

Silicon Valley Market Insights

The tech industry that Silicon Valley has become known for will continue to grow throughout the remainder of 2017, bringing thousands of new jobs to the southern part of the San Francisco Bay.

These jobs are typically well-paying, and employ younger individuals with new families seeking housing options. The heavy demand has put an enormous stress on the region's available housing and driven up the price for home ownership, pushing many new formed households into the rental market. This trend has put an additional strain on the availability and pricing for multifamily housing options.

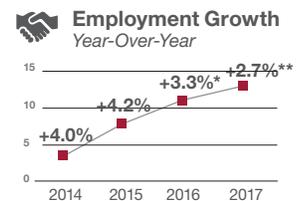
"People want to live close to their work," Synergy Business Development Manager **Yimun Stauffer** said. *"But as these tech companies continue to grow and add workers, the areas around these corporate headquarters are running out of housing and driving up the prices."*

In response to this growing demand for new apartments, developers have spent the last few years introducing a record number of new apartment communities. According to Marcus & Millichap's 2017 U.S. Multifamily Investment Forecast, approximately 5,900 new units were introduced in San Jose and surrounding cities, representing the largest delivery of inventory in almost 20 years. This heavy supply has put a dent in the region's vacancy rate. Marcus & Millichap note that vacancy rates spiked to 4 percent in 2016 after averaging 3.4 percent in 2015.



Silicon Valley and San Francisco are only an hour apart and have an extreme housing shortage, but the two **markets are completely different.**

SILICON VALLEY BY THE NUMBERS



*estimate | **forecast

reservations

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The rise in vacancy has had an impact on rent prices as well. From 2014 to 2015, the average effective monthly rent increased \$189 (from \$2,292 to \$2,474), but average rents only saw a \$5 raise from 2015 to 2016 (\$2,479 per month in 2016).

In response to this oversaturation of new inventory, developers are slowing down their construction rate. After averaging 4,600 new rentals from 2014-2016, only 3,500 new units are expected in San Jose and its submarkets by the end of 2017, representing a 25 percent drop off from previous averages, according to the data from Marcus & Millichap.

As a result of this slowdown, Marcus & Millichap expect the area's vacancy to dip slightly to 3.9 percent by the end of 2017. These factors will contribute to an estimated 3 percent increase to effective monthly rents.

SILICON VALLEY VERSUS SAN FRANCISCO

Silicon Valley and San Francisco are only an hour apart and have an extreme housing shortage fueled by a thriving technology sector, but the two markets are completely different.



Geographic barriers prevent San Francisco development from expanding, forcing developers to build housing vertically. Meanwhile, the large apartment communities being built in Silicon Valley are located on the edges of town, where the population isn't as dense and construction can build out, not up.

"The mega properties in Silicon Valley are different that the giant residential complexes in San Francisco, because those communities are built on top of one another," Synergy Business Development Manager **Paul Morrow** said. *"The larger communities in Silicon Valley are typically built, where there is room to grow, are often made up of several smaller, individual buildings that only go to four or five stories."*

Another significant difference is the type of building and features included in the new apartment communities. Tech workers in San Francisco are well-paid and have shown a preference for high-end accommodations tucked into tight urban spaces, leading to a rush of new luxury towers in the downtown area.

Workers in Silicon Valley, however have shown a tendency toward larger, more efficient living spaces that take advantage of available room for developments. New apartment communities in southern part of the San Francisco Bay offer less luxury amenities and concierge services (such as package receiving, dog walking or on-site tanning beds) in favor of communities with outdoor social spaces (such as swimming pools, barbecue pits and outdoor fireplaces).

"You're going to see a lot of quality apartments that allow residents to live comfortably, but not live the life of luxury," Morrow said. *"Resort-style pools and hot tubs with plenty of outdoor living spaces are more common in Silicon Valley. It's not just about available land, but about the types of families drawn to Silicon Valley and what their needs are."*



Silicon Valley's wave of recent apartment construction has created an inventory of diversified housing options throughout the bay's southern cities. This has put a premium on having the right apartment option in the right location, and led us to the creation of The Synergy Collection.



THE SYNERGY COLLECTION

To better serve its customers, Synergy recently launched The Synergy Collection, a portfolio of housing options broken into three distinct tiers based on varying levels of service and offerings. Each of the three groupings – Elements, Elevate and Experience – combine an impressive apartment home with a dedicated guest support team, but are differentiated by varying levels of high-end amenities and services. This is especially important in a market where the in-demand neighborhoods are based on the location of Silicon Valley’s major tech offices. This has forced many organizations looking at corporate housing in Silicon Valley to choose accommodations based on price or location – but never both.



“A lot of times you either get a low rate, but it’s in a less than ideal location,” Morrow said. “Other times you get a great location, but you’re paying for it. It’s not until the guest is actually living onsite that they, and their employer, realize that the 20 miles between apartment and office is actually a 90-minute drive.”

The Synergy Collections puts more control in the hands of its customers by giving them more options in more locations. In designating all of its housing solutions into one of the three groupings, Synergy now has the ability to keep a diversified portfolio of apartments within the same neighborhood.

“One type of apartment might not be ideal for all types of residents,” Stauffer said. “An executive is going to have different needs and expectations than an intern. The Synergy Collection gives us the ability to provide different housing solutions in the same in-demand residential areas.”

ABOUT THE SYNERGY TEAM



Paul Morrow has been a corporate housing professional in the Bay Area since 2008, helping businesses of all sizes find furnished housing solutions for several Silicon Valley-based organizations. He works collaboratively with his clients and internal team to build custom-tailored solutions based on the needs of the individual guest.



Yimun Stauffer has been with Synergy for almost a year, focusing her efforts on Silicon Valley and its surrounding cities. Prior to joining Synergy, she spent more than 15 years in the hotel industry, selling and managing corporate accounts for several leading hotel brands.

More than just a furnished apartment, Synergy Global Housing provides the ultimate corporate housing experience by combining the comforts of “home” with exceptional customer support. Through listening to the needs of the individual guest, Synergy builds custom-tailored housing programs and supports each reservation with an experienced, dedicated team of customer service professionals. With Global Solution Centre offices in the United States, Ireland, India and Singapore, Synergy has the global scalability to service any housing need, anywhere in the world.

To learn more about **The Synergy Collection** and our **fully furnished housing options in Silicon Valley**, please contact **Paul Morrow** or **Yimun Stauffer** at **(925) 807-1155**.

SAMPLE SEATTLE PROPERTIES FROM THE SYNERGY COLLECTION

