



Multifamily Metro Outlook: San Jose Spring 2019

Overview

San Jose continues to be one of the strongest performing metros in the nation. Job growth is expanding above the national average and, as of Q1 2019, the sector expanded by 2.0 percent compared to the national average of 1.7 percent. The information sector continues to be the metro's catalyst. As of Q1 2019, the sector expanded by 6.3 percent in San Jose, compared to a negative 0.1 percent contraction nationally.

Overall, San Jose's apartment market is in good shape. The market is almost full as vacancies for the quarter were 4.50 percent and rent growth has rebounded from last quarter's seasonality coming in at 1.0 percent.

The very volatile tech sector has achieved some stability lately, as all of the major tech players in the industry now have a presence in the metro. Apple, Google, and Facebook all have major presences in the metro and are in the midst of expansion. Furthermore, according to Moody's Analytics there are newer tech employers also beginning to establish themselves in the metro such as Tesla and data storage company Cohesity Inc.

The dominance of the local information/tech sector and overall job growth has translated to high wages in the metro. According to Moody's Analytics, income growth in the metro is the 11th highest in the nation at approximately 7.3 percent as of December 2018.

As the cost of doing business rises, more tech firms located 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 even Oregon. Established firms such as HP, Cisco, Ericsson, and Symantec have already started to cut personnel in the metro as 2,200 jobs were cut as of early 2017 .

Job growth in the metro will begin to slow even though the performance of the tech sector continues to shine. According to CoStar, overall job growth will slow due to a lack of skilled and qualified workers. Much of the slowdown is also attributed to the metro's volatile nature .

Development

Apartment development in San Jose has been light as just 16,000 rental units have been completed since 2013. Currently, 6,000 units are underway, and another 26,000 units are in the planning stages. Since 2006, just over 10,800 condos have been completed and fewer than 700 units are underway through 2020.

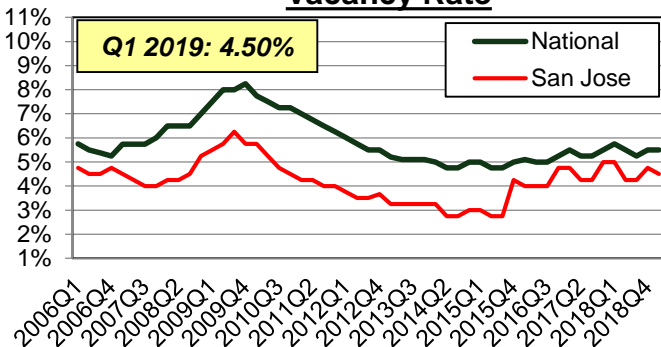
Outlook

San Jose will continue to be among the strongest markets. Job growth continues to be robust and vacancies continue to tighten. New supply will also continue to be limited throughout 2019, allowing landlords to raise rents. There has also been little new supply added, which benefits landlords.

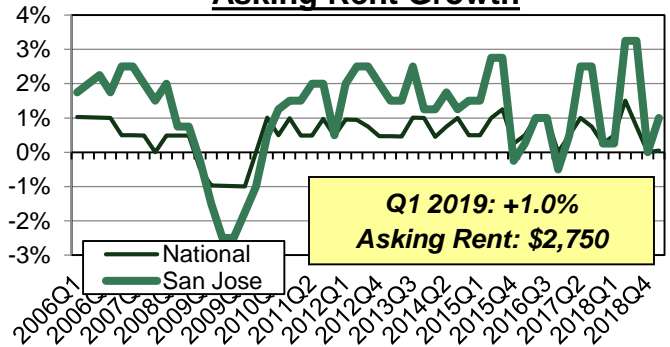
The well-educated workforce and San Jose's tech industry will continue to attract new employers. The high overall business and living costs, in addition to the cost of homeownership, will continue to keep would-be homebuyers in the rental market for extended periods. The volatility of the tech sector is something to keep an eye on, especially as former tech heavyweights are forced to find ways to compete with newer, more relevant tech market entrants as jobs are lost.

