

EOY 2023 Market Overview

San Francisco Multifamily



Accelerating success.



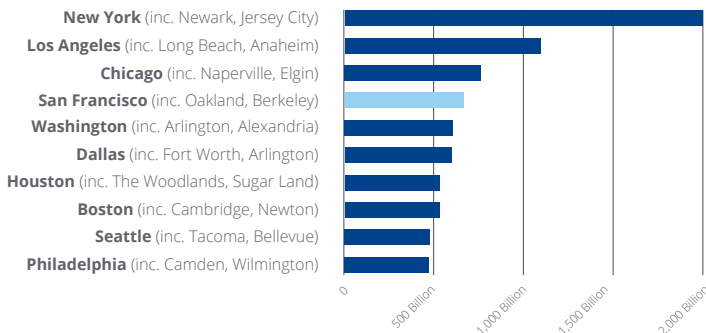
San Francisco Market Overview

EOY 2023

In the fourth quarter of 2023, the Federal Reserve's decision to hold interest rates marked a dovish tone to a previously turbulent real estate market. With an average rate of 5.4%, up from 3.7% in Q4 2022, investing with leverage has become more challenging. The higher cost of borrowing has made it less attractive for investors to leverage their capital, leading to more cautious strategies and impacting the overall dynamism of the real estate market.

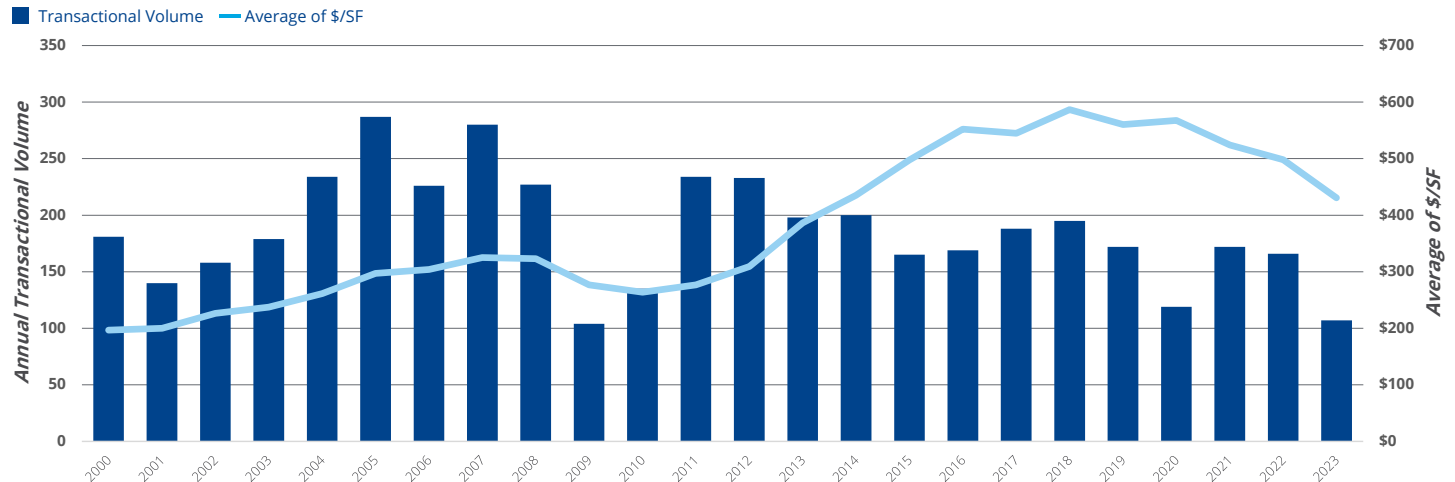
Meanwhile, the economic landscape in San Francisco has faced its own challenges, notably a 150% increase in unemployment rates over the past year, reaching 3.4% this December. Although this represents a distinct rise, it is still lower than the national average (3.9-4%). However, office-using jobs remained steady in 2023 at roughly 518,000, up for the pandemic trough of 460,000 in January 2021.

The Largest 10 U.S. Cities by GDP



Source: Mapped: The Largest 15 U.S. Cities by GDP (visualcapitalist.com)

Annual Transactional Volume vs. Price per Square Foot



Source: 5+ Unit Buildings | Colliers

Despite these challenges, **San Francisco remains an intriguing market for real estate investment.** The current scenario has created opportunities for investors to explore discounted purchase prices, potentially capitalizing on market corrections. The city's historical price per square foot, as featured below, when compared with annual transaction volume mirrors that of the post-financial crisis as pricing has returned to 2012 metrics. Despite this shift in pricing, we are confident San Francisco Multifamily is poised to regain its health in the near term as inflation settles and sidelined capital gravitates to San Francisco.

In the third and fourth quarters of 2023, there has been a discernible narrowing of the yield spread between the 5-year and 10-year Treasuries. When long-term rates are significantly higher than short-term rates, it typically suggests that investors expect strong economic growth and rising inflation in the future. Conversely, when long-term rates are lower than short-term rates, it may signal expectations of economic slowdown or recession. This phenomenon reflects a prevailing sentiment among investors indicating an attenuation of long-term inflationary expectations and a reduction in perceived market headwinds facing the real estate industry.

Market Indicators	Q4 2022	Q4 2023	Y-O-Y Change
Average of \$/SF	\$429	\$440	5% ↓
Average of FED (Quarterly)	3.7%	5.4%	170 BPS ↑
Average of Rent/SF	\$2.86	\$3.10	23.9% ↑
Average of \$/Unit	\$364,976	\$392,859	7.6% ↑
Average of CAP	4.43%	5.25%	18.6% ↑

