



The San Francisco Apartment Building Market

July 2022 Multi-Family Market Report for Residential 5+ Unit Buildings

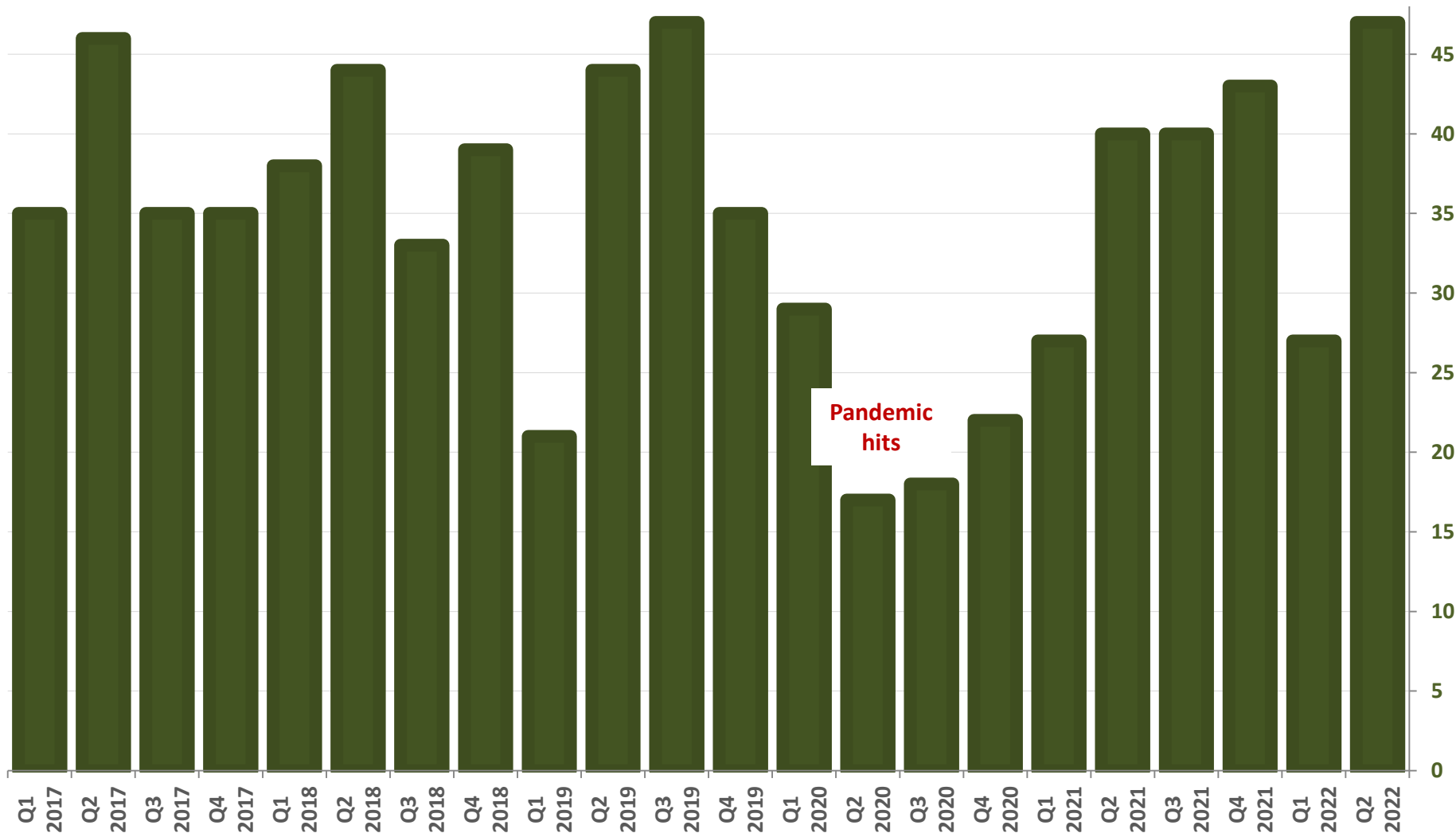
The economic headwinds impacting real estate and financial markets continued to grow in the second quarter of the year, but the sales volume of 5+ unit apartment buildings hit its highest quarterly number since 2019. Rent rates remain well down from before the pandemic hitting, and standard measures of value have generally softened incrementally over that period.

5+ unit residential income buildings. Sales reported to SF and NorCal MLS. This market consists of a relatively small number of sales, of buildings of widely varying sizes, qualities and financial characteristics, across a broad range of locations: This makes meaningful statistical analysis more difficult. Data from sources deemed reliable, but may contain errors and subject to revision. Q2 2022 numbers are estimates using data available in early July 2022: Late reported sales may alter these numbers. All numbers approximate. How these analyses apply to any particular property is unknown without a specific comparative market analysis.

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San Francisco Apartment Building Market – 5+ Units

Listings Closing Sale in Quarter since 2017



Sales reported to NorCal Regional MLS. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers approximate, and may change with late-reported sales. Not all sales are reported to MLS.

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5+ Unit Multi-Family Building Markets

12 Months Sales by San Francisco Realtor District

Sales reported to MLS through 6/30/22. How these analyses apply to any particular property is unknown without a specific comparative market analysis.

San Francisco Realtor District	Median Sales Price	Median \$/Sq.Ft.	Median # of Units	Median Size (Sq.Ft.)	Median GRM/ Cap Rate*	Median Year Built
Pacific & Presidio Heights, Cow Hollow & Marina (D7)	\$3,887,500	\$649/sq.ft.	8 units	6500 sq.ft.	16/ 4.2	1924
NoPa, Alamo Square, Hayes Valley, Lwr Pacific Heights (D6)	\$2,875,000	\$549/sq.ft.	6 units	6495 sq.ft.	14.3/ 5.2	1908
Lake Street, Richmond District, Jordan Park (D1)	\$3,205,000	\$538/sq.ft.	6 units	5712 sq.ft.	15.5/ 4.2	1926
Noe, Eureka & Cole Valleys; Ashbury & Corona Hgts (D5)	\$2,737,500	\$569/sq.ft.	6 units	5773 sq.ft.	14.7/ 5	1908
Russian, Nob & Telegraph Hills; North Beach (D8, North)	\$3,250,000	\$571/sq.ft.	7 units	6613 sq.ft.	14.8/ 4.6	1910
Sunset, Parkside (District 2)	\$2,637,500	\$516/sq.ft.	8 units	4970 sq.ft.	15/ 5.5	1929
Mission, Bernal Heights (D9)	\$3,345,000	\$413/sq.ft.	7 units	6220 sq.ft.	14.1/ 4.9	1907
Downtown, Tenderloin	\$5,825,000	\$353/sq.ft.	32 units	18,225 sq.ft.	10.8/ 7	1923

* GRM = Gross Rent Multiple. Median price is that price at which half the sales occurred for more and half for less. Dollar per square foot is based upon the building's interior living space and does not include garages, storage, unfinished attics and basements; or rooms built without permit. Cap rate measures the % return on investment – income less expenses – if the property was purchased all cash. These statistics are gross generalities for sales with wide disparities in size, quality, rent control factors, and values. Realtor districts contain neighborhoods of varying values.

