

Multifamily Q1 2023

YoY Chg 12-Mo. Forecast

6.1%
Vacancy Rate



442
Net Absorption, units



\$2,479
Effective Rent (per unit)



Source: CoStar
(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2023

YoY Chg 12-Mo. Forecast

4.1M
Bay Area
Employment



3.0%
Bay Area
Unemployment Rate



0.4%
Bay Area
Household Growth
Rate



Source: BLS, BOC, Moody's Analytics

ECONOMY: Down Though Not Out

Layoffs, especially within tech companies, continued to roil the Bay Area at the close of the first quarter of 2023. That said, there were some green shoots: some companies remain in hiring mode and venture capital spending, though down, was the highest of any market in the country by a large margin. Many of the companies raising money today are in the red-hot artificial intelligence (AI) sector based in San Francisco. The Bay Area unemployment rate closed the quarter at 3.0%, down 100 basis-points (bps) year-over-year (YOY) while nonfarm employment climbed by 3.1% YOY to just over 4.1 million. The Bay Area is expected to continue to struggle with the economic malaise that has set in not only here but across the country, for the remainder of 2023.

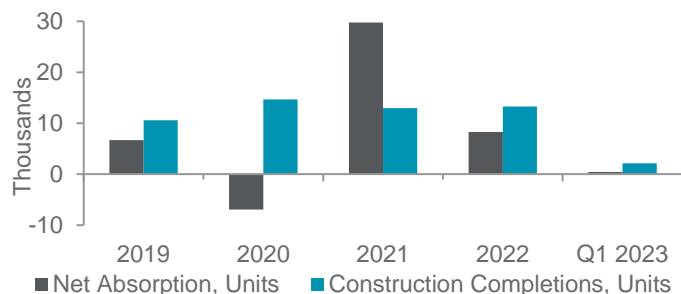
SUPPLY AND DEMAND: Increase in Vacancy and Inventory

The Bay Area vacancy rate increased for the third straight quarter closing at 6.1%; though elevated it remains well below the 7.8% recorded at the height of the pandemic in the third and fourth quarters of 2020. The lowest countywide figure was 4.7% in Marin County though that is well above the 3.1% one year ago and the highest since the 5.2% in the second quarter of 2015; the highest countywide figure was 7.1% in San Francisco County, with no change from one year ago and down significantly from the 10.1% recorded in the third and fourth quarters of 2020. There were 2,127 units delivered this quarter; that was down from the past three quarters and below the five-year quarterly average of 3,138 units. Over the past four quarters, however, the Bay Area has added 13,738 units, a figure surpassed only once (from the second quarter of 2020 through the first quarter of 2021). Sonoma County, in the far North Bay, recorded the most deliveries during the quarter with 655 units, an increase in inventory of 1.9%. There remains a large pipeline of units under construction in the Bay Area at 31,286 or 4.0% of inventory, surpassed only by the previous two quarters going back to at least 2000.

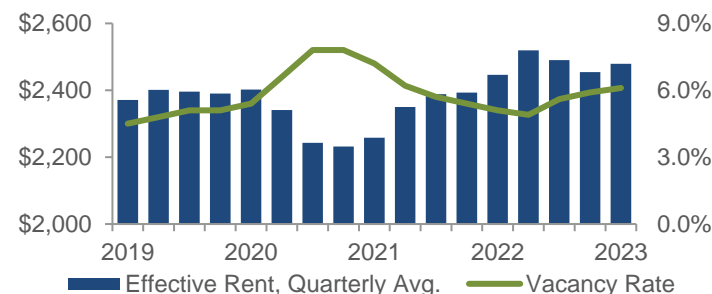
RENTS: No Regionwide Consistency

Effective rents across the Bay Area have increased marginally over the past year closing the quarter at \$2,479 per unit (they did rise to \$2,519 per unit at Q1 2022 before easing slightly in the following two quarters). The more space constrained urban counties of San Francisco, San Mateo and Santa Clara recorded the highest effective rents in the first quarter. Effective rents are expected to decline due to increasing layoffs and an uptick in unemployment though the market remains well below the inventory needed to house its current and future population, especially for those in the low to middle income categories.

DELIVERIES & ABSORPTION



AVERAGE VACANCY & EFFECTIVE RENTS



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	202,324	226	1.1%	9,828	320	5.0%	+0.7%	\$2,689	\$3.22	3.0%
Alameda	182,988	114	1.7%	6,457	-81	6.9%	+1.4%	\$2,252	\$2.89	1.0%
San Francisco	158,632	401	1.1%	5,616	-77	7.1%	+0.0%	\$2,867	\$4.04	0.0%
San Mateo	75,127	541	1.3%	3,640	334	5.6%	-0.2%	\$2,768	\$3.46	1.2%
Contra Costa	70,062	0	1.8%	1,977	74	6.5%	+2.7%	\$2,078	\$2.57	0.8%
Sonoma	35,839	655	2.8%	2,619	20	4.8%	+2.7%	\$1,876	\$2.24	1.4%
Solano	27,810	190	1.7%	447	-33	6.3%	+2.3%	\$1,760	\$2.11	-1.0%
Marin	19,671	0	0.0%	110	-59	4.7%	+1.6%	\$2,596	\$3.05	-2.3%
Napa	7,986	0	0.0%	592	-56	5.1%	+2.2%	\$2,108	\$2.48	1.5%
All Bay Area	780,439	2,127	1.4%	31,286	442	6.1%	+1.0%	\$2,479	\$3.20	1.3%

KEY SALES TRANSACTIONS Q1 2023

PROPERTY, CITY	UNITS	SALE PRICE	PRICE / \$ UNIT	SELLER / BUYER
Westlake Village, Daly City	3,105	\$925,000,000	\$297,907	Gerson Bakar & Associates / Carmel Partners
Griffis South Bay, Milpitas	373	\$153,500,000	\$411,528	Fairfield / Griffis Residential
902 W Remington, Sunnyvale / 849 W Orange, South San Francisco	346	\$154,000,000	\$445,092	Koret Foundation / Spieker Companies
Scotia Apartments, San Jose	55	\$31,250,000	\$568,182	Cypress Group / Jean Mar

KEY CONSTRUCTION COMPLETIONS Q1 2023

PROPERTY	UNITS	PROPERTY TYPE	PROPERTY MANAGER	OWNER / DEVELOPER
The Launch, Alameda	368	Mid-Rise	Bozzuto	PGIM / PGIM
Station 16, Millbrae	320	Mid-Rise	Woodmont	Republic Urban Properties / Republic Urban Properties
Hanover, Walnut Creek	284	Mid-Rise	Hanover Company	Hanover Company / Hanover Company
1064-1068 Mission Street	256	Mid-Rise	Caritas	City & County of San Francisco / City & County of San Francisco

MARKET DRIVERS

- Likely contributing to the higher vacancy rate: continuing layoffs in tech and other office sectors as well as the second largest increase in year-over-year deliveries in over ten years.
- Governments across the Bay Area face increasing pressure to build more market rate and affordable units in order to tamp down pricing in what remains one of the top two most expensive housing markets in the country.

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