Source: 5+ Unit Buildings | MacroTrends | Colliers

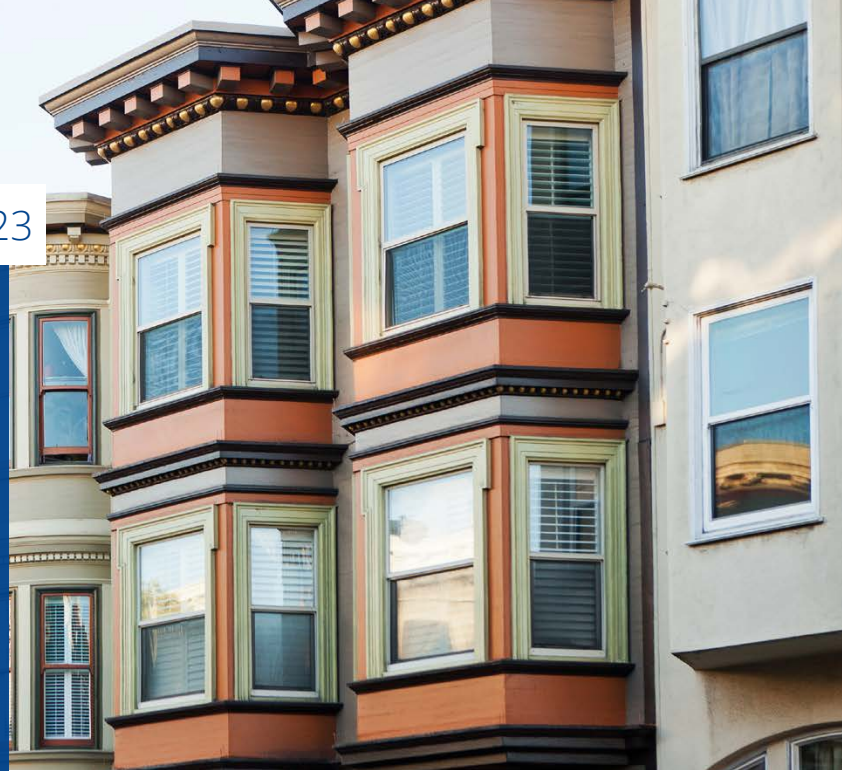
Historic Treasury Rates



Source: MacroTrends

San Francisco District Breakdown

EOY 2023

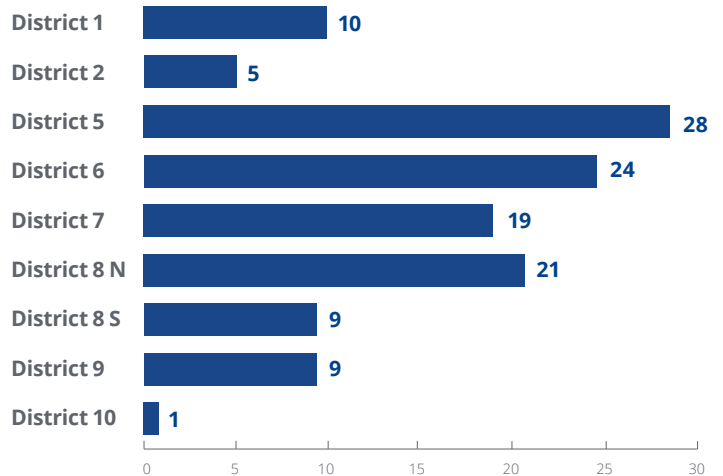


San Francisco Submarkets

San Francisco's real estate landscape showcases distinct transactional trends across its neighborhoods. District 5, characterized by its central location, peninsula access, and cultural vibrancy, has seen a remarkable transactional volume with 28 buildings sold this past year. Notably, the submarket's diverse and inclusive atmosphere has propelled its appeal, attracting consistent investor interest largely due to an influx of tech related capital. In contrast, District 6, connecting Pacific Heights and the Mission, has traded slightly below par in price per square foot since 2020. However, its transactional volume of 24 buildings reveals a resilient market, driven by its proximity to Pacific Heights and tight vacancy rate. District 6 benefited from the strongest rental growth of any district during the Pandemic.

District 7 emerges as the city's most desirable market, known for its premium rent levels and price per square foot. With a transactional volume of 19 buildings, this district remains a top choice for investors seeking prime real estate opportunities. The vibrant atmosphere, sunny weather, and iconic landmarks contribute to its undeniable appeal, ensuring a continued premium trading position. District 8 North, boasted a transactional volume of 21 buildings for the calendar year. Despite challenges related to office vacancies near the Financial District, District 8 North continues to garner significant investor interest as the lack of housing in the area continues to increase rental premiums. Interestingly, irrespective of the macro headwinds at the forefront of Downtown San Francisco and SOMA, Districts 8 South and 9 have both maintained steady transactional volumes with 9 buildings, respectively. This suggests that, despite challenges posed by reduced rental demand and lingering pandemic effects, opportunistic investors with a long-term outlook remain engaged in these submarkets.

Transactions by District



CAP Rate

- 4.45 - 4.79%
- 4.80 - 4.85%
- 4.86 - 5.15%
- 5.16 - 7.19%
- 7.20% +

Price / SF

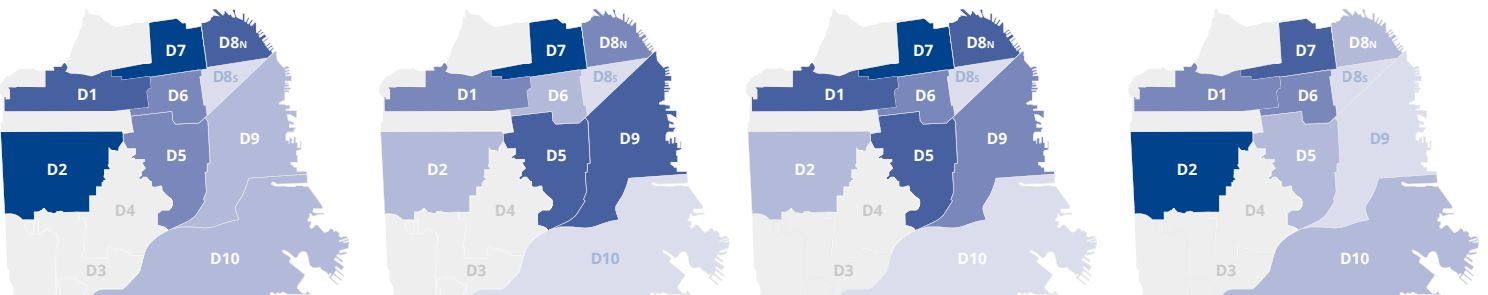
- \$540 +
- \$431 - 539
- \$401 - 430
- \$291 - 400
- \$260 - 290

