



# **The San Francisco Apartment Building Market**

## **April 2023 Multi-Family Market Report for Residential 5+ Unit Buildings**

5+ unit residential income buildings. Listings and sales reported to NorCal MLS Alliance. 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. All numbers should be considered approximate.

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The environment in the San Francisco multi-family market continued to be challenging in Q1 2023 due to both local issues and national factors, with a drop in quarterly sales volume rivaling the plunge seen in the immediate aftermath of the pandemic hitting in early 2020.

Local factors include high-tech layoffs, half-empty office buildings, a continued decline in population in 2021-2022 (though the decline is much reduced from the previous 12-month period), and various social/political issues. Interest rates remain more than twice as high as at the start of 2022. According to Apartment List, average asking rents in San Francisco climbed in the first half of 2022, but dropped back down, erasing the gain, in the second, and have ticked down slightly so far in 2023: Rents remain well below pre-pandemic rates. The recent banking crisis is reportedly making it somewhat more difficult to buy properties as lenders pull back or raise rates.

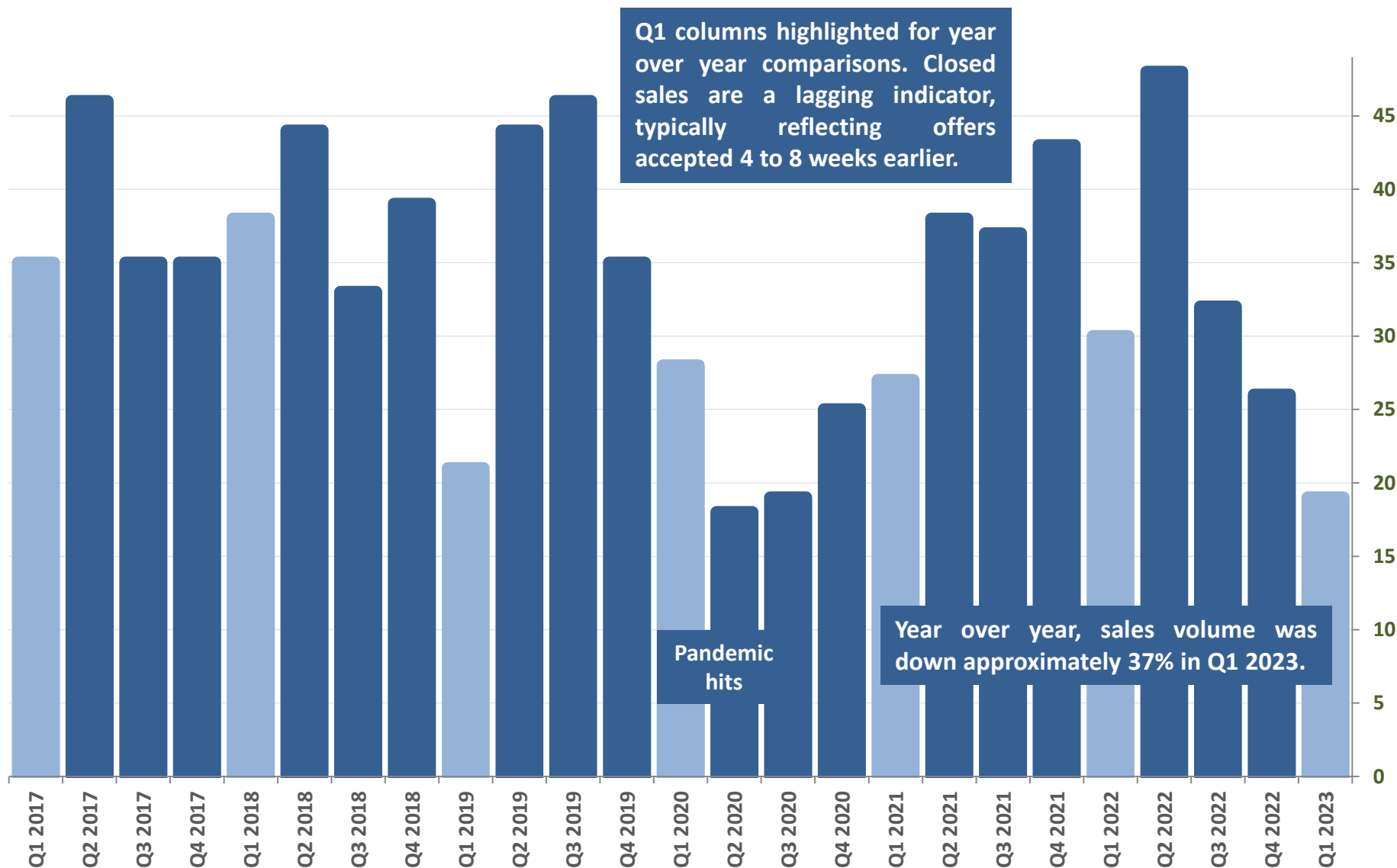
According to the Wall Street Journal, quoting data published by Co-Star, national sales of multi-family buildings in Q1 fell at the fastest rate since 2009. The WSJ also reported that, according to the MSCI Real Assets pricing index, *national* multi-family prices dropped 8.7% in February on a year-over-year basis (with another source estimating a sharper drop). There were not enough sales in San Francisco in Q1 to make reliable median sales price calculations.

As illustrated in this report, the standard measurements of apartment building values in San Francisco – GRM, cap rate, \$/unit, \$/sq.ft. – showed significant declines in Q1. However, considering the low number of sales – of a wide variety of buildings of differing location, size, condition and income generation – these metrics should be considered very preliminary until substantiated over the longer term. *Typically*, sales activity climbs rapidly in Q2, and should give us much more data.

Data reported to regional MLS associations. Q1 2023 numbers are estimates using data available in early April 2023: Late reported sales may alter these numbers. Statistics are generalities, essentially summaries of disparate data generated by unique, individual sales. They are best seen not as precise measurements, but as broad, comparative indicators. Anomalous fluctuations in statistics are not uncommon, especially in smaller market segments with fewer sales. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers approximate. How these figures apply to any particular property is unknown without a specific comparative market analysis.

# San Francisco Apartment Building Market – 5+ Units

Listings Closing Sale in Quarter since 2017

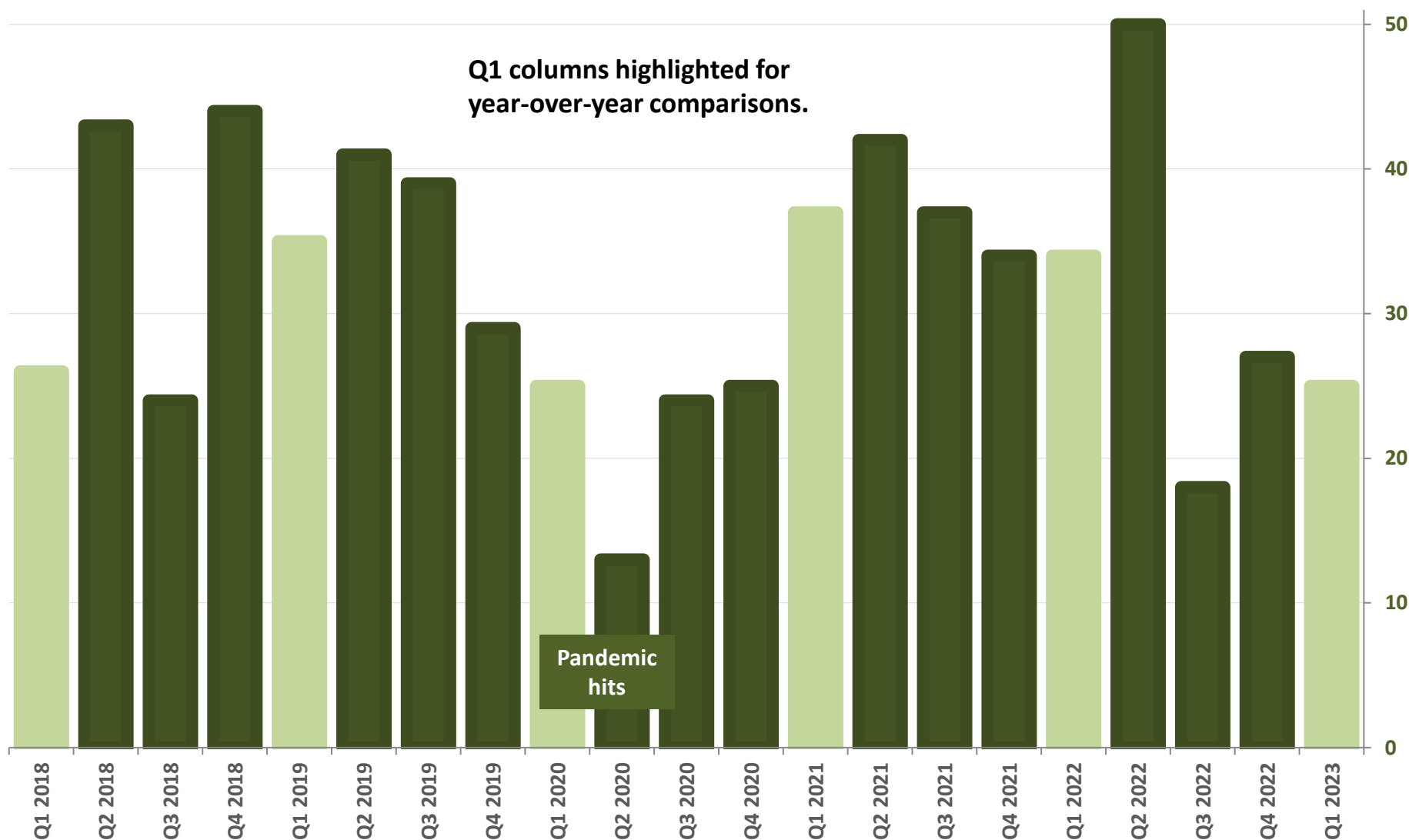


Sales reported to NorCal Regional MLS. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers approximate, and may change with late-reported sales. Not all sales are reported to MLS.

