MARKETBEAT

SF BAY AREA

MULTIFAMILY Q2 2026

MARKET FUNDAMENTALS

	YOY Chg	Outlook
4.3% Vacancy Rate	▼	▼
12,506 Net Absorption, units	▲	▲
$3.58 Effective Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
4.0M Bay Area Employment*	▲	▲
4.2% Bay Area Unemployment Rate*	▼	▬
0.2% Bay Area Household Growth Rate*	▲	▲

Source: BLS

**Q2 2026 figures are latest data available*

ECONOMY: SOLID FUNDAMENTALS

Bay Area nonfarm employment climbed year-over-year (YOY) by 0.8% to just over 4.0 million. Over the same period the unemployment rate declined 30 basis points (bps) to 4.2%. Job growth is forecast to continue rising over the next 12 months. Median household income remained the highest of all metropolitan markets in the U.S. at $150,600, an increase of $3.7% YOY. Though there have been tech layoffs within the region, the artificial intelligence & machine learning (AI/ML) sector continues to expand its hiring while leasing large blocks of space. During the first half of 2026, Bay Area-based companies absorbed 71.2% ($308.8 billion) of all global venture capital funding into AI/ML. Expectations are for IPOs by the two largest companies in the sector (Anthropic and OpenAI) in the second half of the year.

SUPPLY AND DEMAND: MORE PRODUCT NEEDED

New deliveries have not been able to keep up with demand as the Bay Area economy powers forward. As such, the vacancy rate, fell to 4.3% in the second quarter of 2026, down 110 bps from one year earlier and the lowest since the third quarter of 2013. Net absorption did ease in the second quarter, the lowest since the fourth quarter of 2023, though that is likely due to a lack of units available to lease more than anything else.

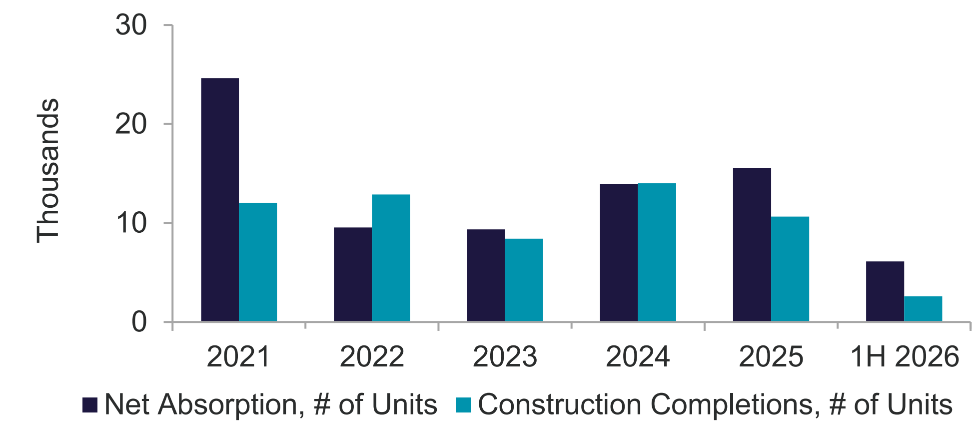
Units delivered during the second quarter totaled a miniscule 663 or just 0.1% of total Bay Area inventory, the lowest figure since the second quarter of 2013. Units under construction has been on the rise over the past four quarters, hitting 18,478 units though this remains well below the record of 28,700 units set in the first quarter of 2020.

There are over 84,000 units in the proposal stage across the Bay Area, but development remains hindered by steep construction costs. However, much improved market conditions and the state's housing mandates, including less onerous regulations, may allow for more deals to pencil out.

