

Snapshot

SILICON VALLEY MULTIFAMILY HOUSING

September 2021

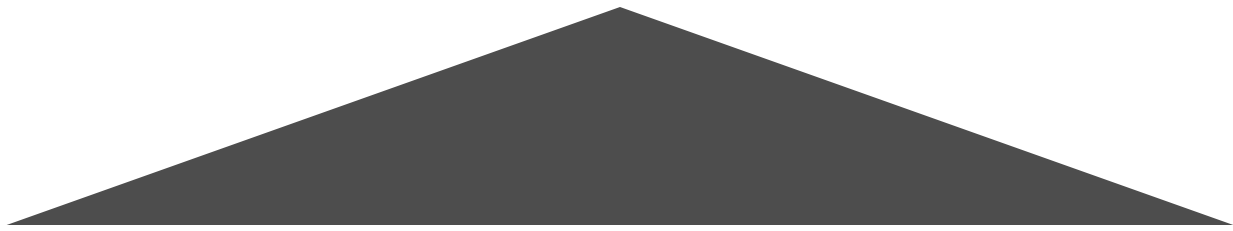


This report is released by the Silicon Valley Institute for Regional Studies, in partnership with CBRE's Silicon Valley Multifamily Group. It covers trends in the multifamily housing market within Silicon Valley, encompassing San Mateo and Santa Clara Counties and the Cities of Fremont, Newark, and Union City unless otherwise noted. Multifamily housing is defined as a residential structure with more than one dwelling unit in the same building.

Multifamily housing is of critical importance to the region. Silicon Valley continues to address severe housing shortages and rising prices due to elevated demand. Given the persistent need for more residential units — including those that are affordable to low- and moderate-income residents — this report aims to provide a snapshot of the market, and serve as a component of long-term tracking of these vital indicators.

www.jointventure.org/institute

Multifamily Housing Snapshot



Existing Inventory (# Units)

Silicon Valley: 227,552
 San Francisco: 168,686
 Oakland/East Bay: 215,564
 Bay Area: 611,272

Share of Inventory, by Sub-Region

San Jose/Campbell/Milpitas: 40%
 San Mateo County: 27%
 Rest: 33%

Units in Building Permits Issued (and Year-Over-Year % Change) January - May

Silicon Valley¹: 1,657 (+139%)
 San Francisco: 1,082 (-21%)
 Bay Area: 5,520 (+27%)

1. Includes Santa Clara & San Mateo Counties

Newly-Constructed First Half 2021 Completions

Silicon Valley: 726
 San Francisco: 330
 Oakland/East Bay: 642
 Bay Area: 1,698

Density of New Development dwelling units (du) per acre

2010-2020 Average in Planning Approvals (single & multifamily): 21 du/acre
 Q2 2021 Multifamily Construction: 140 du/acre²

2. Includes 12 out of 15 major developments. Note – some projects are mixed-use and so the acreage includes more than just residential units.

Vacancy Rate

Silicon Valley: 6.2%
 San Francisco: 6.3%
 Oakland/East Bay: 4.2%
 Bay Area: 5.6%

Affordable Housing Share of New Units

2010-2020 Average in Planning Approvals (single & multifamily): 12%
 Q2 2021 Multifamily Construction: 4.3%³

3. Includes 12 out of 15 major developments. Note – only includes buildings currently under construction, not those included by the developer in other projects to meet requirements.

Bay Area Monthly Average Rental Rates

Studio: \$2,202
 1 Bedroom / 1 Bath: \$2,358
 2 Bedroom / 2 Bath: \$2,515
 3 Bedroom / 2 Bath: \$2,880

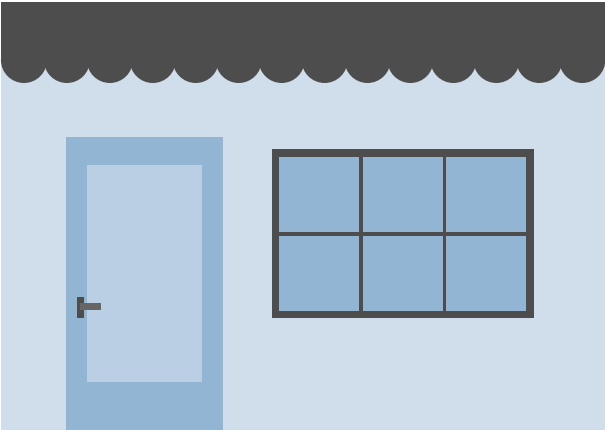
Bay Area Average Rental Rates Per Sq. Foot

Silicon Valley: \$2.94
 San Francisco: \$3.57
 Oakland/East Bay: \$2.76

Share of Renter Households Burdened by Housing Costs⁴ Costs > 30% Gross Income

Multifamily: 42%
 Single Family: 37%

4. U.S. Census Bureau, 2019 American Community Survey 1-Year Estimates. Silicon Valley includes Santa Clara & San Mateo Counties.