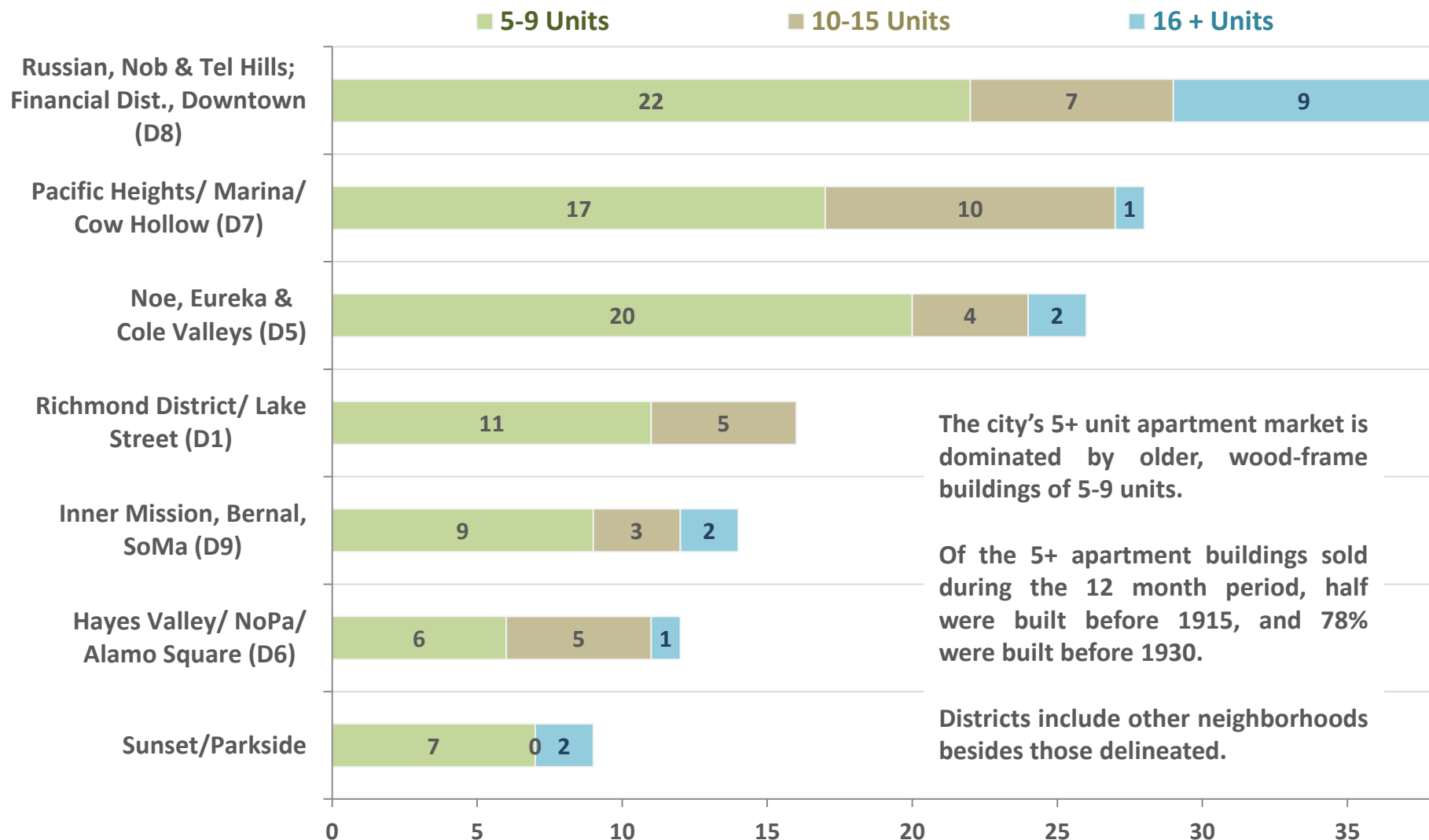
This analysis was performed in good faith with data derived from sources deemed reliable, but may contain errors and subject to revision. Data from MLS sales. Adjusted for outlier sales, when identified. All numbers approximate.

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Multi-Unit Residential Property Sales, 5+ Units

12 Months Sales by San Francisco Realtor District

Sales reported to MLS through 6/30/22



The city's 5+ unit apartment market is dominated by older, wood-frame buildings of 5-9 units.

Of the 5+ apartment buildings sold during the 12 month period, half were built before 1915, and 78% were built before 1930.

Districts include other neighborhoods besides those delineated.

12 months sales reported to NorCal MLS Alliance through 6/30/22. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers are approximate, and late reported sales may change numbers. Not all sales are reported to MLS. Other city districts had less than 2 sales in the period.

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San Francisco 5+ Unit Apartment Building Sales