Price / Unit

- \$480k +
- \$366 - 479k
- \$301 - 365k
- \$287 - 300k
- \$175 - 286k

GRM

- 14 +
- 12.8 - 13.9
- 12.6 - 12.7
- 12.0 - 12.5
- 8.6 - 11.9



District 1

Overview

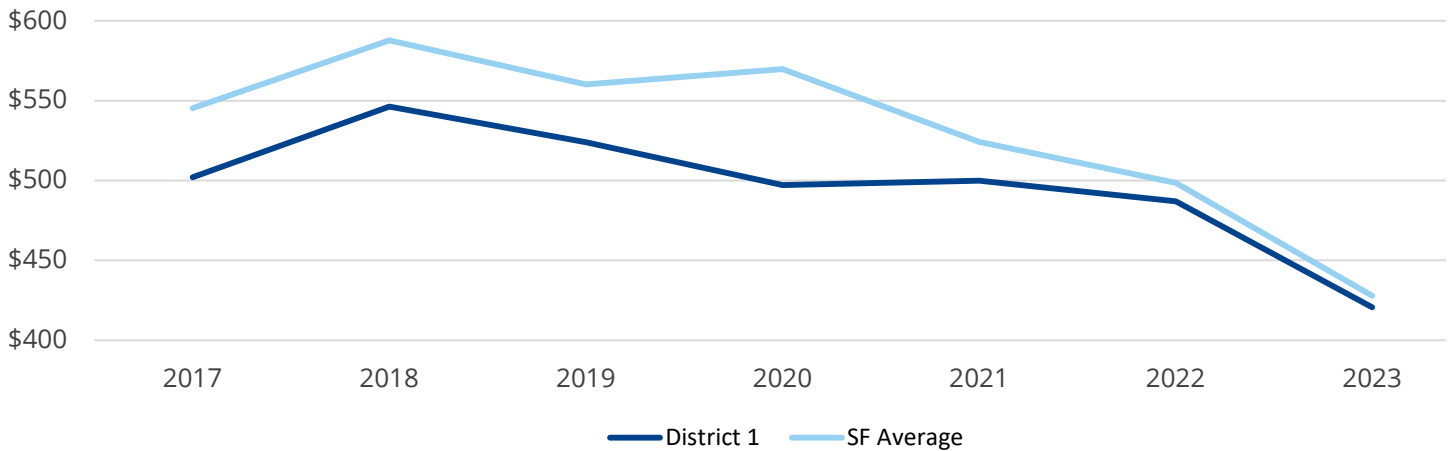
Studio	\$2,010
1 Bed / 1 Bath	\$2,525
2 Bed / 1 Bath	\$3,360

Nestled between The Presidio and Golden Gate Park, District 1 offers a variety of hiking trails, picnic spots, and other outdoor attractions. The efficient road infrastructure, notably the Geary Blvd thoroughfare, makes transportation to almost anywhere in the city possible within minutes, making District 1 an appealing living area. Historically, the district has traded just below the city average on a price/sqft basis, largely attributed to an influx of younger residents.



Price per Square Foot

Data is for 5+ Units

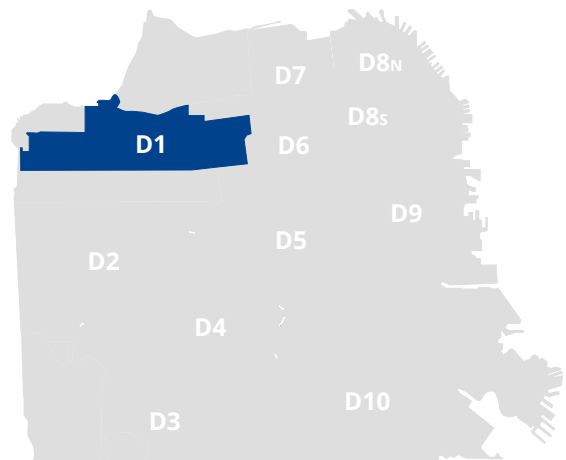


Includes: Richmond, Jordan Park, Lake Street, Sea Cliff, Lone Mountain



10 10th Ave.
6 Units
Lake Street
\$446 / SF

District Map



District 2

Overview

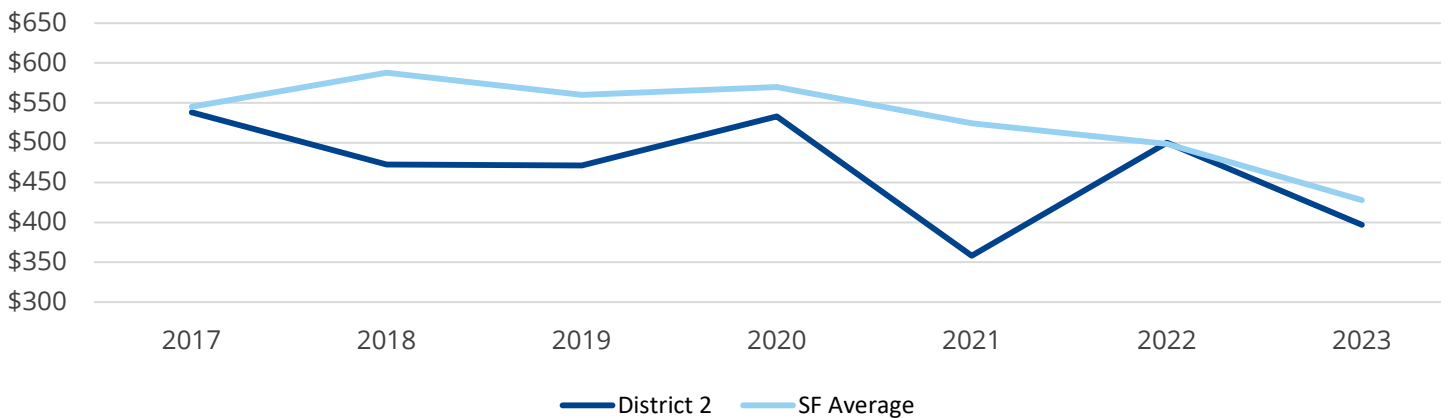
Studio	\$2,025
1 Bed / 1 Bath	\$2,500
2 Bed / 1 Bath	\$3,000

Numerous new restaurants & retail stores tucked into a predominantly residential area set the foundation for an emerging culture in District 2. Access to Ocean Beach and Golden Gate Park, plus close proximity to UCSF creates consistent demand for rentals in the neighborhood. This district is a distinct & unique part of the city providing reliable income for owners who prefer stability over speculation.

