Overview
San Jose continues to be one of the strongest performing metros in the nation. Employment levels in the metro are
now approximately 15 percent higher than pre-recession peaks. However, overall job growth in the metro is starting to
slow. As of September 2017, job growth in the metro expanded by 1.5 percent, slightly above the national average of
1.4 percent. The information sector continues to be the metro’s labor catalyst. During Q3 2017, the sector expanded by
4.7 percent (adding over 3,600 jobs), which significantly eclipsed the national rate of negative 2.4 percent.

Overall, San Jose’s apartment market appears to be in great shape. Vacancies as of Q3 2017 are near full capacity at 4.5 percent and rent growth was approximately 1.25 percent. Concessions are also non-existent at 0.3 percent.

The volatile tech sector in the area is experiencing a renaissance. According to Moody’s Analytics, former tech
heavyweights, such as Hewlett Packard, eBay, PayPal, and Cisco are facing stiff competition from new entrants as they reduce their workforces. Some of the new tech sector players include Box, Square, iPay, and Good Technology.

The resurgence of the local information and technology sectors and San Jose’s overall job growth have translated to
depth wages in the metro. Year over year, as of August 2017, wage growth expanded 5.5 percent, nearly double the
national rate of 2.8 percent. According to Moody’s Analytics, high wage jobs in San Jose are expanding at more than
times the national rate.

However, San Jose is an extremely expensive place to live, with costs of living and business costs, respectively, 67
percent and 35 percent higher than the national averages. San Jose also has a negative net-migration rate as a result
of many residents being priced out of the metro.

As the cost of doing business via labor and land costs rises, more tech firms located in the metro are relocating their
expansions. According to Moody’s Analytics, many firms have begun to move to less expensive metros, such as Los
Angeles, Oakland, Utah, Washington, and Oregon. Established firms such as Hewlett Packard, Cisco, Ericsson, and
Symantec have already started to cut personnel in the metro – a total of 2,200 jobs have been cut as of early 2017.

Development
Apartment development in San Jose has been light as only 12,100 rental units have been completed since 2012.
Currently, 5,700 units are underway and another 18,000 units are in the planning stages. Since 2006, just above 9,600
condos have been completed, with an additional 1,500 units underway through 2018.

Outlook
San Jose will continue to be one of the nation’s strongest markets. Even though job growth has recently slowed,
vacancies continue to tighten and new supply should continue to be limited throughout 2017 and 2018, allowing
landlords to continue to raise rents.

The well-educated workforce and San Jose’s tech industry should continue to attract new employers. There has also
been little new supply added to the metro. The high overall business and living costs, in addition to the cost of
homeownership will continue to keep would-be homeowners in the rental market for extended periods. The recent
slowdown of the tech sector is something to keep an eye on, especially as former tech heavyweights are forced to find
ways to compete with newer, more relevant tech market entrants.

Vacancy and Rent Composite Estimates

Source: Fannie Mae Multifamily and Economics Research
**Construction Bidding/Underway**  
*(23 projects/5,800 Units/6.3 M Sq. Feet)*

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<tr>
<th>CBRE-EA Submarket</th>
<th>Number of Projects</th>
<th>Total Sq Ft (000's)</th>
<th>Total Units</th>
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Multifamily Metro Outlook: San Jose Winter 2018

Fannie Mae Multifamily Economics and Market Research

Francisco Nicco-Annan, Economist

Sources Used

• AxioMetrics
• CBRE-Econometric Advisors
• Bureau of Labor Statistics
• Census Bureau
• CoStar
• Dodge Data & Analytics
• Moody’s Analytics
• Real Capital Analytics
• Reis, Inc.

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