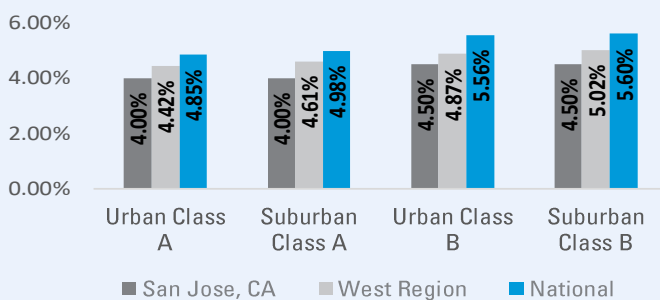


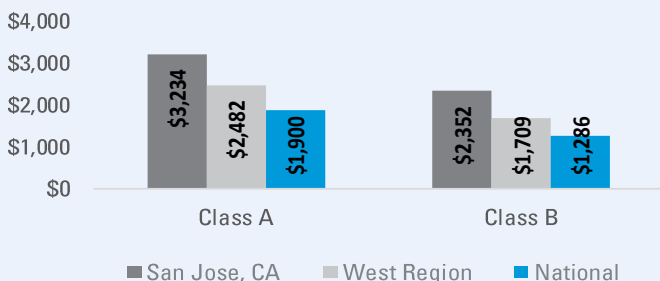
Market Rate Indicators (Y/Y)

Categories	Class A	Class B
Going In Cap Rate (%)	↔	↔
Asking Rent (\$/Unit)	▲	▲
Vacancy Rate (%)	▼	▼

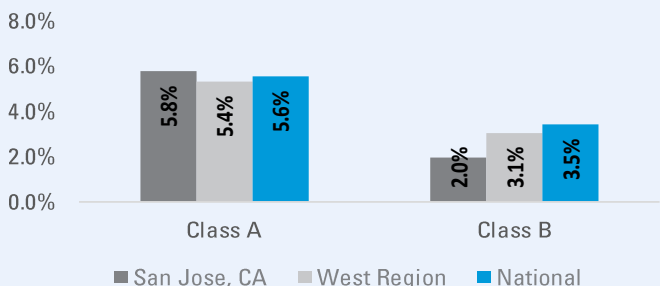
Going In Cap Rate Comparisons (%)



Asking Rents (\$/Unit)



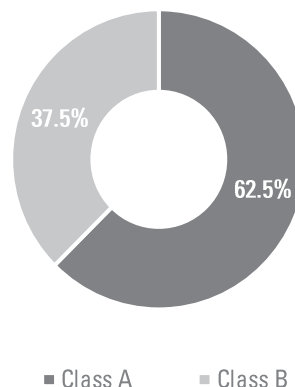
Vacancy Rates (%)



San Jose, CA Multifamily Market Overview

The San Jose apartment market continued to recover during 2022. The pandemic had negatively impacted demand as widespread remote working environments allowed many renters to relocate to more affordable markets. The most expensive submarkets in the Silicon Valley were the hardest hit with greater occupancy loss and greater rent decline. However, as the economy recovered and businesses reopened, renter demand returned with employees once again needing to be near employment centers. Though a widespread return to the office has not materialized, most employers have adopted some form of a hybrid schedule, requiring employees to be in the office at least a few days of the week. Improvement in apartment market conditions began in 2021, and reached pre-pandemic levels by mid-2022, with positive net absorption, increasing rental rates and a decrease in overall vacancy. The submarkets most heavily impacted were also the ones with the greatest recovery. New development likewise remains very active; the Silicon Valley is the second most active of the Bay Area markets, following the East Bay (Oakland). The most desirable new projects are integrated into mixed-use, transit-oriented developments. Although activity has moderated from the most recent peak in 2018, it remains elevated with deliveries scheduled into 2024. The most active submarkets are Santa Clara, North Sunnyvale and Mountain View, which are proximate to good transit options. Sales activity slowed in the years prior to the pandemic due to a shortage of listings and, again in 2020 due to the economic uncertainty during the pandemic. As market conditions improved, investor interest grew to historic highs in the first half of 2022. While interest is expected to remain strong, it will likely moderate in response to the series of interest rate increases, especially in the second half of 2022, with potential for additional increases in 2023. Looking forward, recovery in the Silicon Valley apartment market will continue, though conditions may temper in the short term as a result of new inventory added to the market and the ongoing uncertainty with regard to remote and hybrid work options, which can directly impact apartment demand. However, the market remains a desirable place to live and sustained demand is expected in the near term.

Distribution of Total Inventory



142,410 Units
Multifamily Inventory

1.33% - 12 Mo. Proj.
Construction/Inventory

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Change In Value Next 12 Months



+/- 0%

Urban Class A

+/- 0%

Urban Class B



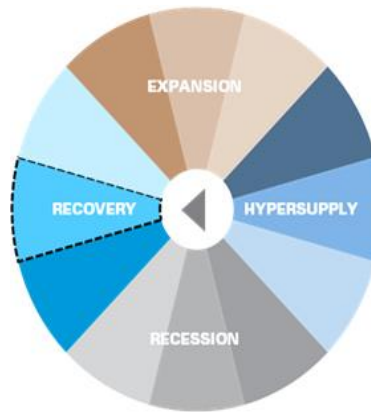
+/- 0%

Suburban Class A

+/- 0%

Suburban Class B

Market Cycle: Recovery Stage 2



- Moderate Absorption
- Decreasing Vacancy Rates
- Low/Moderate Employment Growth
- Neg/Low Rental Rate Growth
- Low New Construction

Forecasts

San Jose, CA 12-Month Multifamily Forecasts

Categories	Urban Class A	Urban Class B	Suburban Class A	Suburban Class B
Going-In Cap Rates	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change
Discount Rate	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change
Reversion Rate	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change
Construction (Units)	1,896			
Market Rent Change	+1.00%	+1.00%	+1.00%	+1.00%
Expense Rate Change	+4.00%	+4.00%	+4.00%	+4.00%
Years to Balance	In Balance			

San Jose, CA 36-Month Multifamily Forecasts

Categories	Urban Class A	Urban Class B	Suburban Class A	Suburban Class B
Market Rent Change	+10.54%			
Change in Value	Increase 1%-1.9%	Increase 1%-1.9%	Increase 1%-1.9%	Increase 1%-1.9%

Integra Realty Resources (IRR) is the largest independent commercial real estate valuation and consulting firm in North America, with over 165 MAI-designated members of the Appraisal Institute among 600+ professionals based in our 50+ offices throughout the United States and the Caribbean. Founded in 1999, the firm specializes in real estate appraisals, feasibility and market studies, expert testimony, and related property consulting services across all local and national markets. Our valuation and counseling services span all commercial property types and locations, from individual properties to large portfolio assignments.

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