

The Colliers logo consists of the word "Colliers" in a white serif font, centered within a dark blue rounded rectangle. Below the rectangle is a horizontal bar with a color gradient from yellow to red.

Colliers

Accelerating success.

The background of the entire page is an aerial photograph of San Francisco. In the foreground, the white, cylindrical Coit Tower stands prominently on the right side, surrounded by green trees. The middle ground is filled with a dense urban landscape of multi-story residential buildings. In the background, the blue waters of the San Francisco Bay are visible, with the iconic red suspension bridge (Golden Gate Bridge) stretching across the horizon. The sky is a clear, light blue with a few wispy clouds.

Q3 2023 Market Overview

San Francisco Multifamily

San Francisco Market Overview

Q3 23

The broader economic landscape presents a variety of intricate developments worth noting. One such trend is a shift in investor priorities. Traditionally, investors placed significant emphasis on metrics like price per square foot and unit as key indicators of a property's value. However, there has been a remarkable change in this perspective. Investors are increasingly setting their sights on day one returns, with a particular focus on metrics such as cap rates and gross rent multipliers (GRMs). These metrics offer a more comprehensive assessment of investment potential, taking into account not just the purchase price but also the income-generating capabilities of the property. While inflation, a key factor behind recent economic challenges, appears to be decelerating, the persistent high interest rates pose a formidable backdrop for potential investors and market participants. Despite these hurdles, some sectors exhibit remarkable resilience.

For instance, the S&P 500 index remains steadfast, consistently posting strong returns throughout the third quarters of 2021 to 2023, serving as a beacon of optimism within the multifaceted economic scenario. Meanwhile, the San Francisco real estate

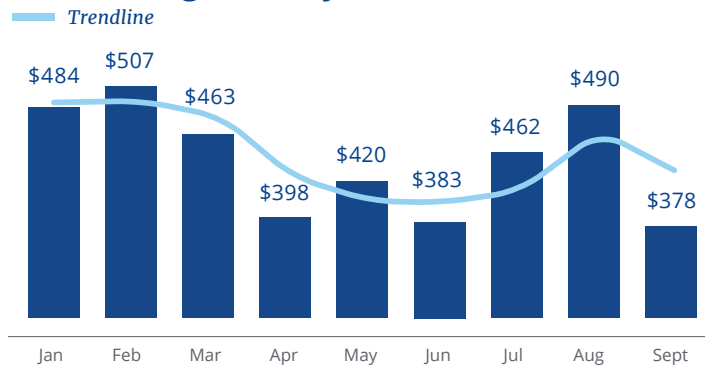
market is undergoing its own evolution. Notably, the rental market has displayed remarkable stability, with rent per square foot remaining constant above pre-pandemic levels during this quarter. This stability underscores the market's robustness and potential for growth.

Moreover, the slowdown in the new development pipeline is an intriguing trend. While it may raise concerns, it can also be seen as a factor contributing to the preservation of current rental rates. This slowdown ensures that the supply-demand dynamics remain balanced, setting the stage for sustained future rent growth. Consequently, San Francisco's real estate market is navigating these complexities, underpinned by a gradual rebound in price per square-foot, bearing similarity to averages found earlier in the year.

Market Indicators	Q3 2022	Q3 2023	Y-O-Y Change
Average of FED (Quarterly)	3.10%	4.14%	104 BPS ↑
Average of \$/SF	\$515.58	\$426.49	17.3% ↓
Average of Rent/SF	\$3.03	\$2.92	3.5% ↓
Average of \$/Unit	\$418,634	\$334,400	20.1% ↓
Average of CAP	4.24%	5.11%	20.7% ↑

