



The San Francisco Apartment Building Market

January 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.

COMPASS

The San Francisco residential rental property market continued to be affected by general economic factors, such as interest rates and financial markets, as well as issues more specific to the city, such as tech lay-offs, work from home, social issues such as homelessness, the (still) high cost of housing relative to other regions, and half-empty office buildings. Weekly office attendance in the multi-county San Francisco Metro Area is more than 50% below pre-pandemic levels, a major factor in demand for rental apartments. In the space of less than 3 years, San Francisco has gone from one of the strongest office markets in the world to one of the weakest, impacting the downtown rental market the most. Employment has mostly recovered from the huge, initial pandemic plunge, but remains down by about 16,500 workers, reflecting a decline in the city's population. The unemployment rate is close to historic lows.

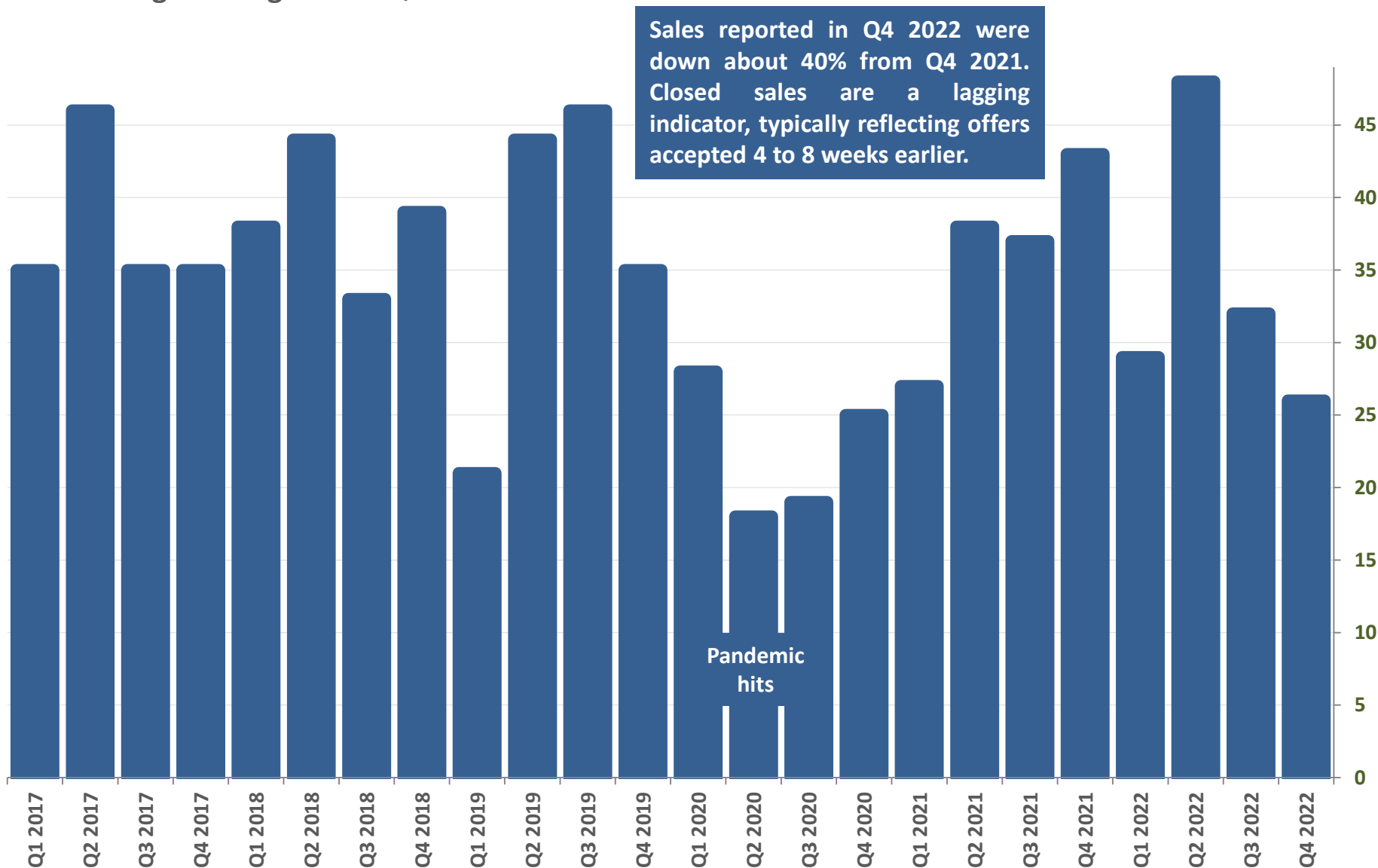
In the second half of 2022, sales volumes dropped in the residential income market, especially in the second half of the year. Adjustments to the standard indicators of value and demand became a bit more pronounced as the market slowed. Similar dynamics played out in the general residential market as well. However, hundreds of multi-family buildings continued to change hands, as buyers sought out good values and premium properties. Buildings of less than 16 comprise the vast majority of SF sales.

Average asking rents climbed in the first half of 2022, but declined in the second – ending up a little higher than from where the year began, but still well down from early 2020. The market clearly remains in a period of adjustment, awaiting more clarity in the macroeconomic conditions still in flux.

Data reported to regional MLS associations. Q4 2022 numbers are estimates using data available in early January 2023: Late reported sales may alter these numbers. Statistics are generalities, essentially summaries of disparate data generated by dozens, hundreds or thousands of 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