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# San Francisco Apartment Building Market – 5+ Units

Listings Going into Contract in Quarter since 2018



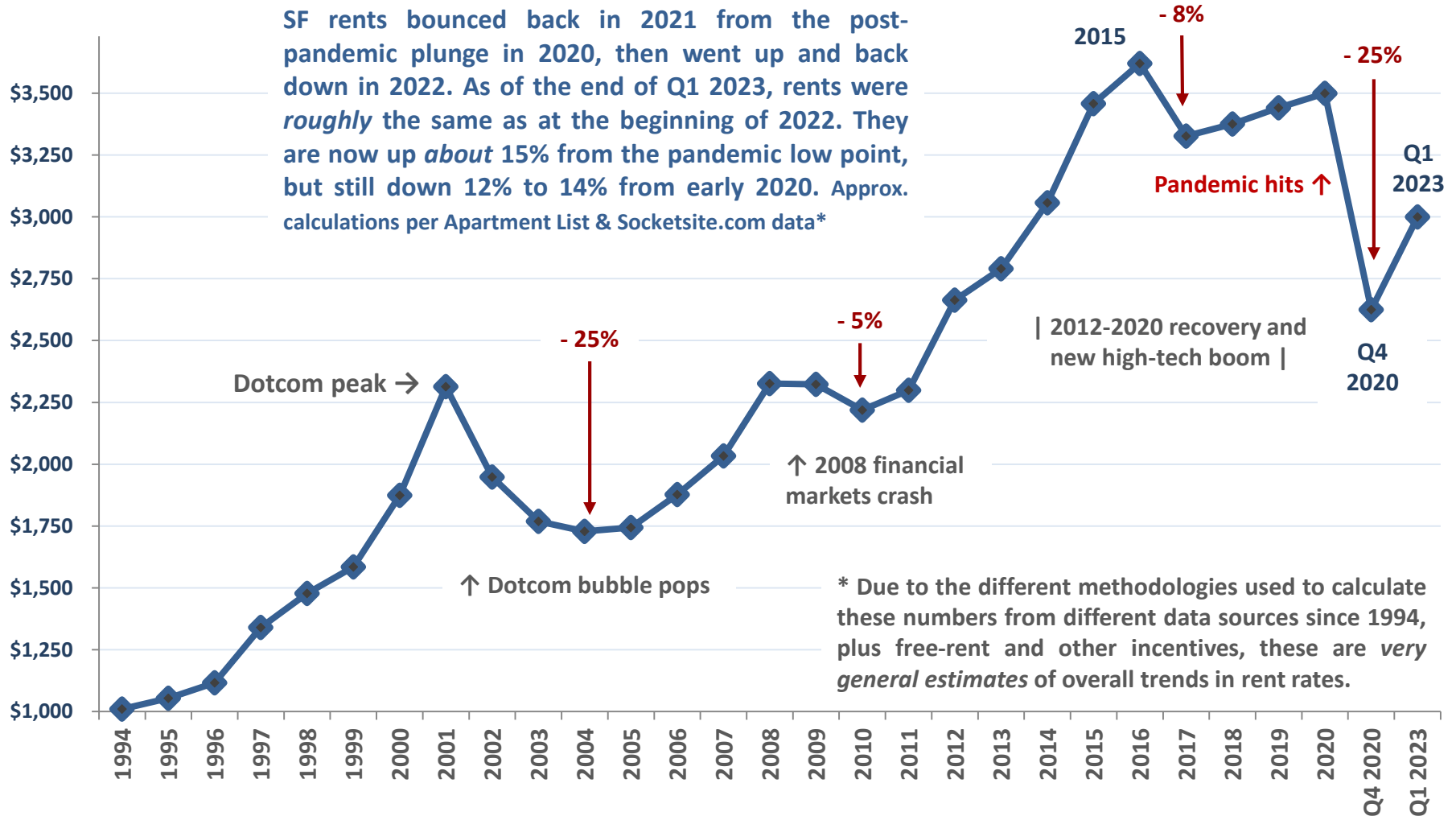
Sales reported to SFARMLS per Broker Metrics. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers approximate, and may change with late-reported sales. Not all sales are reported to MLS.

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# San Francisco Residential Rents – Approximate, Good Faith Estimates\*

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

SF rents bounced back in 2021 from the post-pandemic plunge in 2020, then went up and back down in 2022. As of the end of Q1 2023, rents were *roughly* the same as at the beginning of 2022. They are now up *about* 15% from the pandemic low point, but still down 12% to 14% from early 2020. Approx. calculations per Apartment List & Socketsite.com data\*



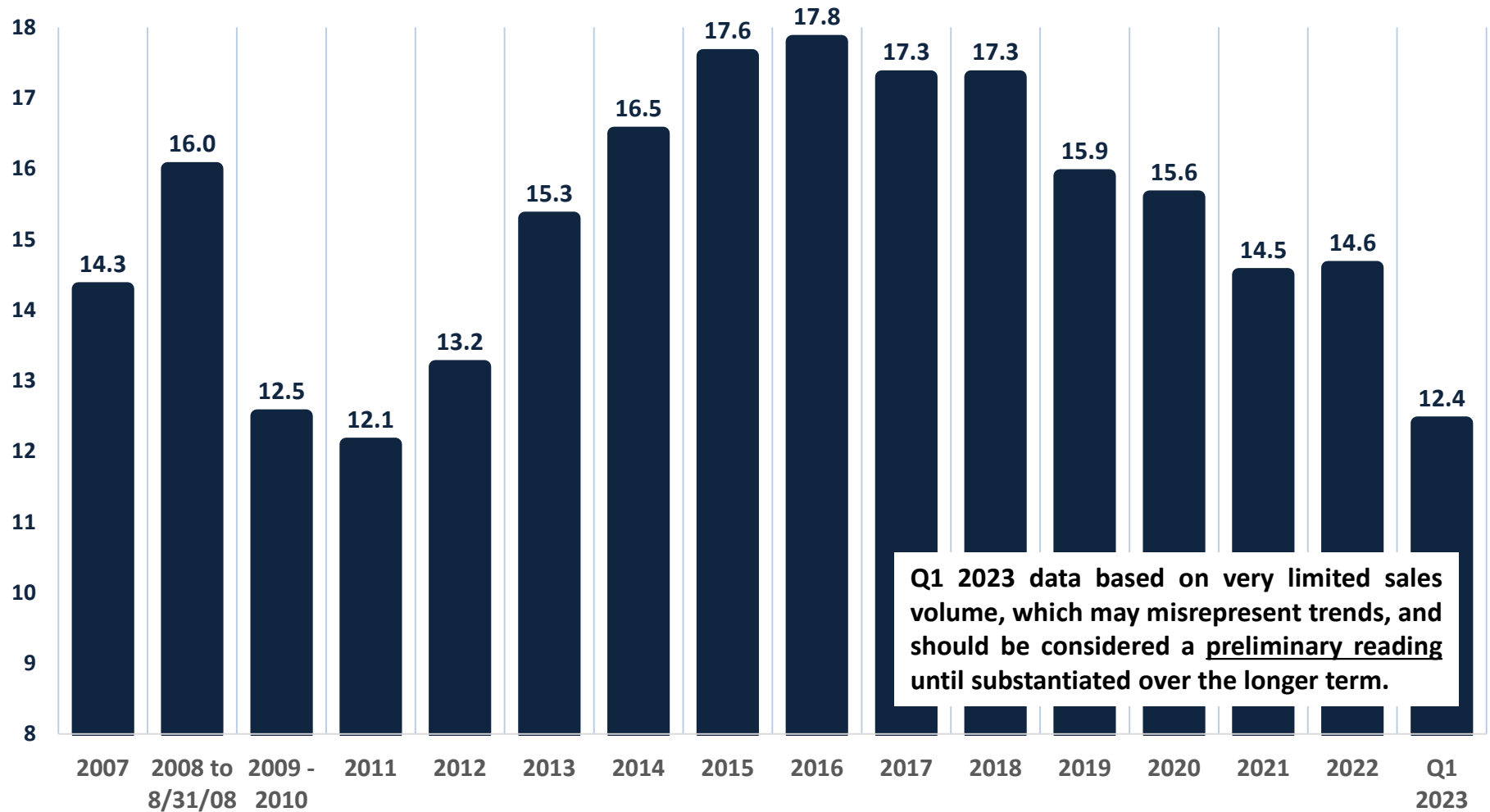
1<sup>st</sup> quarter data points except, as noted for Q4 2020. Numbers are estimated using data from a variety of rental data sources over the past 25+ years. Data from sources deemed reasonably reliable but may contain errors and subject to revision. All numbers are good-faith estimates and very approximate.

