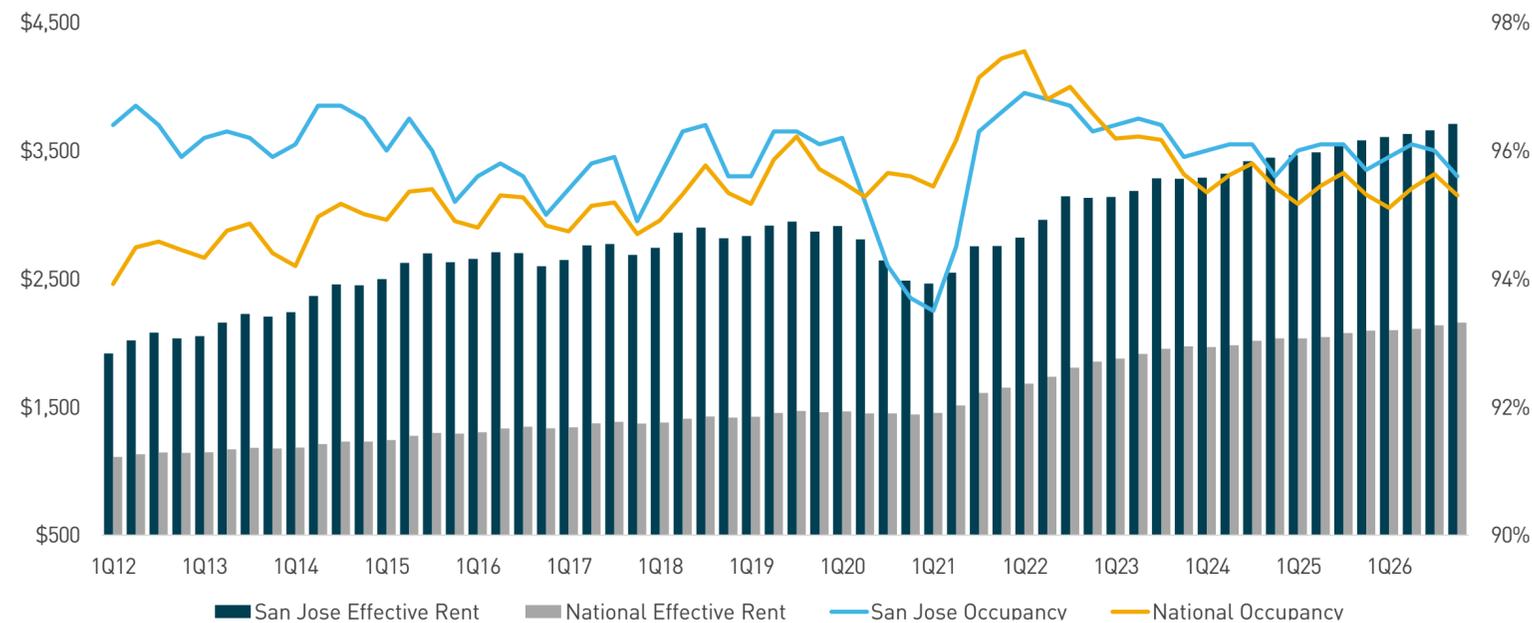
Average apartment occupancy across Greater San Jose reached 96.8% in the second quarter of 2022, a 230-basis-point growth year over year. The Mountain View/Palo Alto/Los Altos submarket led the market in annual occupancy growth, jumping 480 basis points to 96.9% by mid-2022.

The submarket's occupancy increase be attributed to the limited housing capacity at Stanford University. As students resume courses on campus in fall 2021, about 16,000 of them sought living arrangements near the university, boosting the occupancy rates of established off-campus apartments in the submarket.

## Submarket Performance

SUBMARKET NAME	2022 OCCUPANCY	YOY (BPS)	2022 EFFECTIVE RENT	YOY
Central San Jose	96.8%	150	\$2,856	15.8%
East San Jose	95.4%	210	\$2,588	12.2%
Mountain View/Palo Alto/Los Altos	96.9%	480	\$3,319	13.0%
North San Jose/Milpitas	97.6%	160	\$2,995	18.3%
North Sunnyvale	97.6%	260	\$3,063	22.2%
Santa Clara	96.8%	240	\$3,044	22.0%
South San Jose	96.6%	90	\$2,771	13.1%
South Sunnyvale/Cupertino	96.5%	210	\$3,153	17.1%
West San Jose/Campbell	96.2%	170	\$2,715	14.1%