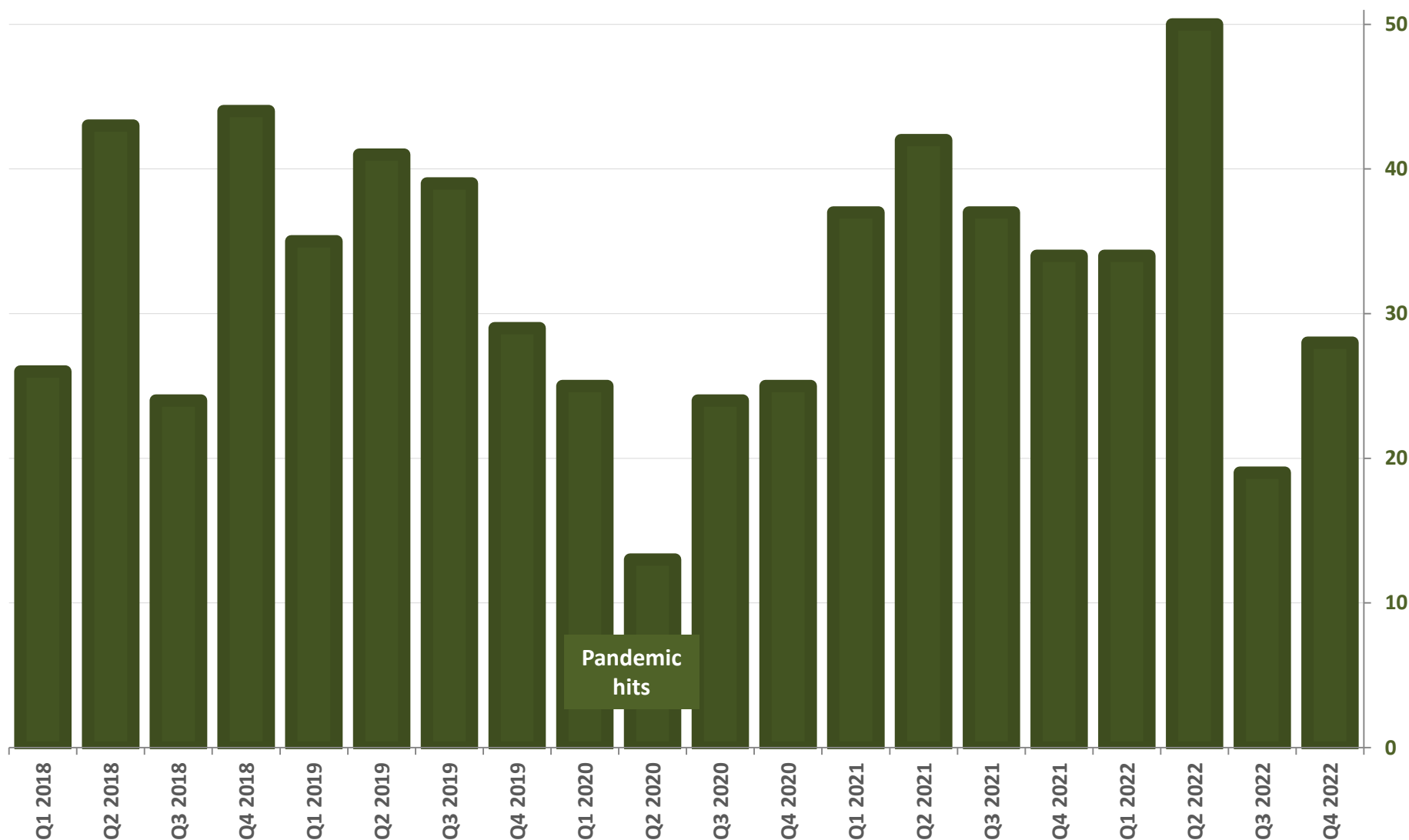


Sales reported to NorCal Regional MLS. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers approximate, and may change with late-reported sales. Not all sales are reported to MLS.

COMPASS

San Francisco Apartment Building Market – 5+ Units

Listings Going into Contract in Quarter since 2018



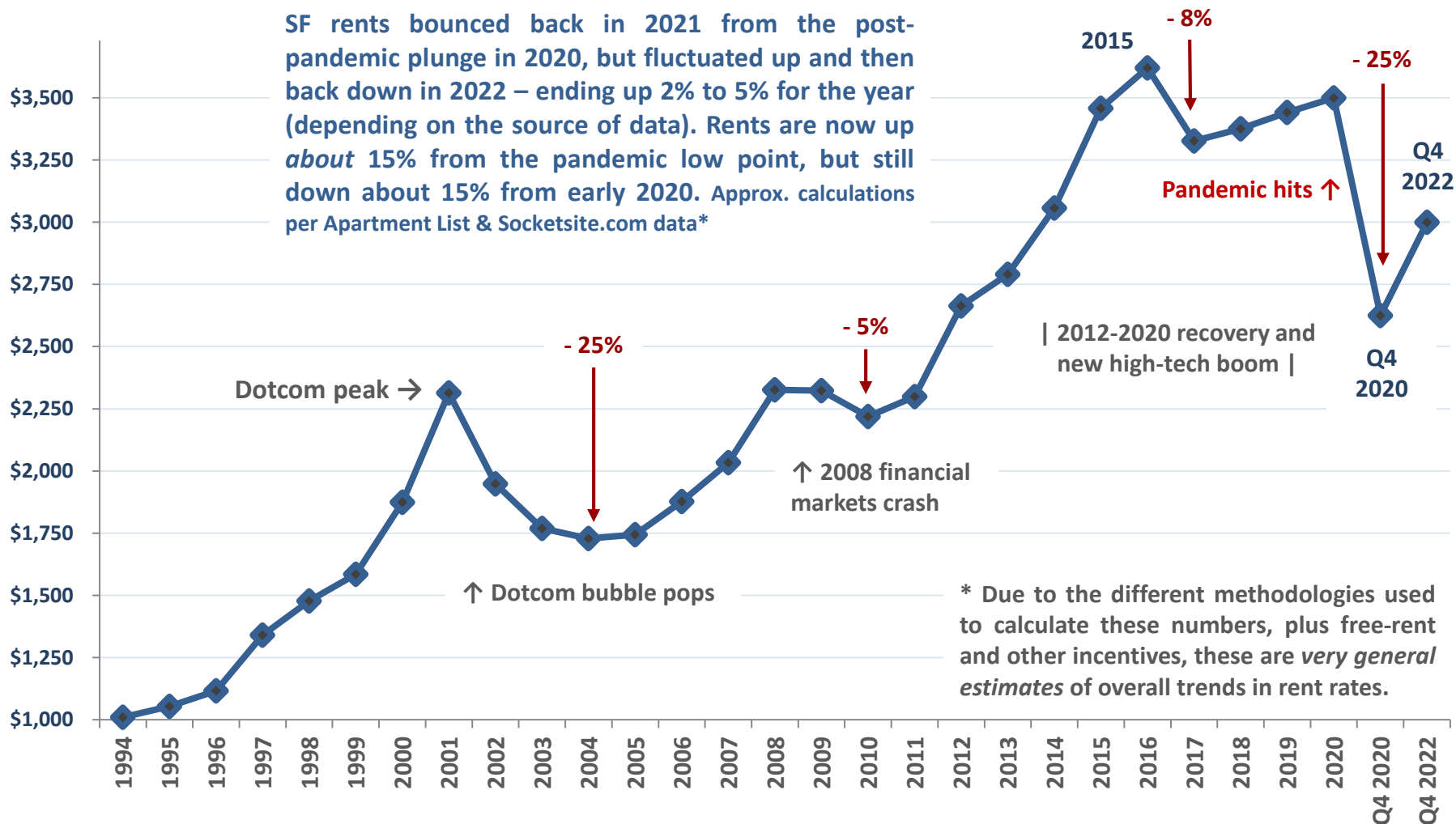
Sales reported to NorCal Regional MLS. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers approximate, and may change with late-reported sales. Not all sales are reported to MLS.

COMPASS

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, but fluctuated up and then back down in 2022 – ending up 2% to 5% for the year (depending on the source of data). Rents are now up *about* 15% from the pandemic low point, but still down about 15% from early 2020. Approx. calculations per Apartment List & Socketsite.com data*



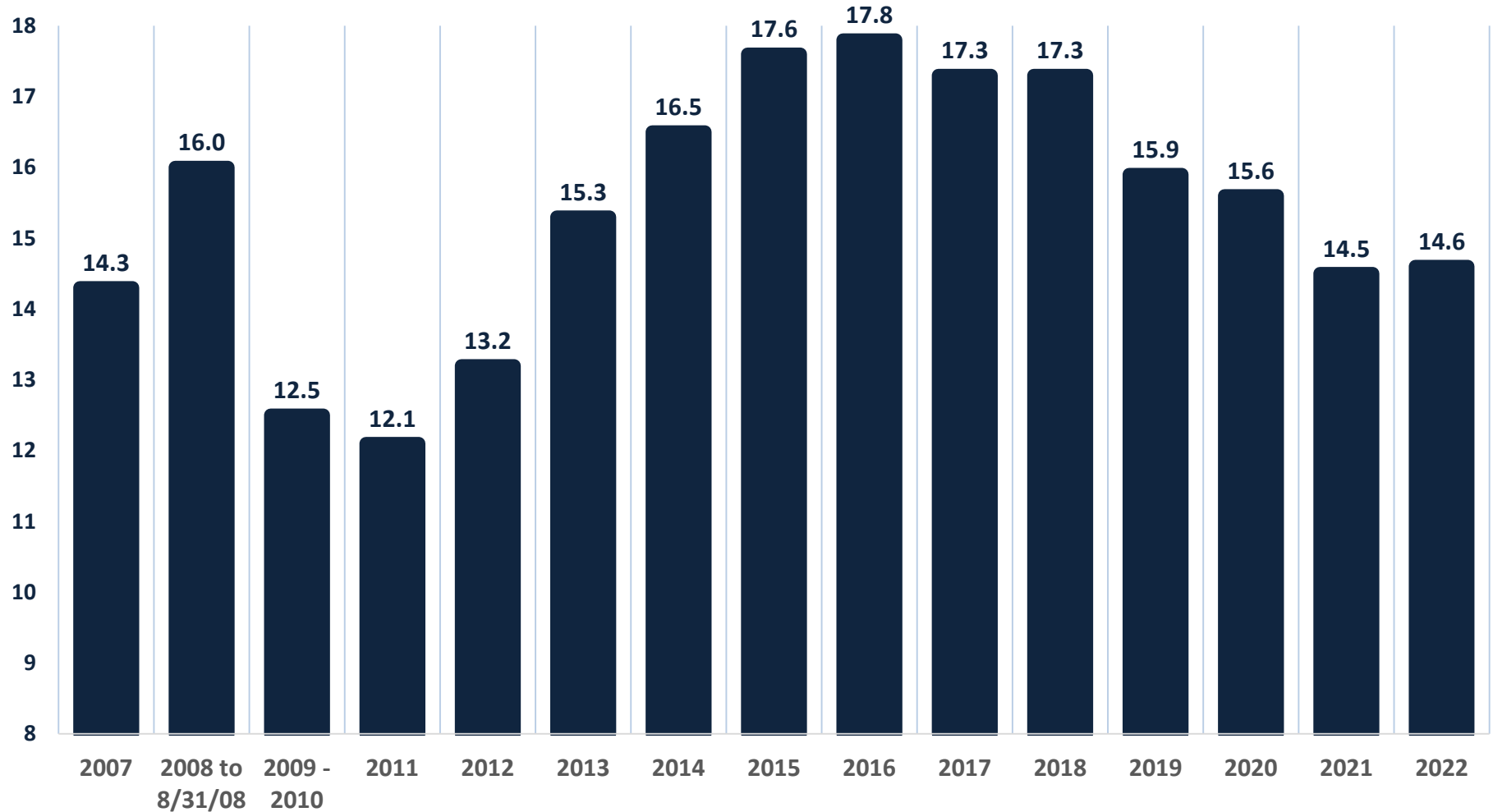
1st quarter data points except, as noted for Q4 2020 and Q4 2022. Numbers are estimated using data from a number of rental data sources. Data from sources deemed reliable but may contain errors and subject to revision. All numbers are good-faith estimates and very approximate.