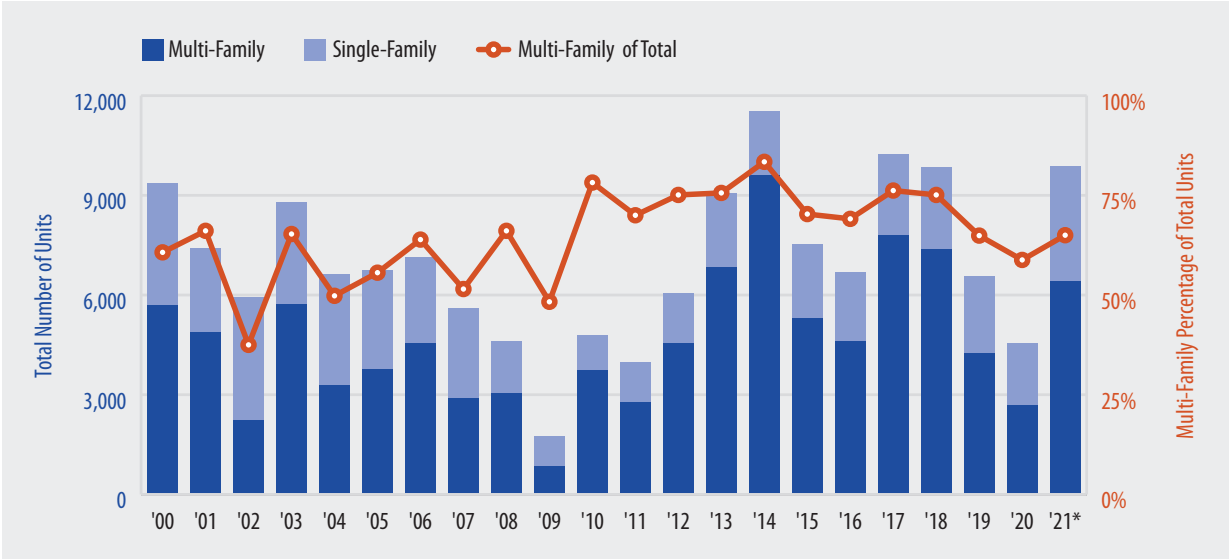
Contents

Multifamily Housing Snapshot.....	2
A. Development.....	4
A1. Residential Building Permits and Multifamily Share of Permits Issued (2000 – 2021 Year-to-Date).....	4
A2. TABLE: Major Projects Under Construction (Q2 2021)	5
A3. Historical Multifamily Residential Completions (2009 – Q2 2021).....	6
B. Costs.....	6
B1. Average Multifamily Unit Rental Rate, by Quarter (Q1 2016 – Q2 2021)	6
B2. Bay Area Average Monthly Apartment Rental Rate, by Number of Bedrooms (Q2 2021)	7
B3. Average Annual Rental Rates, by Building Class, Vintage, and Number of Bedrooms.....	8
C. Affordability.....	9
C1. Inflation-Adjusted Median Household Income, and Average Monthly Rental Rates (2004 – 2021)	9
C2. Multifamily Units in Building Permits Issued, and Affordable Units (2013 – First Half 2021)	9
D. Occupancy.....	10
D1. Multifamily Complex Occupancy Rate, by Quarter (Q1 2016 – Q2 2021).....	10
E. Inventory	10
E1. Existing Inventory of Multifamily Units, by Submarket (Q1 2021)	10
E2. Inventory of Multifamily Housing Units, Silicon Valley (2016 – Q2 2021).....	11
Annotations.....	12
Resources.....	13

Findings:

A. Development

A1. Residential Building Permits and Multifamily Share of Permits Issued (2000 – 2021 Year-to-Date)



*2021 estimate based on data through May.

Note: Includes Santa Clara and San Mateo Counties. Multi-family housing includes duplexes, 3-4 unit structures and apartment type structures with five units or more.

Based on the first half of 2021, the estimated number of residential units in building permits issued this year will be more than double that of 2020, with a large share (65%) in multi-family.

A2. TABLE: Major Projects Under Construction (Q2 2021)

