



MULTIFAMILY REPORT

Garden City Spots Signs Of Spring

Winter 2021

Rent Contractions Decelerate

Economic Recovery Still Behind Nation

Construction Continues, Transactions Dwindle

SAN JOSE MULTIFAMILY



Slow Economic Recovery Sustained by Big Tech

Pandemic-induced woes have hit coastal California metros directly, with residents fleeing to more affordable cities, and Silicon Valley was no stranger to that. In metro San Jose, occupancy in stabilized properties dropped to 92.7% as of December, while rents were down 13.0% year-over-year through January, marking the largest drop in the country. However, signs that the market might have bottomed out are emerging: San Jose led the country for month-over-month growth in January, at 0.9%.

The unemployment rate has been slowly recovering, clocking in at 5.2% in November, but December preliminary data pointed to a new rise, to 6.0%. Employment marked a 7.4% contraction in the 12 months ending in November, 20 basis points below the national rate. Although the metro's largest sector—professional and business services—rose 0.9% during the period, the tech sector alone won't be sufficient to keep the job market afloat. A rising number of companies announced relocations, including Oracle, which is moving its headquarters to Austin. Meanwhile, Google's plans for revitalizing the Diridon Station area remain on track.

San Jose development continued, with 765 units delivered in January and an additional 10,481 apartments underway. Mirroring nationwide trends, investors expressed caution, with just \$608 million in multifamily assets changing hands in 2020.

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Recent San Jose Transactions

Victorian Square



City: Milpitas, Calif.
Buyer: Klingbeil Capital Management
Purchase Price: \$36 MM
Price per Unit: \$377,604

Vintage Tower



City: San Jose, Calif.
Buyer: Avanath Capital Management
Purchase Price: \$17 MM
Price per Unit: \$293,220