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# Average Gross Rent Multiples

## San Francisco 5+ Unit Apartment Building Sales

How this analysis applies to any particular property is unknown without a specific comparative market analysis.



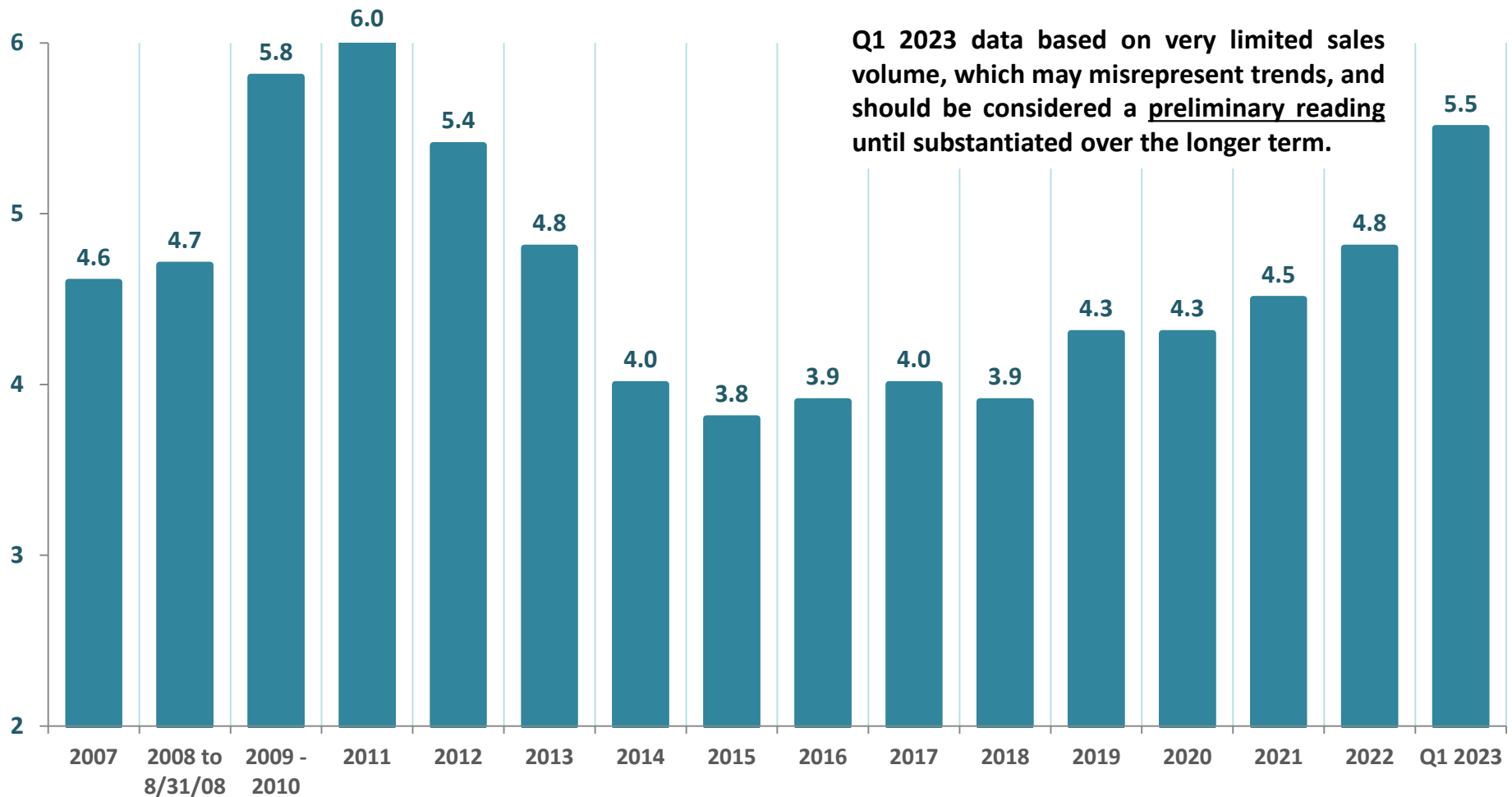
GRM is calculated by dividing the sales price by the annual gross rents. It is a very general statistic and all numbers should be considered very approximate. This data is from sources deemed reliable, but may contain errors and subject to revision. Outlier sales that would distort the statistic were 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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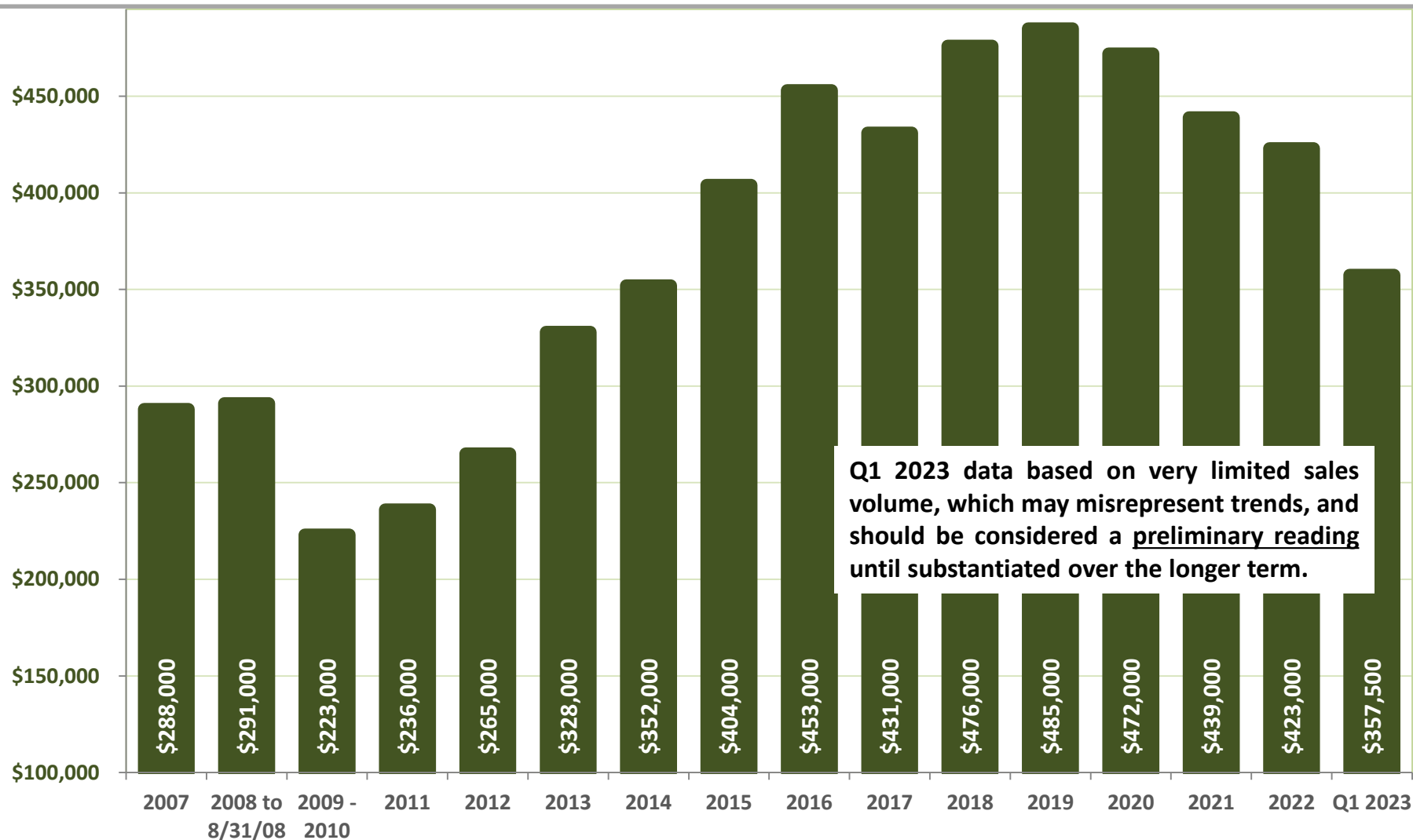