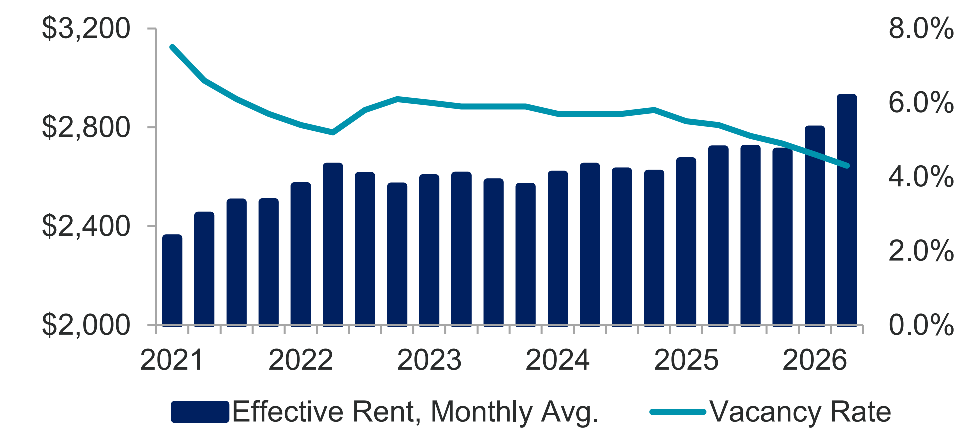
PRICING: YET ANOTHER RECORD HIGH

Given the tight market, it's not surprising that pricing ticked higher once again in the Bay Area with the effective rent reaching another record high, closing the quarter at $2,921 per unit, up 7.7% YOY. San Francisco County climbed to $3,650 per unit, up 15.7% YOY, thanks to the influx of AI/ML employees and its 3.4% vacancy rate, which happens to be its lowest since the dot-com period.

DEMAND / DELIVERIES



OVERALL VACANCY & EFFECTIVE RENT



Source: CoStar

SF BAY AREA
MULTIFAMILY Q2 2026

MARKET STATISTICS

SUBMARKET	INVENTORY (UNITS)	YTD DELIVERIES (UNITS)	YTD % INVENTORY GROWTH	UNDER CNSTR (UNITS)	YTD NET ABSORPTION (UNITS)	VACANCY RATE	YOY VACANCY RATE CHANGE (BPS)	AVG EFFECTIVE RENT / UNIT	AVG EFFECTIVE RENT PSF	YOY % EFFECTIVE RENT GROWTH
Santa Clara County	174,843	458	0.0%	7,401	2,136	3.3%	-1.6%	$3,219	$3.80	7.7%
Alameda County	139,162	570	0.1%	2,168	1,300	5.4%	-1.2%	$2,464	$3.12	5.3%
San Francisco County	121,959	274	0.2%	1,590	629	3.4%	-1.3%	$3,650	$5.10	15.7%
San Mateo County	58,355	69	0.1%	4,397	900	3.9%	-0.9%	$3,403	$4.10	7.9%
Contra Costa County	54,985	248	0.1%	1,362	576	4.8%	-0.9%	$2,280	$2.73	2.9%
Sonoma County	29,482	335	0.3%	1,347	275	5.3%	-0.3%	$2,069	$2.40	1.1%
Solano County	21,919	354	0.0%	51	206	7.1%	-0.1%	$2,004	$2.31	0.0%
Marin County	15,171	0	0.0%	162	-13	3.8%	+0.4%	$2,895	$3.35	4.1%
Napa County	7,721	291	0.0%	0	121	8.1%	+1.1%	$2,265	$2.54	-2.0%
Market	623,597	2,599	0.1%	18,478	6,130	4.3%	-1.1%	$2,921	$3.58	+7.7%

Source: CoStar; communities with 10 or more units; market and market/affordable rental units excluding senior, student, military, corporate and vacation units

KEY SALES TRANSACTIONS Q2 2026

PROPERTY	CITY	SELLER / BUYER	UNITS	PRICE / $ UNIT
10 East Reed Street – The Fay (Distress Sale)	San Jose	Madison Realty Capital Advisors / Flow Companies and ASJ Development	336	$175.0M / $520,833
1432 West San Carlos Street – Meridian at Midtown	San Jose	Essex Property Trust and State of Wisconsin Inv Board / Holland Partner Group	218	$105.25M / $482,798

KEY CONSTRUCTION COMPLETIONS Q2 2026

PROPERTY	CITY	PROPERTY TYPE	UNITS	OWNER / DEVELOPER
200 Folsom Street – Lark Landing	San Francisco	High Rise (Affordable)	184	City and County of San Francisco / Mercy Housing California
722 West Tennyson Road – La Vista	Hayward	Mid Rise (Affordable)	176	The Pacific Companies / Undisclosed

MARKET DRIVERS

- After plummeting over the past year, units under construction have been on the rise, up 48.0% since Q2 2025. That said, it remains just 3.0% of total inventory and well below the record figure of 28,700 units recorded in Q1 2020. It will take a surge of units to make a dent in the housing crisis enveloping the Bay Area.
- Effective rents continue to climb, closing in on $3,000 per unit in the Bay Area. The uptick is forecast to continue into the foreseeable future.
- Office to residential conversions have made very little impact in the Bay area. The one exception has been demolitions/conversions taking place in suburban markets with Bishop Ranch in the East Bay leading the way.

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