COMPASS

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.



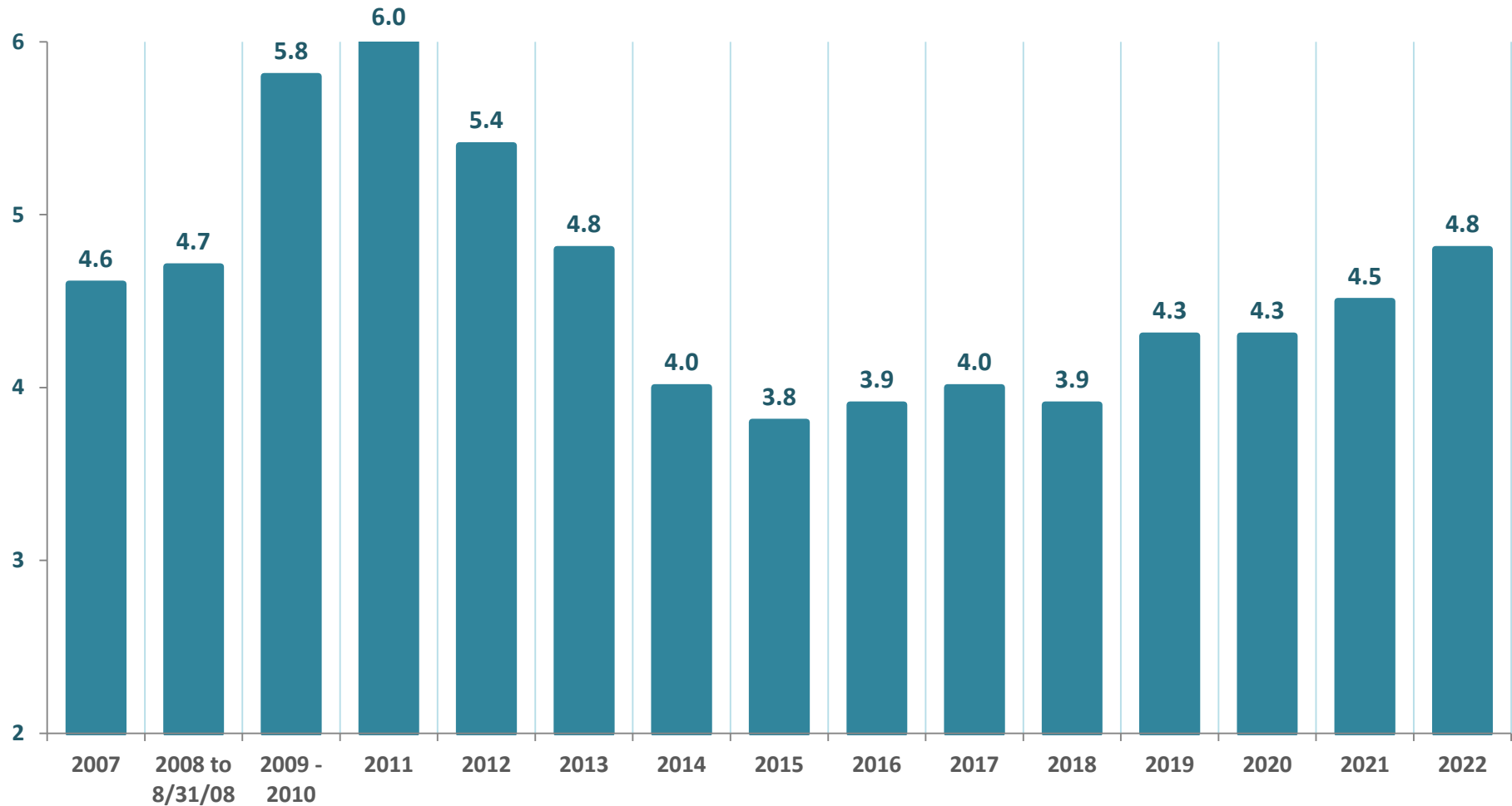
GRM is calculated by dividing the sales price by the annual gross rents. It is a very general statistic and all numbers should be considered very approximate. This data is from sources deemed reliable, but may contain errors and subject to revision. Outlier sales that would distort the statistic were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