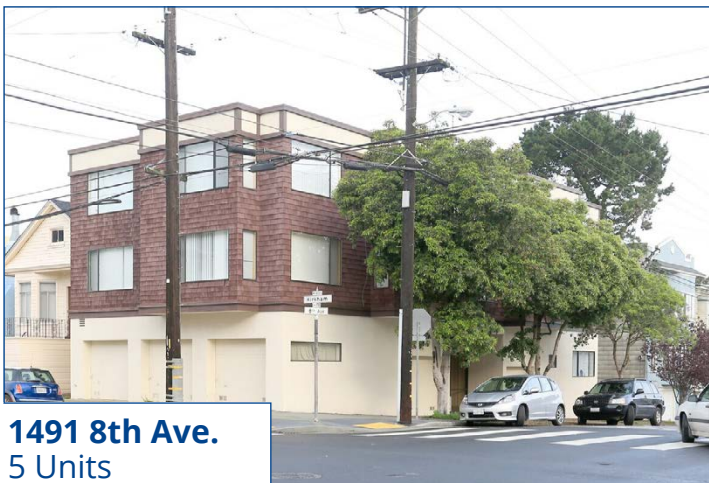


Price per Square Foot

Data is for 5+ Units

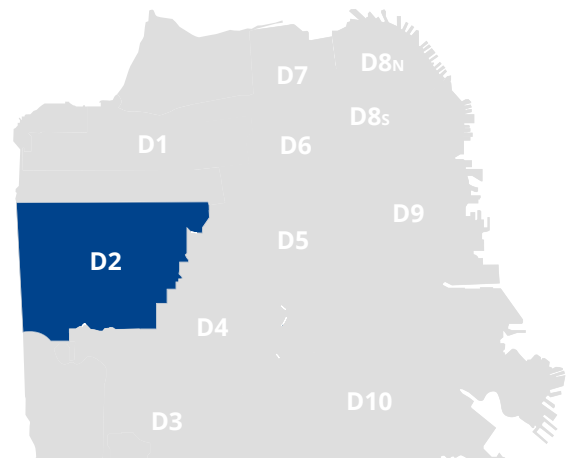


Includes: Sunset, Parkside, Golden Gate Heights



1491 8th Ave.
5 Units
Inner Sunset
\$383 / SF

District Map



District 5

Overview

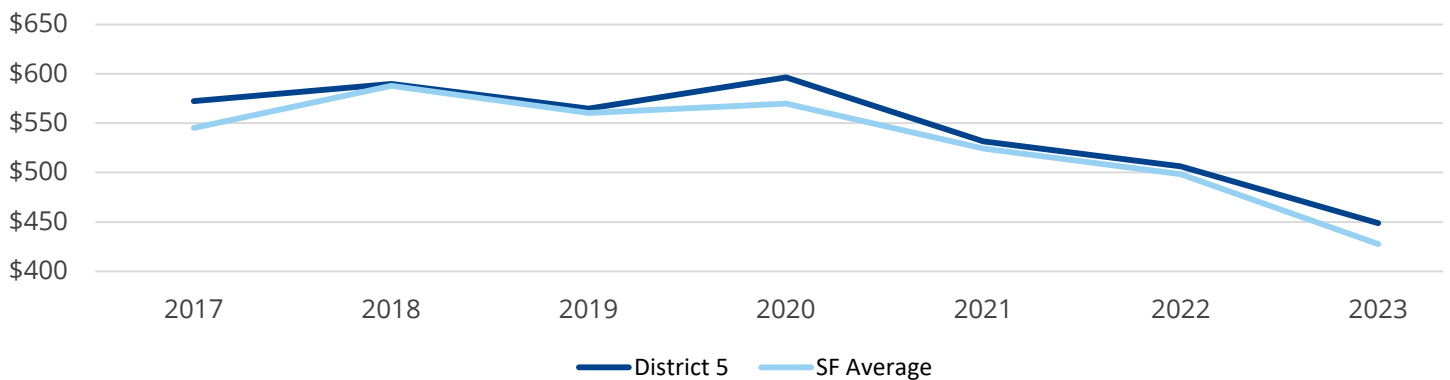
Studio	\$2,145
1 Bed / 1 Bath	\$2,575
2 Bed / 1 Bath	\$3,620

Full of shopping, dining, and cultural experiences, this centrally located district is one of the most diverse and inclusive neighborhoods in San Francisco. Led by the historical Mission district, this neighborhood has been tied to some of the most appreciative assets from a multifamily perspective over the last ten years. High in volume and demand, this melting pot remains an attractive submarket for investors.



Price per Square Foot

Data is for 5+ Units

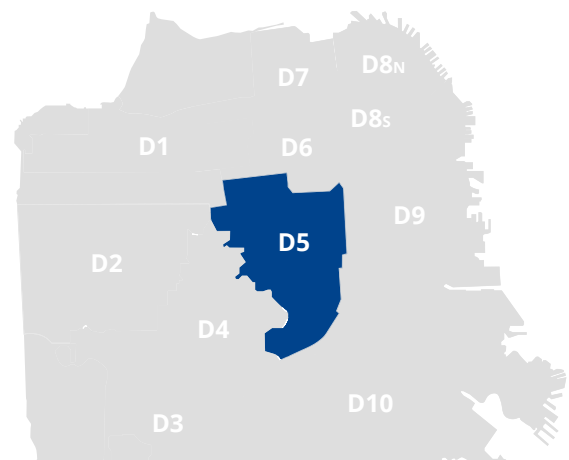


Includes: Glen Park, Haight Ashbury, Noe Valley, Twin Peaks, Cole Valley, Buena Vista, Corona Heights, Clarendon Heights, Duboce Triangle, Eureka Valley, Mission Dolores



330 Parnassus Ave.
 21 Units
 Parnassus Heights
 \$468 / SF

District Map



District 6

Overview

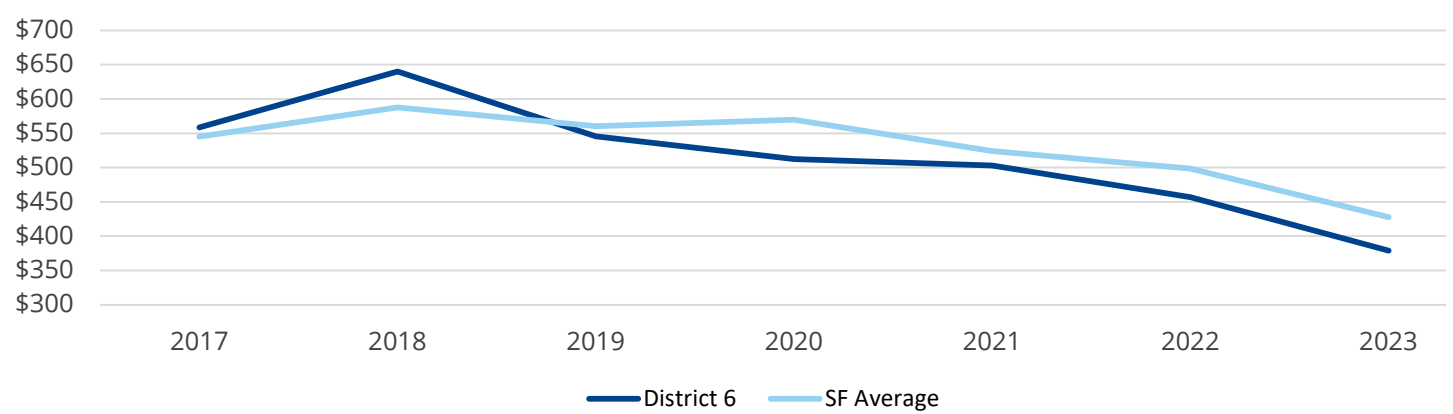
Studio	\$2,145
1 Bed / 1 Bath	\$2,247
2 Bed / 1 Bath	\$3,310