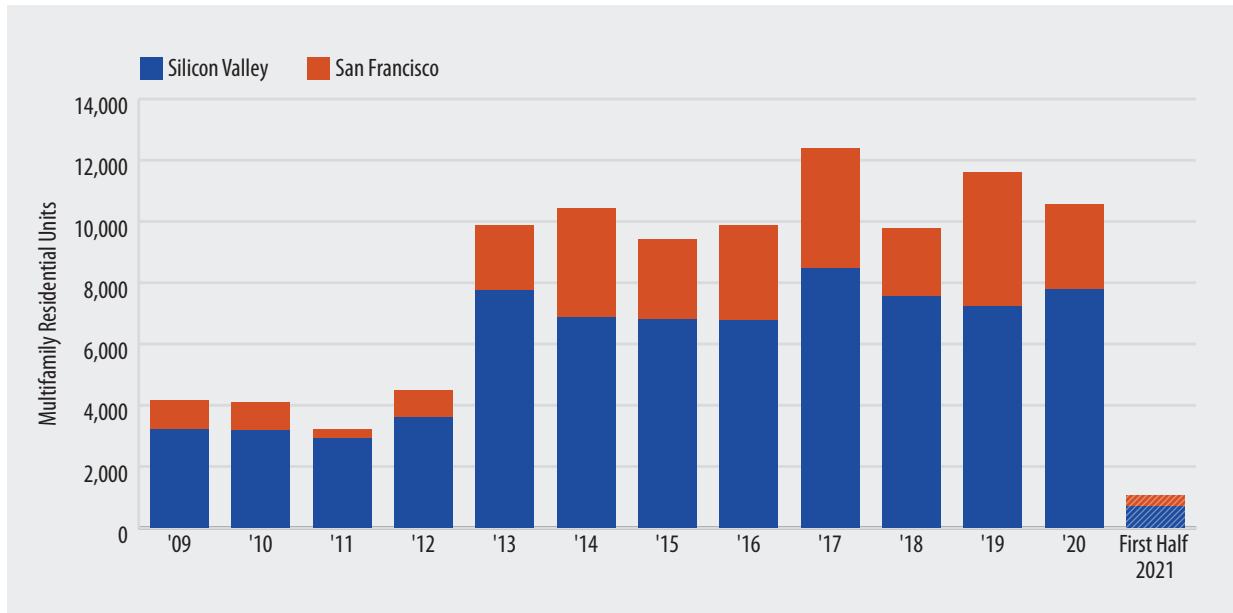
Property	Developer	Address	City	Units	Type	Starting Price
Stewart Village (Phase II)	Irvine Company	959 Stewart Drive	Sunnyvale	851	Garden	\$3,090 (1-bedroom)
Mountain View at San Antonio (MVSA)	ECE Investment Company	201 San Antonio Circle	Mountain View	642	Mid-Rise	
Miro	Bayview Development	181 E. Santa Clara Street	San Jose	631	Hi-Rise	\$2,650 (studio)
Santa Clara Square	Irvine Company	3320 Montgomery Drive	Santa Clara	598	Mid-Rise	\$2,735 (studio)
6 th & Jackson	Shea	696 6 th Street	San Jose	518	Mid-Rise	
The Benton	Prometheus	575 Benton Street	Santa Clara	355	Mid-Rise	
Highwater	Greystar	1405 El Camino Real	Redwood City	350	Mid-Rise	\$3,043 (1-bedroom)
Gateway at Millbrae Station	Republic Urban	300 Millbrae Avenue	Millbrae	320	Mid-Rise	
Anton Ascend	Anton Development	1821 S. Milpitas Avenue	Milpitas	266	Mid-Rise	\$2,425 (studio)
Lakeside Apartments	Laramar Group	1250 Lakeside Drive	Sunnyvale	250	Mid-Rise	\$2,425 (studio)
Artisan Crossing	Windy Hill	1325 Old County Road	Belmont	250	Low-Rise	
Hanover Diridon	Akerman	717 W. Julian Street	San Jose	249	Mid-Rise	\$2,252 (studio)
VillaMV	Prometheus	1720 Villa Street	Mountain View	226	Low-Rise	
Middle Plaza	Stanford	500 El Camino Real	Menlo Park	215	Low-Rise	
MV Apartments	Summerhill	2700 W. El Camino Real	Mountain View	211	Mid-Rise	

Note: Property types include Garden, Mid-Rise, Hi-Rise, and Low-Rise. See methodological note at end for details.

There are 15 notable large multifamily residential developments under construction in 2021 with a total of 5,932 units. The largest number of units are in San Jose (1,398 at three sites), Sunnyvale (1,101 at two sites), Mountain View (1,079 at three sites), and Santa Clara (953 at two sites), with smaller developments in Menlo Park (Middle Plaza), Belmont (Artisan Crossing), Millbrae (Gateway at Millbrae Station), and Milpitas (Anton Ascend). Among the 12 developments for which acreage was available, average residential density is high at approximately 140 dwelling units per acre.

Across seven of the fifteen developments for which amounts are available, the average starting price is \$2,660 for a studio or 1-bedroom apartment. Of the nearly 6,000 units under construction, 189 are affordable to low-income households plus an additional 184 off-site affordable units (for a total of 373 identified as associated with these projects).

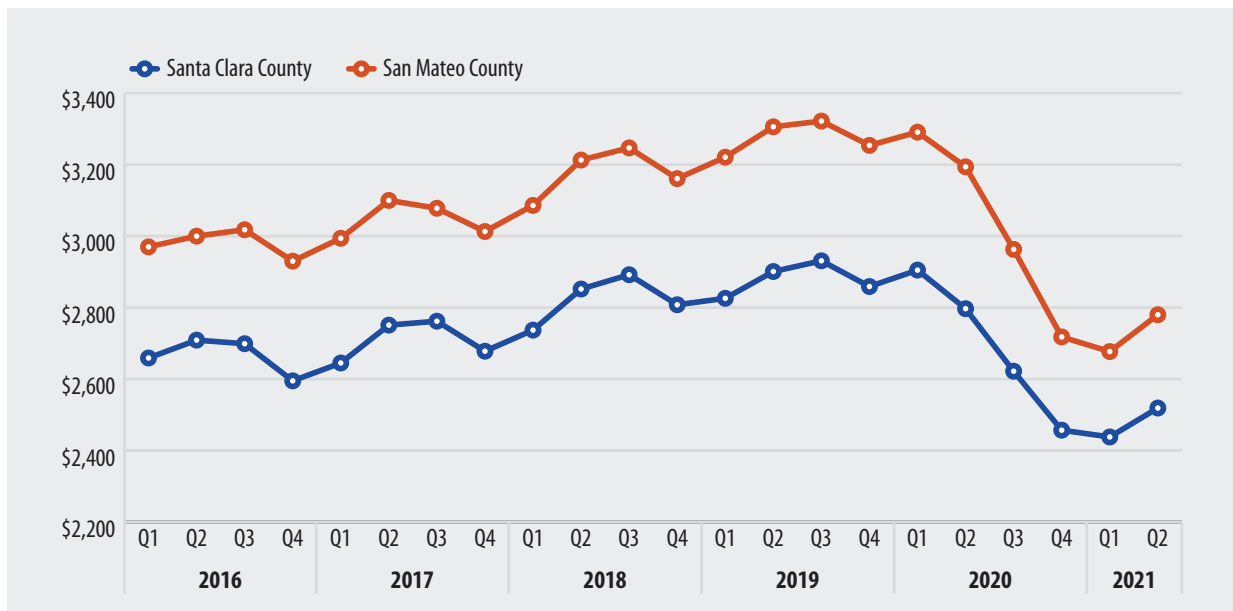
A3. Historical Multifamily Residential Completions (2009 – Q2 2021)



The number of Silicon Valley multifamily residential units completed in the first half of 2021 represented a significant drop from previous years (726 units, compared to a 2013-2020 average of more than 7,400 annually).

