

Metro Housing Outlook:

San Jose - Q2 2024

Overview:

- The overall slowdown in the San Jose metro has extended into another quarter. For the period ending Q2 2024, the local job market in the metro has expanded by 1.5% compared to 1.7% nationally. Much of the slowdown in the metro can be attributed to the continued malaise of the tech sector, which is still experiencing a period of correction after accelerated growth in 2020 and 2021.
- Apartment fundamentals in the San Jose metro are trending in the right direction. For the period ending Q2 2024, vacancies remained flat at 4.75%, but rent growth improved significantly at 1.75%. Since late last year, apartment fundamentals in the metro have been improving, as residents are returning to the metro to work.

Market Strengths:

- Despite a period of contraction during Q2 2024, the local manufacturing sector should be on solid footing in the long term. The metro is a big manufacturer of computer and electronic parts, but more specifically microchips, which are in most electronic devices. As society gets increasingly digital, the demand for chips will continue to be high, which will bode well for the local manufacturing sector.
- The metro has been able to mitigate the impact of the tech/information sector's slowdown on jobs lost, according to Moody's Analytics. One of the main reasons that the tech slowdown hasn't been as bad as once thought is mainly due to the high concentration of remote and telework that exists in the metro.

Market Weaknesses:

- San Jose is an extremely expensive place to live, with costs of living and business costs, respectively, 75% and 67% higher than the national averages. The increased costs of living coupled with the remote working culture have exacerbated some of the demographic trends in the metro. However, outmigration from the metro has now slowed from its rapid pace to levels on par with 2019.
- As the cost of doing business increases with rising labor and land costs, more tech firms in the metro are relocating their expansion. According to Moody's Analytics, many firms have begun to move to less expensive metros such as Los Angeles, Oakland, Utah, Washington, and Oregon. Furthermore, the ongoing slowdown in the tech sector has only increased the desire to pivot away from Silicon Valley and lower costs. Many tech firms have recently been victims of hyper-valuation, only to see their value drop significantly after their IPO occurs.

Outlook:

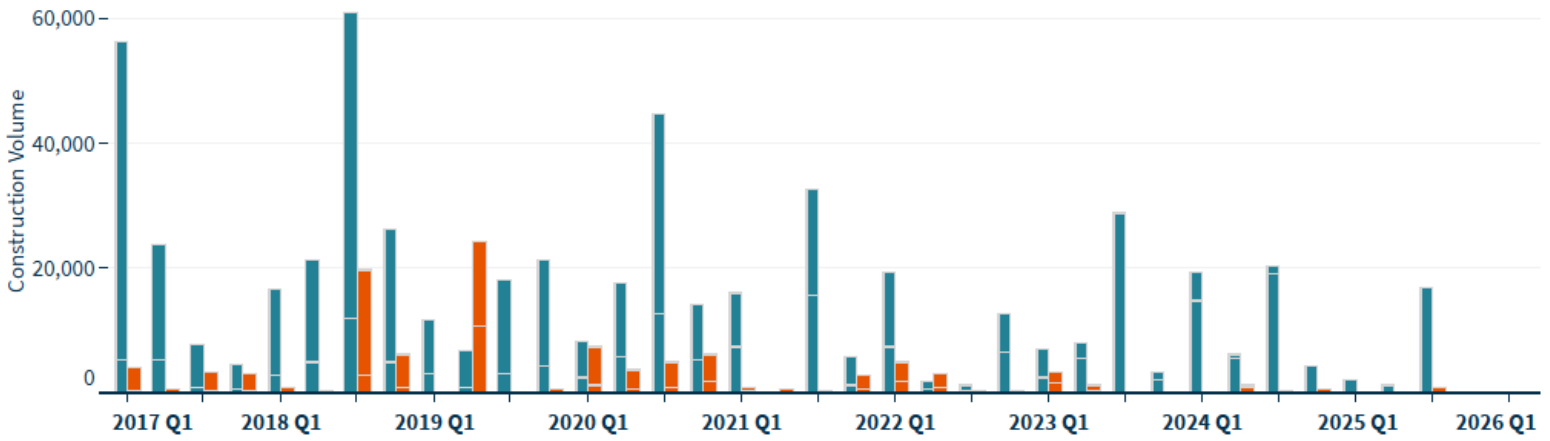
- Apartment fundamentals have been trending in the right direction for consecutive quarters, as vacancies remain flat and rent growth has improved significantly. The lack of single-family affordability in the metro will be a boon for the apartment market. However, remote working has taken away many would-be renters away from the local apartment-renting population.
- The volatile tech/information sector is experiencing a period of correction. Despite a slowdown that has been occurring for more than a year, the effects are not as bad as initially feared. The pivot to remote and teleworking has mitigated the impacts of the local tech slowdown, and overall job growth remains above the national level. However, in addition to overall tech sector slowdowns, the metro remains an extremely expensive place to conduct business and risks losing jobs altogether because of increased adoption of remote working. Teleworking has a ripple effect on the local economy, as other employment sectors such as leisure and hospitality suffer. As they thrive from the performance of the tech sector. As long as the metro's pillar of economic growth is experiencing a volatile period, San Jose will continue to underperform the levels that the metro is used to seeing.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

