



MULTIFAMILY REPORT

San Francisco Pays the Density Cost

Summer 2020

Employment Market Lags Nation

Rent Expansion Posts Severe Decrease

Transaction, Investment Activity Dwindles

SAN FRANCISCO MULTIFAMILY



A Reset in the Bay Area's Multifamily Market

The Bay Area's multifamily market, although underpinned by one of the nation's strongest economies, is experiencing a historic moment. The pandemic has changed work patterns by stimulating a switch to remote work, which, combined with an influx of supply, caused a 0.7% slide in average rents to \$2,588 on a trailing three-month basis through August, while the U.S. average stayed flat at \$1,463. The occupancy rate in stabilized properties also contracted, down 90 basis points year-over-year to 94.9% as of July.

The economy reopened gradually from May to June, but the spike in cases from June to July, prompted Gov. Gavin Newsom to revert to lockdown measures. The unemployment rate declined from 13.2% in April to 12.6% in June, with preliminary July data pointing to 11.1%. Unemployment claims filed across California surpassed 8.1 million between mid-March and the end of August, and all sectors registered contractions. The metro recorded a less drastic change for professional and business services, which shrunk by only 4.8% year-over-year through June, aided by work-from-home potential.

San Francisco, notorious for its limited housing supply, had 23,158 units underway and 1,549 delivered in 2020 as of August. Meanwhile, transaction activity totaled \$1.1 billion, with capital targeting RBN assets in the East Bay, which pushed the per-unit price down 11.4% to \$387,519.

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Recent San Francisco Transactions Skyline Terrace



City: Burlingame, Calif.
Buyer: Pacific Urban Residential
Purchase Price: \$108 MM
Price per Unit: \$782,609

Rancho Luna Sol



City: Fremont, Calif.
Buyer: Decron Properties
Purchase Price: \$72 MM
Price per Unit: \$380,319

Creekside



City: San Leandro, Calif.
Buyer: Trion Properties
Purchase Price: \$21 MM
Price per Unit: \$256,250

Dover Park



City: Fairfield, Calif.
Buyer: Beacon Property
Management
Purchase Price: \$10 MM
Price per Unit: \$42,194