COMPASS

Average Cap Rates

San Francisco 5+ Unit Apartment Building Sales

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

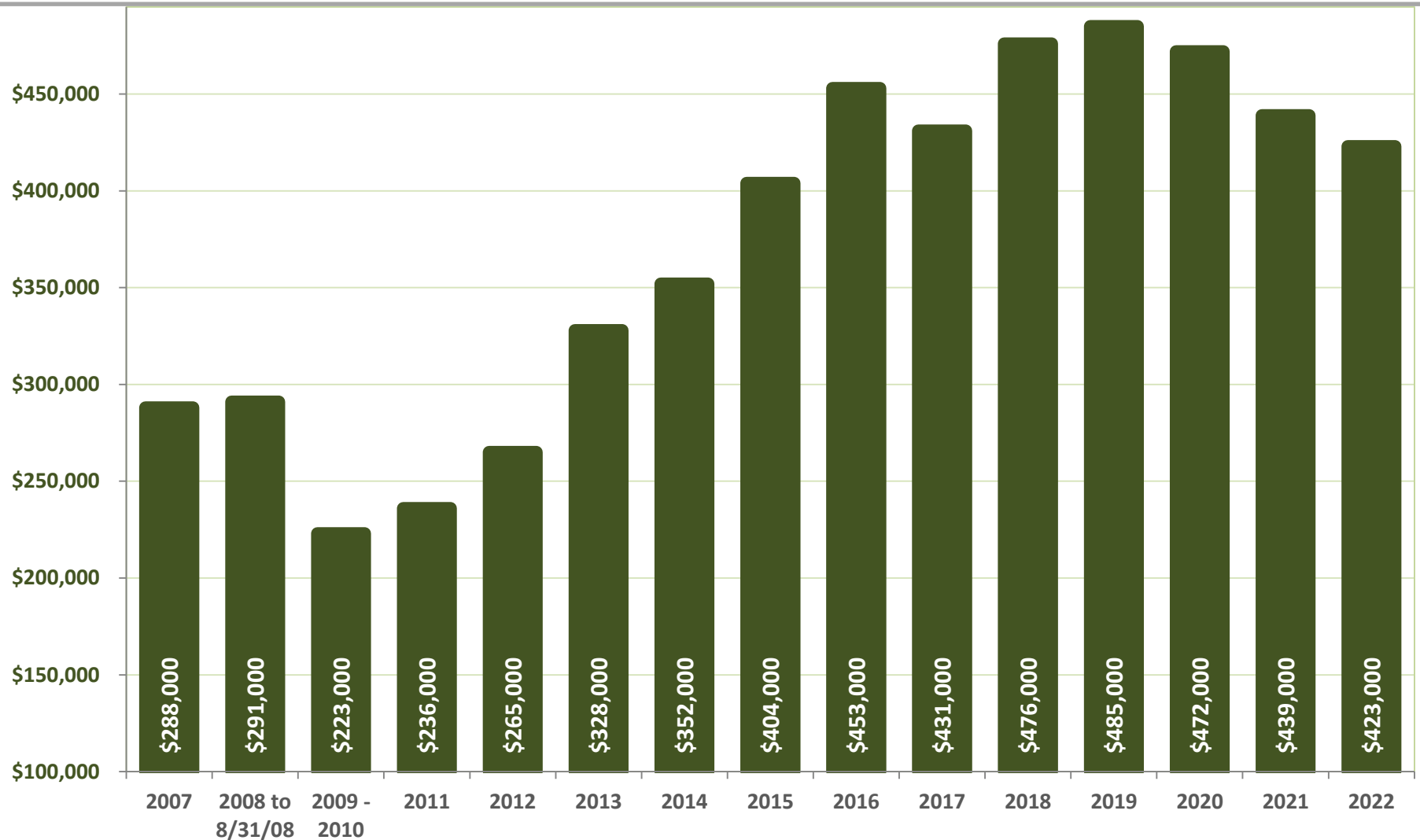


Capitalization rate calculations – sales price divided by net income (excluding mortgage costs), or return on investment as if the property had been purchased all cash – are only as good as the income and expense data provided by listing agents, and should be considered general approximations. Data from 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

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



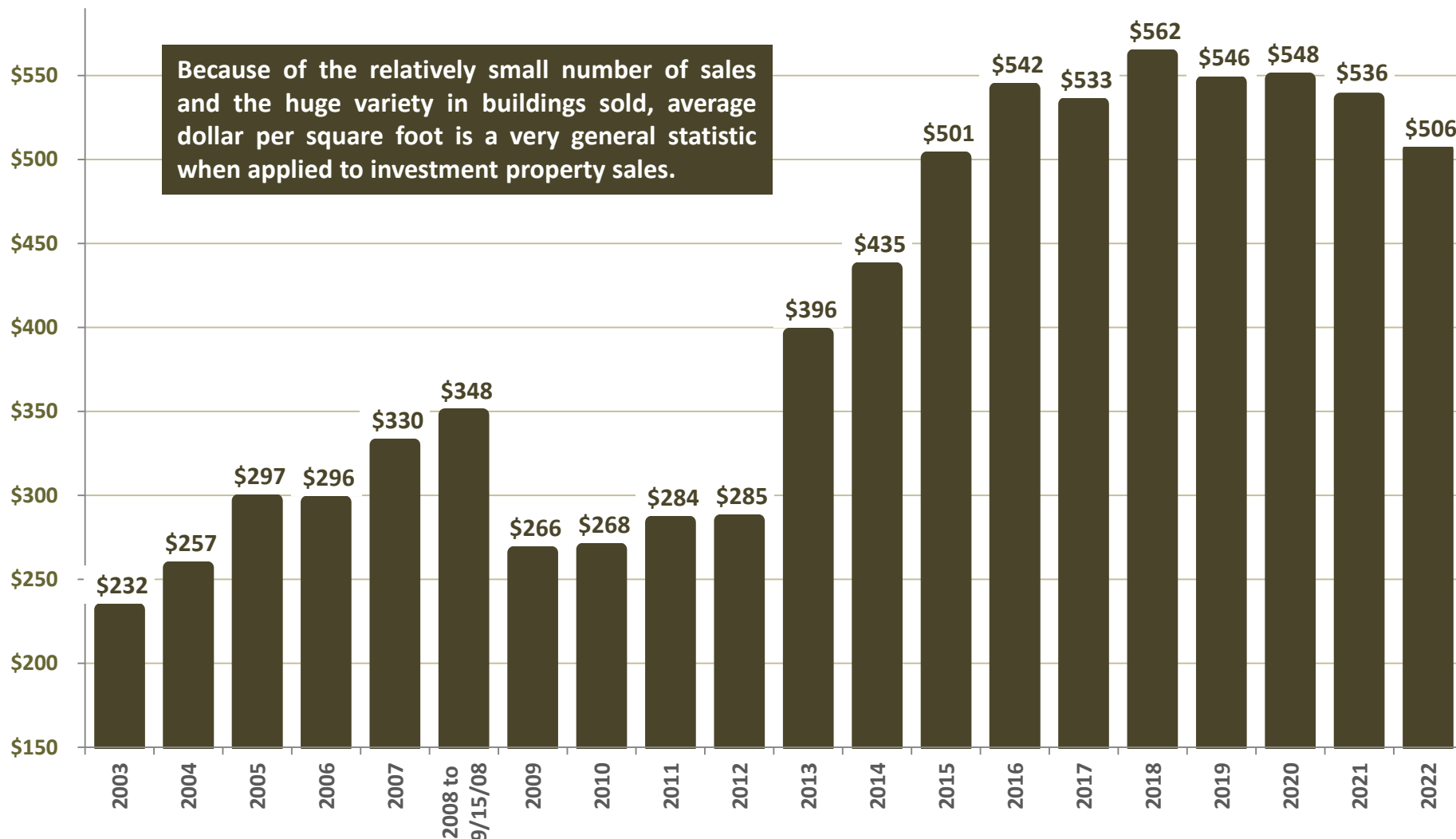
Because of the huge variety in buildings sold, this is a very general statistic when applied to SF investment property sales. This data is from sources deemed reliable, but may contain errors and subject to revision. Outlier sales deleted when identified. All numbers should be considered very approximate.

COMPASS

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.



