

Bay Area Multifamily

Fueled by a high-performing economy, the Bay Area remains a dominant location for innovation and job growth. With this narrative comes the high cost of living that has affected thousands of people in the region. Average monthly rental rates stand at \$2,726 across all nine counties, up 4.8% from a year ago. As demand remains steady, developers strive to deliver units near major transportation centers and amenities.

Rental Rates

Asking rental rates fell slightly this quarter to \$2,726, compared to the previous quarter's rate of \$2,729. San Francisco remains the most expensive county to reside in, with average asking rates at \$3,610. San Mateo County rates experienced a 6.2% year-over-year rent growth, with asking rates standing at \$3,044 in 4Q18. Over in the East Bay, Alameda County rates increased 3.5% year over year, standing at an average of \$2,462. Oakland, a popular city due to its easy accessibility to San Francisco, has an average rental rate of \$2,721 (a 3.8% increase from last year). Further down in Silicon Valley, Santa Clara County rates are \$2,856 (a 5.3% increase from last year). As increased demand continues to outpace new supply in the Bay Area, rents are forecasted to grow by 4.3% in the coming year (Yardi Matrix).

Projected Future Supply

Deliveries picked up this quarter to 1,455 units, bringing a year-to-date total of 4,731 units completed in the Bay Area. San Francisco

added 869 units, with 855 Brannan welcoming 449 units in the Mission Bay submarket and 150 Van Ness adding 420 units to the Civic Center submarket. A little more than 26,000 units are currently under construction, with the majority of them concentrated in Santa Clara and Alameda Counties. San Francisco in particular has over 3,400 units under construction, bringing much need product to this submarket. Over 25,000 units are in the planning stages, including market rate and partially affordable units in the Bay Area.

Employment & Estimate of Future Demand

Due to a strong economy, Bay Area unemployment stands at 2.6%, compared to the national average at 3.7%. Fueled primarily by the technology and biotech sectors, the local economy remains successful, as many companies filed for their public offering this year, including Dropbox, SurveyMonkey, and Allakos, and contributed to job growth in the region. This trend is expected to continue, as several Bay Area companies are likely to go public in the next year, such as Uber

Market Forecast



Notable Sale Transactions

- The Foundry Commons, San Jose
\$110.2M | \$463K/unit | \$450/s.f. | 4.5% cap
- 888 San Mateo, San Mateo
\$104.8M | \$655K/unit | \$770/s.f.
- Skyline Heights, Daly City
\$100.5M | \$393K/unit | \$644/s.f.
- Sora Apartments, Union City
\$91.5M | \$366K/unit | \$472/s.f. | 4.4% cap

Notable Deliveries

- 855 Brannan, San Francisco
449 units | Equity Residential
- 150 Van Ness, San Francisco
420 units | Emerald Fund
- The Union Flats, Union City
243 units | CityView
- Elan Mountain View, Mountain View
164 units | Greystar

Top Paying Companies

- splunk>
- facebook
- NEKTAR
- Alphabet
- NETFLIX

and Lyft. In addition, the Bay Area added over 4,000 tech jobs this quarter, amidst a tight labor market. Technologies companies such as Splunk, Facebook, and Alphabet, pay employees high salaries, fueling economic growth in the region.

With this economic growth comes the high cost of living that has greatly affected the region. As of November 2018, the median price of a single-family home in the Bay Area was \$905,000 (a 0.6% increase year over year). San Francisco home prices fell slightly by 3.8% from the previous year, currently standing at \$1,442,500. In contrast, home prices in San Mateo County rose slightly by 0.9%, and command the highest price among all nine counties at \$1,500,000. As of October 2018, median home prices stand at \$309,700 nationwide.

Pricing

Sales activity in the fourth quarter included 11 transactions, totaling nearly \$800 million in volume and bringing a year to date total of \$2.79 billion. Tilden Properties completed the largest sale of the quarter, acquiring The Foundry Commons in San Jose for \$110.2 million, or \$463,235/unit. In 2017, transaction volume reached \$2.27 billion and amassed \$3.69 billion in 2016. At the end of the fourth quarter, the Fed raised interest rates from 2.25% to 2.5% and forecasts two hikes in the coming year.

Sources: Yardi Matrix, Federal Reserve Bank of St. Louis, California Association of Realtors, California Labor Market Division, USA Today, San Francisco Business Times

County Statistics

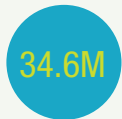
County	Total Units	Units Planned	Units Under Construction	Quarterly Deliveries	Average Asking Rents	Vacancy	Rent Growth (YOY)	Unemployment	Avg Cap Rate
San Francisco	41,235	5,073	3,479	869	\$3,610	3.9%	4.9%	2.3%	0.0%
San Mateo	31,391	1,138	2,230	0	\$3,044	4.5%	6.2%	2.1%	0.0%
Santa Clara	108,190	15,029	9,862	283	\$2,856	4.2%	5.3%	2.5%	4.4%
Alameda	64,854	5,126	9,132	303	\$2,462	4.0%	3.5%	2.9%	4.4%
Contra Costa	28,909	1,837	924	0	\$2,145	3.9%	2.7%	3.0%	0.0%
Marin	6,795	0	0	0	\$2,793	2.8%	4.6%	2.3%	0.0%
Napa	3,063	0	282	0	\$2,084	2.9%	3.5%	2.6%	0.0%
Sonoma	12,464	828	446	0	\$2,016	4.3%	2.7%	2.5%	0.0%
Solano	12,718	0	82	0	\$1,748	3.9%	4.8%	3.6%	5.0%
Total	309,619	29,031	26,437	1,455	\$2,726	4.1%	4.8%	2.6%	4.6%

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COMMERCIAL BROKERAGE



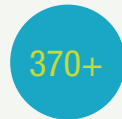
ANNUAL
TRANSACTION
VOLUME



ANNUAL
LEASING SF



ANNUAL
SALES SF



BROKERS

PROPERTY MANAGEMENT

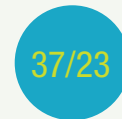


MANAGEMENT
PORTFOLIO

VALUATION ADVISORY



ASSIGNMENTS
ANNUALLY



TOTAL #
APPRAISERS/MAI'S

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