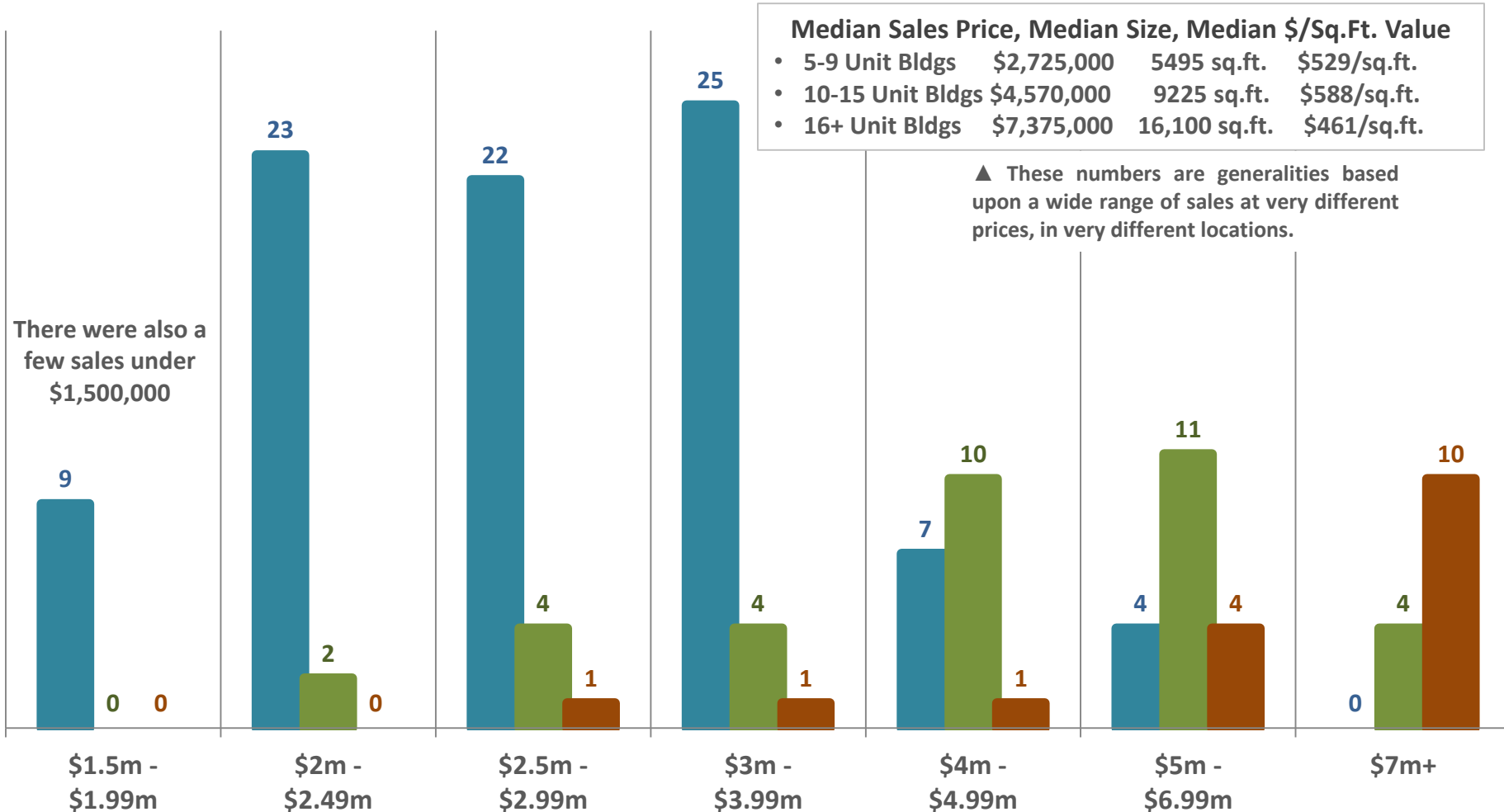
12 Months Sales by Price Segment

Sales reported to MLS through 6/30/22. How these analyses apply to any particular property is unknown without a specific comparative market analysis.

■ 5-9 Unit Buildings

■ 10-15 Unit Buildings

■ 16+ Unit Buildings

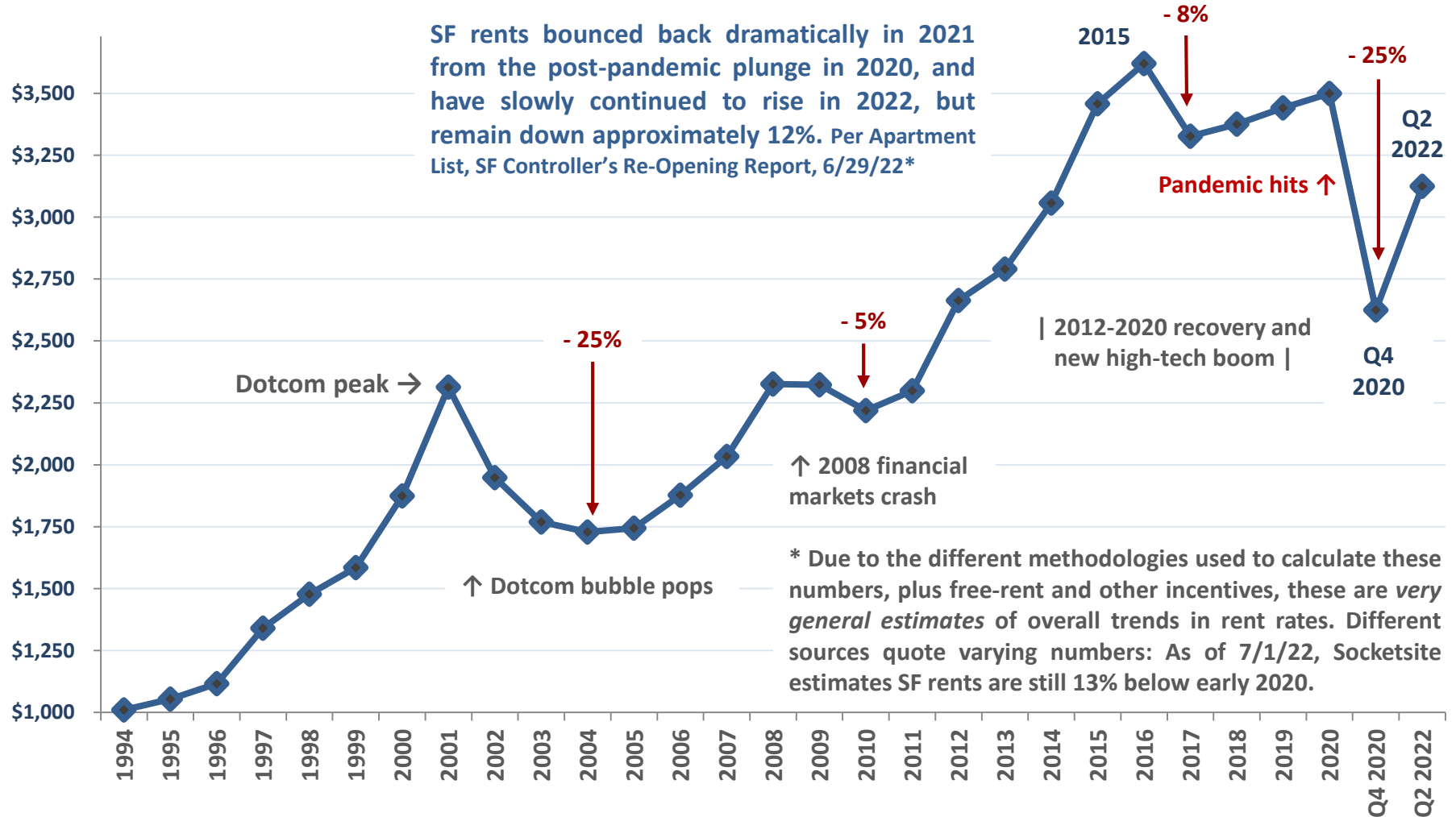


12 months sales reported to NorCal MLS Alliance through 6/30/22. Data from sources deemed reliable, but subject to error and revision. All numbers approximate, and may change with late-reported sales. Not all sales are reported to MLS.

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San Francisco Residential Rents – Approximate, Good Faith Estimates*

Average Asking Rent, 1994 – Present, Q1 Data Points (except as noted)



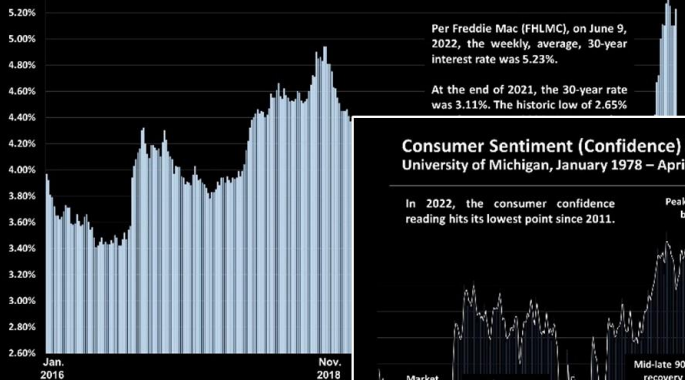
1st quarter data points except, as noted for Q4 2020 and Q2 2022. Numbers are estimated using data from a number of rental data sources. Data from sources deemed reliable but may contain errors and subject to revision. All numbers are good-faith estimates and very approximate.

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Mortgage Interest Rate Trends, 2016 – Present

30-Year Conforming Fixed-Rate Loans, Weekly Average Readings

Rates published by the FHLMC



Interest rates may fluctuate suddenly and dramatically, and changes. Data from sources deemed reliable but not guaranteed. Home loans should consult with a qualified mortgage professional.

