

YARDI[®] Matrix

San Jose: Peak Market, Weak Appreciation

Multifamily Winter Report 2017

**Rent Growth
Decelerates**

**Affordability
Under Pressure**

**Tech Sector
Sustains Appeal**

SAN JOSE MULTIFAMILY

YARDI® Matrix

Market Analysis

Winter 2017

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Affordability Cuts Into Rent Growth

Silicon Valley remains the largest technology hub in the nation and the anchor of the Bay Area. The area continues to thrive as one of the nation's most attractive markets for businesses to operate and as a destination for Millennials. However, after a huge run-up from 2014-15, rent growth is taking a time out, as the market is becoming unaffordable for its target demographic.

A diverse range of industries are fueling employment growth—among them professional and business services; education and health; and construction. The professional and business services segment continues to dominate the job growth in the metro, having made 14,500 new hires during the 12 months ending in November 2016. With large companies such as Google, Samsung, Toshiba, Apple and Facebook expanding their footprints and adding jobs, developers are keeping themselves busy, due to strong demand for multifamily units. Related Cos. received approval for City Place, at \$6.5 billion the largest development plan in Silicon Valley's history.

Multifamily development will stay robust in 2017. Approximately 40,000 units are in the pipeline, about 6,600 of which are expected to come online in 2017. Despite strong demand, the metro needs to tackle its affordability problem, a feat which may not be possible until strict construction guidelines begin to ease. Therefore, Yardi Matrix expects moderate rent growth in 2017.

Recent San Jose Transactions

Avana Almaden



City: San Jose, Calif.
Buyer: Greystar
Purchase Price: \$150.5 MM
Price per Unit: \$380,051

The Grove



City: San Jose, Calif.
Buyer: TIAA
Purchase Price: \$95.5 MM
Price per Unit: \$288,520

Domus on the Boulevard



City: Mountain View, Calif.
Buyer: Pacific Urban Residential
Purchase Price: \$76.82 MM
Price per Unit: \$398,052

Sofi Berryessa



City: San Jose, Calif.
Buyer: Pacific Urban Residential
Purchase Price: \$55.5 MM
Price per Unit: \$330,357

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