BAY AREA MULTIFAMILY TEAM REPORT

San Francisco Multifamily

Q3 2026 MARKET OVERVIEW



Colliers

San Francisco
Market Overview

Q3 2026

The third quarter of 2026 offers a valuable window into the shifting macroeconomic conditions shaping the multifamily market in San Francisco. The market has shown continued strength, with average price per square foot and average price per unit both increasing year-over-year to $468 and $392,305, respectively. In mid-September, the Fed increased interest rates by 25 basis points, the largest increase since Q3 of 2023, in support of the dual mandate. Historically, increasing rates push investors to value more stabilized, cash-flowing assets, rather than riskier value-add properties. This rate increase represents a meaningful inflection point for the multifamily market, as higher financing costs are likely to sharpen the distinction between stabilized, income-producing assets and properties that require additional capital or pose execution risks. On a quarterly average, the 10-year Treasury increased 50 basis points while the Fed funds rate compressed 63 basis points since Q3 of 2025. Economically, productivity growth is strong, and capital investment continues to be robust. The average cap rate also compressed 17 basis points year-over-year, settling at 5.70%. This tightening reflects increased stabilization across multifamily assets and suggests that investors are increasingly able to identify lower-risk opportunities even as the broader market continues to evolve.

Cap rate compression appears to be an emerging trend across several San Francisco submarkets. District 1 and District 8 North are drawing increased interest, particularly because they offer investors access to stabilized assets with potential for continued value appreciation. Evaluating cap rates at the submarket level provides a clearer view of where pricing is tightening, risk is being perceived more favorably, and new investment opportunities may be developing. Differences in momentum between submarkets can support distinct investment narratives depending on an investor's risk tolerance, return objectives, and preferred holding strategy. It is also important to monitor how cap rates move in relation to interest rates, as shifts in borrowing costs can directly influence buyer demand, pricing, and valuation expectations. Looking ahead, we will monitor how the recent mid-September interest-rate increase affects buyer demand, pricing, and cap-rate trends as the market moves into Q4.

One of the recent trends emerging in San Francisco multifamily is a decreasing vacancy rate across 5+ unit apartment buildings subject to rent control. Figure 3 illustrates vacancy rates for San Francisco rent-controlled units reported to the city's Rent Board. Since 2022, property owners seeking to submit rent increases have been required to report basic property information, including vacancy trends and owner-occupied units within their respective buildings. This reporting requirement has created a valuable, ongoing dataset that allows for a clearer, more consistent view of occupancy patterns across the city's rent-controlled housing stock over time. The data shows a steady increase in the number of units reported, from roughly 55,000 in 2022 to 85,000 in 2025 and 2026, reflecting a growing base of rent-controlled properties captured under this reporting requirement as more owners have come into compliance. Over that same period, vacancy rates have declined, falling from approximately 9.75% in 2022 to around 4.9% in 2026. It is important to note that this reported metric often includes units that are under remodel or off the market for various reasons, which suggests that effective vacancy for 5+ unit rent-controlled product is closer to a stabilized 3%. This sustained downward trend in vacancy suggests that rent-controlled units are being absorbed and retained by tenants at a higher rate than in previous years. For owners and investors, this points toward greater property resilience and stronger cash-flowing assets across San Francisco's multifamily market, as consistent occupancy continues to support more predictable rental income over the long term.

Market Indicators

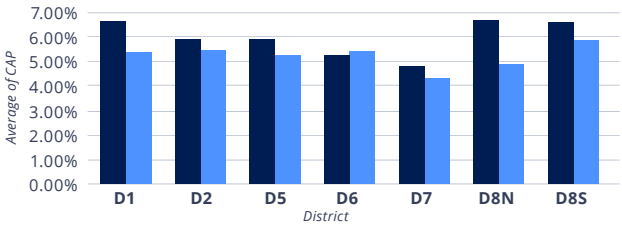
Q3 2025 vs. Q3 2026

Market Indicators	Q3 2025	Q3 2026	Y-O-Y Change
Average of FED (Qtly)	4.30%	**3.67%**	*-63 (BPS)*
Average of 10-Yr Treasury	4.26%	**4.76%**	*+50 (BPS)*
Average of $/SF	$402	**$468**	*16.64%*
Average of $/Unit	$367,094	**$392,305**	*6.87%*
Average of CAP	5.87%	**5.70%**	*-17 (BPS)*

