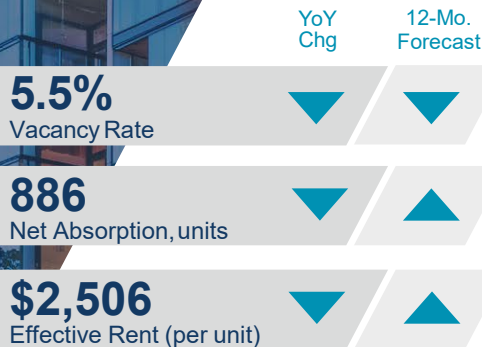


# MARKETBEAT SF BAY AREA

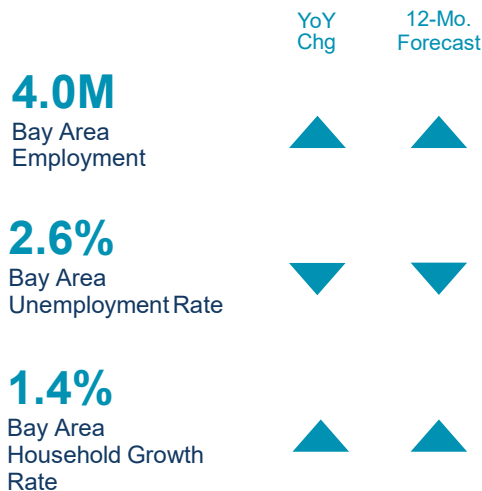


## Multifamily Q3 2022



Source: CoStar  
(Overall, All Property Classes,  
Net Absorption is Q3 2022 Only)

### ECONOMIC INDICATORS Q3 2022



Source: BLS, BOC, Moody's Analytics

### ECONOMIC OVERVIEW: Stable but with a Precarious Future

The Bay Area multifamily sector remained stable in the third quarter of 2022, with rents and vacancy levels remaining mostly unchanged from the start of the year. As of October 2022, the Bay Area unemployment rate measured 2.6%, a 50 basis-point (bps) decrease quarter-over-quarter (QOQ) from 3.1%, and a 250 bps drop since Q3 2021 when overall unemployment was 5.1%. Despite the economic environment improving significantly since last year, fears about recession as well as waves of layoffs in the tech sector could have a significant impact on the multifamily market in the months to come.

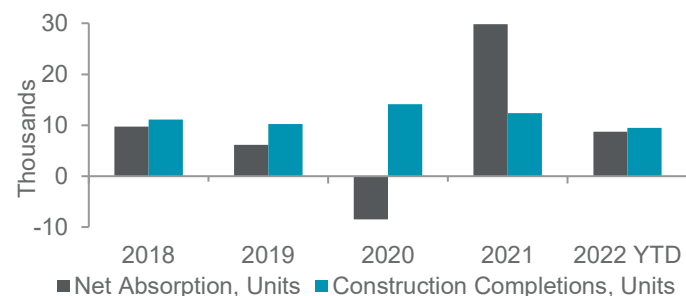
### SUPPLY AND DEMAND: New Construction Outpaces Demand

The third quarter of 2022 saw a significant amount of new construction, with 5,317 units delivered throughout the Bay Area. Despite an overall increase in occupied units, the Bay Area's vacancy rate rose from 5.0% to 5.5% QOQ as absorption lagged behind the delivery of new product. The greatest increase in inventory was seen in Alameda County, which delivered 2,270 new units in the third quarter, including the 500-unit development The Emery in Emeryville, the 474-unit Lincoln Landing in Hayward, and the 419-unit VESPR in Oakland. On the year, Alameda County has experienced an exceptional increase in new supply, with 3,186 units delivered to date, comprising 33.6% of the total deliveries in the entire Bay Area (9,485 units delivered year-to-date). Despite the large number of completions, construction does not seem to be slowing down, with 30,287 units currently underway, an increase of 8.1% over the previous quarter's total of 28,005 units. When complete, the number of units currently in the pipeline will grow the total Bay Area inventory by 3.7%.