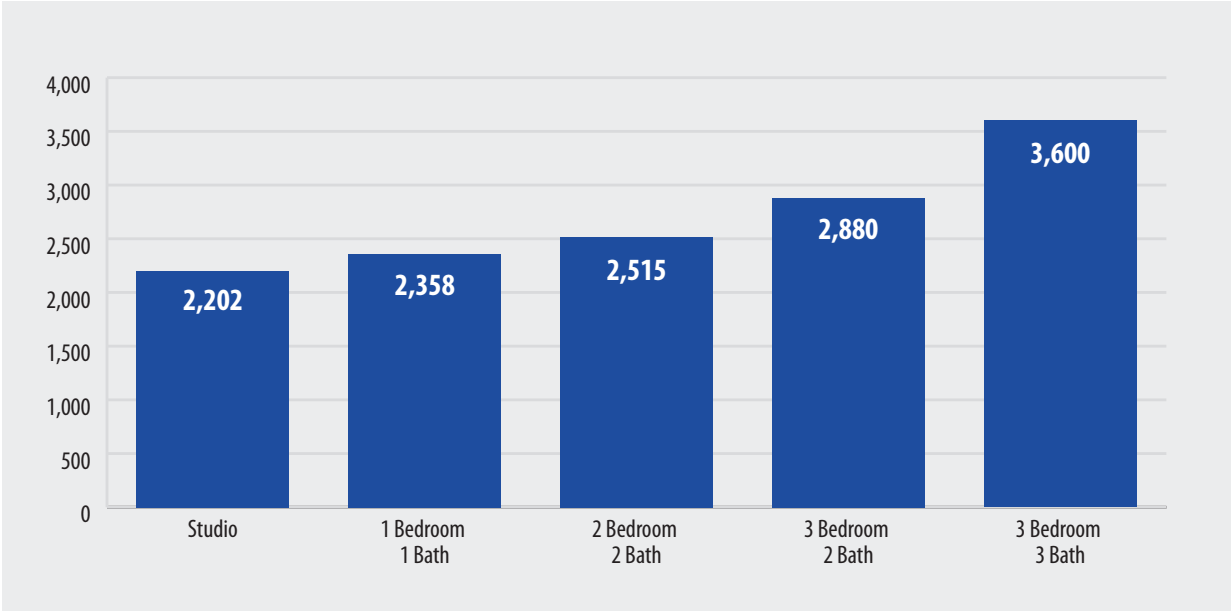
B. Costs

B1. Average Multifamily Unit Rental Rate, by Quarter (Q1 2016 – Q2 2021)



Average (nominal) multifamily unit rental rates rose steadily for several years prior to the pandemic—reaching more than \$3,300/month in San Mateo County and \$2,900/month in Santa Clara County— then fell sharply between Q2 2020 and Q1 2021, followed by a slight increase in Q2.

B2. Bay Area Average Monthly Apartment Rental Rate, by Number of Bedrooms (Q2 2021)