Source: 5+ Unit Buildings | Colliers, MLS, MacroTrends

Average Cap Rate by District

Q3 2025 vs. Q3 2026 — 2025 — 2026



D1: Richmond, Lake Street, Jordan Park
D2: Sunset, Parkside
D5: Castro, Duboce, Noe Valley
D6: Hayes Valley, Alamo Square, NOPA
D7: Pacific Heights, Marina, Cow Hollow
D8N: Nob Hill, Russian Hill, North Beach
D8S: Financial Dist, Tenderloin, Downtown

Figure 1: Source: 5+ Unit Buildings | Colliers

Transactions by District (SF)

Q3 2026

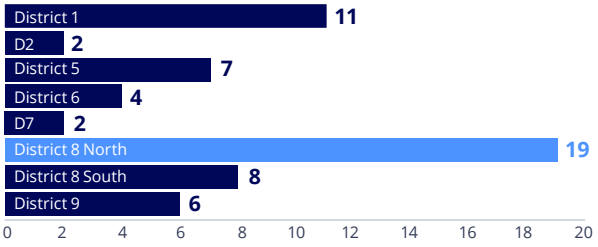


Figure 2: Source: Colliers, MLS

SF Multifamily Vacancy Trend

Q3 2026

Total Units Reported — Vacancy Rate

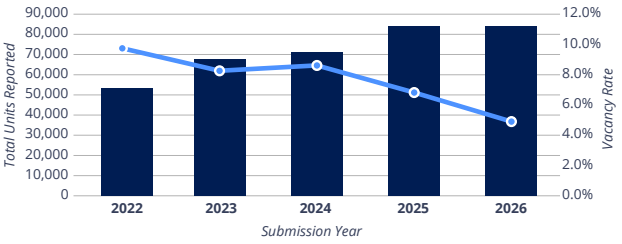


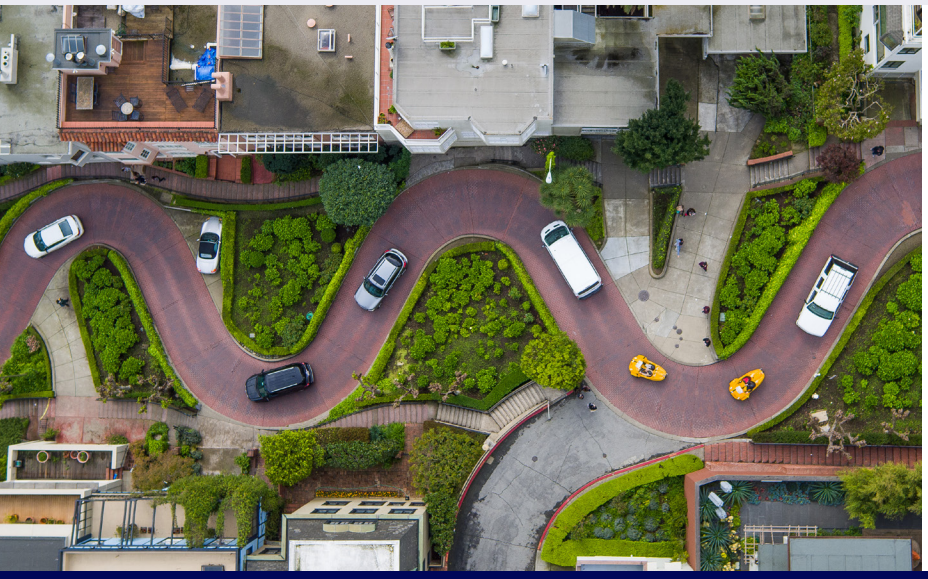
Figure 3: Source: 5+ Unit Buildings | Data.SF.gov

