

SAN JOSE, CA MULTIFAMILY REPORT

2023 | MIDYEAR



BERKADIA[®]
INSTITUTIONAL SOLUTIONS



Jobs Added / Lost

LAST 12 MONTHS

27,800

↑ 2.4%

NEXT 12 MONTHS*

10,100

↑ 0.9%

Unemployment

MIDYEAR 2023

3.0%

↑ 60 BPS YOY

MIDYEAR 2024*

3.2%

↑ 40 BPS YOY

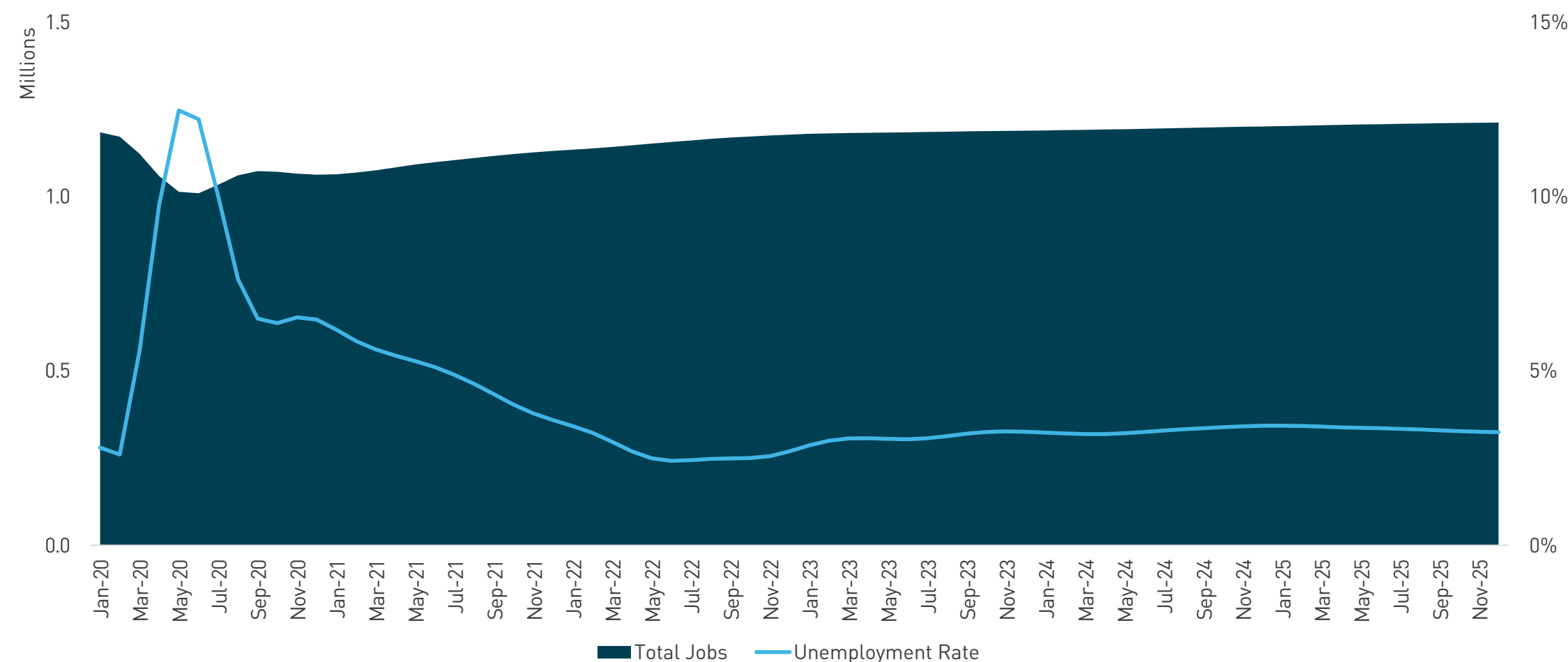
*Projected

SAN JOSE, CA EMPLOYMENT

San Jose serves as the region's technology and innovation hub and is where new college graduates have the highest chance of being offered a job post-graduation and earning a six-figure salary annually, according to a recent study from Gusto. Powerhouse institutions of higher education in the area are well-known for their dominance in venture capital funding which have received approximately \$2 billion dollars in total funding from 2020 up until the second quarter of 2023. Stanford University's graduate-founded seed rounds represent 9.5% of all dollars raised, which is the largest percentage of any university, even beating out graduates of Harvard and the Massachusetts Institute of Technology.

