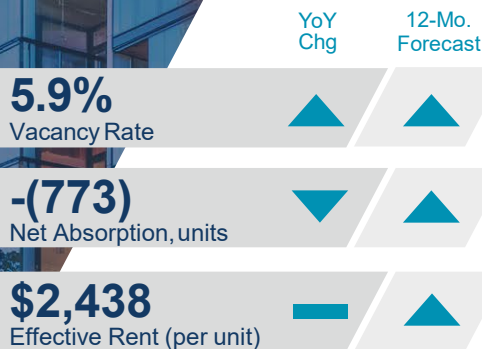


MARKETBEAT SF BAY AREA

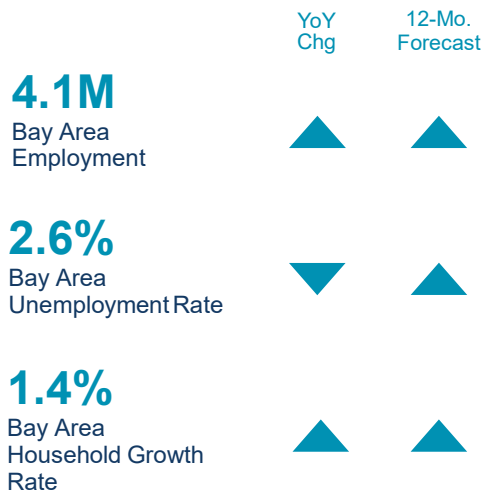


Multifamily Q4 2022



Source: CoStar
(Overall, All Property Classes,
Net Absorption is Q4 2022 Only)

ECONOMIC INDICATORS Q4 2022



Source: BLS, BOC, Moody's Analytics

ECONOMY: Layoffs Shock Commercial Markets

Though more resilient than other markets nationally, the Bay Area has begun to show signs of an economic downturn. Mass layoffs from tech companies in the Bay Area have driven down tenant demand and has made it difficult for landlords to maintain occupancy. As of December 2022, the Bay Area unemployment rate measured 2.6%, a 50 basis-point (bps) decrease quarter-over-quarter (QOQ) from 3.1%, and a 170 bps drop since year-over-year (YOY) when overall unemployment was 4.3%. While the Bay Area is still outperforming the national average, given the concentration of talent in the Bay Area, the impact on all commercial assets including multifamily is likely to be revealed in the upcoming quarters.

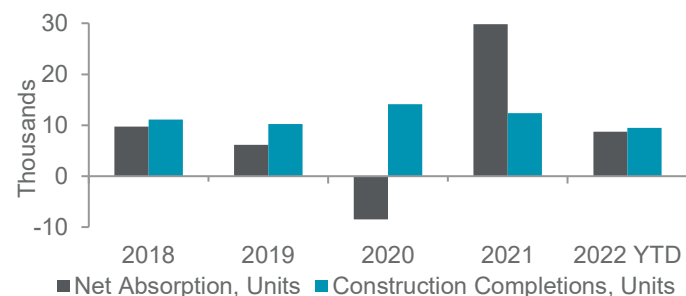
SUPPLY AND DEMAND: Increase in Vacancy Snaps Streak of Occupancy Gains

The multifamily market saw its first loss of occupancy in two years during the fourth quarter of 2022, snapping an eight-quarter streak of net occupancy gains. The multifamily market had seen impressive gains as workers returned to the office following the COVID-19 pandemic, however the most recent wave of mass layoffs could begin to reverse this trend. A total of 2,887 units were delivered this quarter, less than half of the previous quarter's 5,990 units and marginally below the 3-year quarterly average of 3,357 units. Despite below average deliveries in the fourth quarter, the Bay Area's vacancy rate rose 40 basis points (bps) from 5.5% to 5.9% QOQ. On the year, Contra Costa saw the greatest increase in inventory with 2,124 units delivered in 2022, translating to a 3.0% increase in total rentable units, followed by Alameda County with an 1.9% increase in total inventory. Seemingly unphased by the layoffs, developer interest remains stronger than ever with 32,634 units currently under construction throughout the Bay Area, a 41.9% increase YOY. Given the persistent demand for housing in the Bay Area, it is likely that investors and developers alike are hedging their bets through the upcoming economic downturn with new multifamily projects.

