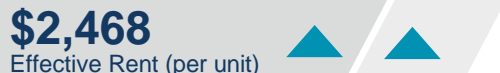


Multifamily Q4 2023

YoY Chg 12-Mo. Forecast



Source: CoStar
(Overall, All Property Classes, Net Absorption is Q4 2023 only)

ECONOMIC INDICATORS Q4 2023

YoY Chg 12-Mo. Forecast



Source: BLS, BOC, Moody's Analytics

ECONOMY: Tech Layoffs Continue But AI Funding Brightens The Outlook

The San Francisco Bay Area economy continued to face economic headwinds in the fourth quarter, led by layoffs within the tech sector. Total nonfarm employment across the region did manage to rise year-over-year (YOY) by 51,600 new jobs for a growth rate of 2.1%. Bay Area office jobs, even with those announced tech layoffs throughout 2023, remained above the pre-pandemic peak by 1.2% though were down YOY by 1.8%. The unemployment rate jumped 80 basis points (bps) YOY with the most recent figure for the region at 3.7%. Venture capital (VC) funding into start-ups, continued to be a major driver of the Bay Area economy. In the fourth quarter, 34.7% of U.S. VC funding went into Bay Area-based companies, slightly higher than the quarterly average going back to 2015. For the full year, Bay Area VC funding was as great as the next six North American markets combined. The industry vertical that stood out far and above others was generative artificial intelligence with Bay Area companies taking in 78% of global VC funding in 2023.

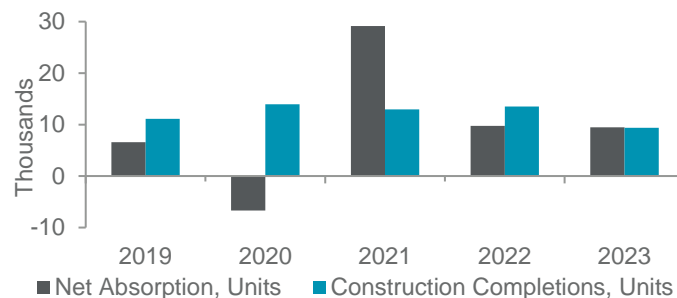
SUPPLY AND DEMAND: Steady Rate Of Deliveries And Flat Vacancy Rate

The Bay Area vacancy rate wrapped up 2023 with a vacancy rate of 5.7%, equal to each of the other quarters during the year and down just 10 basis points (bps) from the close of 2022. Vacancy was much improved from the pandemic high of 7.8% in the fourth quarter of 2020, though elevated from the 5.0% figure in the second quarter of 2022. The North Bay counties (Marin, Napa, Solano and Sonoma) all recorded substantially higher vacancy YOY with Napa County jumping to 13.8% from 4.4% over that period. All other county vacancy rates were flat to minimally higher except for the more urban counties of San Francisco (down 70 bps) and Santa Clara (down 50 bps). There were 9,367 units delivered in 2023 across the Bay Area, the lowest annual figure since the 7,032 units in 2013. There are 27,177 units under construction in the Bay Area with 37.1% of those being in Santa Clara County. The current total for the Bay Area is substantially higher than the quarterly average back to the first quarter of 2000 of 15,453 units and represents 3.4% of inventory, well below the U.S. average of 6.5%.

RENTS: Bay Area Effective Rent Climbs

The Bay Area recorded a YOY effective rent increase of 0.3%, closing 2023 at \$3.13 per square foot or \$2,468 per unit. Seven of the nine counties were higher for the year. The two most significant increases were Sonoma County, up 1.7% and Contra Costa County, up 1.5%. On the flip side, San Francisco County and Alameda County were both down YOY by 0.8%.

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	204,521	1,585	0.8%	10,068	2,417	4.6%	-0.5%	\$2,680	\$3.21	0.9%
Alameda	185,555	2,467	1.3%	5,301	2,417	6.7%	+0.0%	\$2,226	\$2.86	-0.8%
San Francisco	159,695	1,173	0.7%	2,973	2,078	5.8%	-0.7%	\$2,825	\$3.99	-0.8%
San Mateo	75,806	995	1.3%	3,397	867	5.3%	+0.1%	\$2,811	\$3.51	0.9%
Contra Costa	71,010	593	0.8%	1,552	896	6.2%	-0.5%	\$2,086	\$2.58	1.5%
Sonoma	37,178	1,582	4.4%	2,762	822	5.1%	+1.6%	\$1,886	\$2.27	1.7%
Solano	28,315	689	2.5%	347	544	5.8%	+0.4%	\$1,769	\$2.12	0.6%
Marin	19,851	76	0.4%	67	24	4.6%	+0.3%	\$2,620	\$3.08	1.1%
Napa	8,533	207	2.5%	710	-601	13.8%	+9.4%	\$2,114	\$2.49	1.2%
All Bay Area	790,464	9,367	1.2%	27,177	9,464	5.7%	-0.1%	\$2,468	\$3.13	0.3%

KEY SALES TRANSACTIONS Q4 2023

PROPERTY, CITY	UNITS	SALE PRICE	PRICE / \$ UNIT	SELLER / BUYER
The Grove - San Jose	331	\$102,000,000	\$308,157	Nuveen / Jonathan Rose Companies
The Boulders - Walnut Creek	164	\$57,956,500	\$353,393	Prometheus Real Estate Group / Granite Capital Group
Villa Del Sol - Sunnyvale	124	\$62,250,000	\$502,016	Pacific Urban Investors / Acacia Capital Corporation
Avenue Two Apartments - Redwood City	123	\$51,000,000	\$414,634	Equity Residential / Stanford University

KEY CONSTRUCTION COMPLETIONS Q4 2023

PROPERTY	UNITS	PROPERTY TYPE	PROPERTY MANAGER	OWNER / DEVELOPER
5301 Elm Ln - Oakley	170	Garden	Anton Development	Anton Development
Blossom Valley Senior Apartments - San Jose	147	Mid-Rise	Charities Housing	Charities Housing
Anchor 532 - Vallejo	132	Garden	A.G. Spanos	A.G. Spanos
Solaire Apartments - San Jose	130	Mid-Rise	The John Stewart Company	Eden Housing

MARKET DRIVERS

- There are several office to residential conversion projects in the early development phase in the central business districts of San Francisco, Oakland and San Jose; there are expected to be more announced in 2024.
- Over 10,000 units are expected to deliver in 2024 with the largest projects being in Santa Clara and San Mateo counties.

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