San Jose's regional economy showed strong indications of stability after employers added 27,800 jobs over the last 12 months. Labor growth is expected into 2024 as the region is anticipated to continue its job recovery following the pandemic. The second largest employment segment, private education and healthcare, added more than 8,900 jobs since the second quarter of 2022. Representing approximately 17% of all jobs in the metro, private education and healthcare jobs are certainly on the comeback from pre-pandemic levels across the San Jose metropolitan area.

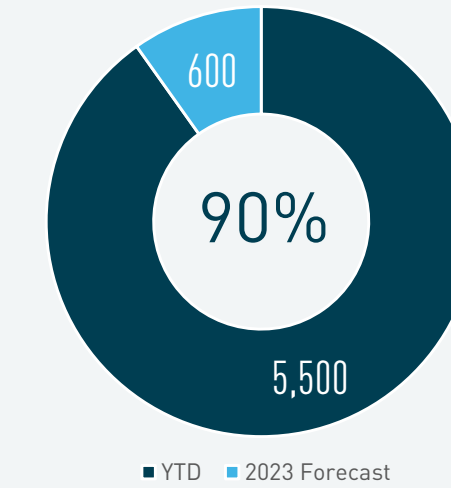
Employment Trends



Source: Moody's Analytics

Who's Hiring?

PRIVATE EDUCATION & HEALTHCARE INDUSTRY



17%
OF ALL JOBS IN THE METRO

\$142,900
AVERAGE ANNUAL SALARY

Top Private Education & Healthcare Employers

Stanford University	15,800 JOBS
Stanford HEALTH CARE	15,700 JOBS
KAISER PERMANENTE	14,700 JOBS

In The News

- [HCA San Jose hospital expansion inching closer to reality](#)
- [New Kaiser Permanente hospital coming to San José Medical Center campus](#)
- [San Jose leads nation in hiring new college grads](#)



SAN JOSE, CA

DELIVERIES & ABSORPTION

2023 Units*

DELIVERIES

2,276

ABSORPTION

1,974

2024 Units*

DELIVERIES

5,066

ABSORPTION

4,770

*Projected

More than 2,200 new units are expected to be delivered by year-end 2023. The additions would be below the number of new deliveries that took place in 2022, but above 2019 as developers patiently wait for a new wave of move-ins.

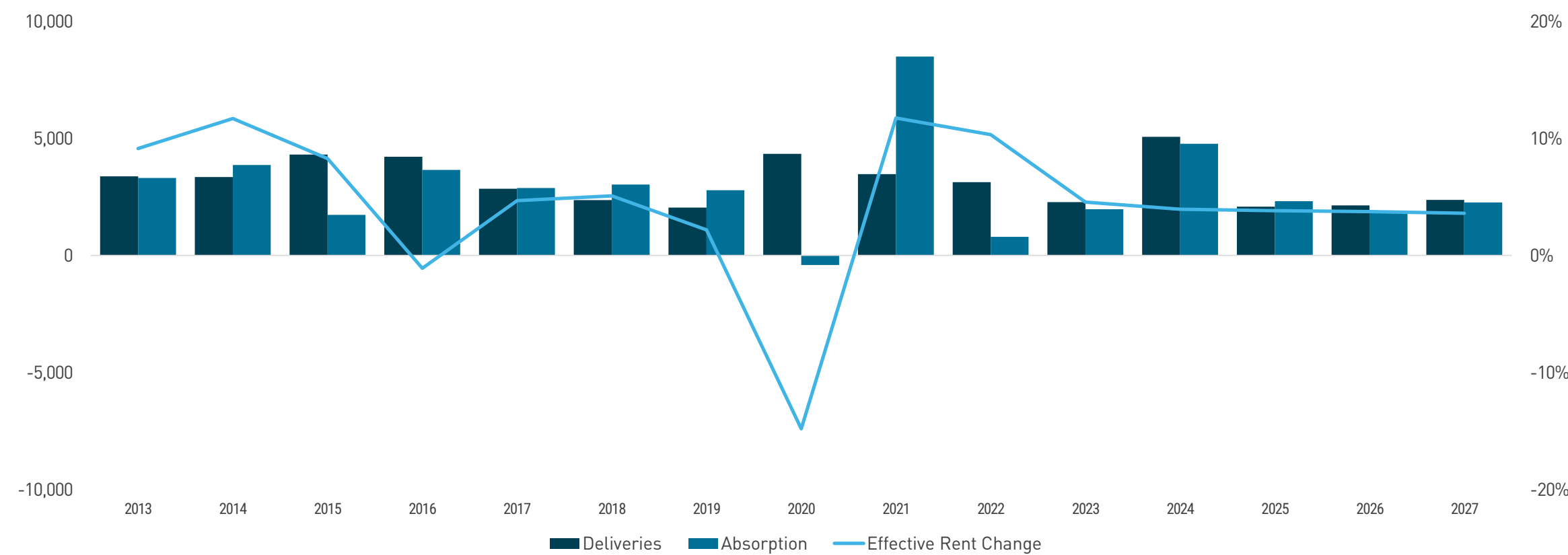
Apart from 2021, when net move-ins more than doubled the rate of new supply, the pace at which units are delivered has not caught up to the level of apartment demand across San Jose. An oversupply of new units, caused by extended construction timelines and the logistical constraints from the pandemic, has continued to push construction completions into the new year.

