

Multifamily Q2 2020

YoY Chg 12-Mo. Forecast

5.8%

Vacancy Rate



-234

Net Absorption, units



\$2.88

Effective Rent, PSF



Source: CoStar
(Overall, All Property Classes,
Net Absorption is Q2 2020 Only)

ECONOMIC INDICATORS Q2 2020

YoY Chg 12-Mo. Forecast

3.51M

Bay Area
Employment



15.0%

Bay Area
Unemployment Rate



0.9%

U.S. Household
Growth Rate



Source: BLS, Census Bureau

ECONOMIC OVERVIEW: Pandemic Shifts Economy Into Low Gear

The shutdown of much of the economy due to the COVID-19 pandemic created a surge of layoffs, both temporary and permanent, in the second quarter of 2020. The unemployment rate for the nine-county Bay Area skyrocketed to 15.0% in the second quarter from just 2.9% in the first quarter. The number of officially unemployed climbed to just under 527,000 from 118,000 over the quarter. Retail and leisure & hospitality have been particularly hard hit. There was some improvement in the latest monthly figures though some counties have once again had to shut down businesses because of “hot spots.”

SUPPLY AND DEMAND: Deliveries Continue With Vacancy on the Rise

New construction deliveries continued in the second quarter, despite the ongoing pandemic. Across the nine-county region, there were 12 buildings completed with a total of 2,104 units, an increase of 0.3% of total inventory. Alameda County (East Bay) and Santa Clara County (South Bay) recorded the most significant increases at 1,521 units and 1,493 units, respectively. There has been a move to develop more within core markets recently and it remains to be seen whether that continues or there is more concentration in the suburbs or exurbs going forward.

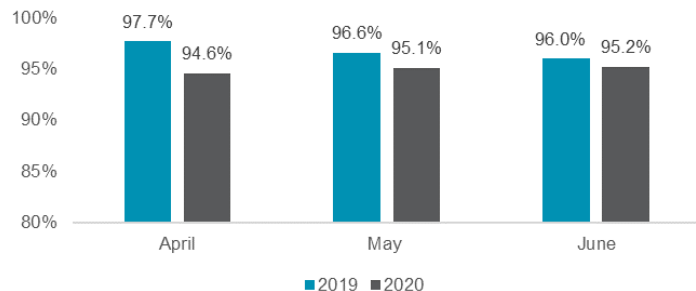
Vacancy did climb in the second quarter, closing up 30 basis points (bps) to 5.8% from the first quarter and up 100 bps from the second quarter of 2019. The largest increase year-over-year (YOY) was recorded in Napa County though it is a smaller market; for the larger markets, Santa Clara County was up 140 bps YOY while San Francisco County jumped by 130 bps YOY.

RENTS: A Decline For the First Time Since 2010

Both asking and effective rents did ease across the region in the second quarter, of course likely due to the ongoing pandemic and the significant layoffs that have occurred. The -2.4% pullback in effective rents and -2.2% easing in asking rents are the first YOY drops since the second quarter of 2010.

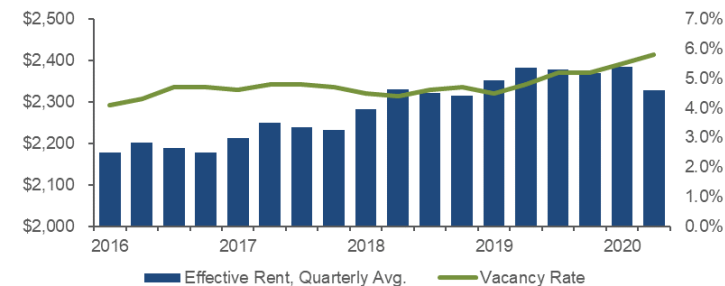
It wasn't an across-the-board decline regarding effective rents YOY, however, with rents in the core markets down and the suburban markets continuing to rise. San Francisco County had the most significant slide at -4.3% while Santa Clara County recorded a -3.6% drop. On the flip side, Solano County was up by +3.3% followed by Marin County up by +0.7%.

NHMC NATIONAL RENT COLLECTIONS



Source: Cushman & Wakefield Research, NMHC

OVERALL VACANCY & EFFECTIVE RENT



Source: Cushman & Wakefield Research, CoStar

MARKETBEAT SF BAY AREA



Multifamily Q2 2020

MARKET STATISTICS

SUBMARKET	INVENTORY (UNITS)	YTD DELIVERIES (UNITS)	YTD% INVENTORY GROWTH	UNDER CONSTR (UNITS)	YTD NET ABSORPTION (UNITS)	VACANCY RATE	YOY VACANCY RATE CHANGE (bps)	AVG EFFECTIVE RENT/UNIT	AVG EFFECTIVE RENT PSF	YOY % EFFECTIVE RENT GROWTH
San Francisco County	145,756	694	0.5%	5,459	-232	6.0%	130	\$2,912	\$4.02	-4.3%
San Mateo County	71,419	266	0.6%	1,731	-130	5.3%	-10	\$2,725	\$3.40	-3.1%
Santa Clara County	191,038	1,493	1.2%	7,916	366	6.1%	140	\$2,467	\$2.93	-3.6%
Alameda County	170,136	1,521	0.9%	9,709	210	5.8%	80	\$2,096	\$2.67	-1.1%
Contra Costa County	65,418	132	0.5%	2,391	67	5.4%	20	\$1,871	\$2.32	0.4%
Marin County	19,096	60	0.3%	54	-68	4.4%	80	\$2,392	\$2.82	0.7%
Sonoma County	33,335	135	0.4%	479	-139	5.7%	130	\$1,672	\$2.01	0.0%
Napa County	7,845	20	0.3%	69	63	8.1%	410	\$1,784	\$2.10	0.5%
Solano County	26,102	0	0.0%	288	70	4.7%	10	\$1,556	\$1.87	3.3%
Market	730,145	4,321	0.7%	28,096	207	5.8%	100	\$2,329	\$2.88	-2.4%

TOP SALES TRANSACTIONS Q2 2020

PROPERTY	UNITS	SALES PRICE	PRICE/ \$ UNIT	SELLER / BUYER
One South Market, San Jose	312	\$175,000,000	\$560,897	Essex Property Trust / Lakevision Capital
Skyline Terrace, Burlingame	138	\$108,000,000	\$782,609	Equity Residential / Pacific Urban Residential
Lantana Uptown, Oakland	140	\$77,900,000	\$556,429	Wood Partners & Cigna Realty Investors / Global Asset Capital
Rancho Luna Sol, Fremont	188	\$71,500,000	\$380,319	Thomas Tomanek & Associates / Decron Properties Corp

TOP CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	UNITS	BUILDING TYPE	PROPERTY MANAGER	OWNER / DEVELOPER
Lynhaven, San Jose	636	Mid Rise	Greystar	Greystar
The Asher, Fremont	631	Mid Rise	Greystar	Carmel Partners
The Dean, Mountain View	583	Mid Rise	Prometheus Real Estate Group	Prometheus Real Estate Group
Fifteen Fifty, San Francisco	550	High Rise	Related	Related

MARKET DRIVERS

- The multifamily market will battle headwinds in the near-term due to the pandemic; on and off shutdowns along with a still elevated unemployment rate will cause leasing to remain subdued.
- The pipeline is rather robust, particularly in the core counties with significant deliveries expected later this year and into 2021 for Alameda County (especially the Oakland CBD), Santa Clara County and San Francisco County.
- The work-from-home model that has taken hold during this downturn could affect the multi-family market over the longer-term with redesigns for office space and/or larger unit sizes.

Source: Cushman & Wakefield Research, CoStar

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