Connecting Pacific Heights and the Mission, this district embodies a wide range of style and culture. Home to some of the best nightlife and shopping strips, a healthy combination of commercial and residential buildings keep the neighborhood lively yet peaceful. This district has traded slightly below par since 2020, largely because of an increased level of risk associated with mixed-use assets following the pandemic.



Price per Square Foot

Data is for 5+ Units

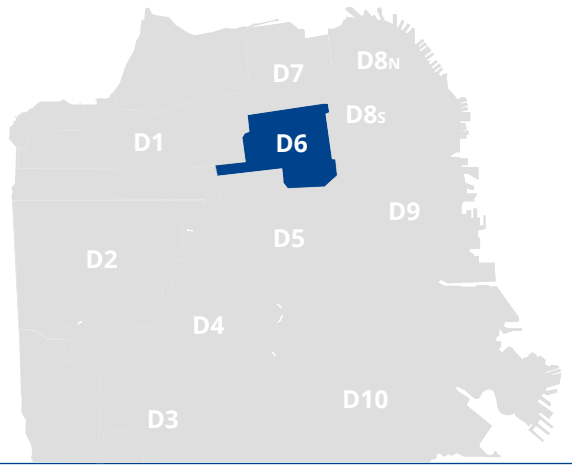


Includes: Anza Vista, Hayes Valley, Lower Pacific Heights, Western Addition, Alamo Square, North Panhandle



1670 Sutter St.
 15 Units
 Lower Pacific Heights
 \$377 / SF

District Map



District 7

Overview

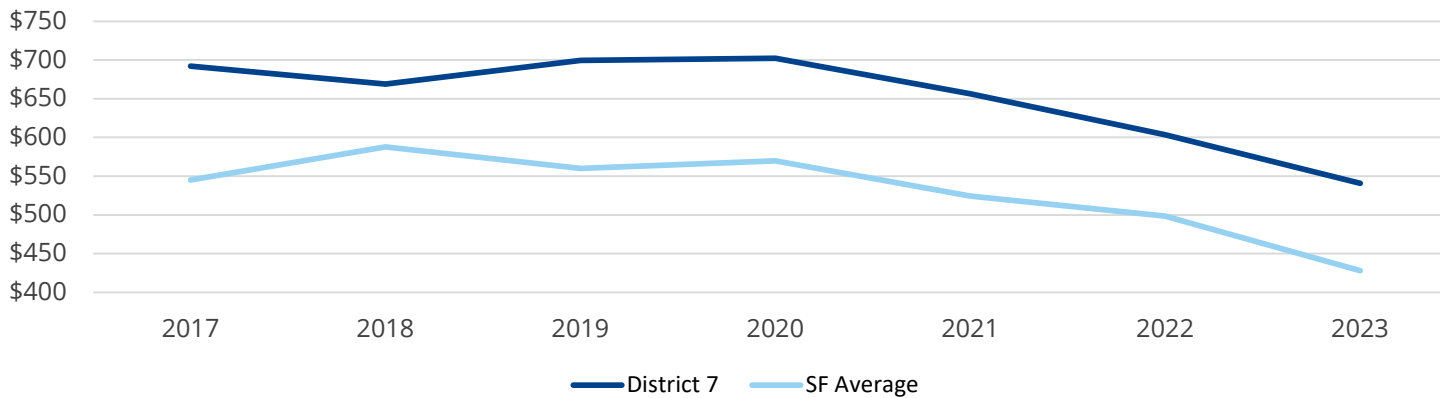
Studio	\$2,150
1 Bed / 1 Bath	\$2,300
2 Bed / 1 Bath	\$3,520

District 7 trades as the most desirable market in San Francisco. Known for sunny weather, vibrant nightlife, quality dining, and trendy retail stores, it is not surprising this submarket generates the highest volume, rents and price per square foot in the city. Home to historic landmarks such as The Golden Gate Bridge, Marina Green & more, the area is jam packed with energy & activity. Expect District 7 to continue trading at premium levels.