As a result of a drop in the number of net move-ins across the metro, many operators are offering concessions to

prospective renters. Almost 21% of units across the San Jose metropolitan area were providing concessions in the second quarter of 2023.

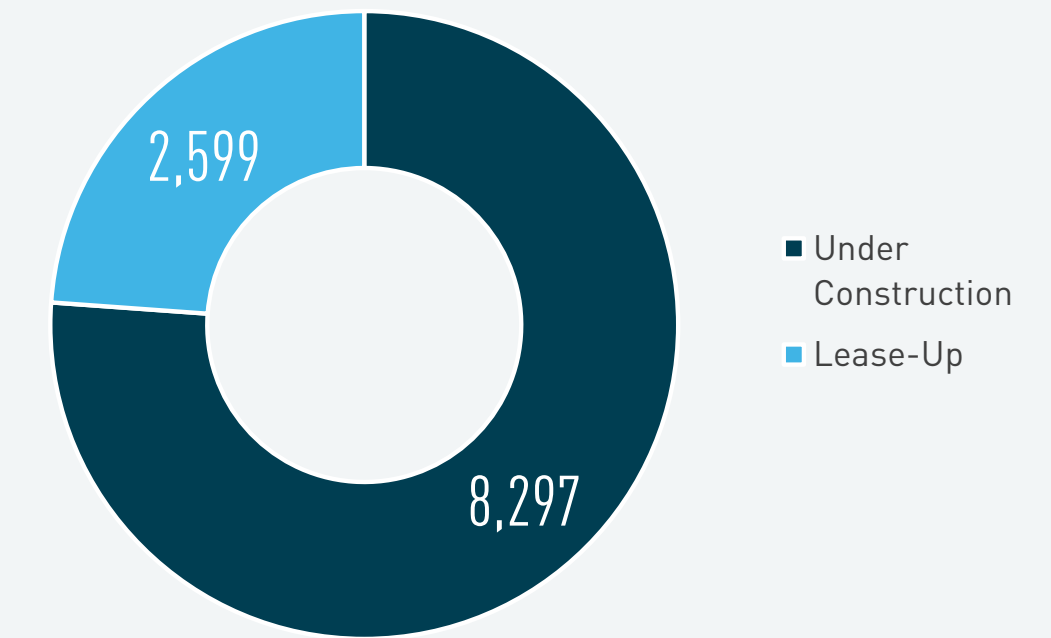
The rate of new deliveries is forecast to escalate in 2024 as more than 5,000 units are expected to come online across the metro, with absorption slightly lagging the momentum of new supply. Projected new inventory in 2024 would be the most units to come online in the past decade.