Consumer Sentiment (Confidence) Index

University of Michigan, January 1978 – April 2022

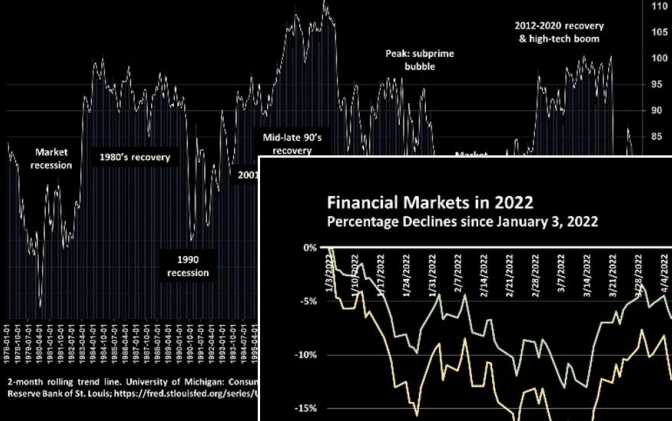
As published by the Federal Reserve Bank of St. Louis

In 2022, the consumer confidence reading hits its lowest point since 2011.

Peak: dotcom bubble

Peak: subprime bubble

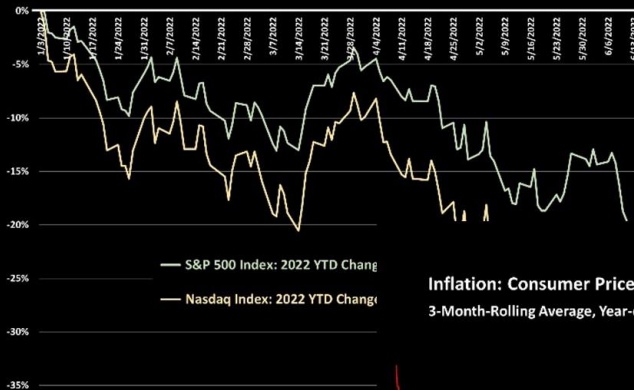
2012-2020 recovery & high-tech boom



[Click Here for Review of Selected Macroeconomic Trends](#)

Financial Markets in 2022

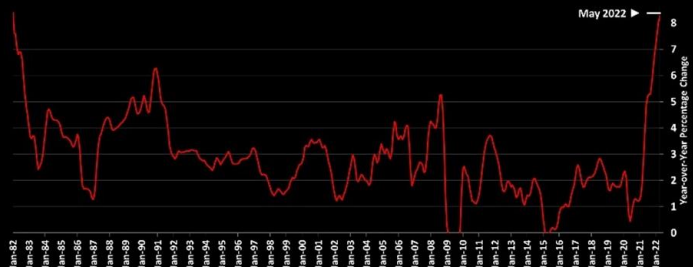
Percentage Declines since January 3, 2022



Last reading as of 6/13/22 AM. Data per MarketWatch.com, daily closing price reading. Data from source deemed reliable, but may contain errors and subject to revision. Financial markets change constantly and all numbers should be considered as approximate.

Inflation: Consumer Price Index, 1982 – 2022*

3-Month-Rolling Average, Year-over-Year % Change



*3-month rolling average of Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCSL), retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CPIAUCSL>, June 2022. Data from U.S. Bureau of Labor Statistics. All items (CPIAUCSL) is a price index of a basket of goods and services paid by urban consumers. This particular index includes roughly 88 percent of the total population. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers approximate.

Factors in Bay Area Real Estate Markets

Many of these factors' effects can swing both positive and negative; sometimes effects are deeply counter-intuitive (e.g., a pandemic causing a fierce housing boom). Economic, political, social and ecological dynamics constantly change and interact in difficult-to-predict ways. Market-changing developments can percolate gradually, or arise quickly and unexpectedly. The impact of specific factors can vary by market segment.

Local economic conditions: High-tech booms, employment, housing affordability & development, venture capital & foreign investment, pro/anti-business sentiment, etc.

Interest rates	Stock markets	Inflation	Consumer confidence
Household wealth; personal, corporate, govt. debt levels	Massive, governmental economic interventions (including by the Fed); post 9/11/2001, post 9/2008, post 3/2020		

Natural disasters such as COVID, 1989 earthquake, 2017-21 fires, drought

Domestic & foreign migration; federal immigration policy; demographic changes

Tax law e.g. real estate tax benefits & credits, 2017 SALT-deduction limitation	Rental market dynamics	State income tax disparities

International economic/political events, e.g. large oil price swings, military/economic conflict, foreign economic crises, 9/11, 2015 Chinese stock market crash

Local, state & national politics	Social and quality of life issues: Crime, homelessness, cost of living, economic inequality, partisan politics, etc.

Financial industry manipulation, fraud, engineering, recklessness, e.g. junk bonds, S&L collapse, predatory lending, abandonment of risk mgmt. & underwriting standards, CDOs & rating-agency deceit, insider trading, over-leveraged investing; irrational exuberance

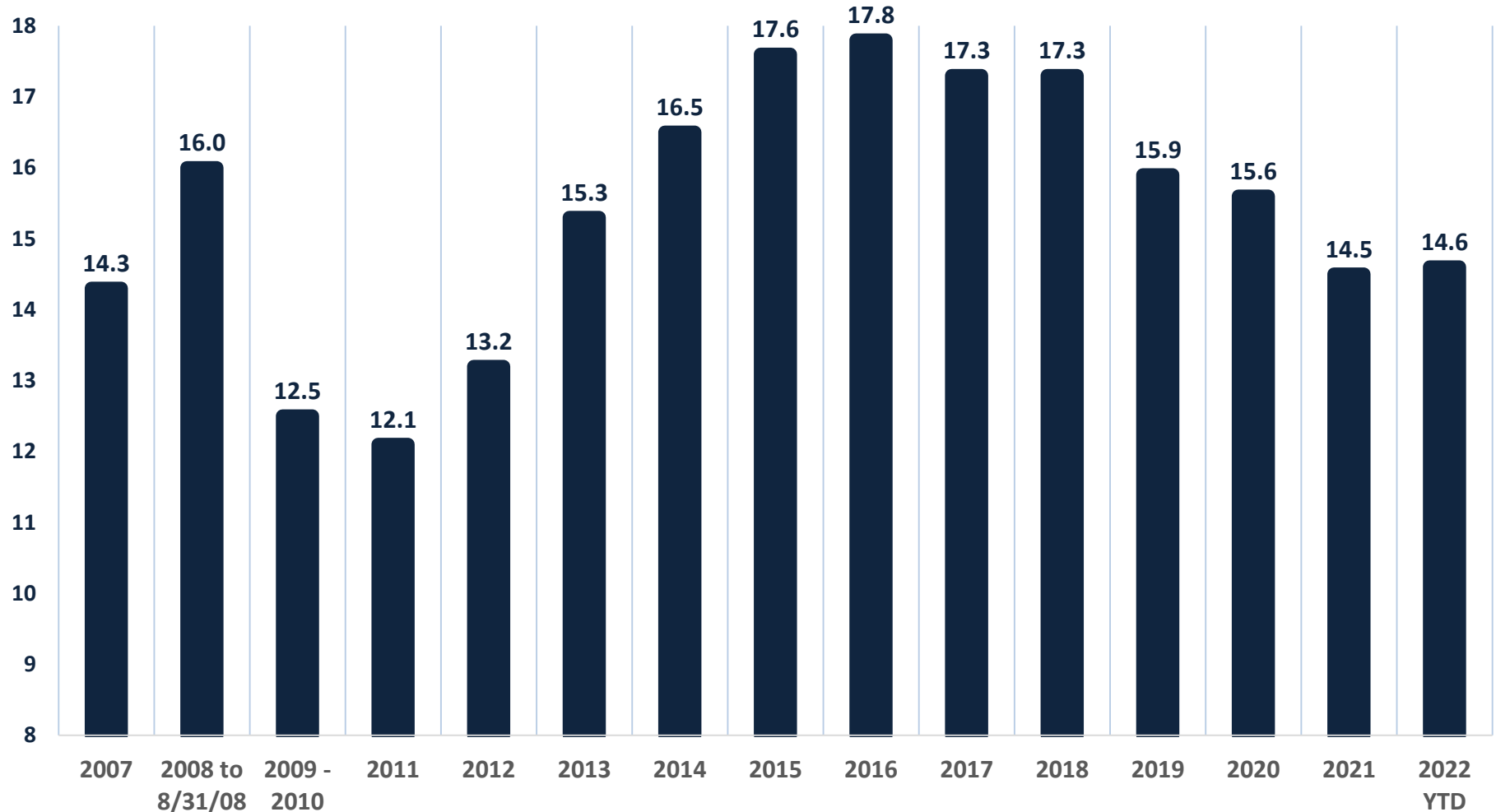
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Average Gross Rent Multiples