Notable Colliers Sale Transactions

Address	Market	Units	Price	$/SF	$/Unit
2490 Greenwich St	Cow Hollow	18	$9,995,000	$626	$555,278
2901 Buchanan St	Cow Hollow	9	$6,626,000	$675	$736,222
1082 Union St	Russian Hill	13	$6,550,000	$461	$503,846
78 Parker Ave	Jordan Park	7	$4,170,000	$621	$595,714
500 Greenwich St	Telegraph Hill	9	$2,660,000	$456	$295,556
2131 Grove St	NOPA	5	$2,350,000	$550	$470,000

Development Pipeline **Points to Continued Growth**

San Francisco's construction pipeline has grown steadily over the past year, climbing from roughly 3,200 units in Q3 2025 to nearly 4,700 units as of Q3 2026, a jump of more than 45%. Unlike the broader development pipeline, this figure captures only units where builders have broken ground and vertical construction is actively underway. This sustained growth reflects Institutional-level capital committing to San Francisco's long-term development capacity, driven primarily by a small number of large, decades-long master-planned projects. These developments show that major investors are positioning for the city's future growth rather than chasing short-term supply.



Total Multifamily Pipeline Units Under Construction

Q3 2025 vs. Q3 2026

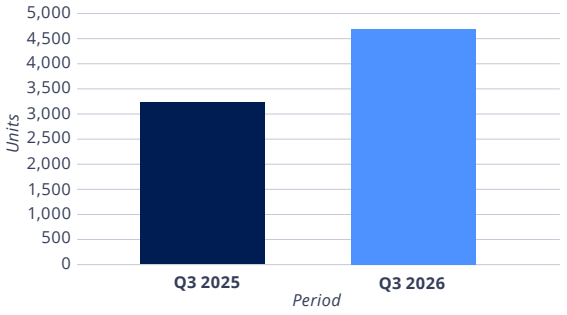


Figure 4: Source: Data.sf.gov

San Francisco Policy Change **Piques Development Interest**

In July, San Francisco's Board of Supervisors approved major changes to the city's affordable housing requirements, reducing the inclusionary housing rate from 15% to 5% citywide. Projects with fewer than 25 units are now exempt, while the Mission District retains a higher 8% requirement due to ongoing concerns about displacement. The change reflects a growing recognition that the previous 15% threshold, combined with high development fees, had made many projects financially infeasible and contributed to reduced construction activity.

Districts 9 and 10 continue to attract larger institutional development projects, where land availability and economics remain more favorable than in other parts of the city. In contrast, neighborhoods such as Nob Hill, Bernal Heights, and the Western Addition are seeing a steady pipeline of smaller-scale developments. Ultimately, the policy shift is intended to improve project feasibility, encourage new housing production, and increase supply over time to help ease pressure on rents.

Units Under Construction by Neighborhood

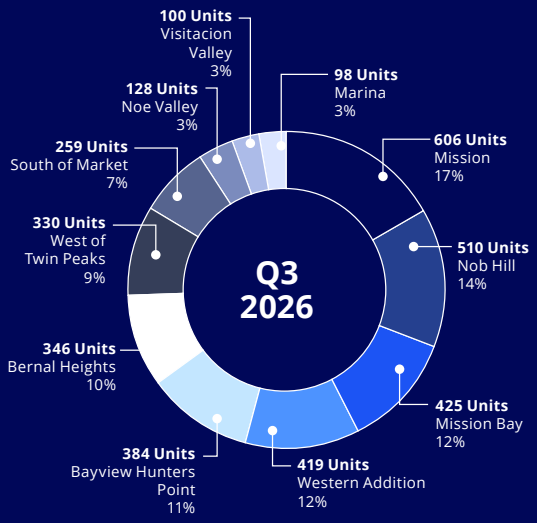


Figure 5: Sources: Data.sf.gov, Mission Local

**Percentages Rounded*

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



$6.246 B
in closed sales



1,059 +
apartment buildings sold



117 +
years of combined experience

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