Source: MacroTrends | Colliers

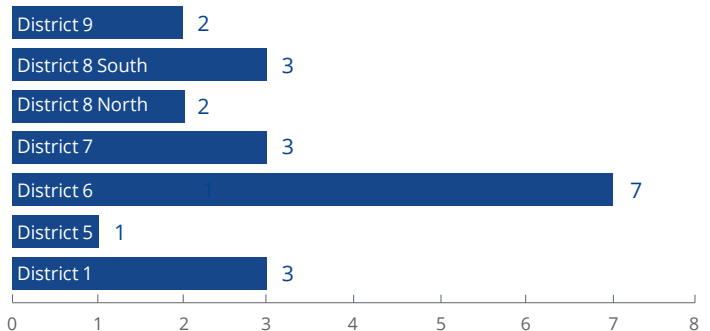
2023 Average \$/SF by Month



Source: 5+ Unit Buildings | Colliers, MLS

Transactions by District

Quarter 3, 2023



Source: 5+ Unit Buildings | Colliers, MLS

CAP

- 3.50 - 4.42%
- 4.43 - 4.71%
- 4.72 - 5.00%
- 5.01 - 6.49%
- 6.5% +

Price per SF

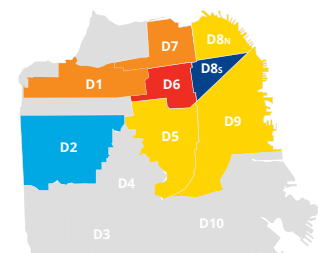
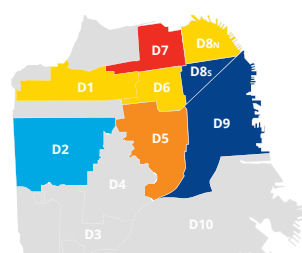
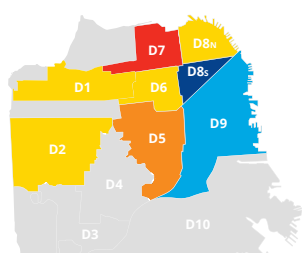
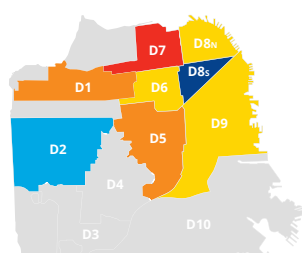
- \$550 +
- \$450 - \$500
- \$401 - \$449
- \$321 - \$400
- \$280 - \$320

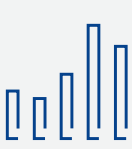
Price per Unit

- \$450k +
- \$381 - \$499k
- \$321 - \$380k
- \$281 - \$320k
- \$200 - \$280k

GRM

- 13.81 +
- 13.1 - 13.8
- 12.3 - 13.0
- 10.1 - 12.2
- 9.4 - 10.0





Following the eventual decrease in the average differential between list and sale prices, historical data suggests a potential recovery within the real estate market.

This decline often marks the beginning of a rebound phase, where market dynamics start to instill optimism among buyers and sellers alike. Over time, this trend has previously suggested a return to stabilization, and can be seen as an initial step towards emerging from what many consider the bottom of the market cycle. Encouraging increased activity and setting the stage for more robust and balanced transactions, this pattern instills confidence with market participants.



Historically, federal interest rate increases have often been a harbinger of decreased transactional volume in the real estate market.