San Francisco 5+ Unit Apartment Building Sales

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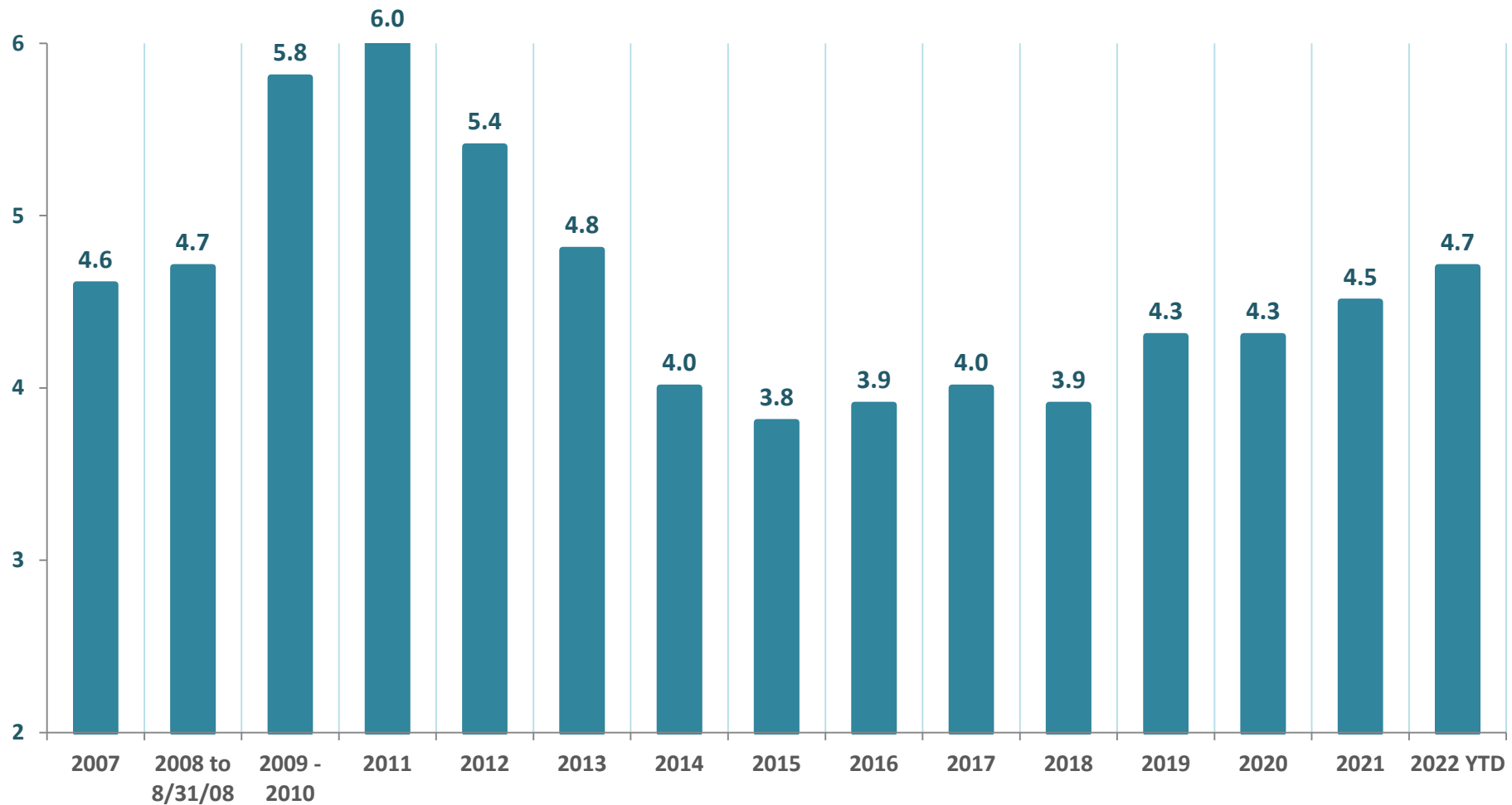
GRM is calculated by dividing the sales price by the annual gross rents. It is a very general statistic and all numbers should be considered approximate. This data is from sources deemed reliable, but may contain errors and subject to revision. Outlier sales that would distort the statistic were deleted from the analysis when identified. Based on data provided by listing agents, which can vary in reliability.