Capitalization rate calculations – sales price divided by net income (excluding mortgage costs), or return on investment as if the property had been purchased all cash – are only as good as the income and expense data provided by listing agents, and should be considered general approximations. Data from 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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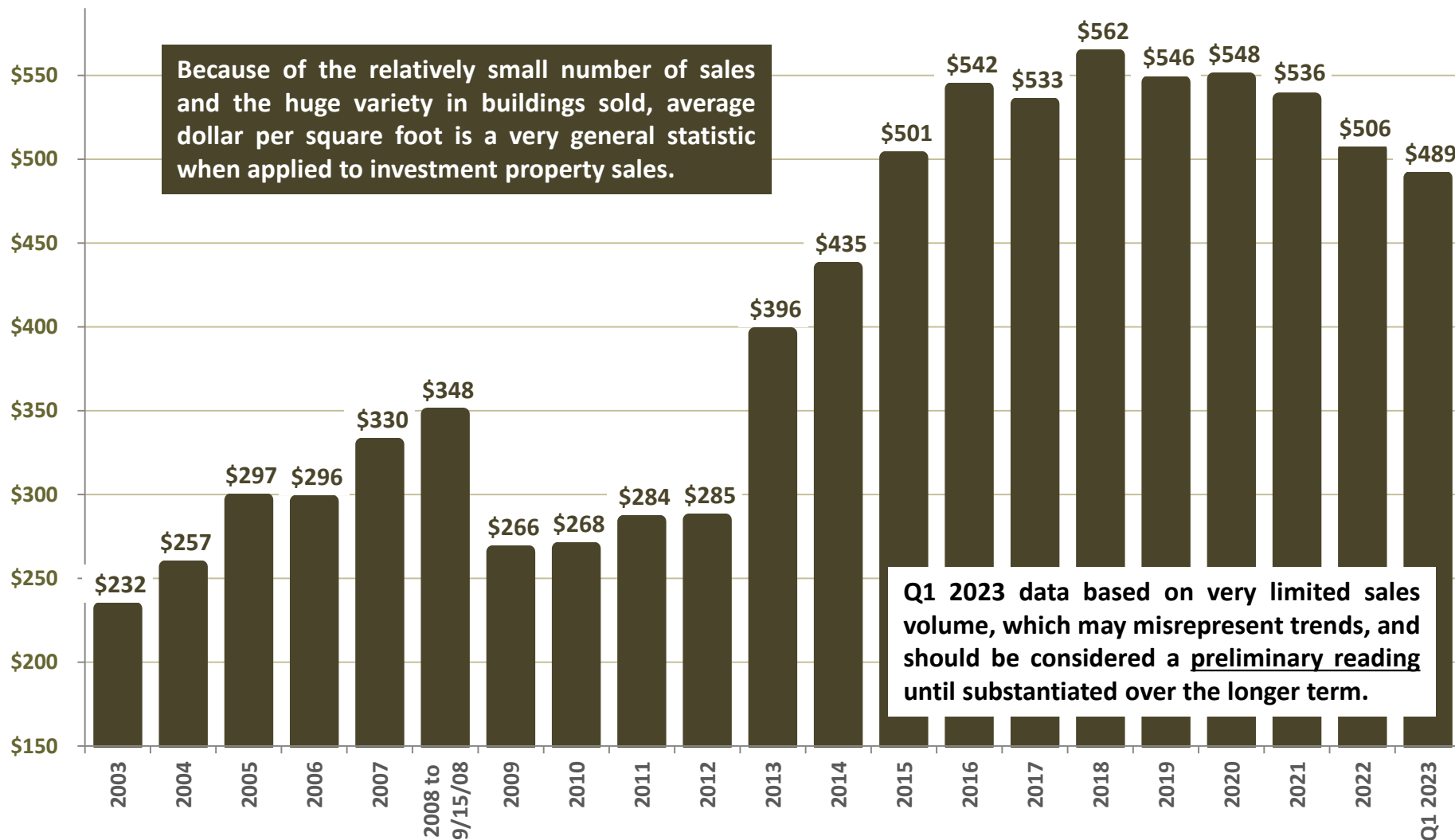
Because of the huge variety in buildings sold, this is a very general statistic when applied to SF investment property sales. This data is from sources deemed reliable, but may contain errors and subject to revision. Outlier sales deleted when identified. All numbers should be considered very approximate.

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# San Francisco 5+ Unit Apartment Building Sales

## Average Dollar per Square Foot Values

How this analysis applies to any particular property is unknown without a specific comparative market analysis.

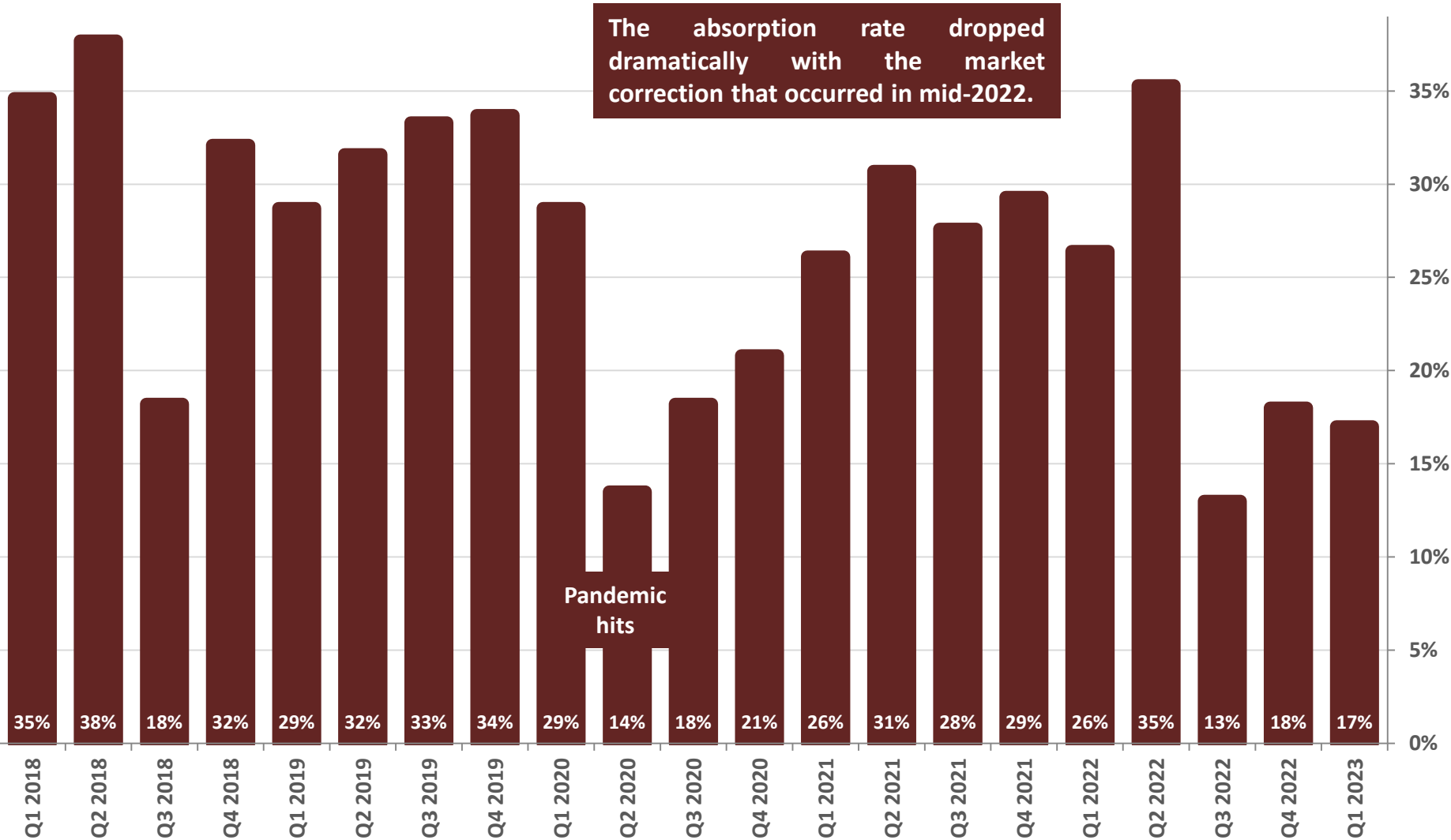


Data is from sources deemed reliable, but may contain errors and subject to revision. All numbers are approximate. Outliers adjusted when identified.