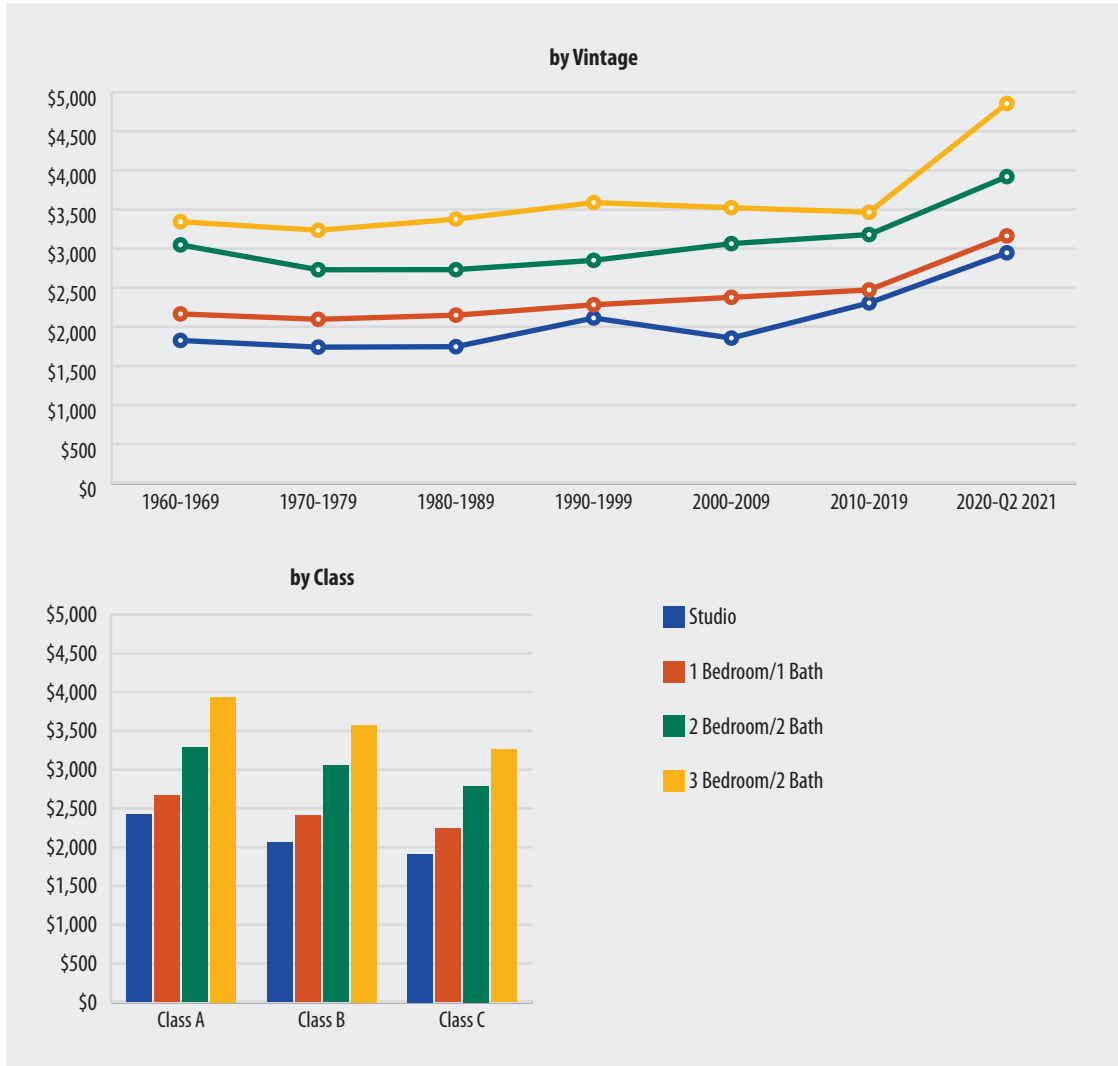


Year-Over-Year % Change Aug. 2020 - Aug. 2021	
Studio	2%
1 Bedroom/1 Bath	1%
2 Bedroom/2 Bath	-3%
3 Bedroom/2 Bath	-5%
3 Bedroom/3 Bath	-4%

Average multifamily unit residential rates throughout the Bay Area in mid-2021 varied between \$2,200 for a Studio to as much as \$3,600 for a 3-Bedroom/3-Bath. While rental rates for Studios and 1-Bedrooms increased slightly year-over-year (+2% and +1%, respectively), rental rates for larger units declined by 3-5%.

Note: Rates as of August 2021

B3. Average Annual Rental Rates, by Building Class, Vintage, and Number of Bedrooms

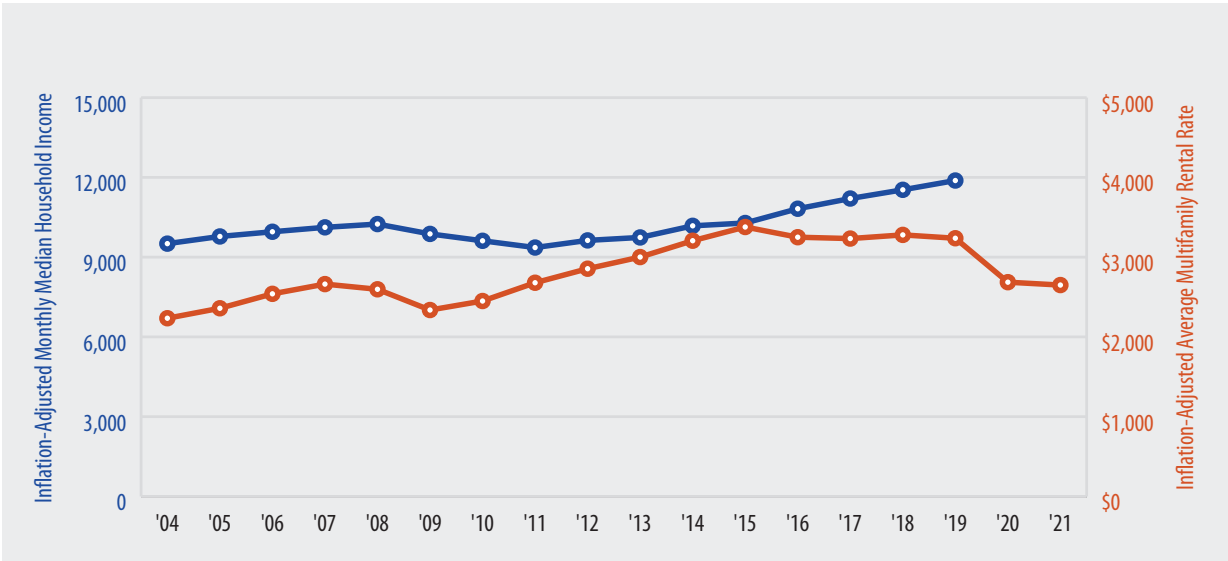


Note: Vintage is defined as the year in which the property was delivered to the marketplace. See methodological note at end for definitions of Class A, B, and C developments.

Rental rates vary significantly based on building age and class, with the highest rental rates corresponding to Class A/newer developments. Across all sizes from studio to 3-bedrooms, Class A rentals rates are between \$420 and \$680 more per month than Class C.