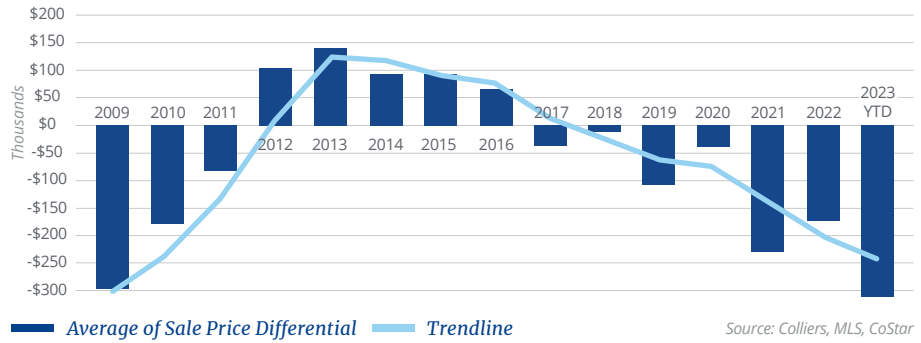
While speculation exists about potential rate cuts in Q4 2024, the uncertainty surrounding their timing remains a significant factor. This narrative shift underscores the potential detrimental impact of prolonged high interest rates on transactional volume within the real estate market. High interest rates can create a stifling effect, discouraging potential buyers and investors due to the increased cost of borrowing, thereby exerting downward pressure on transactional activity. As stakeholders prepare for an environment where rates are expected to stay high, it is crucial to acknowledge the potential challenges posed by prolonged rate hikes on real estate market dynamics.



More than 1,200 new businesses made their debut on Yelp across the San Francisco Bay Area in July, marking a robust 4.7% year-over-year increase.

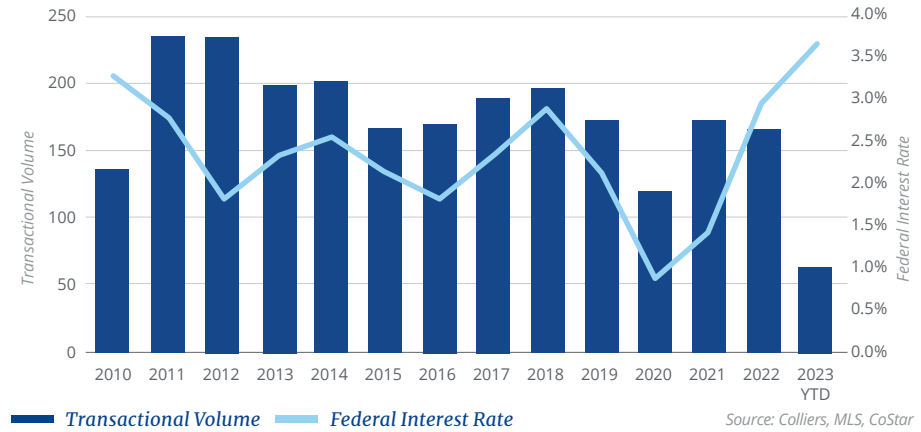
Typically, individuals and entrepreneurs are hesitant to embark on new ventures if they anticipate economic uncertainties. Nationally, this trend is mirrored, with business openings consistently surpassing 2019 levels throughout the year. In San Francisco, the recent buzz surrounding the downtown Ikea opening has generated enthusiasm, with hopes that the presence of this iconic retailer will contribute to the revitalization of the downtown area. Overall, the sustained growth in new business listings on Yelp, with a remarkable 25% year-over-year increase, underscores the positive sentiment and economic vitality within the San Francisco real estate market, further bolstered by a 46% increase from the same period in 2019.

Average of List vs. Sale Price Differential



Source: Colliers, MLS, CoStar

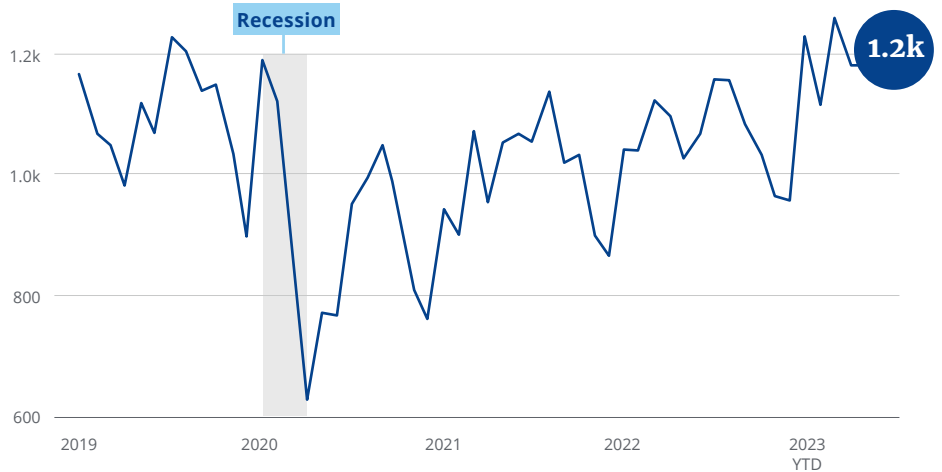
Historical Volume & Federal Interest Rates