Vacancy and Rent Composite Estimates

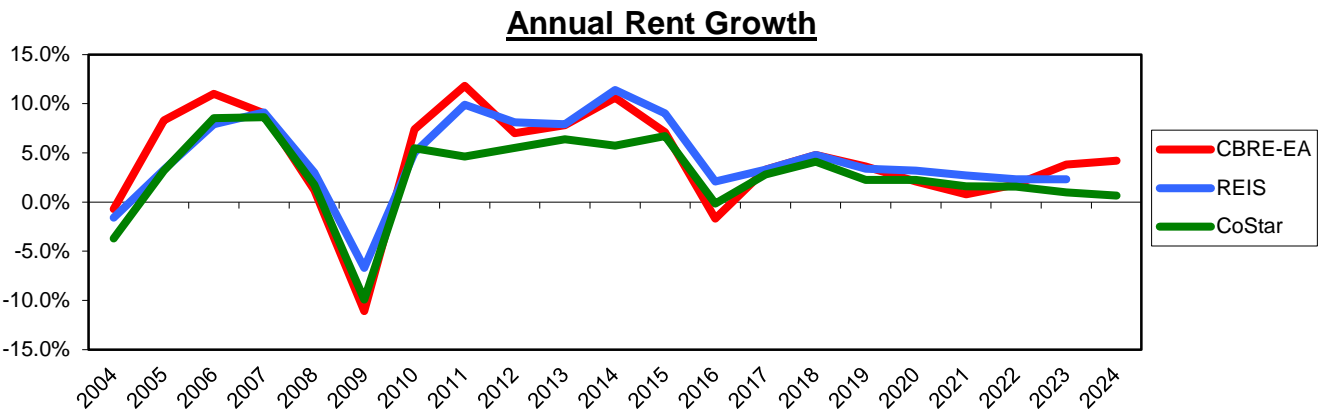
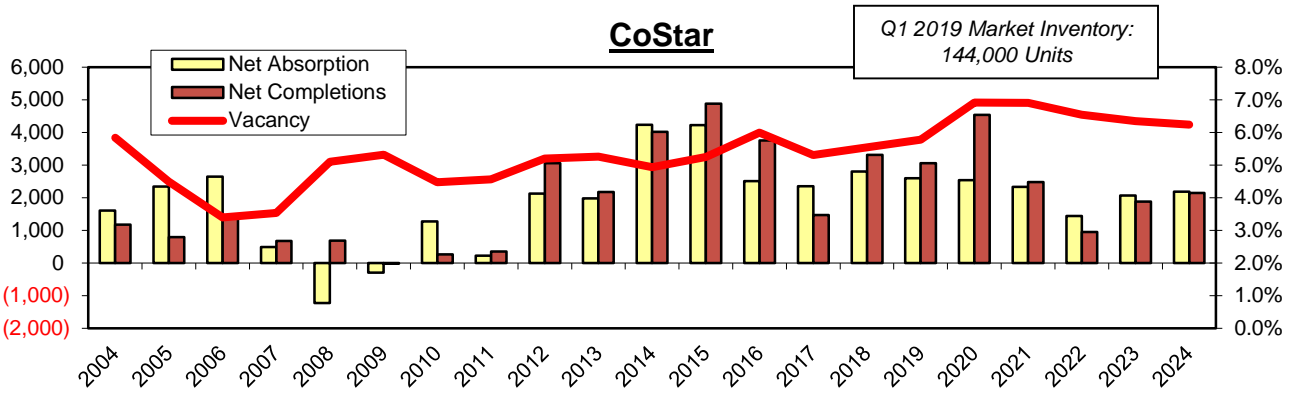