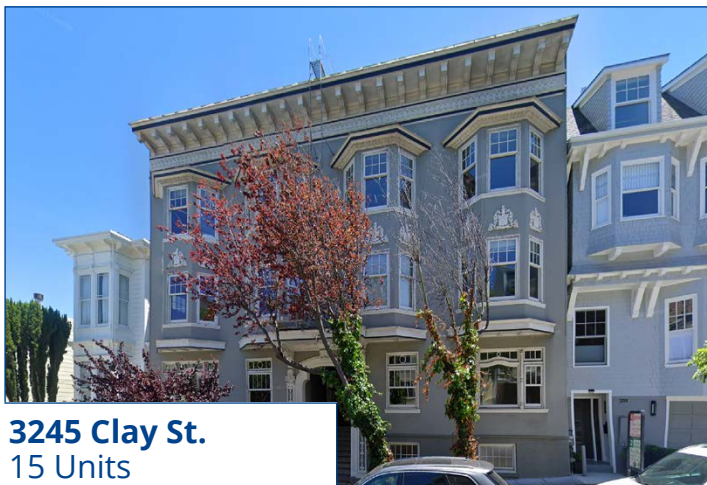


Price per Square Foot

Data is for 5+ Units

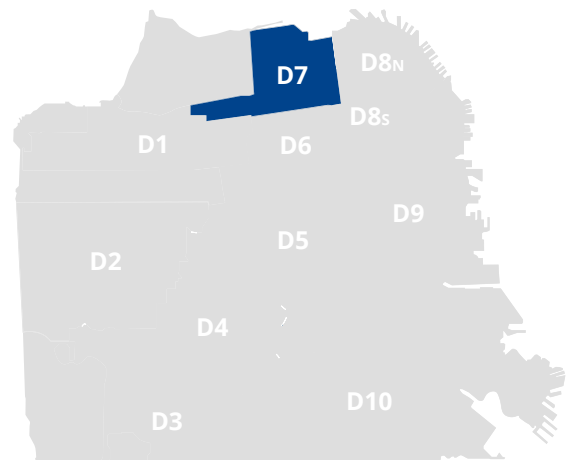


Includes: Marina, Pacific Heights, Presidio Heights, Cow Hollow



3245 Clay St.
15 Units
Pacific Heights
\$539 / SF

District Map



District 8N

Overview

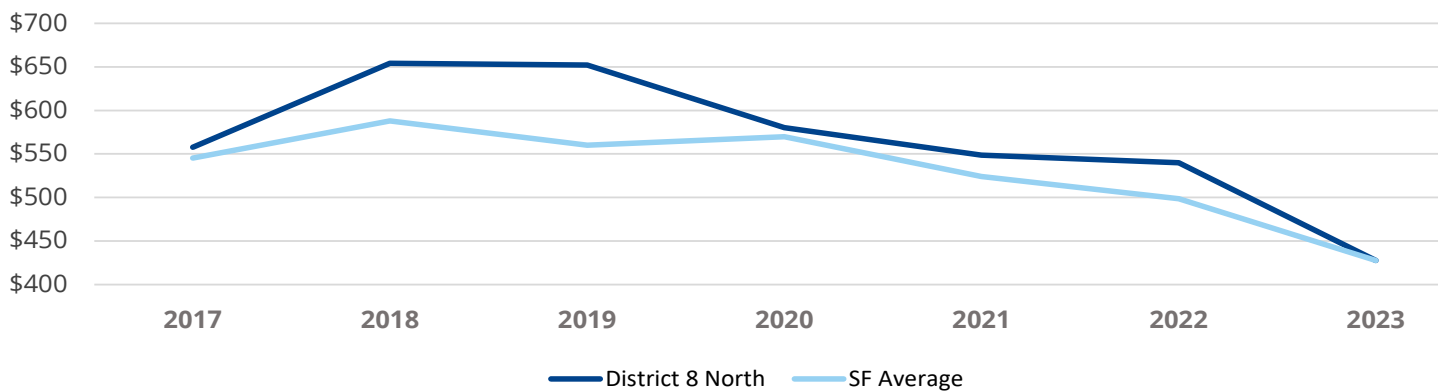
Studio	\$2,108
1 Bed / 1 Bath	\$2,580
2 Bed / 1 Bath	\$2,845

District 8 North is the city's second most desirable market from a rental and price per square foot standpoint. Cable cars, views, upscale restaurants, historical hotels, and vintage nightlife venues are part of what make this area so desirable. Walking distance from the Financial District, office vacancy has been somewhat of a drawback for demand in the neighborhood. Look for this market to appreciate when office occupancy levels improve.

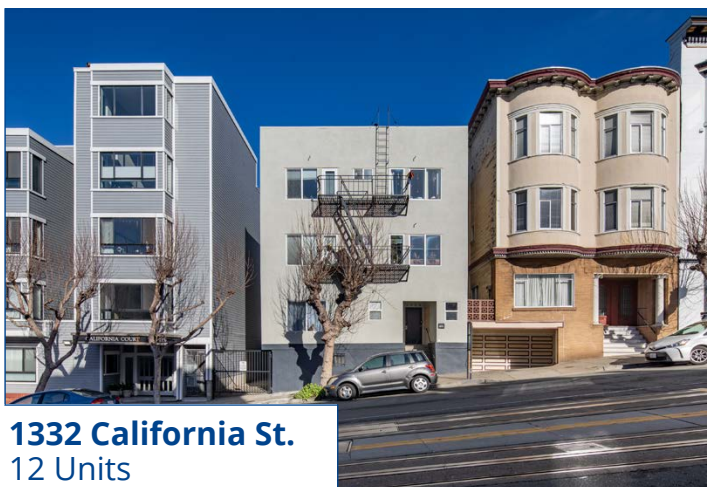


Price per Square Foot

Data is for 5+ Units

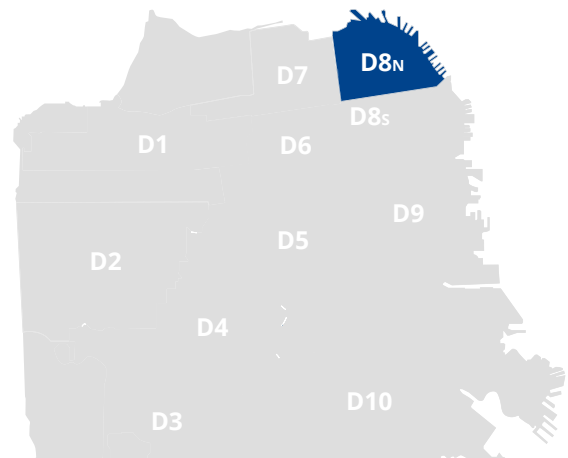


Includes: Nob Hill, North Beach, Russian Hill, Telegraph Hill, North Waterfront



1332 California St.
 12 Units
 Nob Hill
 \$371 / SF

District Map



District 8S

Overview

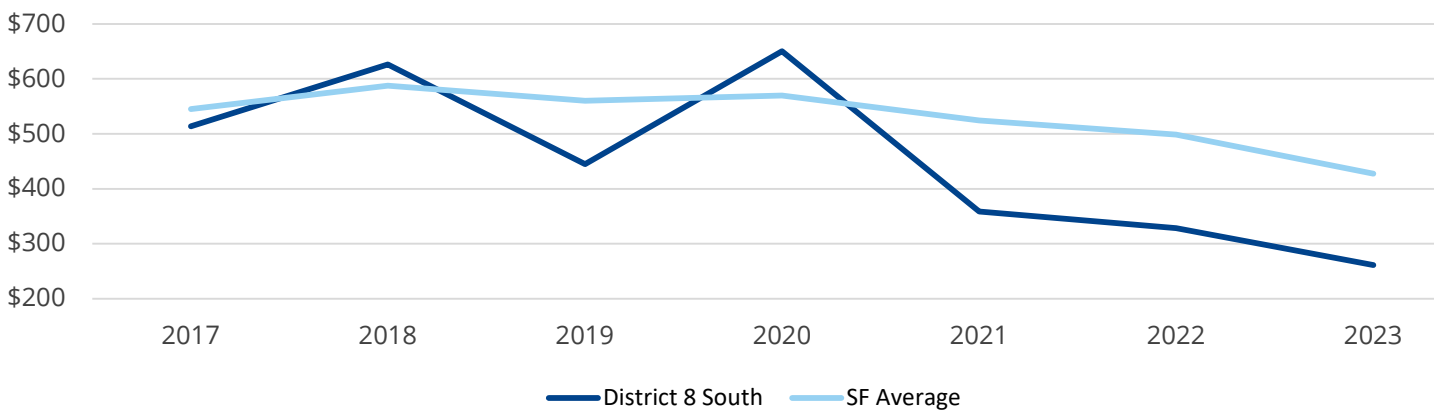
Studio	\$1,745
1 Bed / 1 Bath	\$2,165
2 Bed / 1 Bath	\$2,826