## San Jose vs. National Effective Rent & Occupancy



Source: RealPage

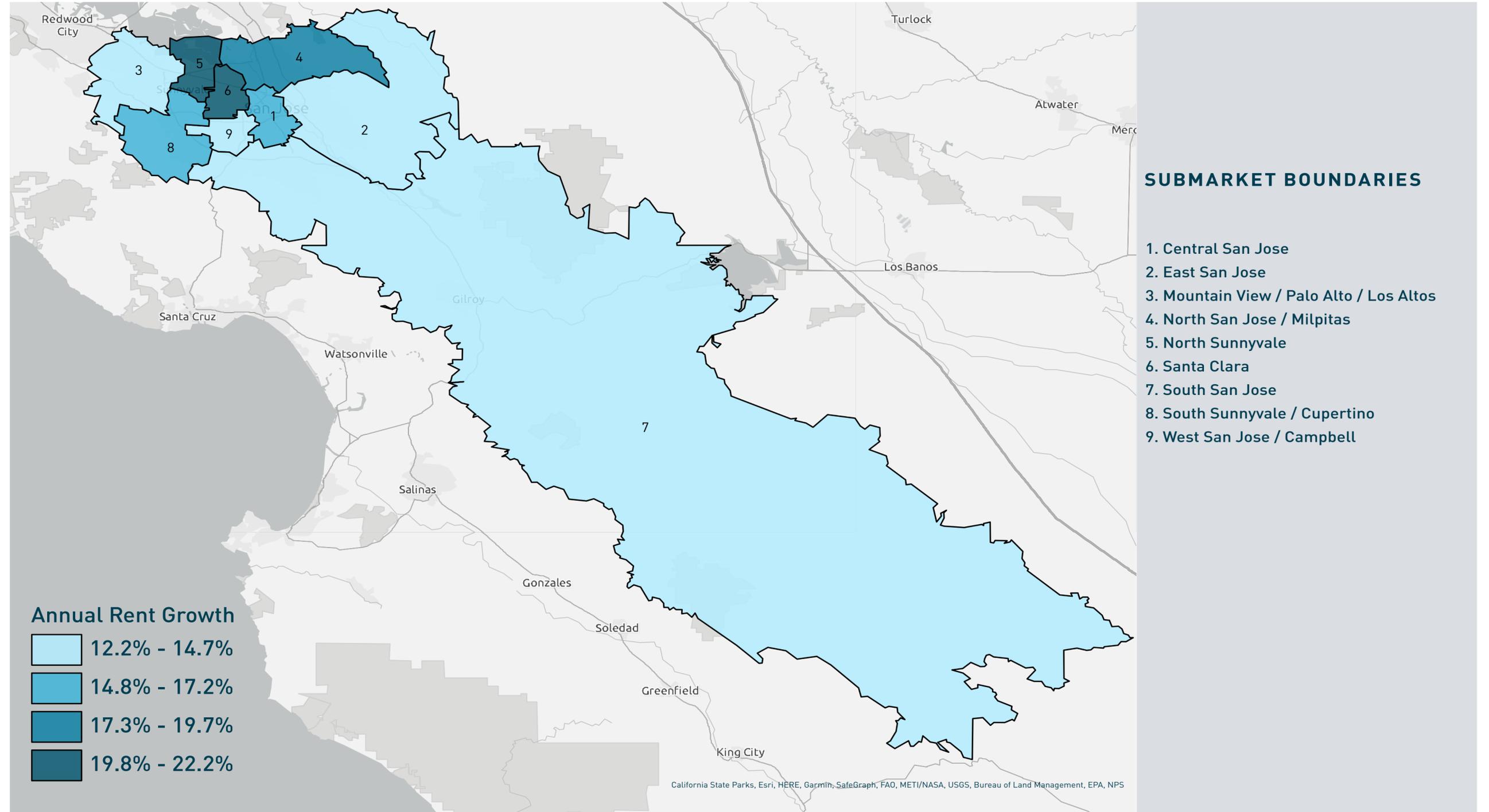


## SAN JOSE, CA

# SUBMARKET ANNUAL RENT CHANGE

All nine of the metro's submarkets had an annual rent growth of over 10.0%. Five out of nine submarkets experienced a year-over-year change greater than 15.0%. In the second quarter of 2022, the North Sunnyvale achieved the most year-over-year rent growth at 22.2%. With an effective rate of \$3,063,

North Sunnyvale is the third most expensive submarket behind Mountain View/Palo Alto/ Los Altos and South Sunnyvale/Cupertino. North Sunnyvale also tied for the highest occupancy rate at 97.6% with North San Jose/ Milpitas. The jump in the effective rent is partially owed to leasing activity of 990 units outpacing new supply by 456 units over the past year.





Sources: RealPage; Moody's Analytics; Real Capital Analytics

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