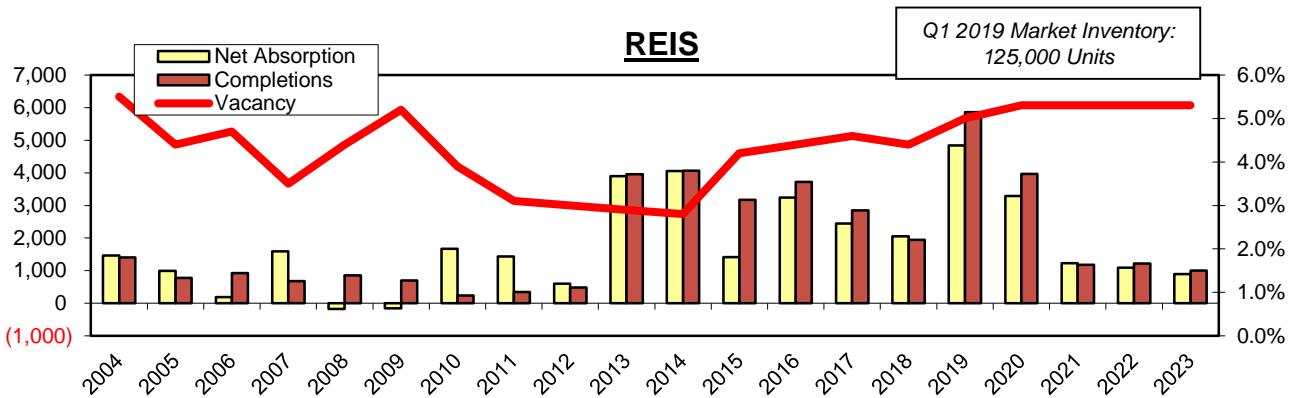
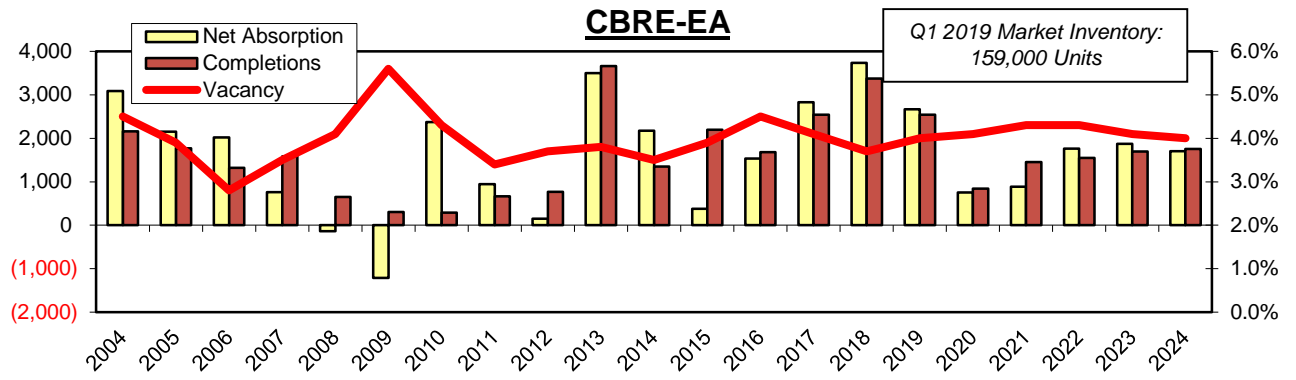
Vacancy Rate