Located in close proximity to the Financial District, work from home policy significantly reduced rental demand in areas such as Tenderloin & Downtown. While properties were beginning to trade at a premium prior to the pandemic, District 8 South is now the cheapest submarket from a cost basis perspective, trading below \$350 per square foot. Opportunistic investors with long-term outlooks remain interested in this district.

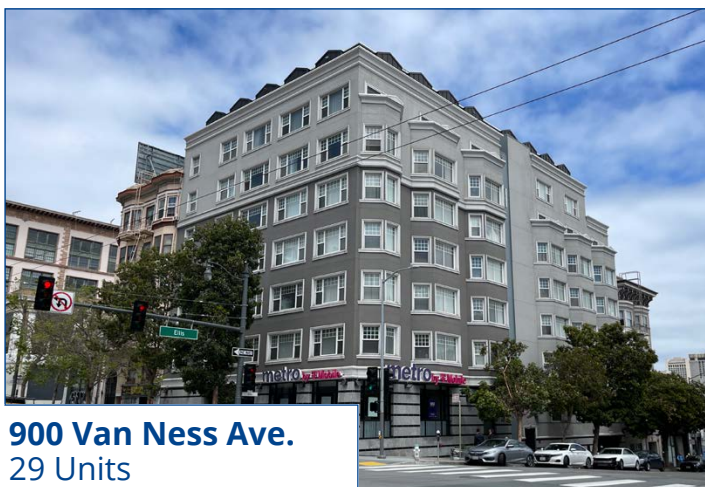


Price per Square Foot

Data is for 5+ Units

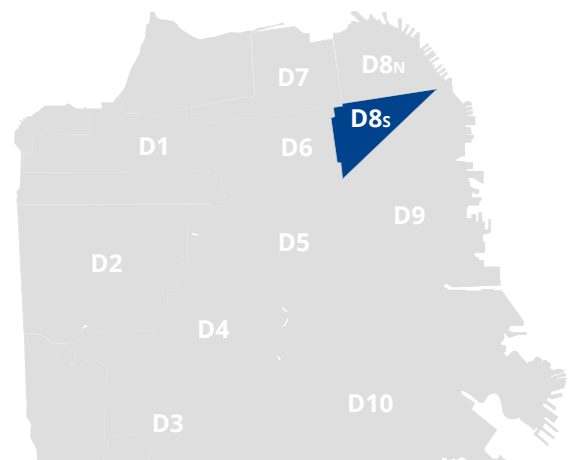


Includes: Downtown, Tenderloin, Financial District, Van Ness/Civic Center



900 Van Ness Ave.
 29 Units
 Van Ness / Civic Center
 \$203 / SF

District Map



District 9

Overview

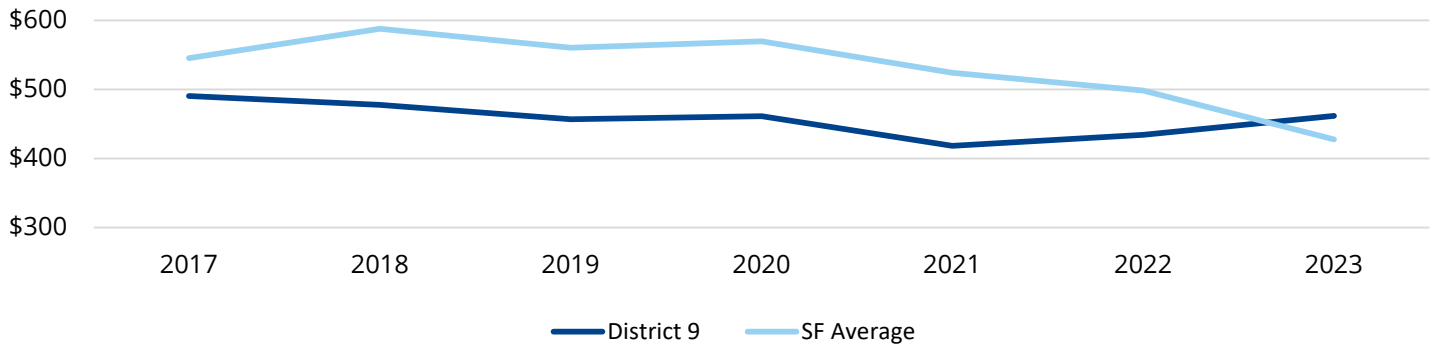
Studio	\$2,048
1 Bed / 1 Bath	\$2,923
2 Bed / 1 Bath	\$3,826

Neighboring the Financial District, District 9 is another area experiencing lingering effects from the pandemic. While new development coming from the SOMA and Mission Rock areas contribute to an emerging culture in this district, they also take away rental demand from vintage, traditional apartment units. At a relatively low cost-basis, volume remains strong in District 9.