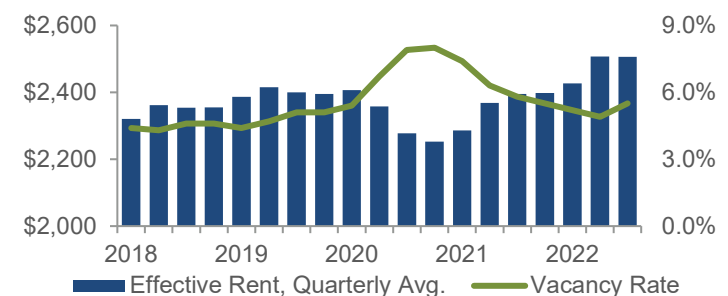
### RENTS: Slight Decrease Regionwide

Effective rents for the overall Bay Area softened slightly in the third quarter, falling from Q2's high-water mark of \$2,570 per unit per month to \$2,506 in Q3. Quarter-over-quarter there was a 2.5% decrease in asking rents, possibly due to landlord anticipation of an upcoming downturn. One quarter of softness in the rental market is not enough to determine a trend, however, and rents remain higher on a year-over-year (YOY) basis, with a 2.1% increase since the third quarter of 2021, with the highest levels of rent growth seen in Santa Clara County at 7.9% YOY to \$2,712. With stronger fundamentals compared to other commercial sectors in the Bay Area, it's likely that rents will remain high, just like they did during the pandemic era.

### DELIVERIES & ABSORPTION



### AVERAGE VACANCY & EFFECTIVE RENTS



# MARKETBEAT SF BAY AREA

## Multifamily Q3 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	214,122	2,400	1.4%	10,659	4,127	4.2%	-160	\$2,712	\$3.25	7.9%
Alameda County	188,223	3,186	1.9%	4,879	2,221	6.6%	-10	\$2,256	\$2.91	3.9%
San Francisco County	157,711	1,207	1.2%	7,105	1,792	7.2%	-60	\$2,861	\$4.03	2.1%
San Mateo County	76,048	675	1.1%	2,645	1,067	5.3%	-110	\$2,751	\$3.46	4.5%
Contra Costa County	72,061	1,384	2.0%	1,851	176	5.3%	+170	\$2,069	\$2.57	2.7%
Sonoma County	39,128	144	0.5%	2,540	-198	3.0%	+80	\$1,820	\$2.22	3.9%
Solano County	29,712	441	1.5%	312	-251	5.5%	+280	\$1,750	\$2.12	2.1%
Marin County	20,427	0	0.2%	0	-142	3.5%	+60	\$2,615	\$3.08	4.1%
Napa County	10,342	48	1.0%	296	-40	3.6%	+160	\$2,065	\$2.44	1.8%
<b>Market</b>	<b>807,774</b>	<b>9,485</b>	<b>1.4%</b>	<b>30,287</b>	<b>8,752</b>	<b>5.5%</b>	<b>-30</b>	<b>\$2,506</b>	<b>\$3.24</b>	<b>2.1%</b>

### KEY SALES TRANSACTIONS Q3 2022

PROPERTY	UNITS	SALE PRICE	PRICE / \$ UNIT	SELLER / BUYER
The Platform, San Jose	551	\$320,000,000	\$580,762	Western National Group / Oaktree Capital & MG Properties
Eleanor Apartments, Milpitas	333	\$193,000,000	\$579,580	SummerHill Housing, The Resmark Companies, Kennedy Wilson Multifamily / MG Properties
Crystal Springs Terrace, San Bruno	437	\$187,500,000	\$429,062	Gerson Bakar & Associates / Prometheus Real Estate
Arroyo Apartments, Walnut Creek	100	\$66,000,000	\$660,000	Northwestern Mutual Life Insurance / Rockwood Capital

### KEY CONSTRUCTION COMPLETIONS Q3 2022

PROPERTY	UNITS	PROPERTY TYPE	PROPERTY MANAGER	OWNER / DEVELOPER
The Waymark, Walnut Creek	596	Mid-Rise	Greystar	Blake Griggs / Blake Griggs
Sixth & Jackson, San Jose	518	Mid-Rise	Shea	Ivanhoé Cambridge / Shea
The Emery, Emeryville	500	Mid-Rise	Quarterra	Quarterra / Quarterra
Lincoln Landing, Hayward	474	Mid-Rise	Bridge	Dollinger / Dollinger

### MARKET DRIVERS

- Tech sector layoffs could be a challenge to relatively low vacancy rates that have just recently improved since the pandemic. However, local governments will continue to face pressure to build additional units in order to meet demand in what has historically been an undersupplied region.
- While effective rents and apartment fundamentals soften, developers continue to place long-term bets on the market with over 30,000 units under construction across the San Francisco Bay Area.

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