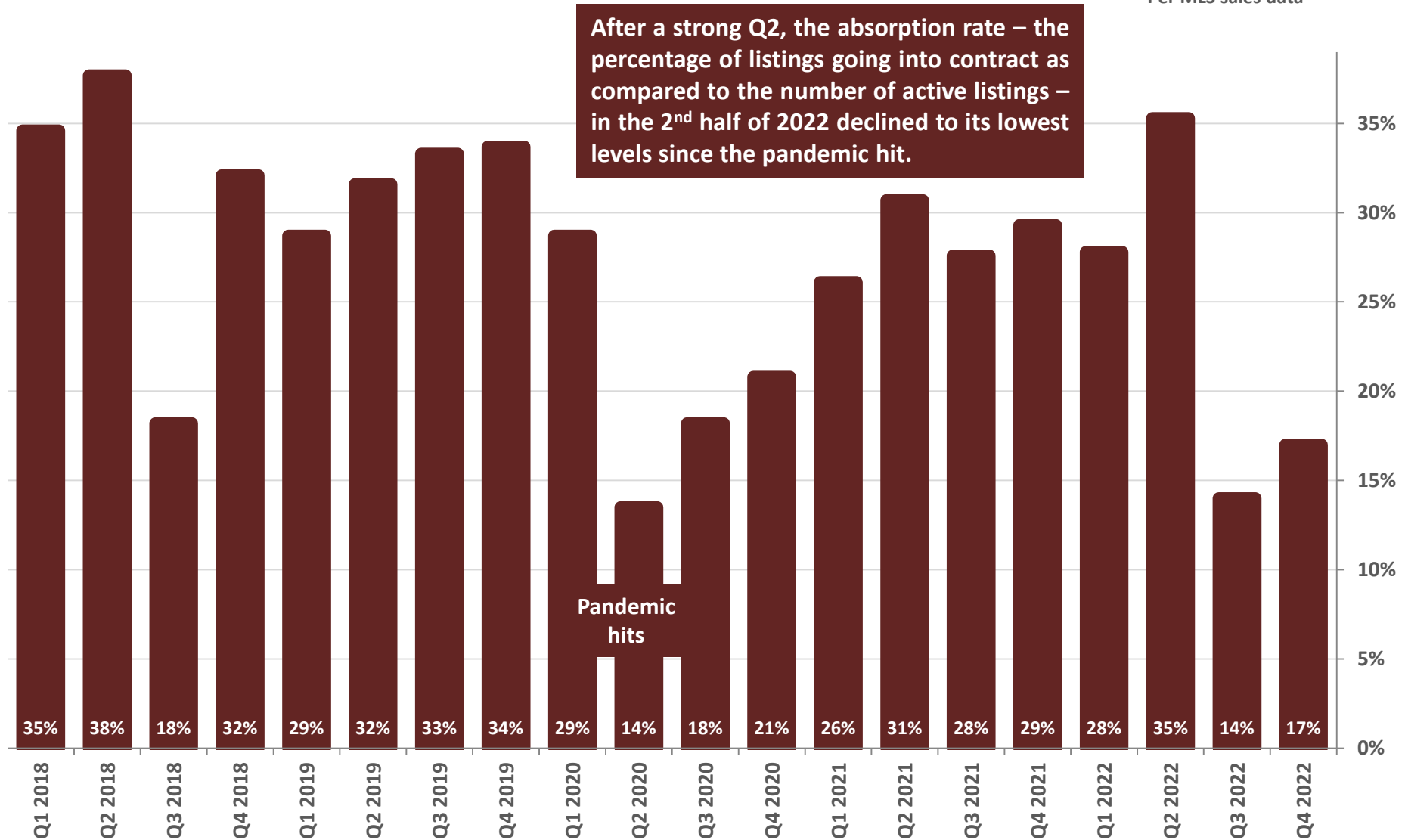
Data is from sources deemed reliable, but may contain errors and subject to revision. All numbers are approximate. Outliers adjusted when identified.

COMPASS

Percentage of Listings Accepting Offers in Quarter (Absorption Rate)

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

Per MLS 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.

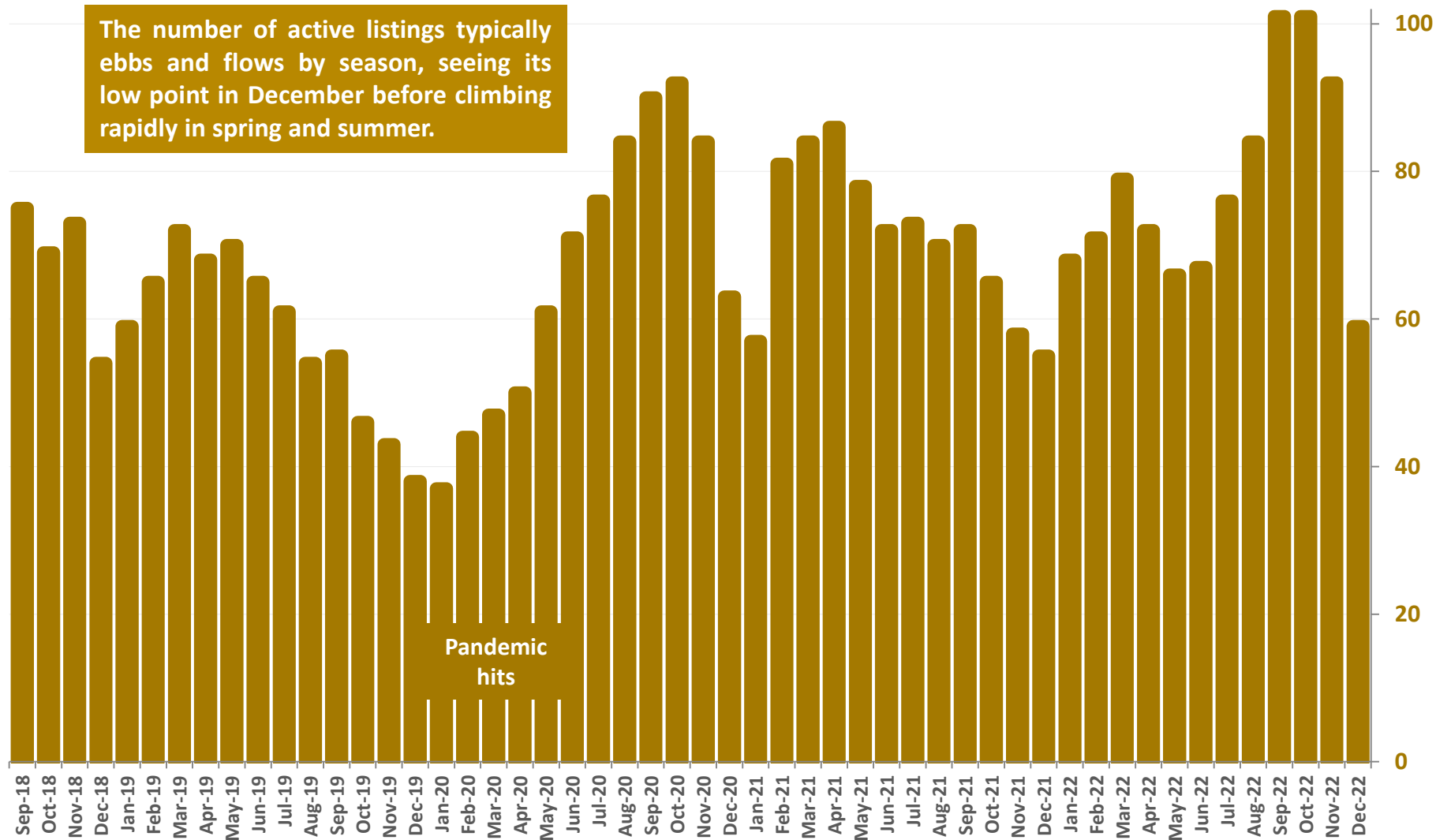
COMPASS

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.

COMPASS

5+ Unit Multi-Family Building Markets

2022 Sales by San Francisco Realtor District

Sales reported to NorCal MLS Alliance by 1/2/23. 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	\$605/sq.ft.	8 units	6375 sq.ft.	15.9/ 4.3	1924
Noe, Eureka & Cole Valleys; Ashbury & Corona Hgts (D5)	\$2,552,000	\$538/sq.ft.	6 units	5148 sq.ft.	14.2/ 5.0	1909
Lake Street, Richmond District, Jordan Park (D1)	\$2,600,000	\$513/sq.ft.	6 units	5154 sq.ft.	15.1/ 4.5	1923
NoPa, Alamo Square, Hayes Valley, Lwr Pacific Heights (D6)	\$3,225,000	\$452/sq.ft.	9 units	7637 sq.ft.	14.0/ 4.5	1909
Russian, Nob & Telegraph Hills; North Beach (D8, North)	\$3,127,500	\$512/sq.ft.	8 units	6318 sq.ft.	14.7/ 4.7	1909
Sunset, Parkside (District 2)	\$2,637,500	\$505/sq.ft.	8 units	5655 sq.ft.	14.9/ 4.9	1929
Mission, Bernal Heights, Potrero Hill, SoMa (D9)	\$3,088,000	\$461/sq.ft.	7 units	6222 sq.ft.	13.4/ 5.7	1909
Downtown, Tenderloin	\$3,600,000	\$367/sq.ft.	24 units	12,723 sq.ft.	10.6/ 6.1	1916