Deliveries, Absorption, & Effective Rent Change

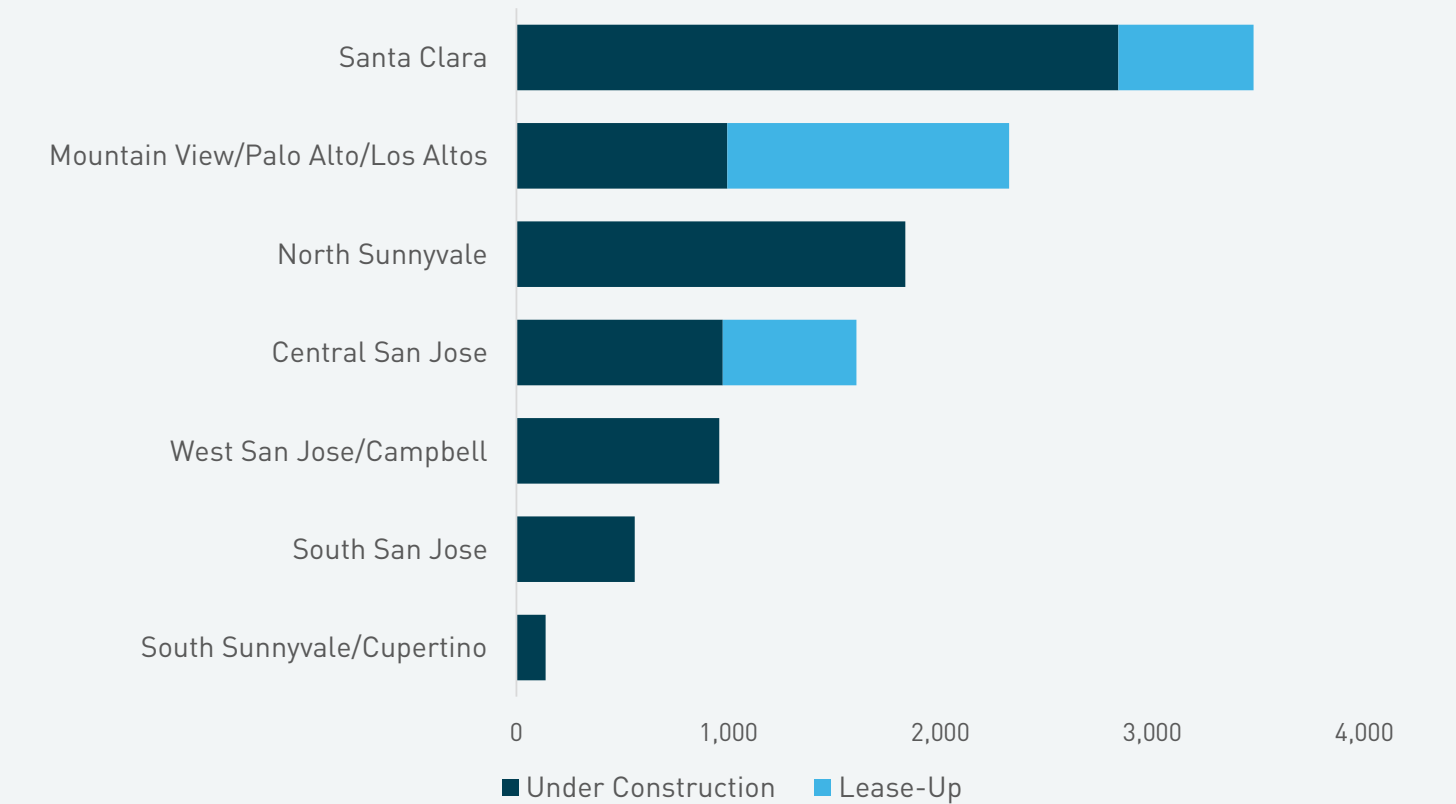


Source: RealPage

Market Pipeline



Top 10 Submarket Pipelines

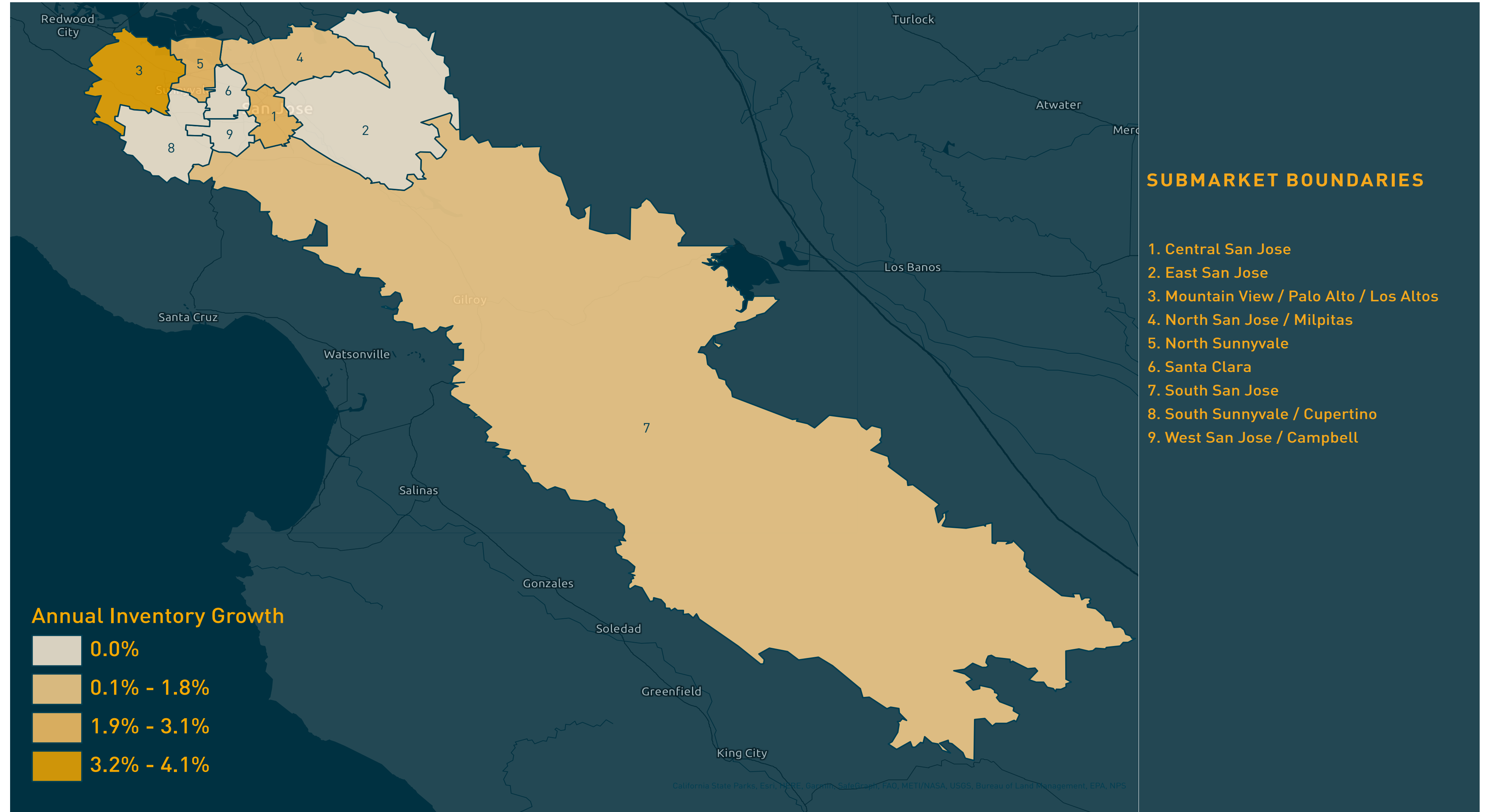




SAN JOSE, CA

SUBMARKET ANNUAL INVENTORY CHANGE

Annual inventory growth across the San Jose metropolitan area has been primarily inside of the Mountain View/Palo Alto/Los Altos submarket. The consistent outperformance of this submarket regarding effective rentals has allowed operators to demand the highest rent rates in the market. The Stanford University campus, which is inside of the Mountain View/Palo Alto/Los Altos submarket, has caused developers to be bullish on the area. Rising rental rates paired with consistent occupancy levels validated operators' confidence in building new supply. Inventory in the submarket has risen 4.1% since the second quarter of 2022. The North Sunnyvale submarket has seen the second largest rate of growth in the market. The completion of Redwood Place is expected in early 2024 and will add hundreds of new units to the submarket's existing supply.