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# Percentage of Listings Accepting Offers in Quarter (Absorption Rate)

## San Francisco 5+ Unit, Multi-Family Building Market Dynamics



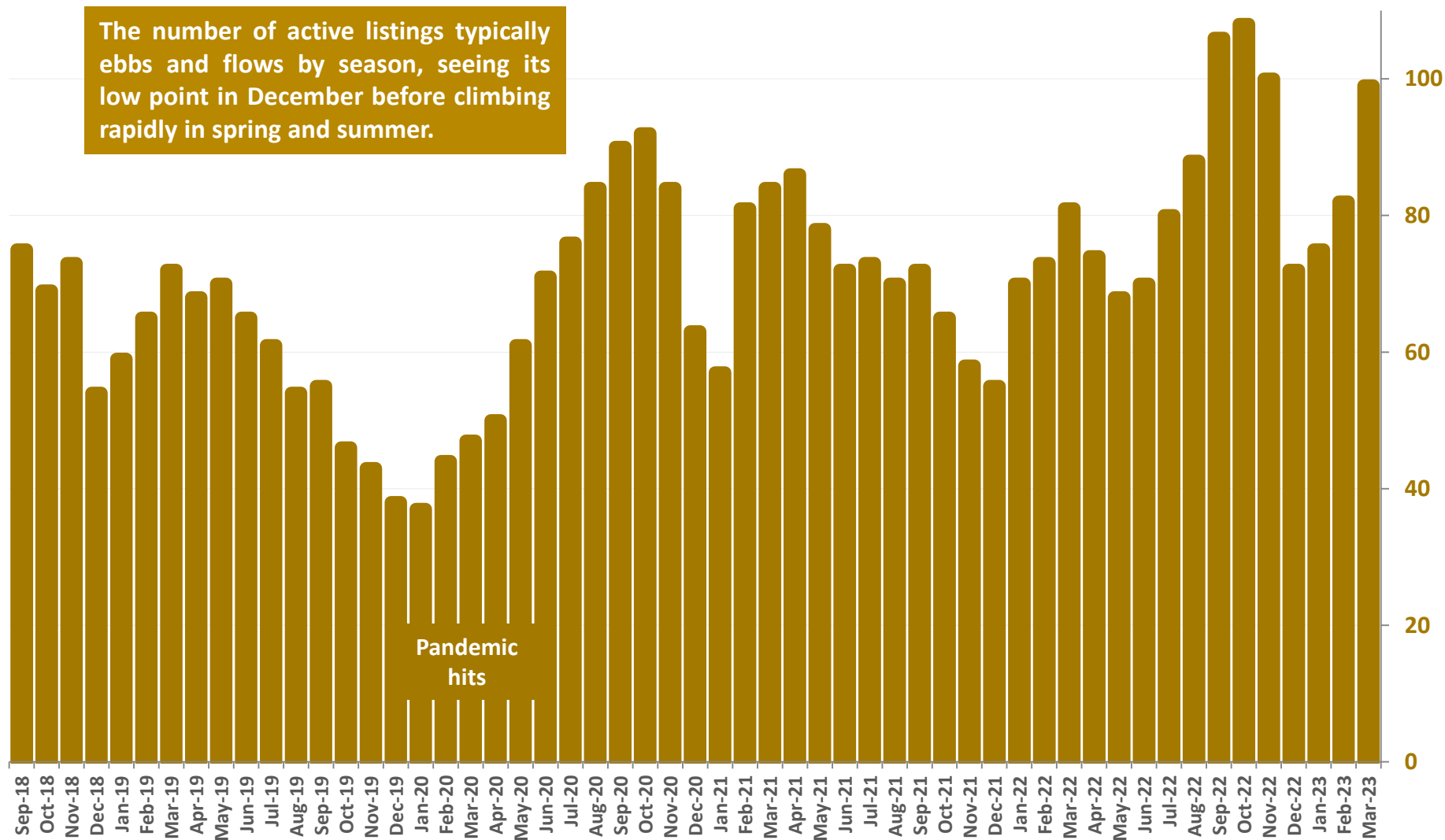
Per SFARMLS sales data. These analyses were performed in good faith with data derived from sources deemed reliable, but may contain errors and are subject to revision. All numbers to be considered approximate, and may change with late-reported activity. Not all listings or sales are reported to MLS.

# 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

The number of active listings typically ebbs and flows by season, seeing its low point in December before climbing rapidly in spring and summer.



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

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## 5+ Unit Multi-Family Building Markets

### 12 Months Sales by San Francisco Realtor District\*

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)	\$3,825,000	\$600/sq.ft.	8 units	6366 sq.ft.	15.5/ 4.4	1924
Noe, Eureka & Cole Valleys; Ashbury & Corona Hgts (D5)	\$2,552,000	\$505/sq.ft.	6 units	5148 sq.ft.	13.6/ 5.1	1918
Lake Street, Richmond District, Jordan Park (D1)	\$2,750,000	\$478/sq.ft.	6 units	5666 sq.ft.	14.3/ 4.7	1923
NoPa, Alamo Square, Hayes Valley, Lwr Pacific Heights (D6)	\$3,150,000	\$443/sq.ft.	9 units	7637 sq.ft.	13.9/ 4.8	1911
Russian, Nob & Telegraph Hills; North Beach (D8, North)	\$3,200,000	\$532/sq.ft.	8 units	6318 sq.ft.	14.9/ 4.6	1908
Sunset, Parkside (District 2)	\$2,625,000	\$492/sq.ft.	6 units	5655 sq.ft.	15/ 4.7	1940
Mission, Bernal Heights, Potrero Hill, SoMa (D9)	\$2,977,000	\$454/sq.ft.	7 units	5985 sq.ft.	12.8/ 5.6	1911
Downtown, Tenderloin	\$3,095,000	\$368/sq.ft.	17 units	11,754 sq.ft.	10.7/ 5.4	1912

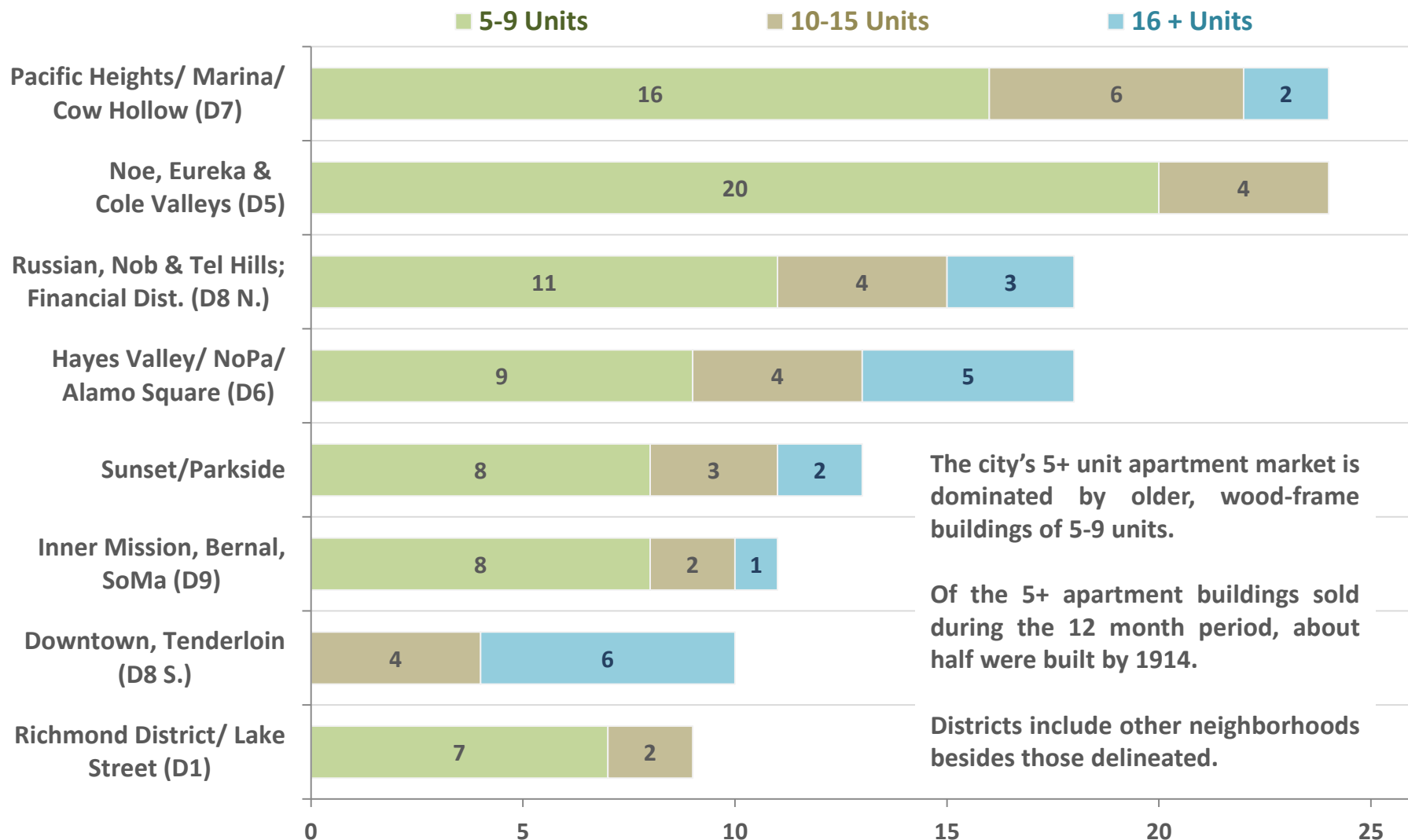
\* GRM = Gross Rent Multiple. Median price is that price at which half the sales occurred for more and half for less. Dollar per square foot is based upon the building's interior living space and does not include garages, storage, unfinished attics and basements; or rooms built without permit. Cap rate 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, condition, tenant profile, rent control factors, and values. Realtor districts contain neighborhoods of varying values. Not all sales are reported to MLS.