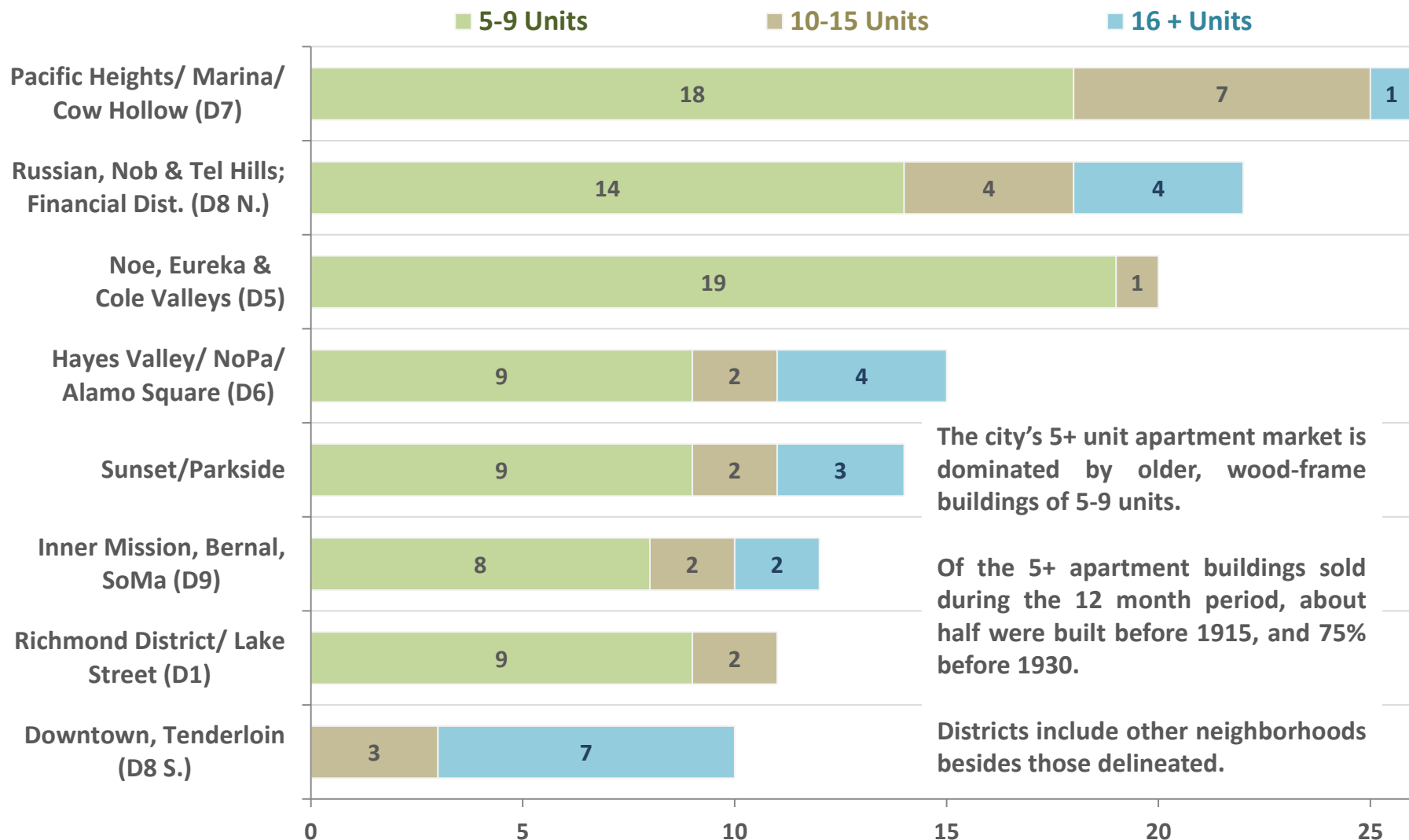
* GRM = Gross Rent Multiple. Median price is that price at which half the sales occurred for more and half for less. Dollar per square foot is based upon the building's interior living space and does not include garages, storage, unfinished attics and basements; or rooms built without permit. Cap rate 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. All numbers approximate, and may change with late-reported sales.

COMPASS

Multi-Unit Residential Property Sales, 5+ Units

2022 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 before 1915, and 75% before 1930.

Districts include other neighborhoods besides those delineated.

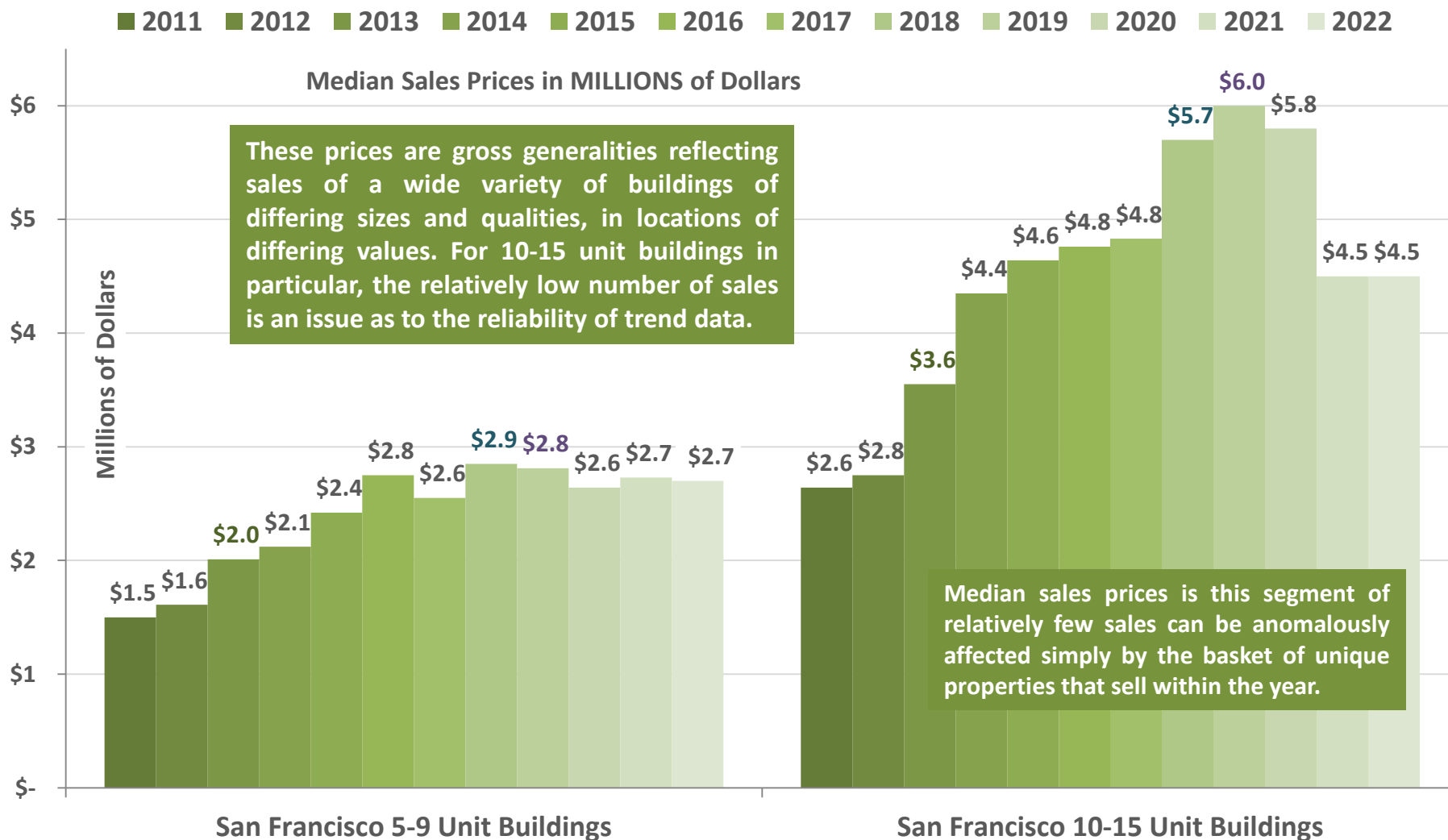
2022 sales reported to NorCal MLS Alliance by 1/2/23. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers are approximate, and late reported sales may change numbers. Not all sales are reported to MLS. Other city districts had fewer sales in the period.

