

Yardi® Matrix

San Francisco Cools Off

Multifamily Report Summer 2017

**Rents Down 0.5%
Year-Over-Year**

**Supply-Demand
Mismatch Persists**

**Transaction
Volume Tapers**

SAN FRANCISCO MULTIFAMILY

Yardi® Matrix

Market Analysis

Summer 2017

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Rents Moderate in the Bay

After several years of heightened growth, multifamily rents in San Francisco have tempered. Just one year after double-digit increases had bumped the average to \$2,480—among the highest in the country—rents decreased by 0.5% year-over-year through May. Rents have reached a point where even highly paid workers can't afford the premium prices, despite the metro's consistent job expansion, robust tenant demand and high home prices. The lack of affordability is a prime suspect in the slowdown.

San Francisco's economy continues to attract investment and development. The University of California, Berkeley, anticipates that the 325,000-square-foot Berkeley Way West will be completed by December 2017, boosting the education sector. The Chinese investor behind the 42-acre waterfront Landing at Oyster Point in South San Francisco plans to add a residential component with roughly 1,200 units to prepare the area for the life sciences industry, which is expected to add 18,000 jobs in the next three years.

Transaction activity has slowed in 2017, with only \$300 million in properties trading in the first five months of the year. This comes after last year's cycle high, when more than \$3 billion in assets changed hands, reflecting investor caution amid escalating prices and macroeconomic uncertainty. With more than 15,000 units under construction, Yardi Matrix forecasts rents will remain flat in 2017.

Recent San Francisco Transactions

Indigo Apartment Homes



City: Redwood City, Calif.
Buyer: Aimco
Purchase Price: \$320 MM
Price per Unit: \$691,145

Franklin 299



City: Redwood City, Calif.
Buyer: TIAA
Purchase Price: \$213 MM
Price per Unit: \$699,507

The Marston by Windsor



City: Redwood City, Calif.
Buyer: GID
Purchase Price: \$153 MM
Price per Unit: \$780,612

The Enclave at Adobe Creek



City: Petaluma, Calif.
Buyer: JRK Property Holdings
Purchase Price: \$145 MM
Price per Unit: \$293,699

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