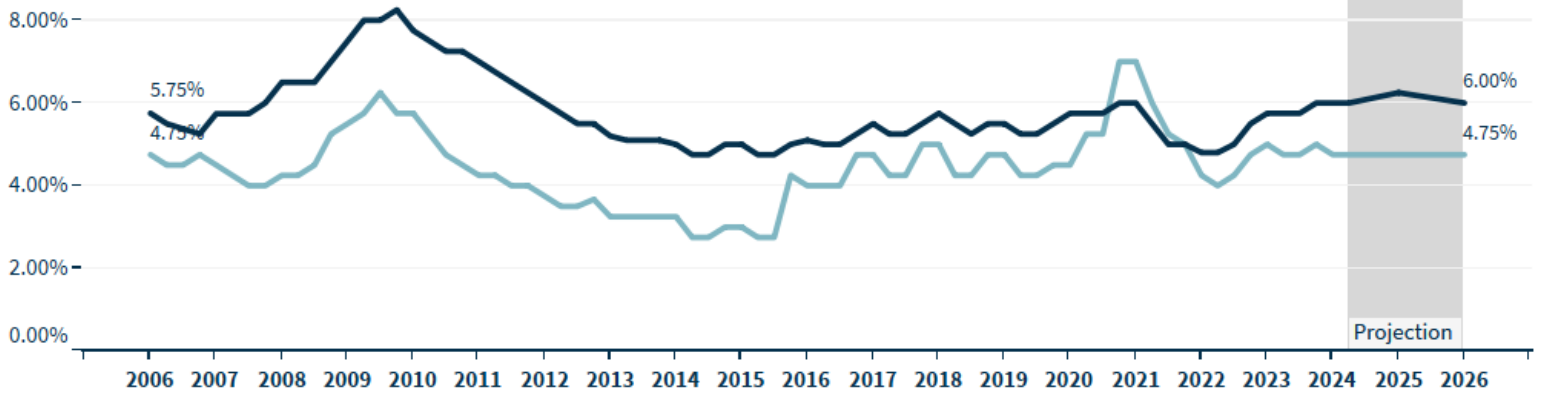
Multifamily Vacancy & Rent Estimates

Vacancy Rates

San Jose | National

Q2 2024 Vacancy Rate:

4.75%

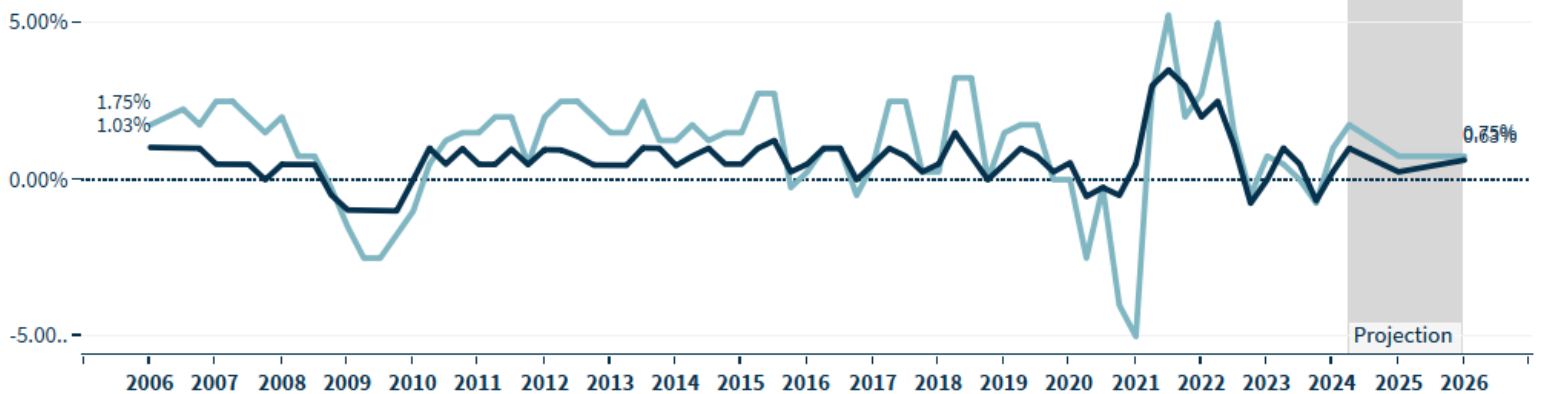


Asking Rent Growth

San Jose | National

Q2 2024 Asking Rent:

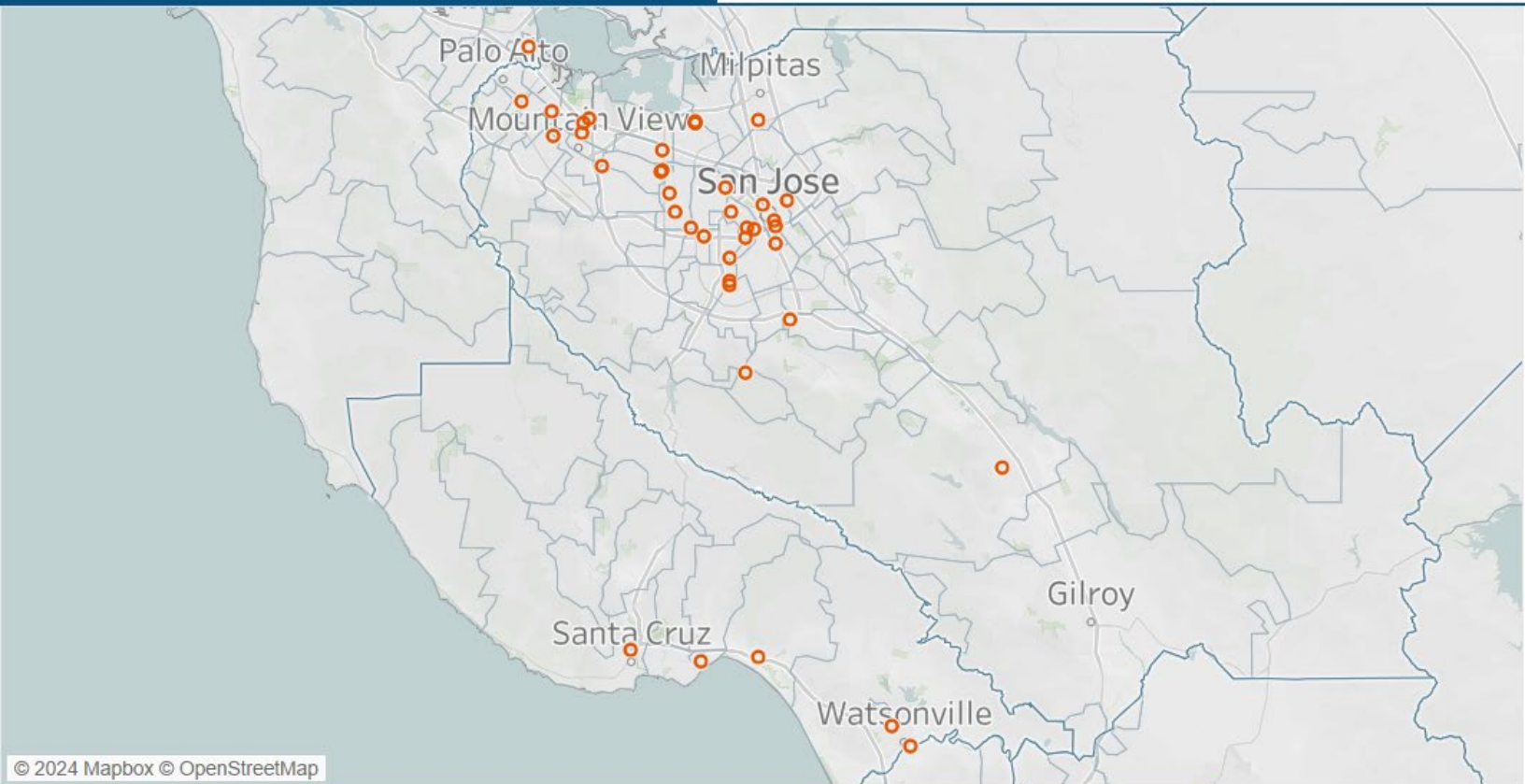
\$3,090



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



© 2024 Mapbox © OpenStreetMap

<i>MultiHousingSubmarketName</i>	<i>Apartments</i>	<i>Units</i>
Central San Jose	7	1,286
East San Jose	1	80
Mountain View/Palo Alto/Los Altos	8	863
NA	5	318
North San Jose/Milpitas	1	220
North Sunnyvale	3	1,662
Santa Clara	7	2,378
South San Jose	5	457
West San Jose/Campbell	3	779
Grand Total	40	8,043

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

Multifamily Metro Outlook: San Jose Q2 2024

Multifamily Economics and Market Research Team

Francisco Nicco-Annan, Economic and Strategic Research

Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Greenstreet
- Dodge Data and Analytics SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi

Opinions, analyses, estimates, forecasts, and other views of Fannie Mae's Economic and Strategic Research (ESR) Group included in these materials should not be construed as indicating Fannie Mae's business prospects or expected results, are based on a number of assumptions, and are subject to change without notice. How this information affects Fannie Mae will depend on many factors. Although the ESR Group bases its opinions, analyses, estimates, forecasts, and other views on information it considers reliable, it does not guarantee that the information provided in these materials is accurate, current, or suitable for any particular purpose. Changes in the assumptions or the information underlying these views could produce materially different results. The analyses, opinions, estimates, forecasts, and other views published by the ESR Group represent the views of that group as of the date indicated and do not necessarily represent the views of Fannie Mae or its management.