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Average Cap Rates

San Francisco 5+ Unit Apartment Building Sales

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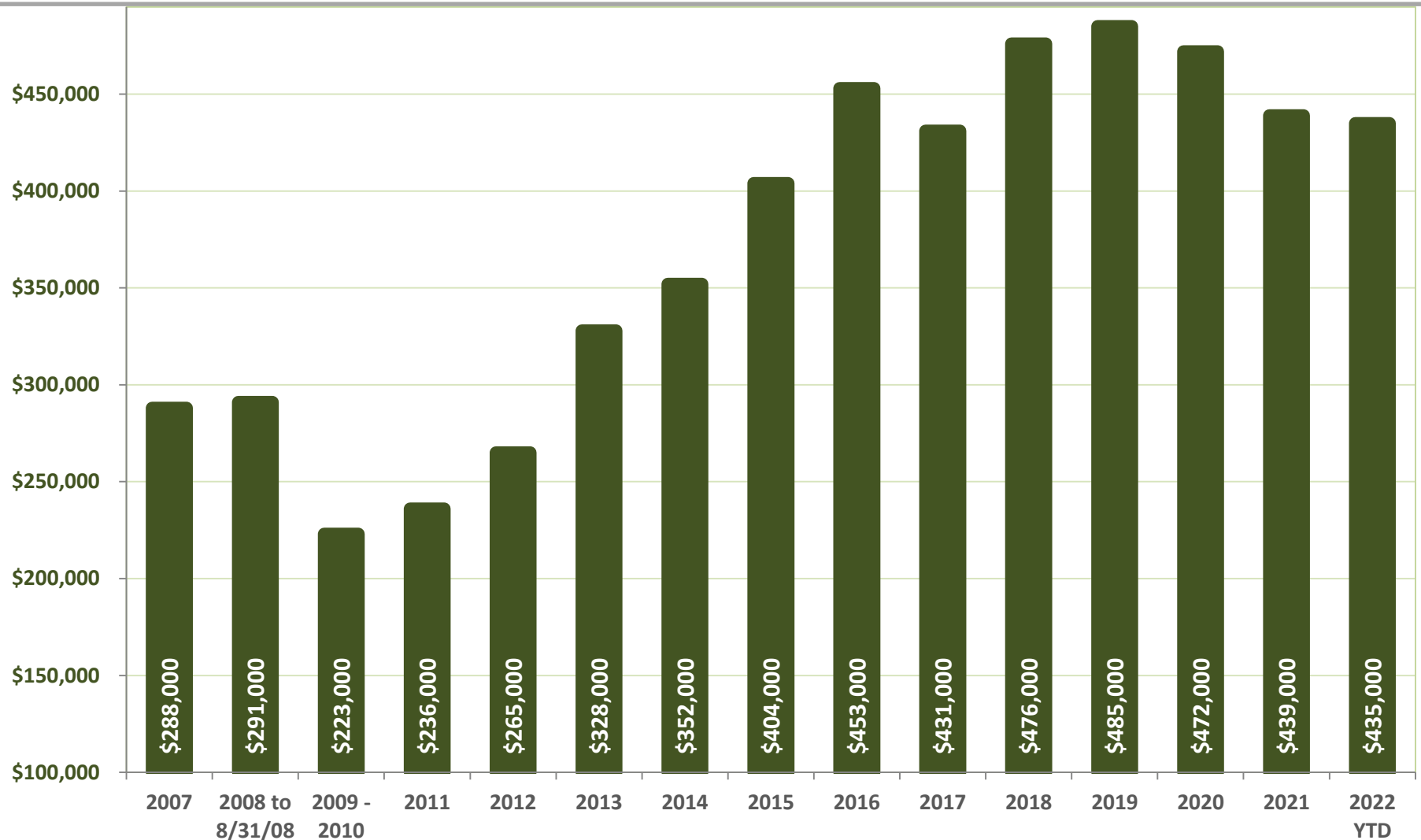


Capitalization rate calculations – sales price divided by net income (excluding mortgage costs), or return on investment as if the property had been purchased all cash – are only as good as the income and expense data provided by listing agents, and should be considered general approximations. Data from sources deemed reliable, but may contain errors and is subject to revision. Outlier sales that would distort the statistic were deleted from analysis when identified.

Average Price per Unit

San Francisco 5+ Unit Apartment Building Sales

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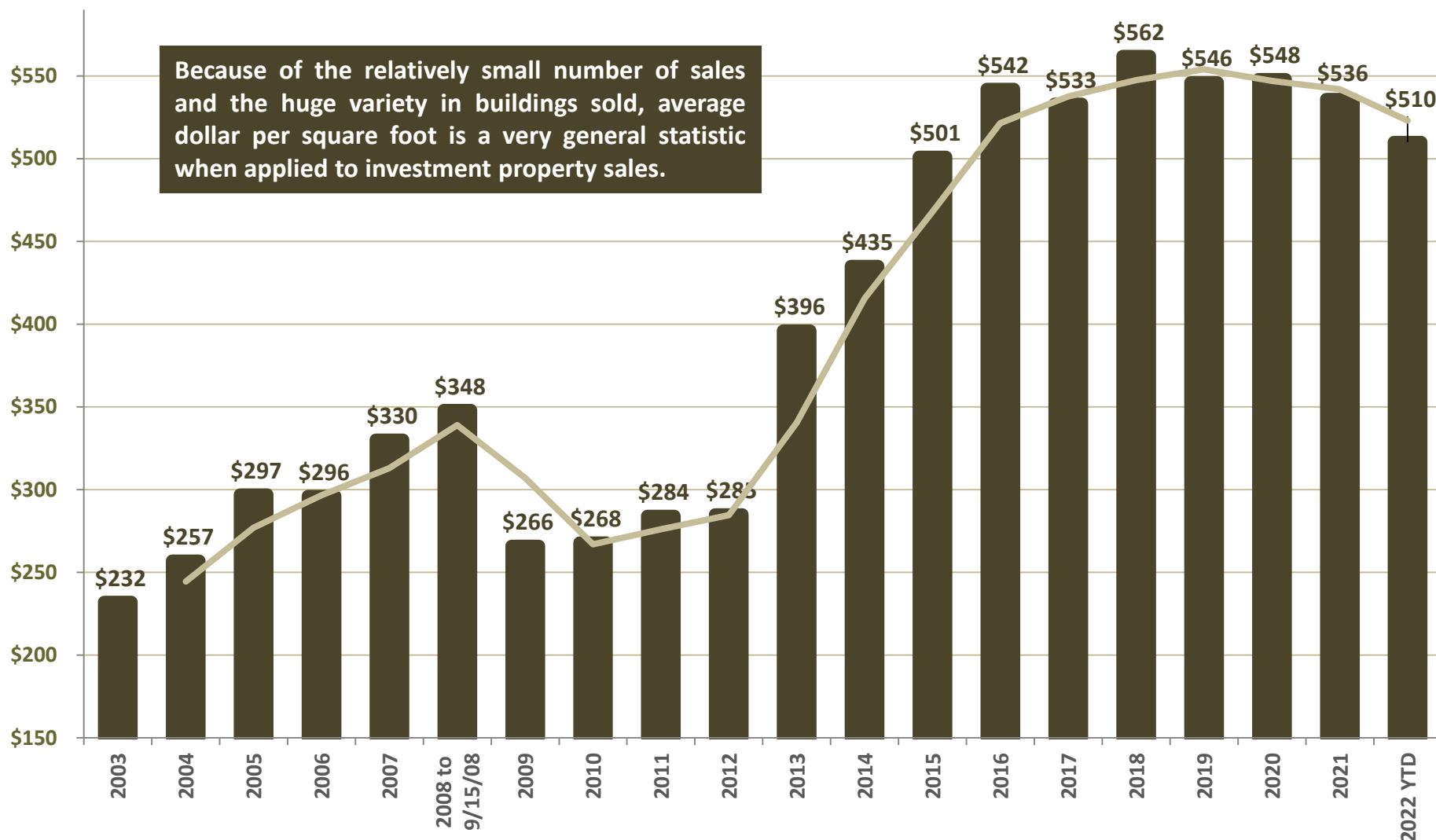
Because of the huge variety in buildings sold, this is a very general statistic when applied to SF investment property sales. This data is from sources deemed reliable, but may contain errors and subject to revision. Outlier sales deleted when identified. All numbers should be considered very approximate.

