

Multifamily Q2 2022

YoY Chg 12-Mo. Forecast

4.9%
Vacancy Rate



4,172
Net Absorption, units



\$2,570
Effective Rent (per unit)



Source: CoStar
(Overall, All Property Classes,
Net Absorption is Q2 2022 Only)

ECONOMIC INDICATORS Q2 2022

YoY Chg 12-Mo. Forecast

4.0M
Bay Area
Employment



3.1%
Bay Area
Unemployment Rate



1.0%
Bay Area
Household Growth
Rate



Source: BLS, BOC, Moody's Analytics

ECONOMIC OVERVIEW: Growth on the Horizon

The Bay Area economy continued to expand in the second quarter of 2022, with major economic indicators pointing towards growth for the rest of the year. As of June 2022, Bay Area unemployment measured 3.1%, a 70 basis-point (bps) decrease quarter-over-quarter from 3.8%, and a 290 bps drop from the same time last year when overall unemployment was 6.0%. Nonfarm employment has been a major driver of this movement, increasing 5.5% year-over-year (YOY) to just under 4.0 million people as of June.

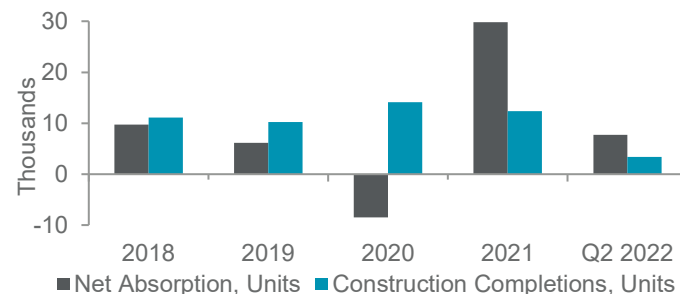
SUPPLY AND DEMAND: A Return to Normalcy

Despite several major completions throughout the Bay Area in the second quarter of 2022, the vacancy rate continued to drop, falling 140 bps year-over-year (YOY) to 4.9%. While low vacancy has always been a hallmark of the Bay Area multifamily market, a sub-five percent vacancy rate is an indicator of a very tight market. In comparison, the vacancy rate hit a historical high of 8.0% in the fourth quarter of 2020 during the height of COVID-19. Prior to the onset of the pandemic, the 10-year average vacancy rate was 4.6%, therefore current fundamentals suggest that the multifamily market may finally be returning to normalcy. Santa Clara County, the market with the largest inventory, had the strongest positive absorption with 2,381 net units absorbed in the second quarter, followed by Alameda County with 948 units. Across the Bay Area, there were 4,172 units absorbed this quarter while 2,143 new units were delivered, indicating demand for both new and existing product across the region. Construction does not seem to be slowing down either, with 28,487 units currently underway, a 6.0% increase over the previous quarter and a 14.9% increase YOY. When complete, these units will grow the total Bay Area inventory by 3.6%.

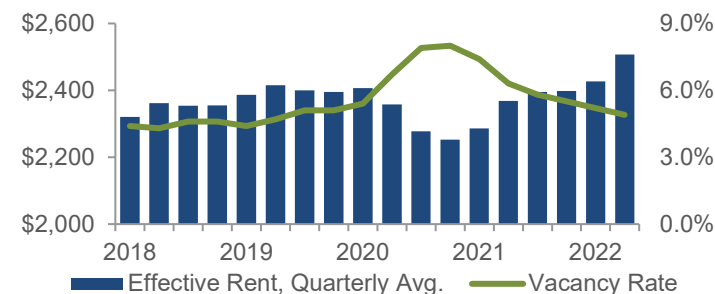
RENTS: Onwards and Upwards

The effective rent for the Bay Area hit a record high of \$2,570 per unit per month in the second quarter, up 6.8% year-over-year (YOY) and up 14.0% from the most recent trough of \$2,254 in the fourth quarter of 2020. All nine counties in the region recorded an uptick in effective rents YOY, led by Santa Clara County increasing by 12.3% to \$2,745 per unit followed by Napa County, which rose 8.7% to \$2,135 per unit. This push can be attributed to an increase in demand in 2022, especially amongst workers who are increasingly subject to hybrid return to office policies. With effective rents at an all time high, surpassing the former historical peak of \$2,410 in Q2 2019, it appears COVID's impact on apartment rents has subsided and the Bay Area is poised for growth.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & EFFECTIVE RENT