SAN JOSE, CA RENT & OCCUPANCY

Effective Rent

Q2 2023

\$3,096

↑ 3.8% YOY

Occupancy

Q2 2023

95.8%

↓ 110 BPS YOY

With 12 institutions of higher learning scattered throughout the metro, the San Jose regional tenant base has been bolstered by recent college graduates who seek high paying salaries that may not be offered in other parts of the country.

Generally stable occupancy rates enabled continued rent growth in the last year. Occupancy is forecast to hold over the next year as local rates hover above the national level. Submarkets which retained the highest levels of occupancy in the second quarter of 2023 were North San Jose/Milpitas and North Sunnyvale. Occupancy in both submarkets is expected to remain above or in line with San Jose market averages in the second half of 2024.

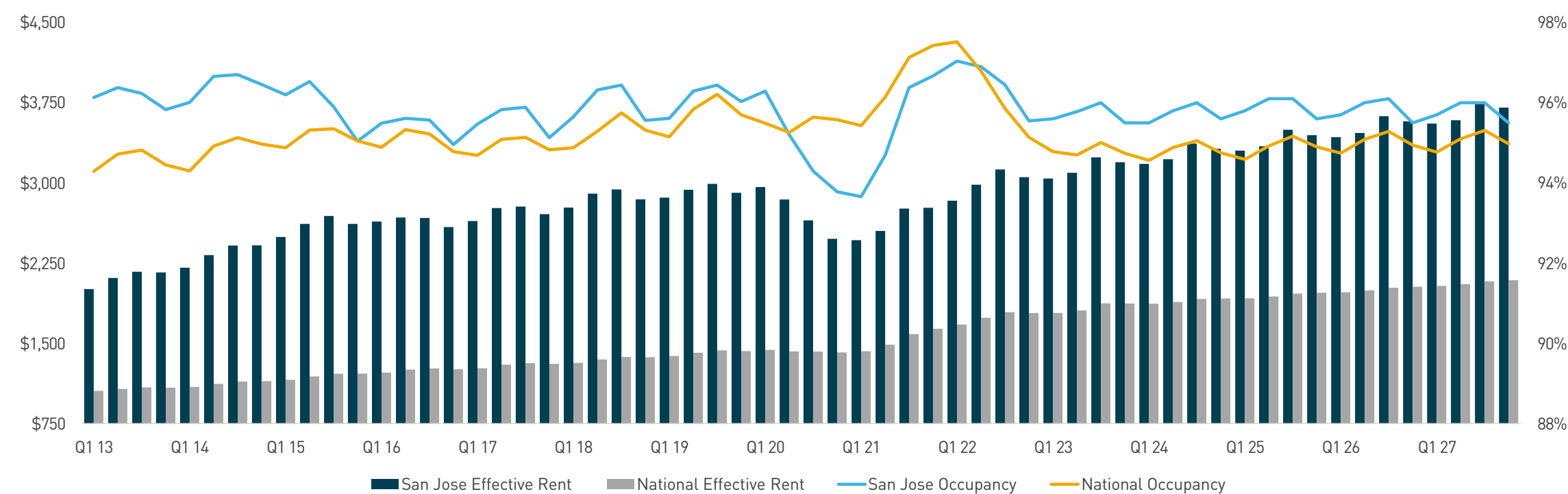
The highest effective rent in the second quarter of 2023 was in the Mountain View/Palo Alto/Los Altos submarket at \$3,422 per month, with the second highest submarket being South Sunnyvale/Cupertino at \$3,268 per month.