COMPASS

Median Sales Price Trends since 2011

San Francisco 5-15 Unit Residential Apartment Buildings

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



Sales reported to MLS. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers should be considered approximations, and may change with late reported sales. Not all sales are reported to MLS.

COMPASS

San Francisco 5+ Unit Apartment Building Sales

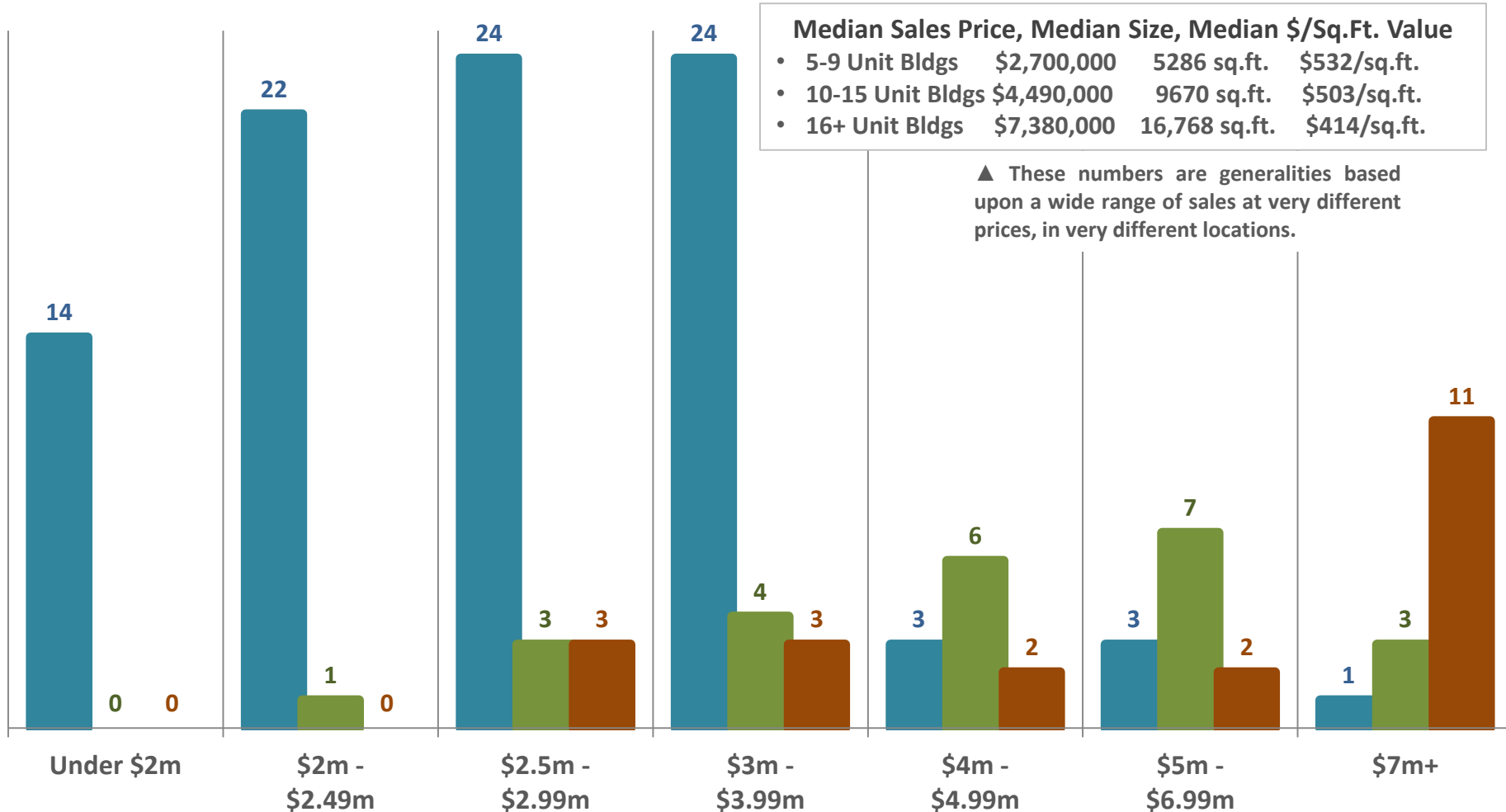
2022 Sales by Price Segment

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



Sales reported to NorCal MLS Alliance by 1/2/23. 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.

COMPASS

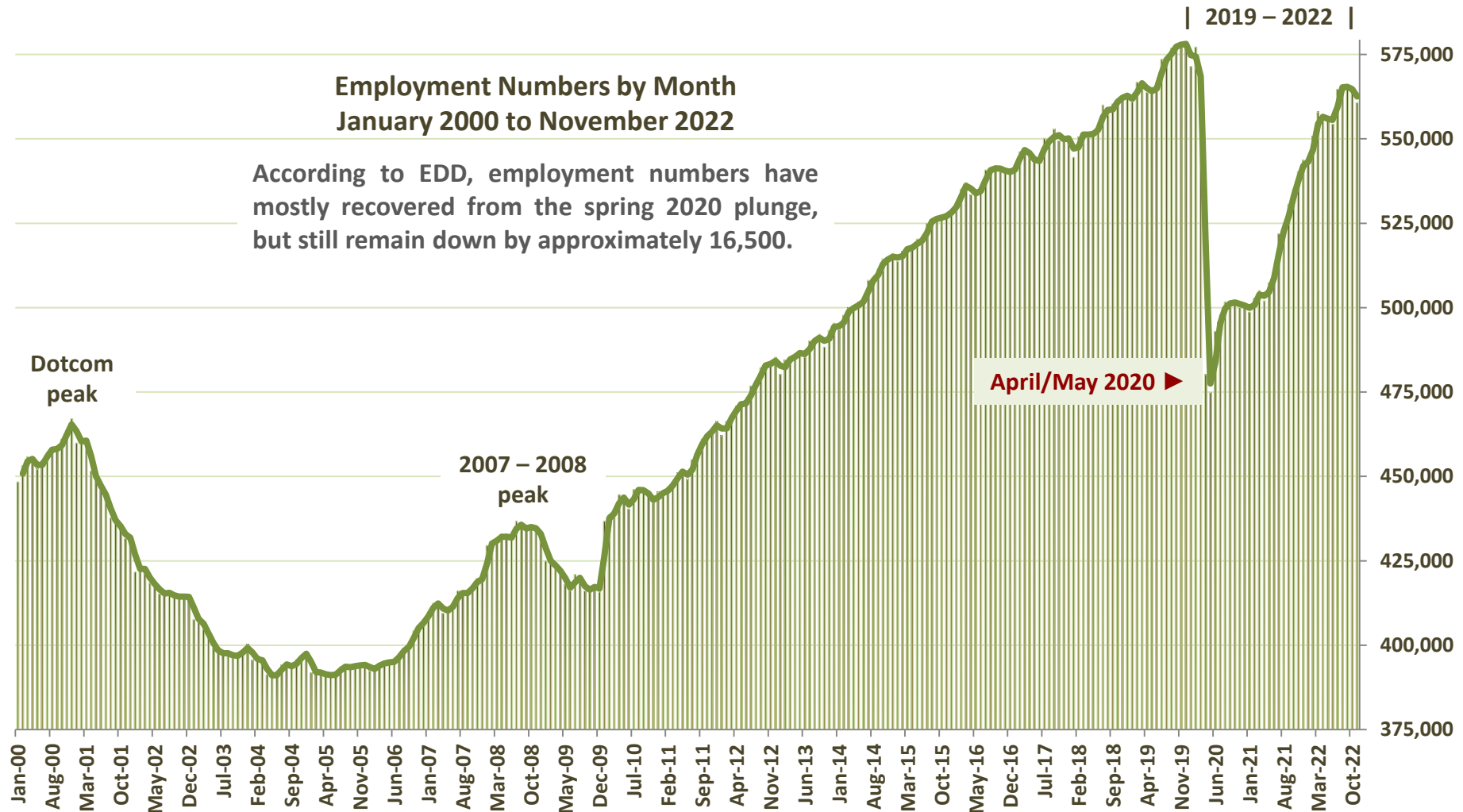
San Francisco Employment Trends

Number of Employed Residents since 2000

Per California Employment
Development Dept. (EDD)

Employment Numbers by Month January 2000 to November 2022

According to EDD, employment numbers have mostly recovered from the spring 2020 plunge, but still remain down by approximately 16,500.