C. Affordability

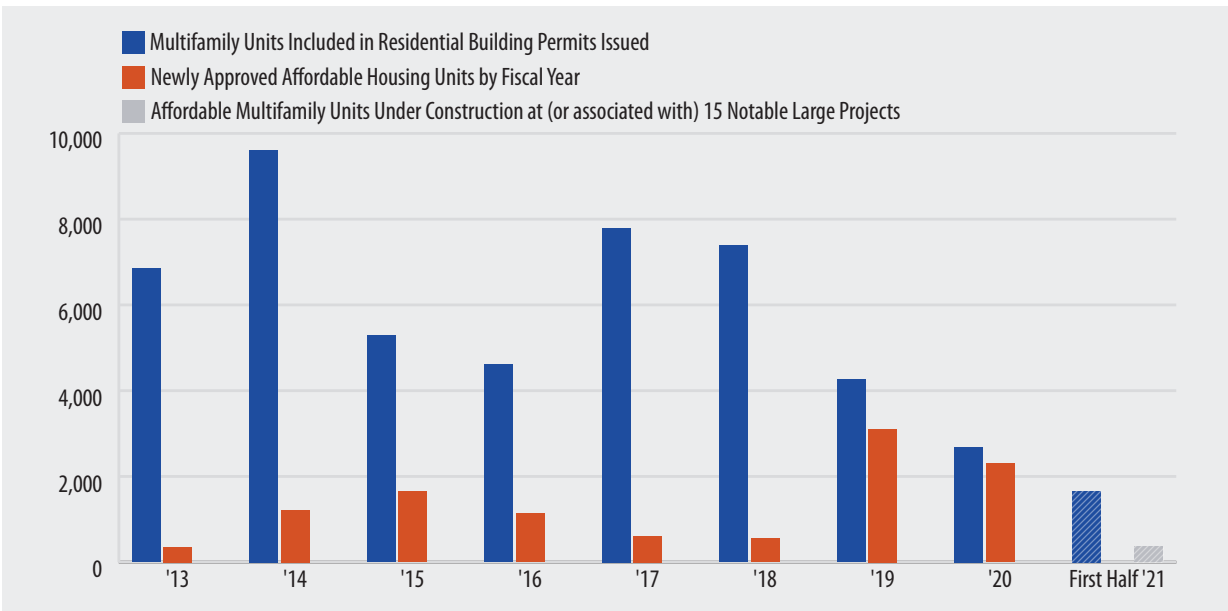
C1. Inflation-Adjusted Median Household Income, and Average Monthly Rental Rates (2004 – 2021)



Note: Includes Santa Clara & San Mateo Counties only.

Average multifamily unit rental rates since 2004 have tracked closely with changes in median household income; however, between 2012 and 2016 these rental rate averages consistently represented more than 30% of median household income (up from 24% in 2004 and 2005).

C2. Multifamily Units in Building Permits Issued, and Affordable Units (2013 – First Half 2021)

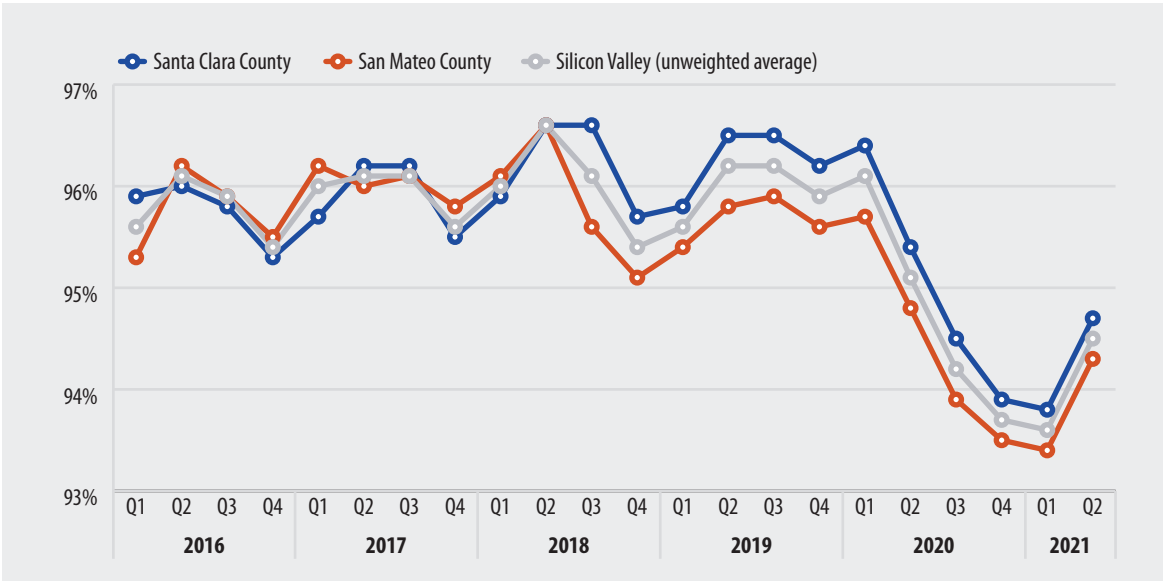


Note: Includes Santa Clara and San Mateo Counties only. Multifamily units in building permits issued for 2021 includes the first five months.

The total number of multifamily units in residential building permits issued has declined from nearly 8,000 in 2017 throughout Santa Clara and San Mateo Counties, to fewer than 2,700 in 2020 and only 1,657 in the first five months of 2021. While the number of affordable units in residential building approvals peaked at more than 3,100 in 2019, there were only 373 identified among the 15 major 2021 in-progress developments (approximately 6% of 5,932 units).