\*12 months sales reported to NorCal MLS Alliance through late March 2023. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers approximate, and may change with late-reported sales.

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# Multi-Unit Residential Property Sales, 5+ Units

## 12 Months Sales by San Francisco Realtor District\*



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, about half were built by 1914.

Districts include other neighborhoods besides those delineated.

\*12 months sales reported to NorCal MLS Alliance by late March 2023. 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 fewer sales in the period.

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# San Francisco 5+ Unit Apartment Building Sales

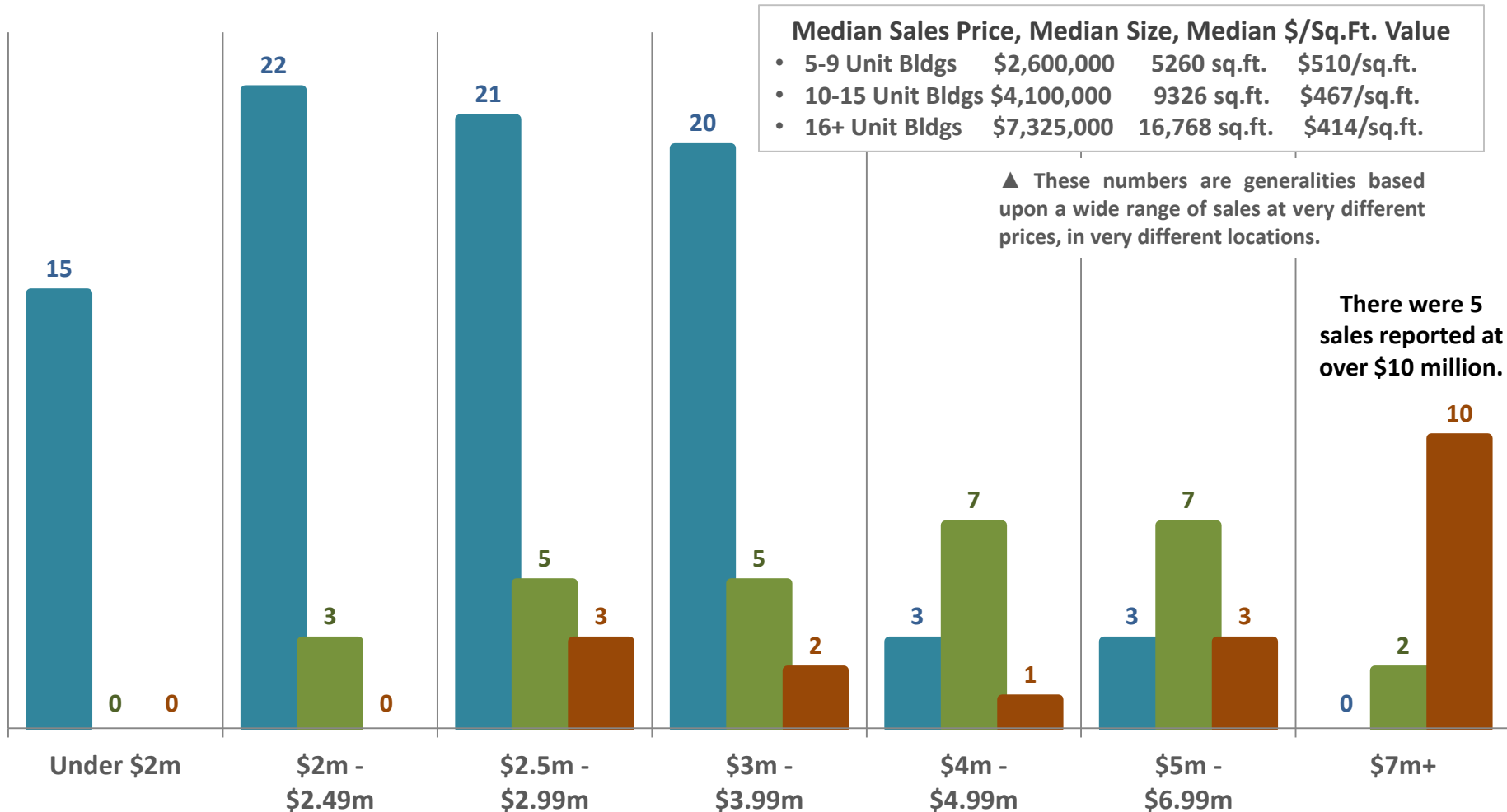
## 12 Months Sales by Price Segment\*

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

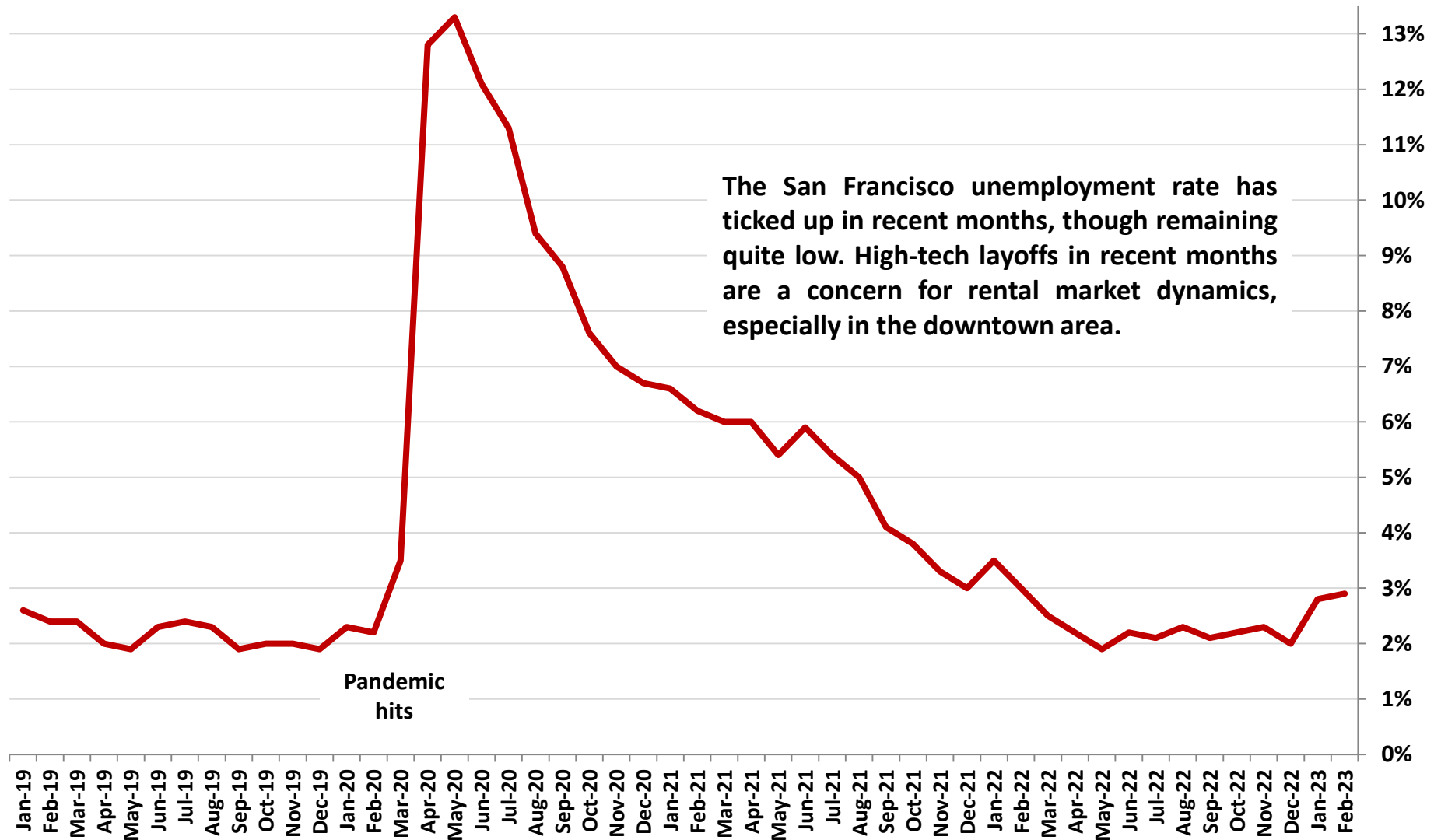


\*12 months sales reported to NorCal MLS Alliance by late March 2023. Data from sources deemed reliable, but subject to error and revision. All numbers approximate, and may change with late-reported sales. Not all sales are reported to MLS.