Rent is forecast to increase 2.8% as monthly effective rent reaches \$3,518 per month in the second quarter of 2024. Contributing to the slowdown is an expected decrease in occupancy over the next year as the increase in new supply will trail leasing activity.

Submarket Performance

SUBMARKET NAME	Q2 2023 OCCUPANCY	YOY (BPS)	Q2 2023 EFFECTIVE RENT	YOY
Central San Jose	95.1%	-160	\$2,949	2.6%
East San Jose	93.7%	-170	\$2,722	5.2%
Mountain View/Palo Alto/Los Altos	95.1%	-160	\$3,422	2.3%
North San Jose/Milpitas	96.8%	-80	\$3,124	4.3%
North Sunnyvale	96.4%	-120	\$3,156	2.8%
Santa Clara	95.8%	-100	\$3,198	4.9%
South San Jose	96.1%	-50	\$2,901	4.8%
South Sunnyvale/Cupertino	95.1%	-160	\$3,268	3.6%
West San Jose/Campbell	95.5%	-70	\$2,837	4.3%

San Jose vs. National Effective Rent & Occupancy



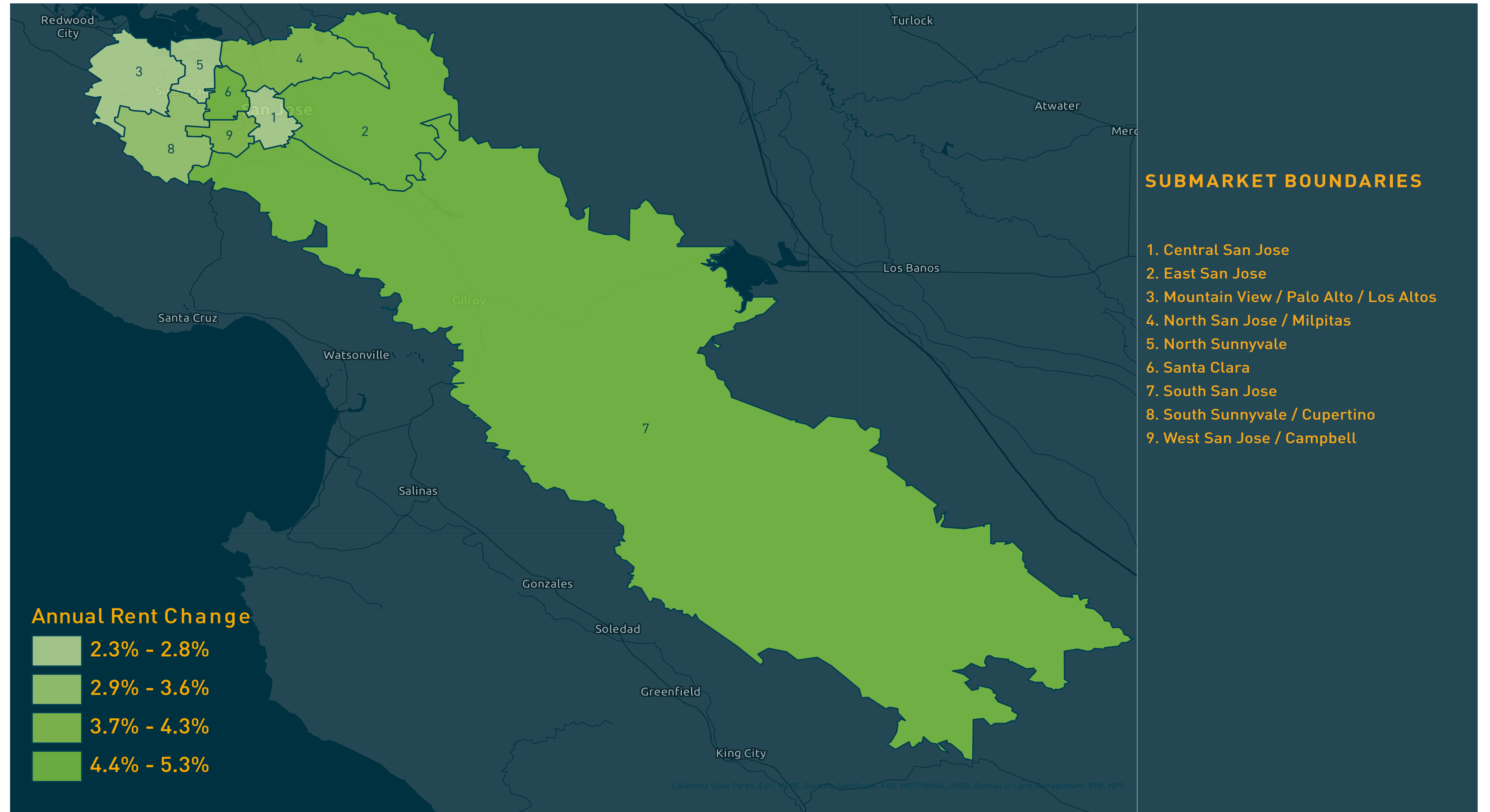
