

# Bay Area Multifamily

As the Bay Area's economy experiences upwards growth, the multifamily market remains strong with high demand and a healthy development pipeline. Rising rental rates continue to affect the region, standing at an average of \$2,740, up 3.7% from a year ago. With increased amounts of tenants preferring to live near transit centers and amenities, developers strive to deliver units in the downtown and CBD areas.

## Rental Rates

Average asking rental rates for the Bay Area stand at \$2,740, up 3.7% on a year-over-year (YOY) basis. Consistent with prior quarters, San Francisco remains the most expensive county to reside in, with average asking rates at \$3,626. Nearby San Mateo County experienced a 4.6% rent growth YOY, with average rents at \$3,087. In Alameda County, rates have also moved upwards to an average of \$2,462. In particular, Oakland felt a 6.7% YOY rent increase (average rents at \$2,698), as more individuals are attracted to its local scene and close proximity to San Francisco. Further down in Silicon Valley, rents continue to rise marginally, standing at an average of \$2,869 (3.8% YOY increase). As booming demand in the Bay Area continues to outpace new supply, rents are forecasted to rise by 2.2% in the coming year (Yardi Matrix).

## Projected Future Supply

A total of 1,038 units were delivered in the first quarter, with 91% of them concentrated in Alameda County. Bay Area deliveries have decreased 87% YOY, but that number is expected to rise as several large multifamily apartments are scheduled to deliver this year. This quarter, deliveries represented 0.33% of the total Bay Area supply.

Oakland welcomed 791 units to its market, with The Broadway adding 423 units to the Pill Hill submarket and Hanover Broadway adding 256 units to the Westlake submarket. Branagh Development's Maya apartments also contributed to 47 units to the Piedmont Avenue submarket. In the Peninsula, Sares-Regis Group's Encore project delivered 90 units to Redwood City.

A little more than 28,000 units are currently under construction in the Bay Area, with the majority concentrated in Santa Clara County. San Jose is set to deliver 3,548 units in 2019, above the 2015 year peak, when 3,258 units were added. Nearby Oakland is scheduled to add over 3,500 units in 2019, a decent increase from 2016's high of 3,130 units. Looking ahead, Related California's 548-unit The Avery building in San Francisco will deliver at the end of Q2, while Prometheus's The Dean apartments will add 583 units to Mountain View in Q4.

This quarter, close to 1130 units were absorbed among all nine counties in the Bay Area. Net absorption slowed down by 63% YOY. Santa Clara absorbed the most units at 433, but posted a 62% loss of absorption YOY. San Francisco, with its rapid population and job growth, absorbed 113 units this quarter, an 83% decrease YOY. However, several multifamily properties are expected to deliver in this market, which will boost net absorption in San Francisco.

## Market Forecast



## Notable Sale Transactions

**Terra (Avana) San Jose**  
San Jose  
\$80M | \$363,636/unit | \$482/s.f. | 4.3% Cap

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**Metro Six 55**  
Hayward  
\$70.6M | \$375,532/unit | \$416/s.f. | 5.1% Cap

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**Hidden Creek**  
Martinez  
\$47.5M | \$282,738/unit | \$357/s.f. | 4.9% Cap

## Notable Deliveries

**Hanover Broadway**  
325 27th Street, Oakland  
256 units | The Hanover Company

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**Encore**  
849 Veterans Blvd, Redwood City  
90 units | Sares Regis Group

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**RASA**  
459 23rd Street, Oakland  
65 units | Signature Development Group

## Employment & Estimate of Future Demand

The Bay Area continues to benefit from a strong and diverse economy, due in large part to the technology sector. Unemployment for all nine counties stands at an average of 3.1%, with San Mateo County posting the lowest at 2.3%. Over 8,000 jobs were added among the San Francisco, South Bay, and East Bay markets, with the tech industry driving the majority of the hiring growth.

Ride-sharing company Lyft went public at the end of the first quarter, raising \$2.3 billion on its initial day. Several San Francisco-based companies are set to go public this year, including Uber and Airbnb, and will add substantial capital to the Bay Area. In addition, major tech companies have expanded their real estate footprint, making room for thousands of additional workers. Google, for instance, leased 140,000 s.f. of office space at 215 Fremont Street in San Francisco, which can hold close to 1,000 employees. This lease comes on the forefront of Google's expansion into San Francisco, which brings its footprint to nearly 1.53 million s.f.

A common sentiment shared in the Bay Area is the high cost of housing affecting the region. As of February of this year, a median single-family home was \$867,000

## County Statistics

County	Total Units	Units Planned	Units Under Construction	Quarterly Deliveries	Avg Asking Rents (All Unit Types)	Vacancy	Rent Growth (YOY)	Unemployment	Avg Cap Rate
San Francisco	41,165	5,889	3,589	0	\$3,626	4.1%	4.4%	2.4%	4.3%
San Mateo	31,391	1,226	1,836	90	\$3,087	4.5%	4.6%	2.3%	0.0%
Santa Clara	108,631	15,792	10,889	0	\$2,869	4.3%	3.8%	2.7%	4.3%
Alameda	65,225	4,930	9,721	948	\$2,462	4.1%	3.5%	3.1%	4.0%
Contra Costa	28,909	1,934	924	0	\$2,155	4.3%	3.3%	3.4%	3.8%
Marin	6,795	0	0	0	\$2,813	3.5%	4.4%	2.5%	0.0%
Napa	3,222	0	441	0	\$2,092	3.6%	2.7%	3.4%	4.0%
Sonoma	12,531	1,218	569	0	\$2,007	4.5%	-0.2%	3.4%	4.7%
Solano	12,808	0	82	0	\$1,772	4.3%	5.1%	4.4%	3.0%
<b>Total</b>	<b>310,677</b>	<b>30,989</b>	<b>28,051</b>	<b>1,038</b>	<b>\$2,740</b>	<b>4.2%</b>	<b>3.7%</b>	<b>3.1%</b>	<b>3.1%</b>

(a 0.9% decrease YOY). San Francisco tops all counties with the highest price at \$1.5 million, followed by San Mateo at \$1.4 million. Several counties reported reduction of prices YOY, notably Santa Clara (15.4% decrease) and San Francisco (13% decrease). As of February 2019, median home prices stand at \$315,300 nationwide.

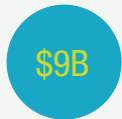
## Pricing

Sales activity in the first quarter reached \$468 million, with Alameda County recording the highest volume at \$111 million. Greystar completed the largest transaction of the quarter by purchasing Terra (Avana) San Jose for \$80 million, or \$363,636/unit at a 4.3% cap rate. In Q1 2018, volume reached \$604 million and \$167 million in Q1 2017. At the end of the first quarter, the Fed maintained interest rates at a range of 2.25% and 2.5% and signaled its slowdown of rising interest rates in 2019. Looking ahead to the second quarter, there are five rumored apartment acquisitions, indicating strong buyer confidence in this market.

Sources: Yardi Matrix, CoStar, Federal Reserve Bank of St. Louis, California Association of Realtors, San Francisco Business Times, Mercury News

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### COMMERCIAL BROKERAGE



**ANNUAL TRANSACTION VOLUME**



**ANNUAL LEASING SF**



**ANNUAL SALES SF**



**# BROKERS**

### PROPERTY MANAGEMENT

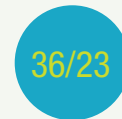


**MANAGEMENT PORTFOLIO**

### VALUATION ADVISORY



**ASSIGNMENTS ANNUALLY**



**TOTAL # APPRAISERS/MAI'S**

## Contact

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