Source: Colliers, MLS, CoStar

Yelp Business Openings in the San Francisco Area

Monthly: January 2019 - July 2023



Source: Axios San Francisco

Notable Sale Transactions

Address	Market	Units	GRM	CAP	\$/SF	\$/Unit
900 Van Ness Ave	Van Ness/Civic Center	29	10.9	6.02%	\$209	\$352,877
1923 - 1926 Fillmore St	Lower Pacific Heights	6	11.8	5.08%	\$208	\$533,333
1930 Fulton St	Lone Mountain	8	14.9	4.01%	\$689	\$431,250
737 Ashbury St	Haight Ashbury	6	13.4	4.47%	\$626	\$420,833
1961 Jefferson St	Marina	9	12.3	4.87%	\$607	\$397,778
829 Hayes St	Alamo Square	6	26.1	2.30%	\$372	\$366,667
3401 Balboa St	Outer Richmond	6	13.7	4.39%	\$478	\$298,333

Sold by Colliers

Our Team

Colliers has one of the largest and most experienced teams of multifamily advisors in the industry with professionals located in key markets throughout North America.

Our combination of market dominance, expertise, and singular focus makes us uniquely successful in helping our clients achieve their acquisition and/or disposition objectives.

San Francisco Multifamily Team



\$4.89B

in closed
sales



849 +

apartment
buildings
sold



75 +

years of
combined
experience

About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 62 countries, our 17,000 enterprising professionals work collaboratively to provide expert real estate and investment advice to clients. For more than 27 years, our experienced leadership with significant inside ownership has delivered compound annual investment returns of 20% for shareholders. With annual revenues of \$4.1 billion and more than \$50 billion of assets under management, Colliers maximizes the potential of property and real assets to accelerate the success of our clients, our investors and our people.

#welovesf

Colliers is actively engaged in supporting #WeLoveSF by encouraging businesses, property owners, and individuals to embrace the #WeLoveSF message. They facilitate the incorporation of the campaign's logo into various marketing materials, promoting it on social media, and encouraging people to share their affection for the city in their daily lives.

Significant stakeholders like BXP, Hudson Pacific, Presidio Bay Ventures, and Invesco are also on board, incorporating the #WeLoveSF logo into their properties and marketing efforts. With Colliers facilitating these initiatives, the collective goal is to revitalize the city's image and foster a positive atmosphere within the real estate market.

101 Second Street, 11th Floor
San Francisco, CA 94105

+1 415 788 3100
dlteam.com | colliers.com

Colliers



Contact Information:

Brad Lagomarsino

Vice Chair

+1 415 288 7847

brad.lago@colliers.com

CalBRE#01058500

James Devinenti

Vice Chair

+1 415 288 7848

j.d@colliers.com

CalBRE#00951916

Dustin Dolby

Executive Vice President

+1 415 288 7869

dustin.dolby@colliers.com

CalBRE#01963487

Payam Nejad

Senior Vice President

+1 415 288 7872

payam@colliers.com

CalBRE#01372042

Ryan O'Keefe

Investments Associate

+1 415 288 7806

ryan.okeefe@colliers.com

CalBRE#02122038

Contributors:

Henry Saunders

Financial Analyst

henry.saunders@colliers.com

Ashley Rose

Senior Graphic Designer

ashley.rose@colliers.com