Source: RealPage



SAN JOSE, CA

SUBMARKET ANNUAL RENT CHANGE

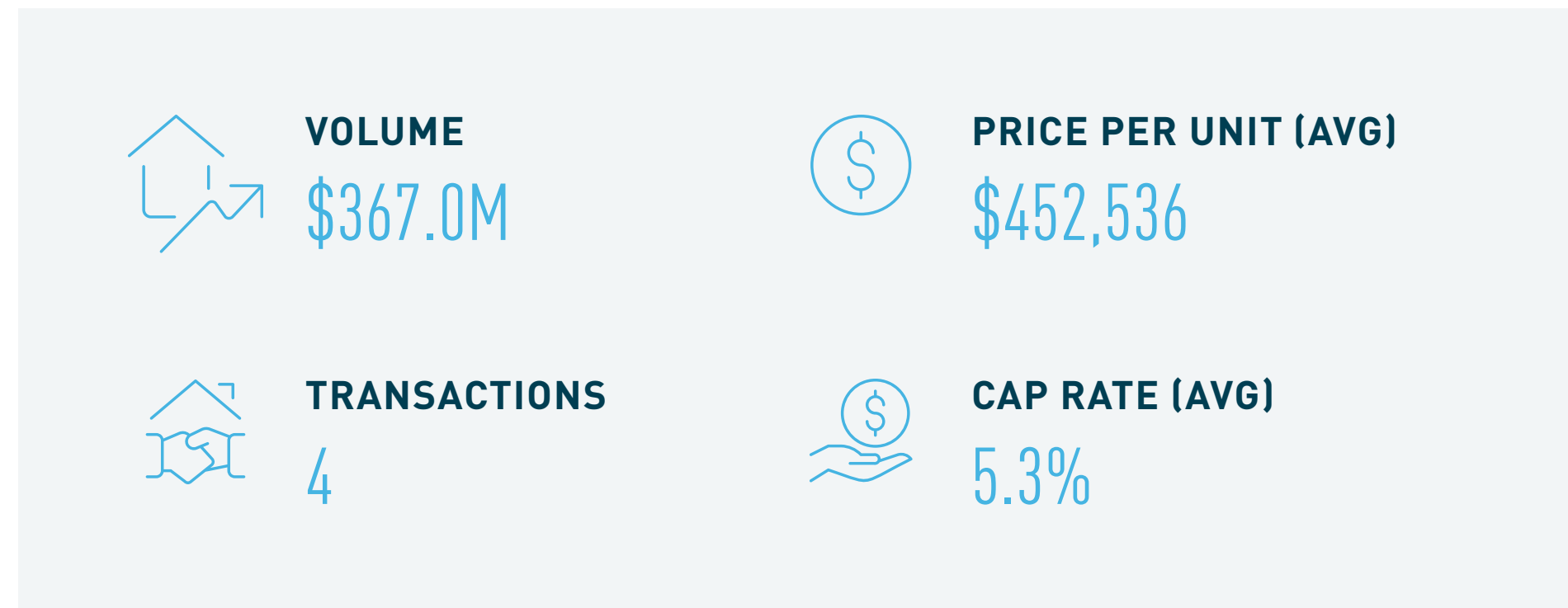
While effective rent advanced in every submarket last year, the majority of price appreciation was recorded in suburban submarkets. The greatest expansion was in areas to the east as residents continue to seek more affordable places to live. Of all submarkets in the metro, East San Jose saw the largest year-over-year jump in rent, with a gain of 5.2% due in part to the lack of new inventory in the area. Renters who live in East San Jose pay almost 14% less in monthly rents when compared to the market average. East San Jose effective rent is expected to rise an additional 5.7% from current levels as operators in the East San Jose submarket have been able to gradually increase rents due to the lack of more affordable supply.