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San Francisco 5+ Unit Apartment Building Sales

Average Dollar per Square Foot Values

Sales reported to MLS through 6/30/22. How this analysis applies to any particular property is unknown without a specific comparative market analysis.



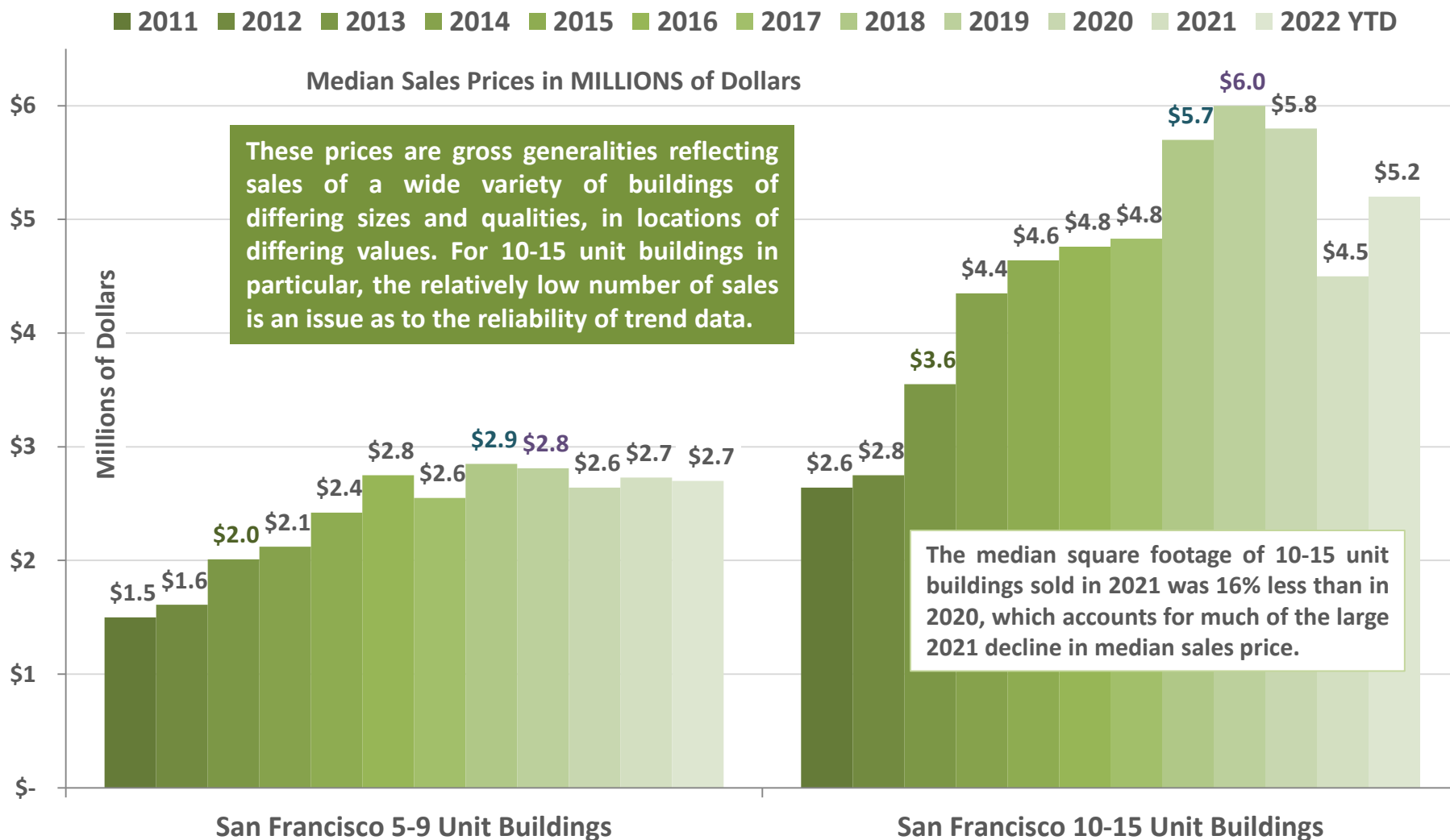
Sales reported to NorCal MLS Alliance by 6/30/22. Data is from sources deemed reliable, but may contain errors and subject to revision. All numbers are approximate. Outliers deleted when identified.

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Median Sales Price Trends since 2011

San Francisco 5-15 Unit Residential Apartment Buildings

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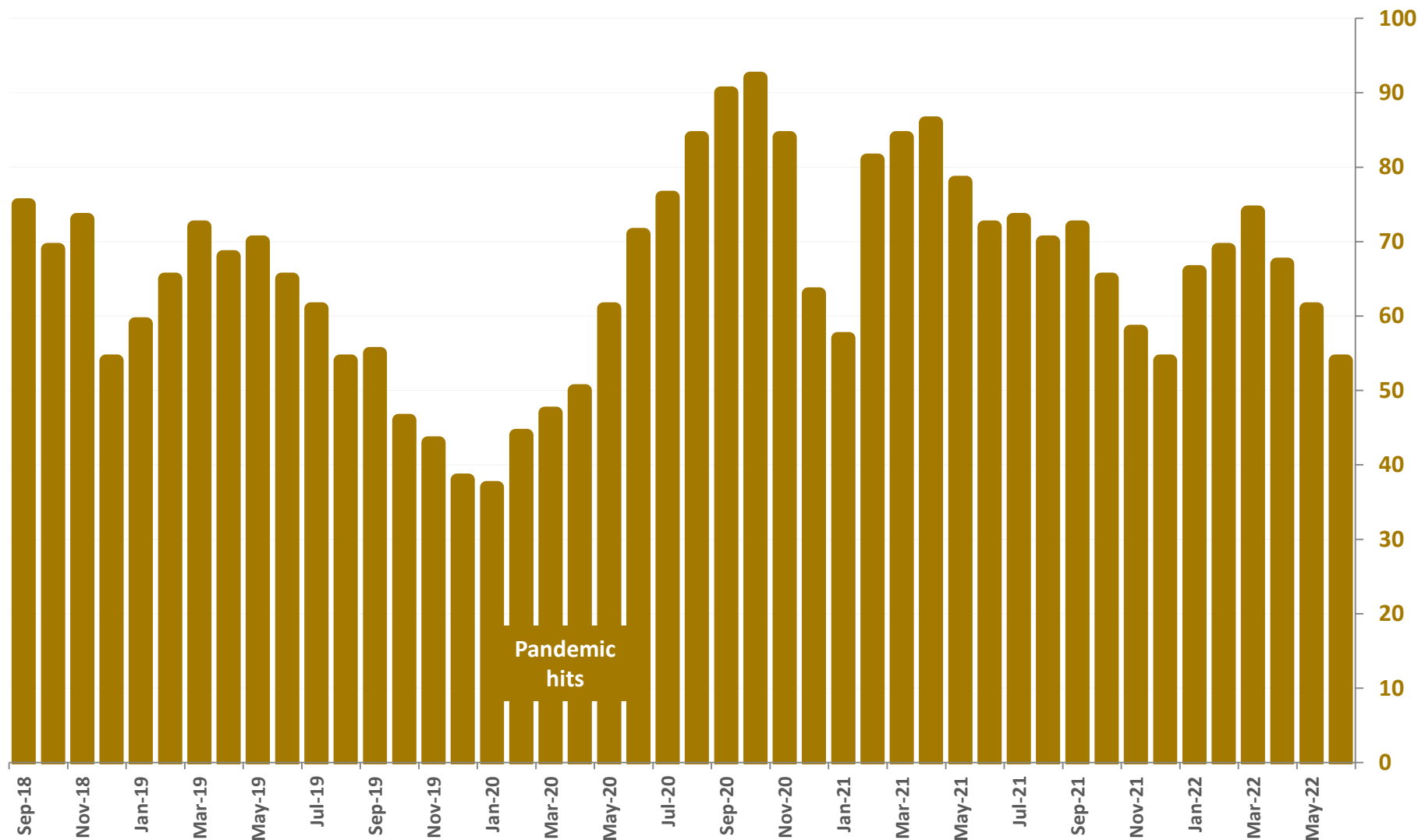
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San Francisco Apartment Building Market – 5+ Units