D. Occupancy

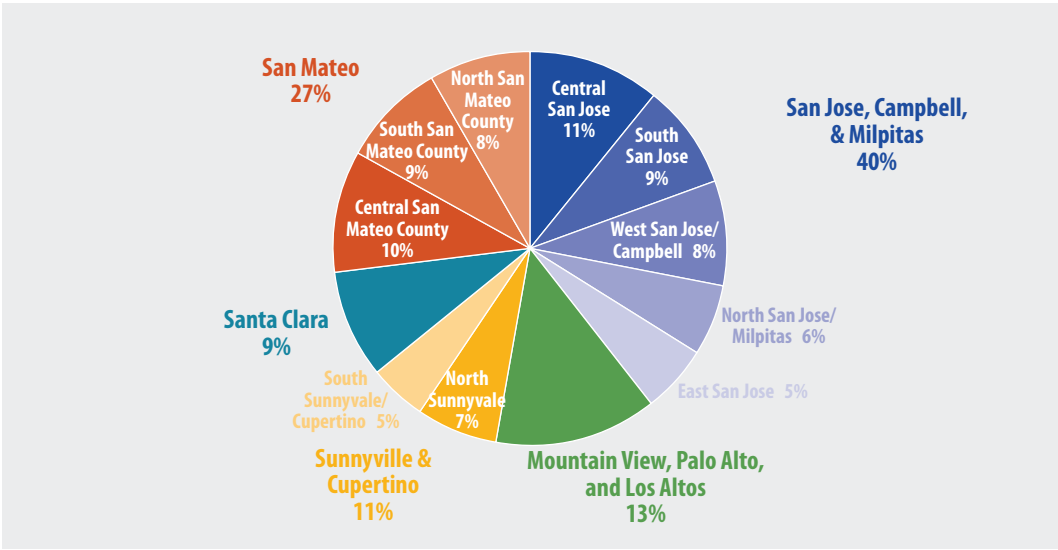
D1. Multifamily Complex Occupancy Rate, by Quarter (Q1 2016 – Q2 2021)



Silicon Valley’s average multifamily occupancy rate—which hovered around 96% between 2016 and Q1 2020, fell several percentage points during the pandemic with only a slight increase in Q2 2021.

E. Inventory

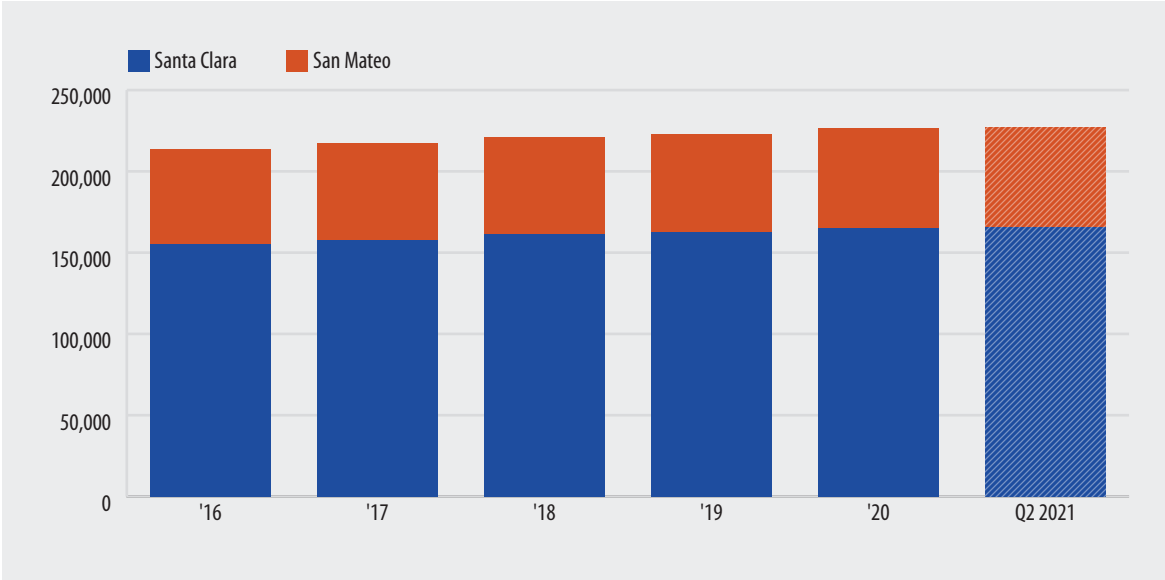
E1. Existing Inventory of Multifamily Units, by Submarket (Q1 2021)



Note: Includes Santa Clara and San Mateo Counties.

Multifamily residential developments are spread throughout Silicon Valley, with 73% in Santa Clara County and 27% in San Mateo County. The largest share (40%) of multifamily units in early 2021 were located in the San Jose/Campbell/Milpitas areas, with 13% in Mountain View/Palo Alto/Los Altos, 11% in Sunnyvale/Cupertino, and 9% in Santa Clara.

E2. Inventory of Multifamily Housing Units, Silicon Valley (2016 – Q2 2021)



The inventory of Silicon Valley multifamily housing units has grown slowly over the past five years, from approximately 214,000 in 2016 to more than 227,000 in Q2 2021 (+6%).

