

INVESTMENT FORECAST

Marcus & Millichap

MULTIFAMILY

San Jose Metro Area

2026

Tech-Driven Capital Continues to Fuel Tightening in Multifamily Market

Delivery plunge provides additional tailwind in a well-performing market. Limited land availability and high home prices have kept San Jose one of the least vacant multifamily markets nationwide since the pandemic. The tech sector's high-paying jobs remain the backbone of the local economy, supporting the strongest rent growth in the U.S. in 2026. Submarket performance remains uneven: Mountain View, Palo Alto, Los Altos, and North Sunnyvale — the heart of Silicon Valley — posted near-3 percent vacancy rates in late 2025, with year-over-year rent growth exceeding 6 percent. In contrast, East and South San Jose, the metro's less affluent areas, saw rent increases below 2 percent. This divergence is unlikely to shift in 2026 if tech momentum holds, though a broader economic slowdown could disproportionately impact the metro due to its industry concentration. Still, the steep drop in apartment deliveries — with the 2026 pipeline just 10 percent of 2025's volume — should help stabilize fundamentals even if demand softens.

Investors target vintage properties in the core of Silicon Valley. Despite an overall slower job market, the tech sector's wealth-generating momentum continues to support multifamily transactions. As of late 2025, sales doubled year-over-year in Mountain View, Sunnyvale, and Palo Alto, and tripled in Santa Clara, Cupertino, and Los Gatos, while downtown San Jose remained steady. Investor activity surged among pre-1970s buildings, but declined for post-2000s assets, suggesting a shift in appetite toward properties with repositioning potential. Lower Class C vacancy rates compared to Class A across much of the metro should sustain investor interest in older properties, which offer stronger value-add upside. Looking ahead, tech-driven capital will likely continue to flow into Western San Jose, while East and South San Jose may attract investors seeking lower entry costs amid tight supply.

2026 MARKET FORECAST

-0.2%



Employment: Despite a fourth straight year of white-collar job losses, San Jose's total employment decline in 2026 will be modest, with only about 2,000 jobs shed metrowide on net.

500

units



Construction: This year's delivery pipeline will be the metro's smallest since 2011. Inventory growth, at just 0.3 percent, ranks lowest among all major U.S. markets.

-20 bps



Vacancy: Ending 2026 at 3.5 percent, the metrowide vacancy rate will be the second lowest level the metro has seen in 20 years — just 10 basis points above the 2021 trough.

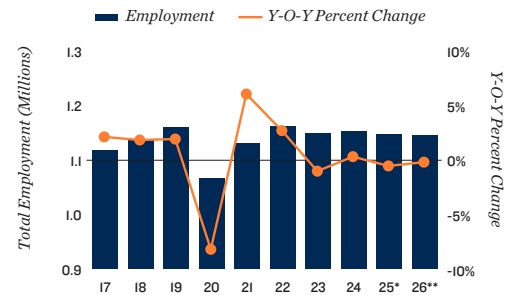
+4.4%



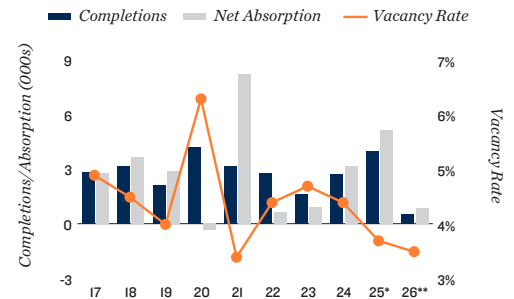
Rent: The average monthly rent will climb to \$3,438, the highest in the nation. San Jose's rent growth will also lead all major U.S. markets, substantially outpacing the national level of just 1.8 percent.

INVESTMENT: *Downtown San Jose remains the most traded submarket metrowide, backed by ongoing city incentives for multifamily development. Investors could target the area for its cost savings from tax benefits.*

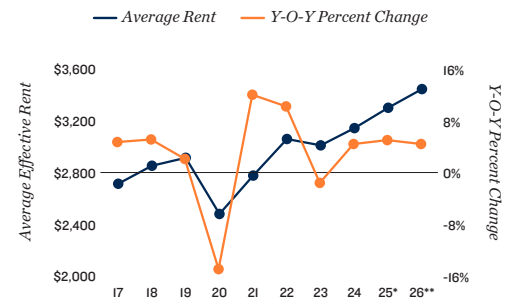
Employment Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.