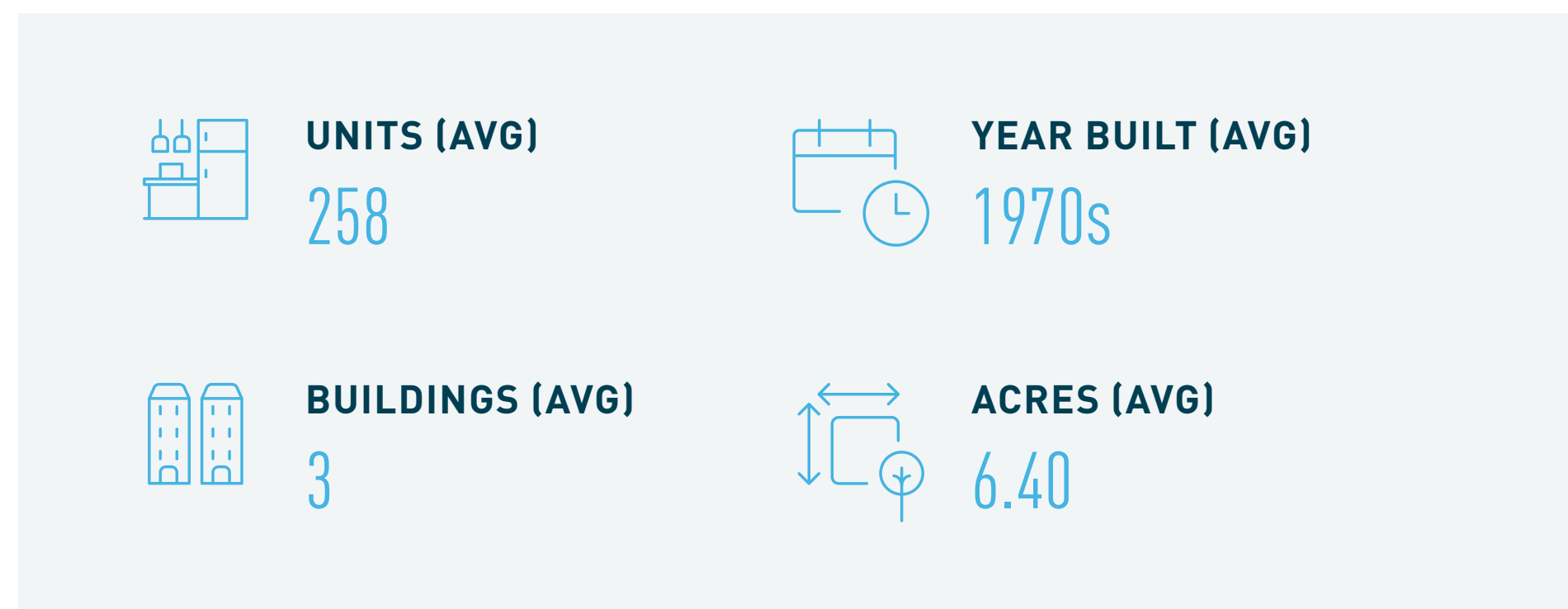


SAN JOSE, CA SALES

2023 Year to Date*



What's Trading?*



Source: Real Capital Analytics
*\$50m+

Top Buyers**

BUYER	LOCATION
MG Properties	San Diego
Stanford University	Stanford, CA
Oaktree Capital Management	Los Angeles
CDPQ	Quebec, Canada
3D Investments	Los Angeles

Top Sellers**

SELLER	LOCATION
Gerson Bakar & Associates	San Francisco
Anchor Real Estate Capital	Irvine, CA
Western National Group	Irvine, CA
Greystar	Charleston, SC
Resmark Equity Partners	San Diego

**Past 24 Months



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

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