

The Colliers logo is located in the top right corner. It consists of the word "Colliers" in a white serif font, set against a dark blue rectangular background. Below the text are two horizontal stripes, one yellow and one red.

Colliers

The background of the slide is a photograph of the Golden Gate Bridge in San Francisco. The bridge's iconic red-orange towers and suspension cables are prominent, spanning across the water. The bridge deck is filled with cars. In the background, there are green hills and a clear blue sky with some light clouds. A small boat is visible in the water to the left of the bridge.

Q1 2024 MARKET OVERVIEW

San Francisco Multifamily

San Francisco Market Overview

Amidst the dynamic landscape of San Francisco's multifamily real estate market, a sense of optimism is burgeoning, fueled by the prospect of impending rate cuts. This optimism finds its roots in a multifaceted analysis, notably marked by the diminishing differentials between average list and sale prices in closed transactions—a trend forecasted in our Q3 2023 market report and further explored on the following page. Deals that have closed in Q1 of 2024 have boasted higher prices for sellers than those reflected in the third and fourth quarters of 2023, evoking a sense of an underlying multifamily pricing rebound. Additionally, significant year-over-year increases in rental revenue further underscore growing confidence within the market. As these factors converge, they not only reflect a shifting landscape but also advertise a promising trajectory for San Francisco's multifamily real estate market as we emerge from what some refer to as "the bottom".

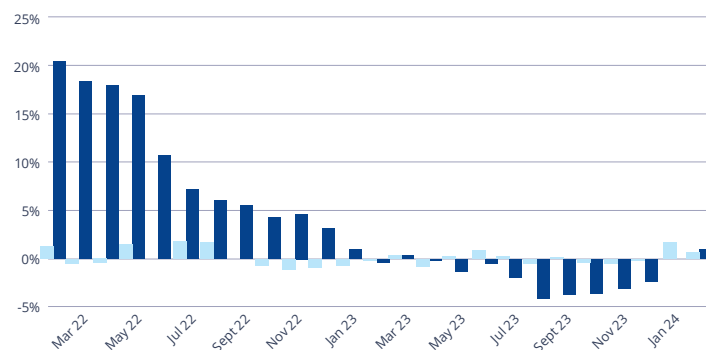
The recent rise of interest rates might raise some eyebrows, presenting a shocking metric for investors to digest. However, projections suggest forthcoming rate cuts in the third and fourth quarters of 2024, signaling a potential for increased transactional volume later this year. Consequently, such figures should not deter potential investors from seizing opportunities within the market. Though still catching up to metrics presented in Q1 2023, current quarterly metrics are reflective of pricing at the the start of this first quarter and have since advertised stark improvements from both Q3 & Q4 2023.

Market Indicators	Q1 2023	Q1 2024	YOY Change
Average of Fed (Quarterly)	4.52%	5.33%	81 BPS ↑
Average of \$/SF	\$493.31	\$384.34	22.1% ↓
Average of Rent/SF (per sales)	\$3.13	\$2.78	11.2% ↓
Average of \$/Unit	\$392,912	\$296,243	24.6% ↓
Average of CAP Rate	4.85%	5.06%	21 BPS ↑

Source: MacroTrends | Colliers

SF Multifamily Rental Revenue % Change

■ Revenue Change ■ Y-O-Y Revenue Change



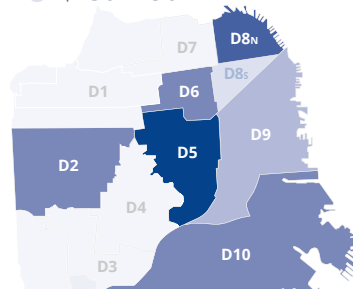
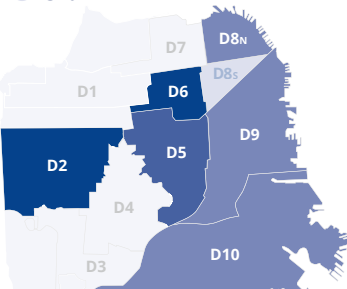
Source: Realpage, Inc.

CAP Rate

- 4.30 - 4.79%
- 4.80 - 4.85%
- 4.86 - 5.40%
- 5.41 - 7.99%
- 8% +

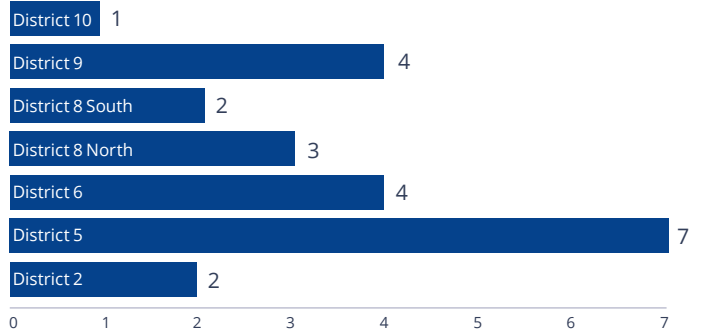
Price / SF

- \$450 +
- \$400 - 449
- \$330 - 399
- \$291 - 329
- \$250 - 290



Transactions by District

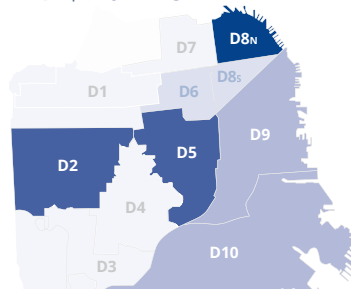
Quarter 1, 2024



Source: 5+ Unit Buildings | Colliers MLS

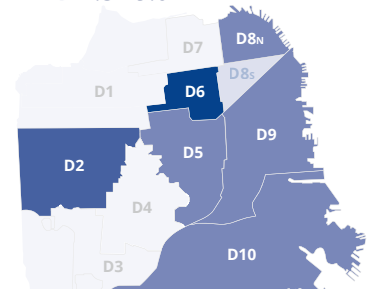
Price / Unit

- \$400k +
- \$295 - 399k
- \$278 - 294k
- \$249 - 277k
- \$210 - 248k



GRM

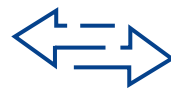
- 15 +
- 12.6 - 14.9
- 11.1 - 12.5
- 9.1 - 11.0
- 7.5 - 9.0