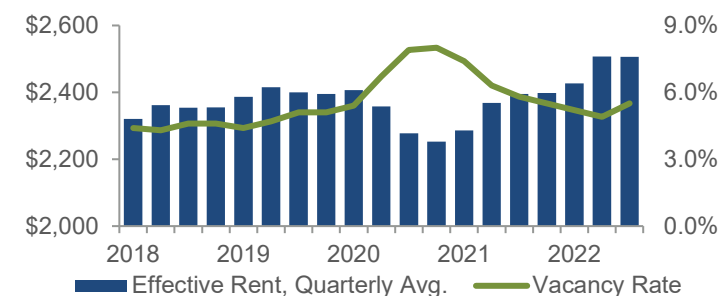
RENTS: A Return to 2021 Levels

Effective rents across the Bay Area softened slightly in the fourth quarter, falling from Q2 2022's high-water mark of \$2,570 per unit per month to \$2,458 in the fourth quarter. This is the second consecutive quarter of declining effective rents, due in part to an increase in concessions as landlords brace for an upcoming renter's market. Bay Area rents have eclipsed Q4 2021 levels, though Santa Clara County leads YOY rental growth with a 5.5% increase since Q4 2021. Bay Area rents will likely fall in step with rising unemployment as layoffs continue to ripple throughout the region.

DELIVERIES & ABSORPTION



AVERAGE VACANCY & EFFECTIVE RENTS



MARKETBEAT SF BAY AREA

Multifamily Q4 2022



MARKET STATISTICS

COUNTY	INVENTORY (UNITS)	YTD DELIVERIES (UNITS)	YTD% INVENTORY GROWTH	UNDER CONSTRUCTION (UNITS)	YTD NET ABSORPTION (UNITS)	VACANCY RATE	YOY VACANCY RATE CHANGE	AVG EFFECTIVE RENT/UNIT	AVG EFFECTIVE RENT PSF	YOY % EFFECTIVE RENT CHANGE
Santa Clara	215,643	3,593	1.6%	11,469	3,462	5.0%	-0.1%	\$2,646	\$3.18	5.5%
Alameda	189,137	4,019	2.2%	6,393	1,864	6.8%	+1.0%	\$2,220	\$2.85	1.8%
San Francisco	158,716	1,772	1.1%	5,911	2,050	7.0%	-0.2%	\$2,827	\$3.97	0.9%
San Mateo	76,223	817	0.9%	3,819	993	5.5%	-0.4%	\$2,716	\$3.41	2.2%
Contra Costa	72,899	2,124	3.0%	1,597	-210	6.9%	+3.1%	\$2,042	\$2.54	1.0%
Sonoma	39,615	415	1.1%	2,210	-174	3.7%	+1.5%	\$1,804	\$2.20	1.6%
Solano	30,007	441	1.5%	325	-190	5.3%	+2.2%	\$1,743	\$2.11	0.3%
Marin	20,414	0	0.0%	147	-336	4.4%	+1.6%	\$2,597	\$3.06	0.8%
Napa	10,342	48	0.5%	763	-38	3.6%	+0.9%	\$2,045	\$2.41	-0.8%
All Bay Area	812,996	13,229	1.6%	32,634	7,421	5.9%	+0.6%	\$2,458	\$3.16	0.1%

KEY SALES TRANSACTIONS Q4 2022

PROPERTY, CITY	UNITS	SALE PRICE	PRICE / \$ UNIT	SELLER / BUYER
Centerra, San Jose	345	\$185,000,000	\$536,232	AFL-CIO Building Investment Trust & SIMEON Commercial / 3D Investments
Nova at Green Valley, Fairfield	281	\$146,506,000	\$521,374	A.G. Spanos / Sentinel Real Estate Corporation
Bay Vista at Meadow Park, Novato	220	\$97,000,000	\$440,909	Shea Properties / Avanath Capital Management
ReNew Berryessa, San Jose	220	\$74,150,000	\$337,045	Pacific Urban Investors / FPA Multifamily

KEY CONSTRUCTION COMPLETIONS Q4 2022

PROPERTY	UNITS	PROPERTY TYPE	PROPERTY MANAGER	OWNER / DEVELOPER
The Hadley, Mountain View	471	Mid-Rise	Prometheus	Prometheus / Prometheus
Alta Star Harbor, Alameda	372	Low-Rise	Wood Partners	Wood Partners / Wood Partners
The Blossoms, Brentwood	288	Low-Rise	FPI	Guardian Capital / Tekin & Associates
TL Residences, San Francisco	240	Mid-Rise	Bridge	Bridge Investment Group / Forge Development

MARKET DRIVERS

- Tech sector layoffs could place upward pressure on relatively low vacancy rates that have only recently recovered from the pandemic. However, local governments will continue to face pressure to build additional units in order to meet demand in what remains a dramatically undersupplied region.
- While effective rents and apartment fundamentals soften, developers continue to place long-term bets on the market with over 32,000 units under construction across the San Francisco Bay Area.

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