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# San Francisco Unemployment Rates

2019 – 2023 YTD, per CA Employment Development Department



The San Francisco unemployment rate has ticked up in recent months, though remaining quite low. High-tech layoffs in recent months are a concern for rental market dynamics, especially in the downtown area.

Estimates per CA Employment Development Dept. (EDD). Data from sources deemed reliable, but may contain errors and subject to revision. All numbers approximate. EDD often revises estimates in later reports.

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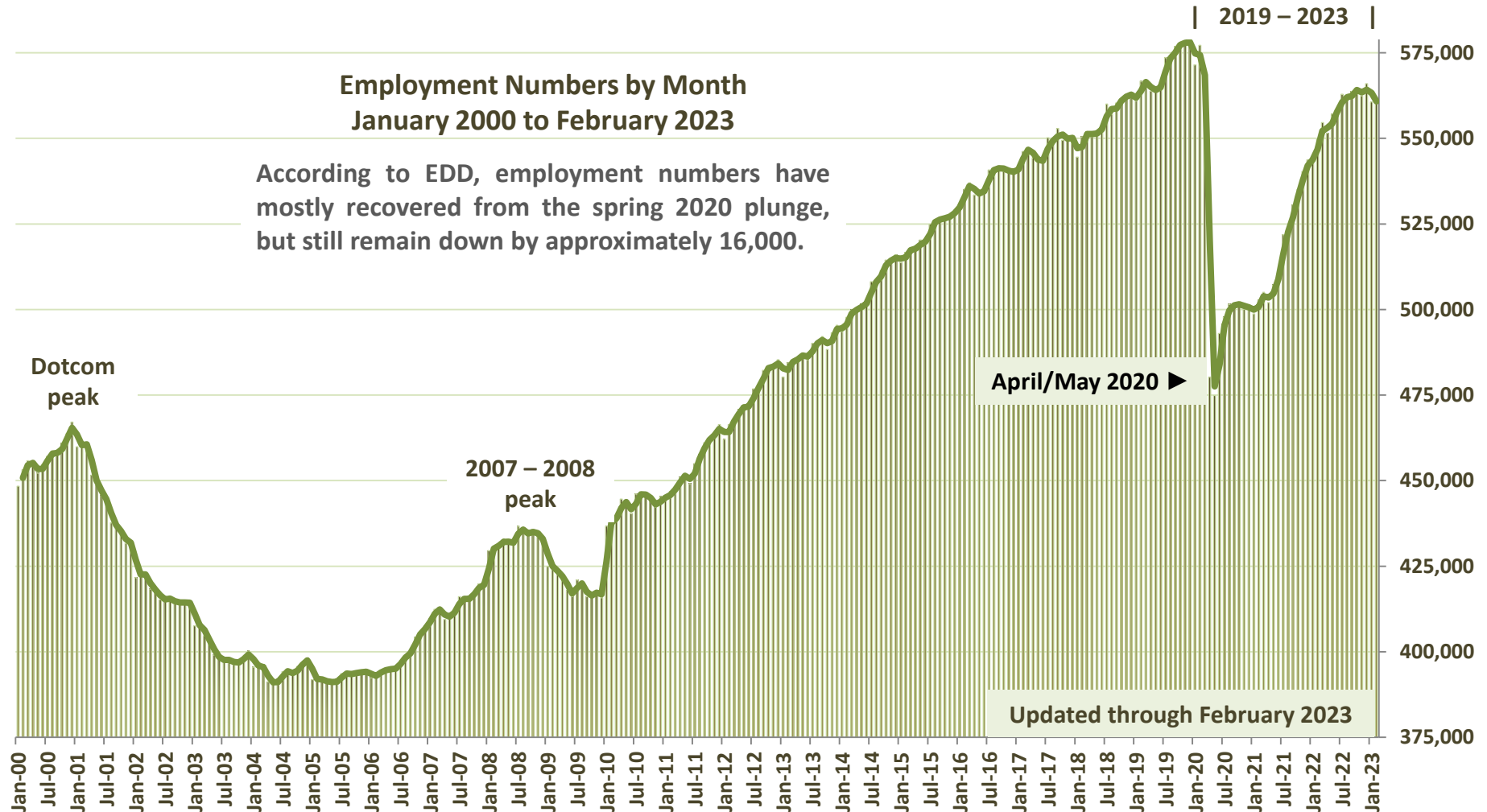
# San Francisco Employment Trends

## Number of Employed Residents since 2000

Per California Employment  
Development Dept. (EDD)

### Employment Numbers by Month January 2000 to February 2023

According to EDD, employment numbers have mostly recovered from the spring 2020 plunge, but still remain down by approximately 16,000.



EDD data. Last month's data is labeled "preliminary" by EDD. EDD often goes back to revise past data releases. Data from sources deemed reliable but may contain errors and subject to revision. All numbers should be considered approximate.

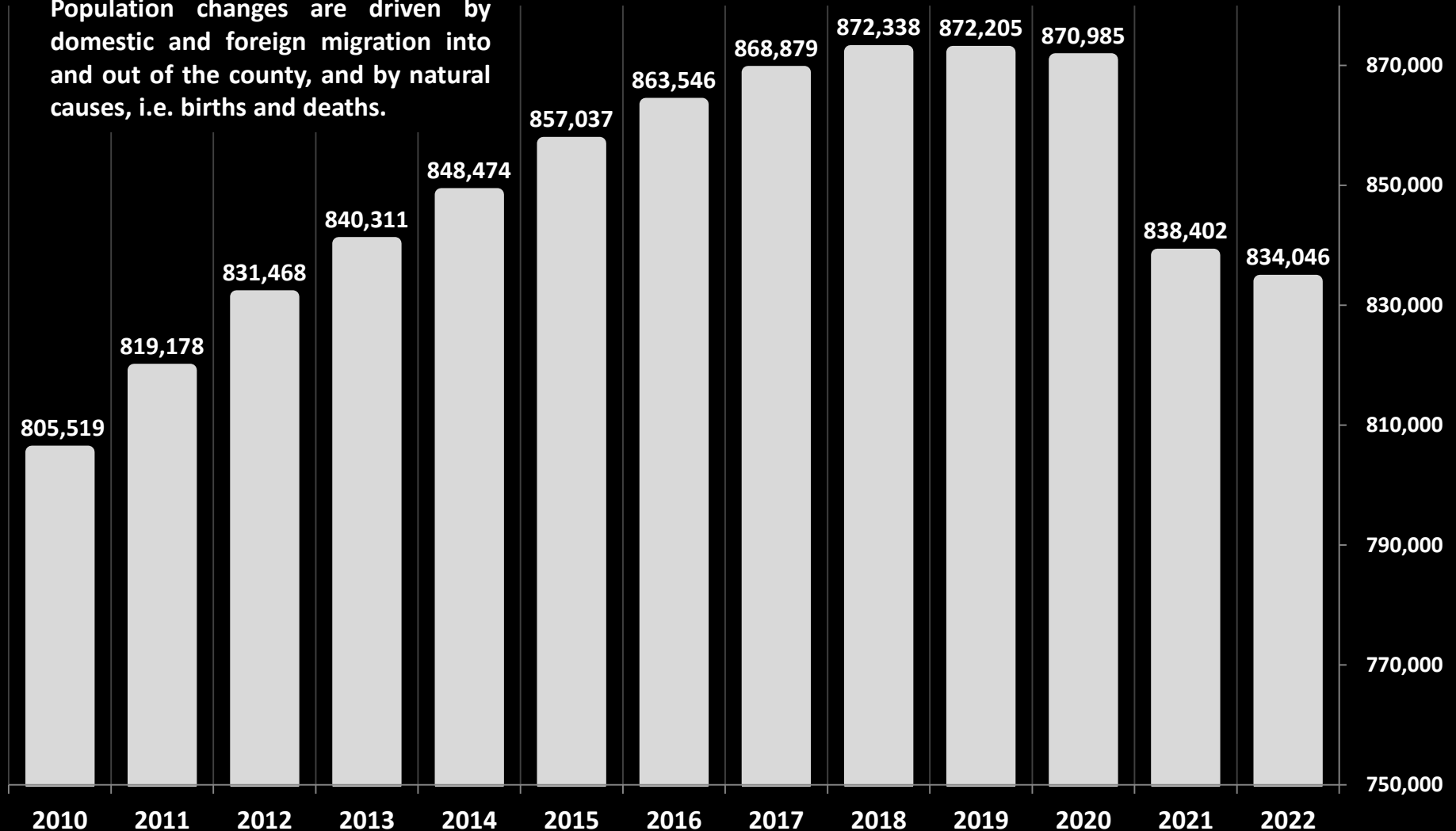
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# San Francisco Population Trends since 2010

CA Department of Finance Estimates, July 1<sup>st</sup> to July 1<sup>st</sup>

Changes measured from July 1<sup>st</sup> of  
previous year to July 1<sup>st</sup> of labeled year.