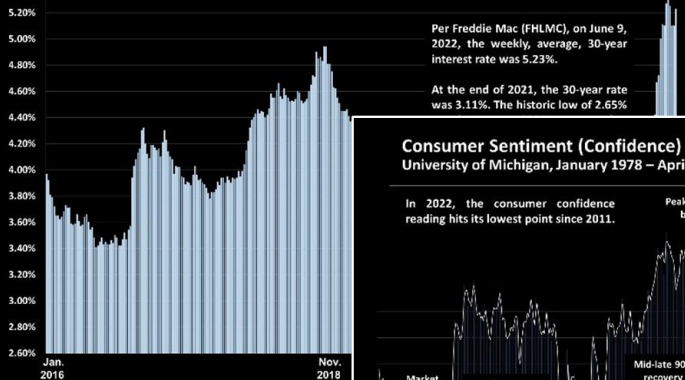
EDD data. Last month's data is labeled "preliminary" by EDD. EDD often goes back to revise past data releases. Data from sources deemed reliable but may contain errors and subject to revision. All numbers should be considered approximate.

COMPASS

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

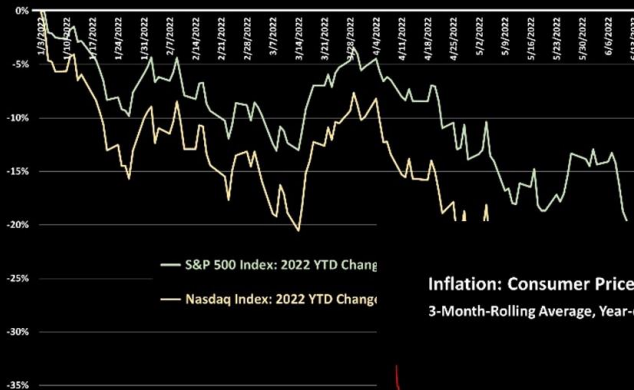
2012-2020 recovery & high-tech boom



Click Here for Review of Selected Macroeconomic Trends

Financial Markets in 2022

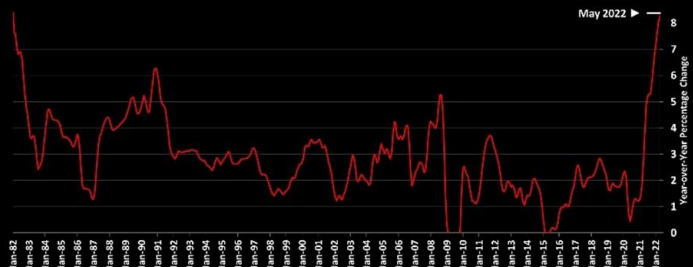
Percentage Declines since January 3, 2022



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.

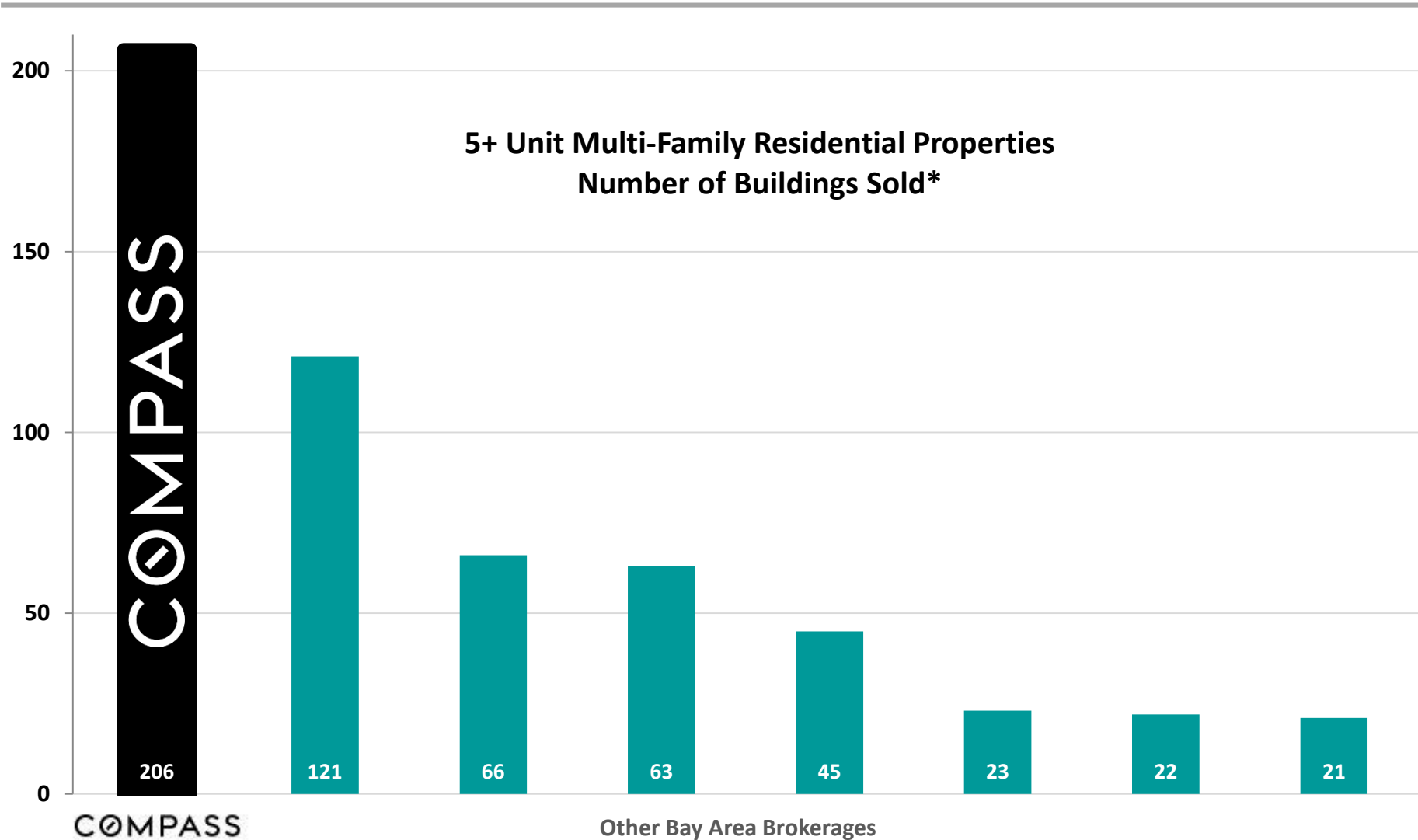
Local economic conditions: High-tech booms, employment, housing affordability & development, venture capital & foreign investment, pro/anti-business sentiment, etc.			
Interest rates	Stock markets	Inflation	Consumer confidence
Household wealth; personal, corporate, govt. debt levels		Massive, governmental 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			

COMPASS

COMPASS

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.



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. Numbers may change with late-reported sales activity.

Compass is a real estate broker licensed by the State of California, DRE 01527235. Equal Housing Opportunity. This report has been prepared solely for information purposes. The information herein is based on or derived from information generally available to the public and/or from sources believed to be reliable. No representation or warranty can be given with respect to the accuracy or completeness of the information. Compass disclaims any and all liability relating to this report, including without limitation any express or implied representations or warranties for statements contained in, and omissions from, the report. Nothing contained herein is intended to be or should be read as any regulatory, legal, tax, accounting or other advice and Compass does not provide such advice. All opinions are subject to change without notice. Compass makes no representation regarding the accuracy of any statements regarding any references to the laws, statutes or regulations of any state are those of the author(s). Past performance is no guarantee of future results.