Annotations

Data Sources: CBRE (via CBRE Econometrics Advisors, CoStar, Realpage/Axiometrics, YardiMatrix); United States Census Bureau, American Community Survey 1-Year Estimates; Construction Industry Research Board and California Homebuilding Foundation; Bureau of Labor Statistics; City Planning and Housing Departments of Silicon Valley; Individual Multifamily Developer Property Webpages

Analysis: CBRE; Silicon Valley Institute for Regional Studies

Notes: Data refer to Silicon Valley (encompassing San Mateo and Santa Clara Counties and the Cities of Fremont, Newark, and Union City) and multifamily housing (residential structures with more than one dwelling unit in the same building), unless otherwise noted. CBRE's Bay Area Multifamily inventory as of Q2 2021 includes 612,256 existing units (does not include under construction or planned units). The Oakland/East Bay submarket includes 216,225 units (in Hayward, San Leandro, Union City, and Fremont), the San Francisco submarket includes 168,854 units and the Silicon Valley submarket includes 166,235 units. Multifamily development Vintage is defined as the year in which the property was delivered to the marketplace. Class A developments are core assets, newly-constructed or fully renovated, well-located with high-end finishes and fixtures and a full spectrum of amenities. Class B developments are positioned somewhat lower than Class A based on a combination of any of the following factors: age, inferior location, limited amenities, deferred maintenance, basic fixtures and finishes. Class C developments are of inferior age and/or location with original, outdated, and/or low-end finishes and fixtures, and possible deferred maintenance and/or substandard management. Property types include Garden, Mid-Rise, High-Rise, and Low-Rise. Garden is defined as apartment buildings that are typically no more than four stories high, with multiple apartments per story, and landscaped grounds surrounding them. In most instances buildings are arranged with interior courtyards open at one end, and parking either in front of the buildings or along the perimeter. Each apartment has its own building entrance off an open breezeway or shares an entrance via a stairwell and interior hallway that connects other units immediately above and/or below it. Each apartment occupies only one level. Garden-style and Low-Rise apartment buildings typically do not have elevators, and Low-Rise are one to three floors. Mid-Rise apartments have at least four floors and no more than 12 floors. They are usually located in metro areas where real estate is expensive and where high-rise buildings are not allowed. Since the building has at least four floors, most buildings also have an elevator, and many have private balconies. A High-Rise building typically has more than 12 floors, although the floor levels may vary by city. Residential building permit data are from the Construction Industry Research Board (CIRB) and California Homebuilding Foundation, and include Santa Clara and San Mateo Counties. Data include the number of single family and multi-family units included in building permits issued. Single-Family housing units include detached, semi-detached, row house and town house units. Multi-family housing in the CIRB data include duplexes, 3-4 unit structures and apartment type structures with five units or more. The 2021 estimate is based on data through May. Starting Prices for Major Projects Under Construction are

listed where available on the developer’s website. Data for Median Household Income are from the U.S. Census Bureau American Community Survey 1-Year Estimates. All income values have been inflation-adjusted and are reported in 2021 dollars using the Bay Area consumer price index for all urban consumers from the Bureau of Labor Statistics, 2021 estimate based on data through April. Silicon Valley average rental rates includes Santa Clara and San Mateo Counties and are unweighted. Median household income for Silicon Valley was estimated using a weighted average based on the county population figures from the California Department of Finance E-4 Population Estimates for Cities, Counties, and the State. Multi-family unit permit data are from the Construction Industry Research Board and California Homebuilding Foundation, and include Santa Clara and San Mateo Counties. Newly approved affordable units are from Joint Venture Silicon Valley’s annual land-use survey of cities within Santa Clara and San Mateo Counties. Affordable units are those units that are affordable for a four-person family earning up to 80% of the median income for a county. Cities use the U.S. Department of Housing and Urban Development’s (HUD) estimates of median income to calculate the number of units affordable to low-income households in their jurisdiction. 2021 estimated number of affordable units includes those associated with the 15 major developments under construction in Q2 2021 for which data were available.

Resources

For questions regarding this report, contact Rachel Massaro (massaro@jointventure.org).

For more information about Silicon Valley’s multifamily housing market, contact Jeffrey Henderson (jefrey.henderson@cbre.com) or Jon Teel (jon.teel@cbre.com).

To access Silicon Valley’s online data hub, visit www.SiliconValleyIndicators.org.

This quarterly report was prepared by Rachel Massaro, Vice President and Director of Research at the Silicon Valley Institute for Regional Studies, in partnership with Jeffrey Henderson & Jon Teel, CBRE Bay Area Multifamily. Jill Jennings created the report's layout; Robin Doran served as copy editor.

Silicon Valley Institute for Regional Studies

The Silicon Valley Institute for Regional Studies provides research and analysis on a host of issues facing Silicon Valley's economy and society. The Institute is housed within Joint Venture Silicon Valley.

Joint Venture Silicon Valley

Established in 1993, Joint Venture provides analysis and action on issues affecting the Silicon Valley economy and quality of life. The organization brings together established and emerging leaders—from business, government, academia, labor and the broader community—to spotlight issues, launch projects and work toward innovative solutions. For more information, visit www.jointventure.org.

CBRE's Bay Area Multifamily Group

CBRE's Bay Area Multifamily Group represents institutional and private capital clients. Drawing on extensive relationships and transaction expertise, CBRE provides strategic market exposure and advisory services. For further information, visit <https://www.cbre.us/real-estate-services/teams/corporate%20teams/capital%20markets/instbayareamultifamily/contacts>.



84 West Santa Clara Street
Suite 800
San Jose, California 95113
P: (669) 223-1331
institute@jointventure.org
www.jointventure.org



© Joint Venture Silicon Valley, 2021
This work is licensed under a Creative Commons Attribution 4.0 International License (CC BY 4.0).
To view this license, visit <https://creativecommons.org/licenses/by/4.0/>