



MULTIFAMILY REPORT

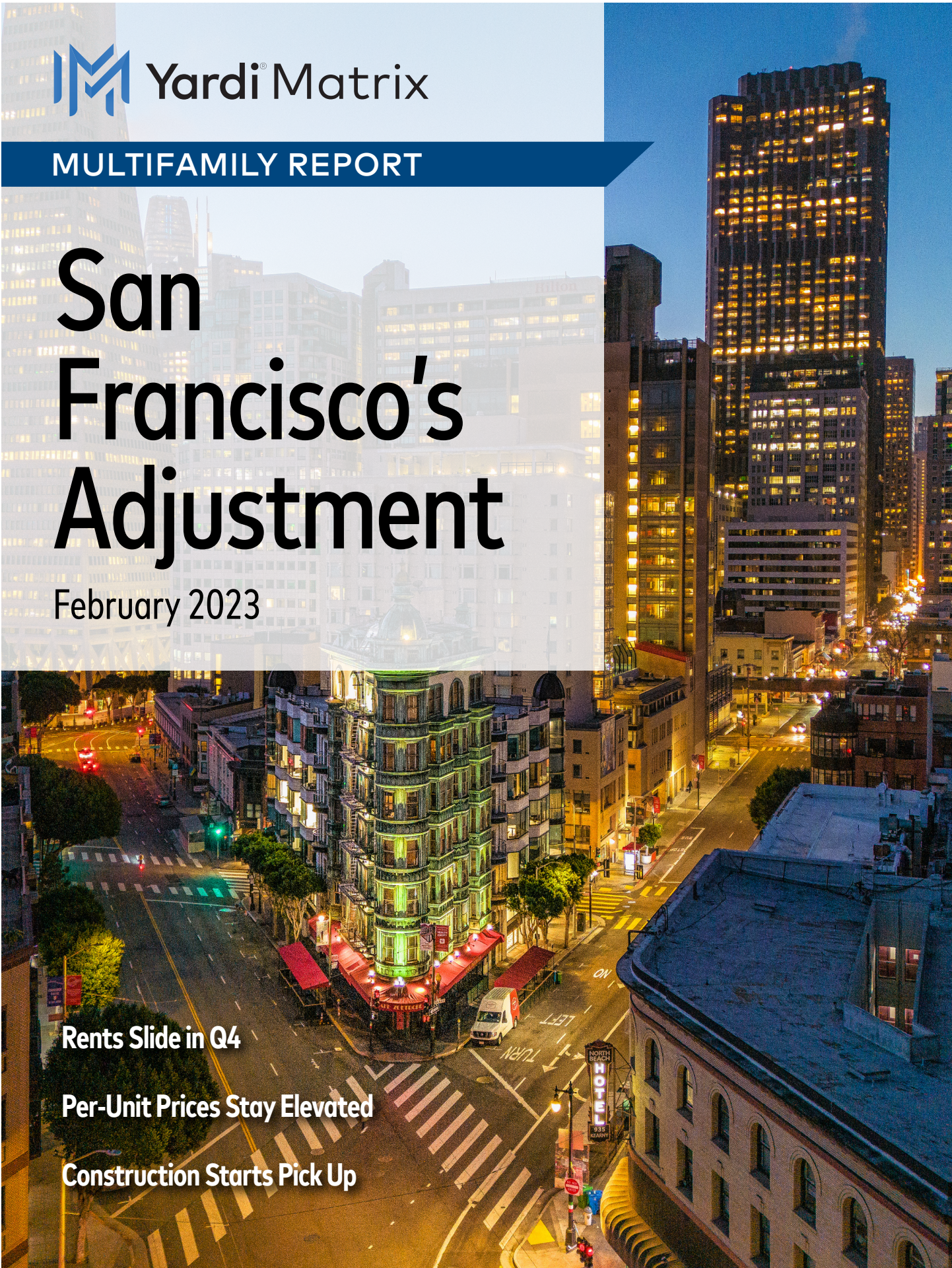
San Francisco's Adjustment

February 2023

Rents Slide in Q4

Per-Unit Prices Stay Elevated

Construction Starts Pick Up



SAN FRANCISCO MULTIFAMILY



Rate Drop-Off Overshadows Solid Fundamentals

San Francisco's multifamily market posted a steady recovery for most of 2022, slowly moderating during the second half of the year. Rents decreased 0.4% on a trailing three-month basis through December, to \$2,787. Year-over-year, rates were up 3.8%, 240 basis points lower than the U.S. figure. The metro is one of the few in the nation where occupancy rose, up 20 basis points year-over-year, to 95.4% as of November.

San Francisco unemployment stood at 2.8% in November, according to preliminary data from the Bureau of Labor Statistics, leading the state (4.1%), the U.S. (3.6%) and all major California metros except San Jose (2.4%). The job market expanded 4.9% in the 12 months ending in October, outperforming the 4.1% U.S. figure, but the metro still has a long way to go to recover the residents and jobs lost during the pandemic. In addition to the projected recession, the local economy has to overcome a pullback in venture capital investments and staff reductions and hiring freezes in the tech sector.

Developers delivered 6,860 units in 2022, below the 7,300 annual average of the past five years. The construction pipeline had 19,500 units underway, posting an increase in the number of construction starts. Meanwhile, multifamily investment volume surpassed \$2.2 billion in 2022, mainly during the first half of the year. The average price per unit stayed high, at \$410,446.

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Recent San Francisco Transactions

Crystal Springs Terrace



City: San Bruno, Calif.
Buyer: Prometheus Real Estate Group
Purchase Price: \$188 MM
Price per Unit: \$429,062

The Arroyo Residences



City: Walnut Creek, Calif.
Buyer: Rockwood Capital
Purchase Price: \$66 MM
Price per Unit: \$660,000

One55 Lofts



City: San Rafael, Calif.
Buyer: Sack Properties
Purchase Price: \$59 MM
Price per Unit: \$465,079

ReNew on Merritt



City: Oakland, Calif.
Buyer: FPA Multifamily
Purchase Price: \$56 MM
Price per Unit: \$311,798