Active Listings Listed for Sale at End of Month

5+ unit buildings, SFMLS listing activity, per Broker Metrics



Data from sources deemed reliable, but may contain errors and subject to revision. Based upon MLS activity: **Not all for-sale properties are posted to MLS.** All numbers approximate and subject to revision.

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New "Housing Inventory" Requirement for San Francisco Buildings with 10+ Residential Units

Effective date: July 1, 2022

Owners of buildings with 10+ units are now required to report certain information about their building to the SF Rent Board, including the name and business contact information of the owner/manager, the square footage and number of bedrooms/bathrooms of each unit in the building, and whether each unit is vacant or occupied.

Property owners have to report the required "Housing Inventory" information to the SF Rent Board before imposing any annual or banked rent increases upon tenants.

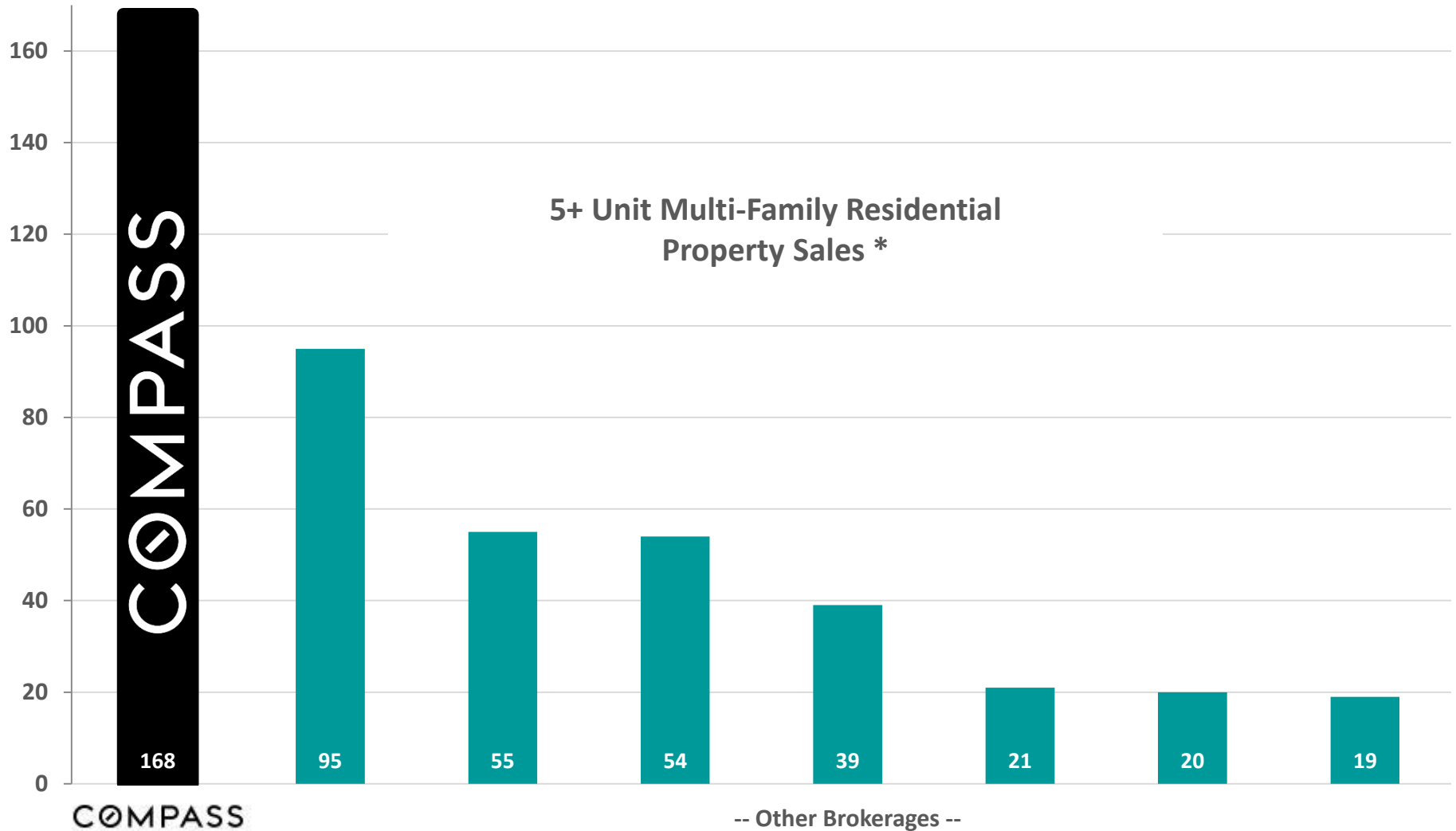
No penalties are assessed for late reporting after the July 1, 2022 deadline, however, the landlord will not receive a rent increase license and will not be eligible to impose annual allowable and/or banked rent increases on a tenant until reporting is completed for that unit.

If you have questions about the Housing Inventory and its requirements, you can read the SF Rent Board's FAQ here: <https://sfrb.org/HousingInventory-FAQ>

Owners of condominiums and buildings with fewer than 10 units will need to register by March 1st, 2023.

San Francisco Apartment Building Sales

By Broker, 5+ Unit Residential Sales, 2020-2022 YTD*



* Transaction-side sales, 5+ unit "residential income" buildings, 1/1/20 – sales reported by 6/30/22, per Broker Metrics. Sales reported to SFARMLS: Not all sales are reported.

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Note that the quantity of sales in any given local submarket is usually relatively small and/or the number of sales that report the necessary financial information can be limited. Buildings of different ages, qualities and sizes selling in different periods can cause these average and median figures to fluctuate significantly. Furthermore, the reliability of some of these calculations depends upon the quality of the income and expense figures provided by the listing agents, and sometimes instead of actual numbers, much less meaningful projected or scheduled figures are used. Late reported listings and sales may change these statistics. Therefore, the above statistics should be considered very general indicators, and how they apply to any particular property without a specific comparative market analysis is unknown.

These analyses were made in good faith with data from sources deemed reliable, but they may contain errors and are subject to revision. Statistics are generalities and all numbers should be considered approximate.

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