Population changes are driven by domestic and foreign migration into and out of the county, and by natural causes, i.e. births and deaths.



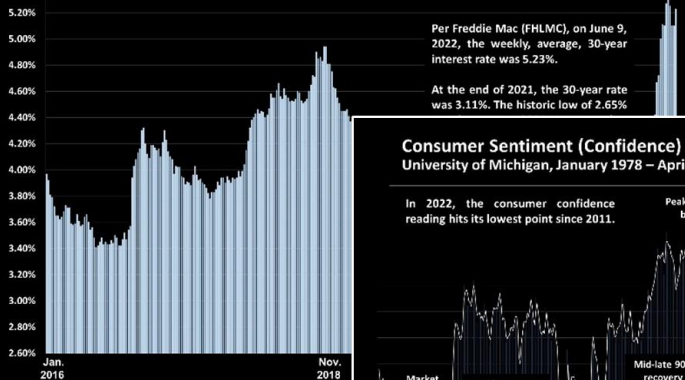
Estimates as of July 1 of each year, published January 2023 by CA Department of Finance. 2022 estimate designated as "preliminary." Data from sources deemed reliable but may contain errors and subject to revision. All numbers approximate.

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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

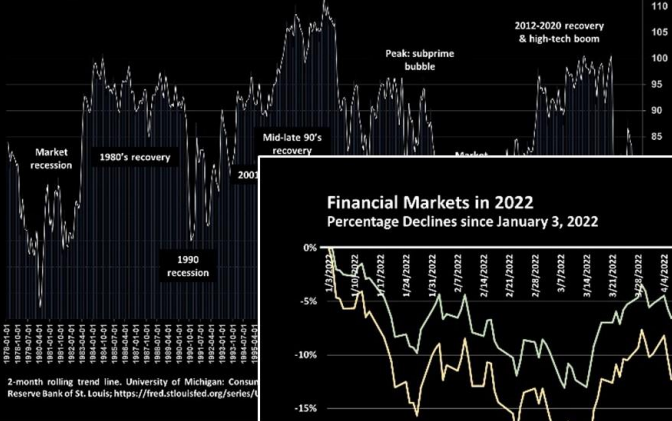
As published by the Federal Reserve Bank of St. Louis

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

Peak: dotcom bubble

Peak: subprime bubble

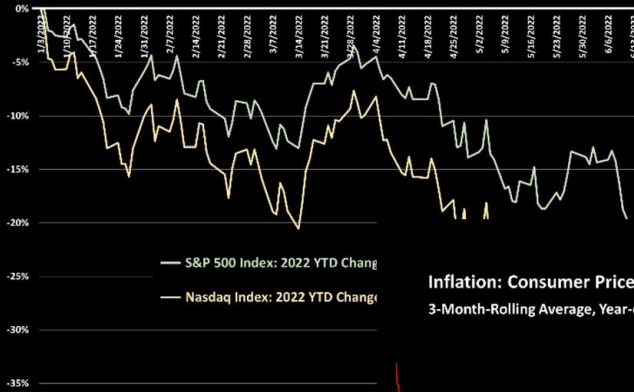
2012-2020 recovery & high-tech boom



**Click Here for Review of Selected Macroeconomic Trends**

## Financial Markets in 2022

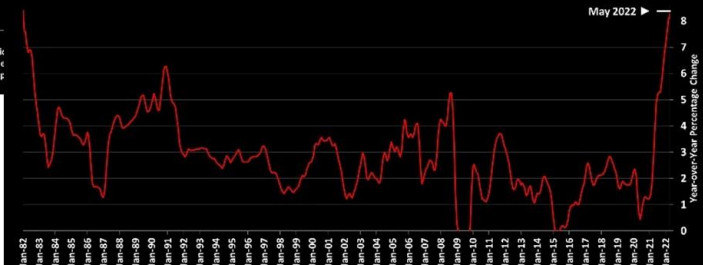
### Percentage Declines since January 3, 2022



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, Massive, governmental economic interventions (including corporate, govt. debt levels 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.

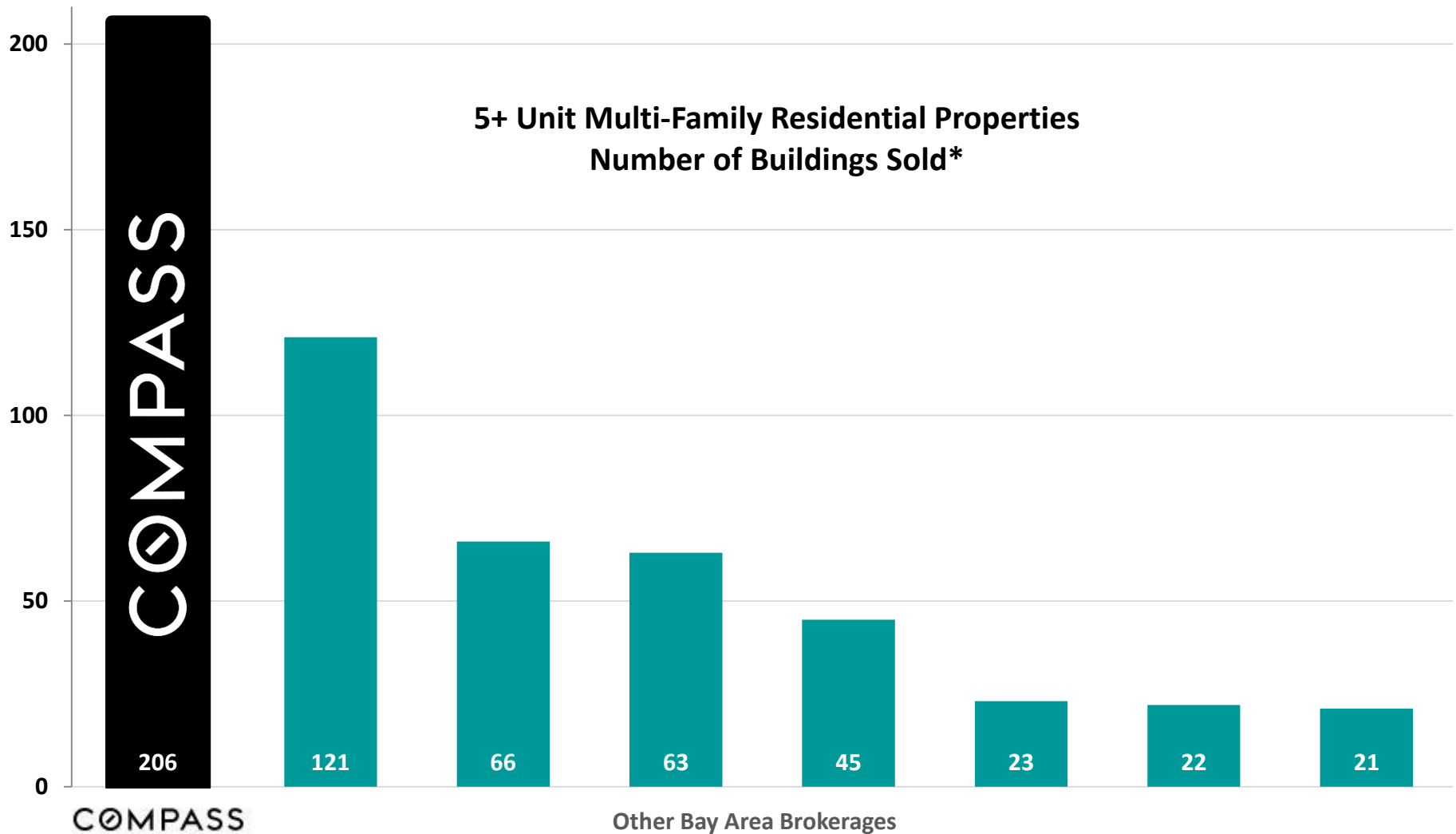
Financial industry manipulation, fraud, engineering, recklessness, e.g. junk bonds, S&L collapse, predatory lending, abandonment of risk mgmt. & underwriting standards, CDOs & rating-agency deceit, insider trading, over-leveraged investing; irrational exuberance

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# San Francisco Apartment Building Sales

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



\* 2020-2022 transaction-side, residential 5+ unit sales reported to NorCal MLS Alliance by 12/15/22, per MLS Ranking Report, top 30 companies. Analysis made in good faith. Not all sales are reported to MLS. By brokerage/brand.

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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.

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