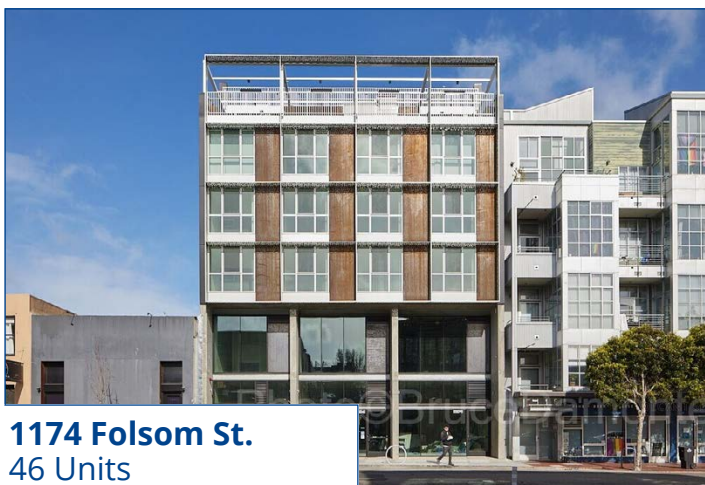


Price per Square Foot

Data is for 5+ Units

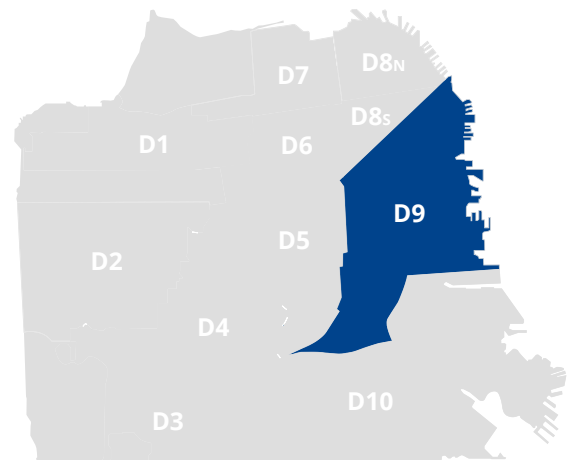


Includes: Bernal Heights, Inner Mission, Mission Bay, Portrero Hill, SOMA, Yerba Buena, South Beach, Dogpatch



1174 Folsom St.
46 Units
South of Market
\$687 / SF

District Map



Districts 3,4,10

Overview

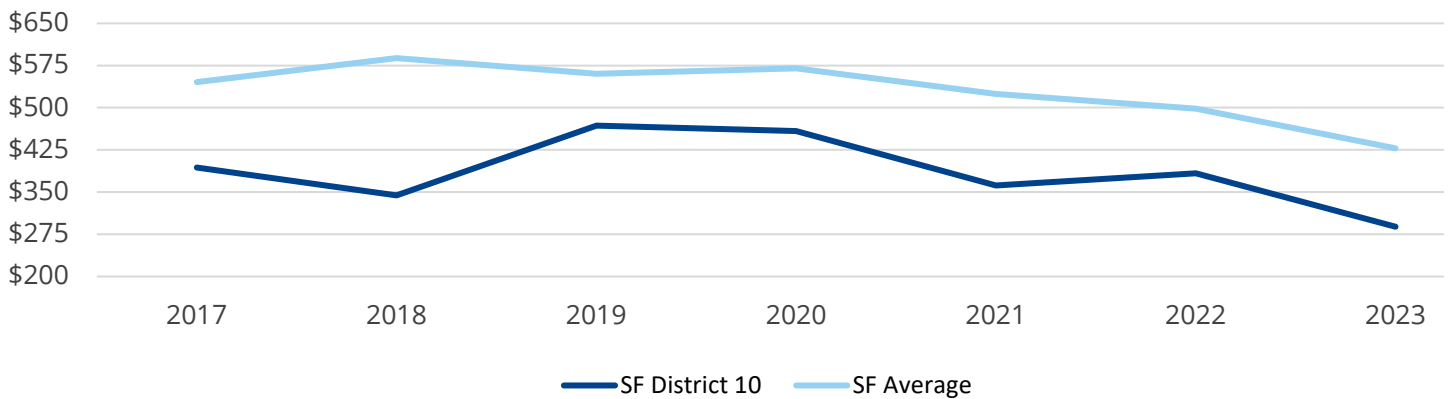
Studio	\$1,995
1 Bed / 1 Bath	\$2,400
2 Bed / 1 Bath	\$3,114

Predominantly filled with residential homes, the southernmost part of the city is low in multifamily trade volume. The suburban-like area has its share of shopping centers, parks, and recreational centers. In 2024, we should expect these districts to continue to show minimal transaction volume in comparison with the rest of San Francisco.

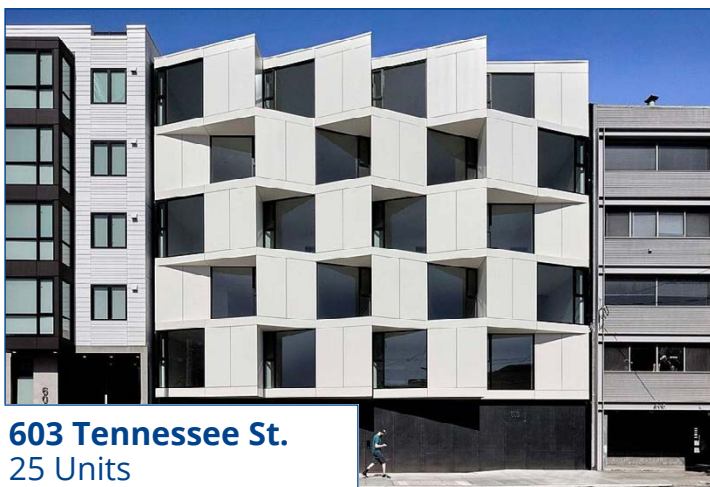


Price per Square Foot

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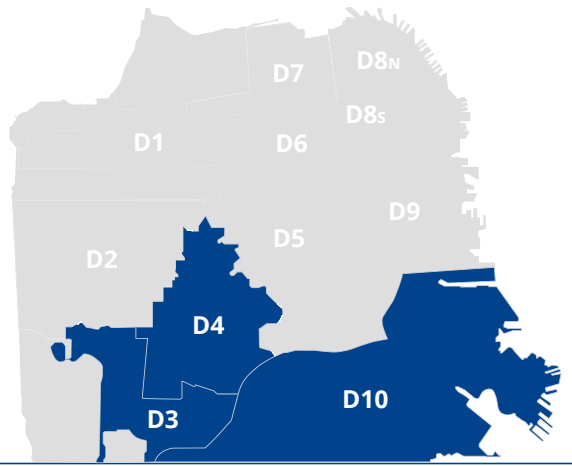


Includes: Lakeshore, Merced, Pine Lake Park, Stonsetown, Lakeside, Ingleside, Oceanview, Bayview, Crocker Amazon, Excelsior, Outer Mission, Visitacion Valley, Portola, Silver Terrace, Mission Terrace, Hunter's Point, Balboa Terrace, Diamond Heights, Forest Hill, Ingleside



603 Tennessee St.
25 Units
Central Waterfront
\$686 / SF

District Map



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.

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