Asking Rent Growth

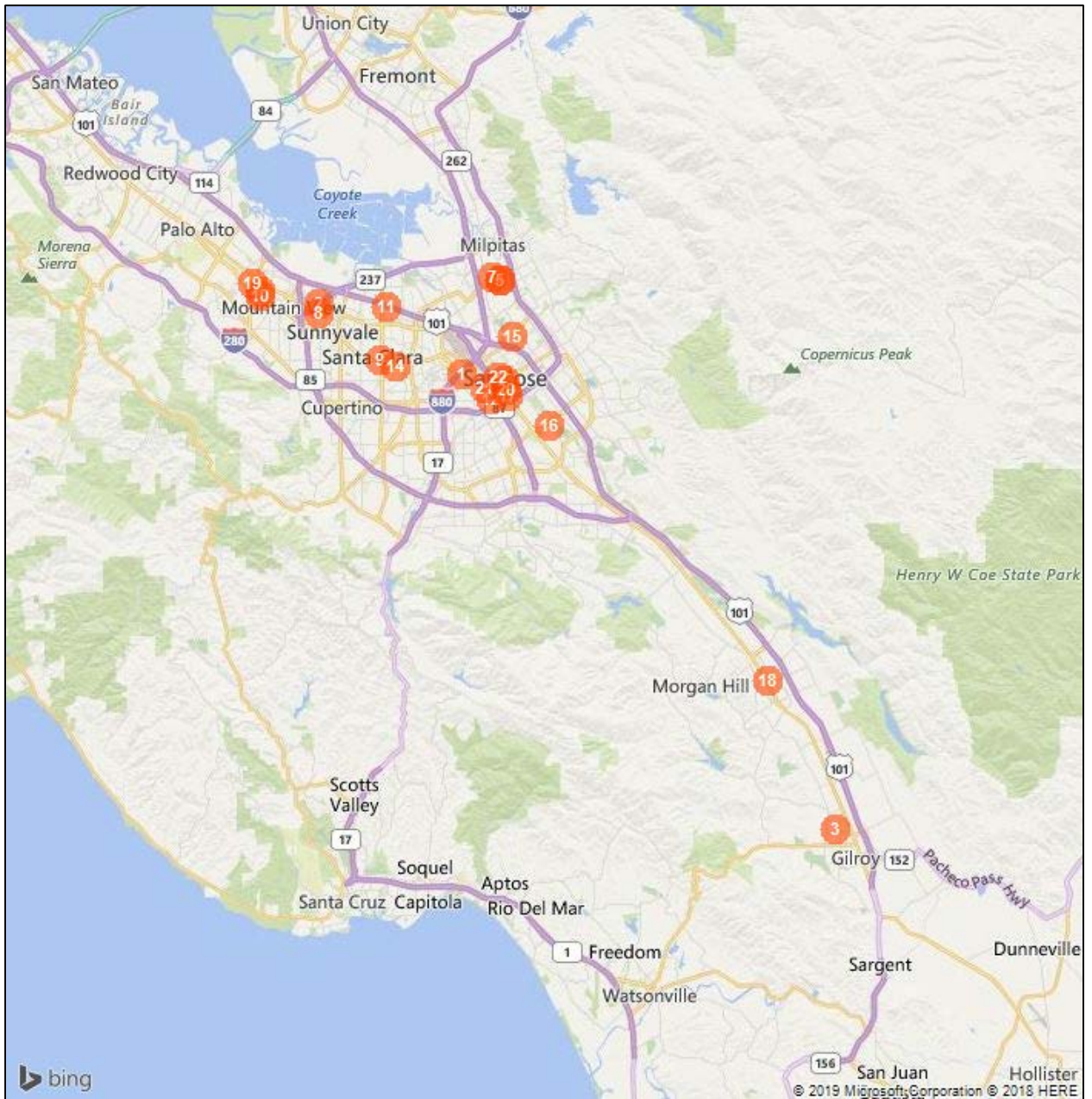


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Construction Bidding/Underway 22 projects/5,900 Units/6.4 M Sq. Feet



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
East San Jose	1	75	162
Mountain View/Los Altos	5	1586	1377
Northeast San Jose	11	3567	3271
Santa Clara	2	773	727
Santa Clara County/Other	1	90	83
Sunnyvale	2	343	325

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Fannie Mae Multifamily Economics and Market Research

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Sources Used

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics SupplyTrack
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.

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