Prop A

Proposition A, passed as a vital funding mechanism for affordable housing in the city, will authorize the issuance of up to \$300 million in bonds for the construction, development, or acquisition of such housing.



Prop C

Approved by voters, Proposition C seeks to grant an exemption from transfer taxes, which can be as high as 6%, for properties transitioning from commercial to residential use. Presently, specific affordable housing conversions already benefit from at least partial exemption from this tax.



Prop 1

On a statewide level, Proposition 1 will sanction the issuance of \$6.4 billion in bonds. This measure, passed with 50.19%, will redirect a portion of county funding from addiction treatment or other services to housing projects.

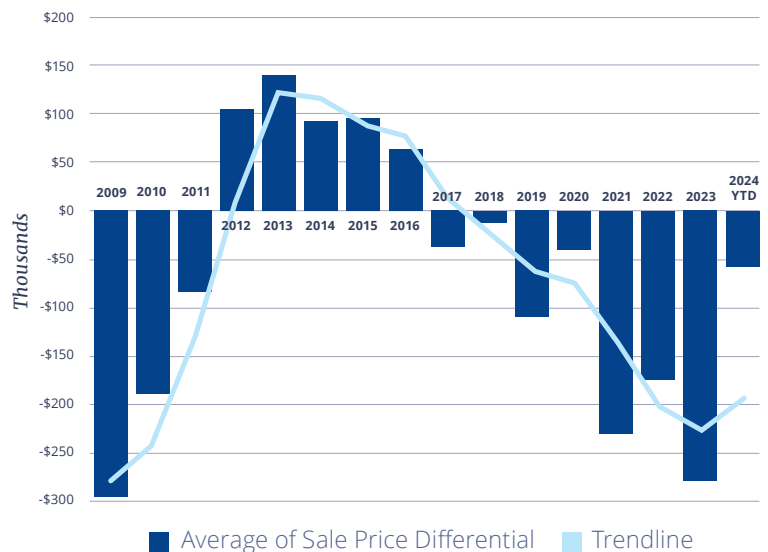
The measures on the March ballot, Propositions A, C, and Proposition 1, hold significant importance for housing expansion both at the state and San Francisco-specific market levels. Recently passed, these propositions are poised to influence key metrics within affected submarkets, such as price per square foot (\$/SF), price per unit (\$/unit), and vacancy rates, among others. Proposition A's potential to issue up to \$300 million in bonds for affordable housing construction, development, or acquisition is crucial for addressing the pressing need for affordable housing in San Francisco. Proposition C's exemption of properties transitioning from commercial to residential use from transfer taxes may incentivize more conversions, but in actuality, the cost of labor & construction will likely prohibit any significant addition of new units to the market. Additionally, Proposition 1's authorization of \$6.4 billion in bonds will redirect county funding towards housing projects, alleviating pressure on the housing market by providing additional resources for development. Collectively, these measures signify significant steps towards addressing the housing crisis, with potential far-reaching impacts on housing availability and affordability in both the state and San Francisco.



In the third quarter of 2023, we observed a notable correlation within the historical data concerning the list versus sale price differentials in San Francisco's multifamily real estate market.

This correlation suggested a pivotal moment, indicating a potential "bottoming out" of the real estate market, particularly regarding consumer perception of asset value compared to market listings. The thesis proposed during this period proved accurate, as evidenced by the subsequent quarters. The differential shifted significantly from an average of -\$279k in the fourth quarter of 2023 to -\$57k in the first quarter of 2024. Notably, the average value for the first quarter of 2024 bears resemblance to the changes observed between 2009 and 2011, a period in which many classified the real estate market as recovering. This trend signifies a meaningful shift in market dynamics, possibly indicating a return to stability and historical pricing norms within the San Francisco multifamily real estate industry.

Average of List vs. Sale Price Differential



Source: Colliers | MLS | CoStar

Notable Sale Transactions

Address	Market	Units	GRM	CAP	\$/SF	\$/Unit
425 Hyde Street	Tenderloin	25	7.46	6.86%	\$238.67	\$179,000
750 Presidio Avenue	Lower Pacific Heights	21	11.84	5.11%	\$384.88	\$266,667
2855 Polk Street	Russian Hill	15	10.84	6.12%	\$462.75	\$314,667
1467 7th Avenue	Inner Sunset	15	11.08	5.13%	\$354.61	\$293,333
513 Capp Street	Inner Mission	15	9.90	6.20%	\$280.99	\$243,333
635 Ashbury Street	Haight Ashbury	8	10.67	6.06%	\$413.16	\$408,000
848 Ashbury Street	Buena Vista	6	13.32	5.21%	\$413.22	\$416,667

 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



\$4.99B

in closed
sales



869 +
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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