

Yardi® Matrix

San Francisco Cools Down

Multifamily Report Fall 2017

**Affordability Hangs
In the Balance**

**New Development
Targets Oakland**

**Sales Volume
Drops as Prices Surge**

SAN FRANCISCO MULTIFAMILY

Yardi® Matrix

Market Analysis

Fall 2017

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Rent Deceleration Continues

After several years of consistent rent hikes, San Francisco's housing market has cooled to some degree. Rents rose 1.8% year-over-year through September, trailing the national average for the 14th consecutive month. However, the average rent of \$2,553 was nearly double the \$1,354 U.S. rate, proving too high even for many highly skilled workers. This critical issue has pushed some large tech companies to enter the housing market, with plans to invest in affordable housing for their employees.

The metro's economy is strong and market indicators reflect continued growth, albeit at a slower pace than a couple of years ago. The biotech industry is thriving, with Zymergen and Exellix expanding their footprint by more than 100,000 square feet each. In October, infrastructure work began for the Landing at Oyster Point, a 42-acre research and development center. Construction on the project's five- to seven-story buildings is scheduled to begin in the summer of 2018.

Investor activity has slowed down, with only \$600 million in multifamily assets trading in 2017 through August. This follows a strong 2016, when transactions reached a cycle high of \$3 billion. Development is robust, with more than 4,000 apartments delivered in the first three quarters and another 12,400 units under construction. As supply continues to catch up with demand, Yardi Matrix expects rents to rise 0.8% in 2017.

Recent San Francisco Transactions

The Marston by Windsor



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

Creekwood



City: Hayward, Calif.
Buyer: Bridge Investment Group Partners
Purchase Price: \$97 MM
Price per Unit: \$315,210

Sofi Fremont



City: Fremont, Calif.
Buyer: Pacific Urban Residential
Purchase Price: \$75 MM
Price per Unit: \$365,196

Ivy Hill



City: Walnut Creek, Calif.
Buyer: TIAA
Purchase Price: 48 MM
Price per Unit: \$414,655

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