MARKETBEAT SF BAY AREA

CUSHMAN &
WAKEFIELD

Multifamily Q2 2022

MARKET STATISTICS

SUBMARKET	INVENTORY (UNITS)	YTD DELIVERIES (UNITS)	YTD% INVENTORY GROWTH	UNDER CONSTR (UNITS)	YTD NET ABSORPTION (UNITS)	VACANCY RATE	YOY VACANCY RATE CHANGE (bps)	AVG EFFECTIVE RENT/UNIT	AVG EFFECTIVE RENT PSF	YOY % EFFECTIVE RENT CHANGE
Santa Clara County	212,548	1517	1.6%	7,991	4,242	3.8%	-260	\$2,745	\$3.29	12.3%
Alameda County	185,144	381	0.8%	7,549	1,768	5.4%	-240	\$2,257	\$2.91	6.2%
San Francisco County	156,926	512	1.6%	3,861	1,221	7.2%	-90	\$2,902	\$4.07	4.1%
San Mateo County	75,705	345	1.3%	2,674	568	5.6%	-70	\$2,807	\$3.53	6.6%
Contra Costa County	70,740	424	1.3%	2,862	264	3.9%	+10	\$2,079	\$2.58	5.3%
Sonoma County	38,863	14	0.2%	2,680	-56	2.3%	-40	\$1,837	\$2.24	6.2%
Solano County	29,286	160	0.6%	574	-185	4.3%	+170	\$1,795	\$2.17	5.9%
Marin County	20,413	0	0.2%	0	-105	3.3%	+0	\$2,661	\$3.14	6.4%
Napa County	10,353	48	1.0%	296	35	3.0%	+50	\$2,135	\$2.52	9.1%
Market	799,978	3,401	1.2%	28,487	7,752	4.9%	-140	\$2,570	\$3.33	6.8%

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	UNITS	SALE PRICE	PRICE / \$ UNIT	SELLER / BUYER
Bell South City, South San Francisco	260	\$206,000,000	\$792,308	Sares-Regis & AFL-CIO Building Investment Trust / Bell Partners
Bidwell Park, Fremont	246	\$127,000,000	\$516,260	Aimco / Pacific Urban Investors
Crescent Cove, San Francisco	236	\$96,000,000	\$406,780	The Related Companies / Avanath Capital Management
Twin Creeks, Antioch	240	\$75,600,000	\$315,000	Kopple Financial Inc / CalCHA

KEY CONSTRUCTION COMPLETIONS Q2 2022

PROPERTY	UNITS	PROPERTY TYPE	PROPERTY MANAGER	OWNER / DEVELOPER
Landsby, Mountain View	632	Mid-Rise	Greystar	Greystar
Antioch Family and Senior Apartments, Antioch	394	Garden	FPI Management	AMCAL Multi-Housing
Gideon, Milpitas	213	Mid-Rise	Lyon Communities	Integral Communities
Moder Lake Merritt, Oakland	173	Mid-Rise	Mill Creek	Mill Creek Residential Trust LLC

MARKET DRIVERS

- As return-to-office policies become more common throughout the Bay Area, the multifamily market is forecasted to continue to improve in 2022, with vacancy rates falling in the largest submarkets while average effective rents continue to rise in step.
- Bay Area local governments will continue to face pressure from the state as well as residents to build additional multifamily developments in order to accommodate the growing need in the region.

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