

YARDI® Matrix

San Francisco: Investor Haven?

Multifamily Winter Report 2016

**Owners Hold Assets
Despite Peak Prices**

**Skyrocketing Rents
Challenge Working Class**

**Developers Promise
Unit Deliveries Aplenty**

SAN FRANCISCO MULTIFAMILY

YARDI® Matrix

Market Analysis

Winter 2016

Contacts

Paul Fiorilla

Associate Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

Dana Seeley

Associate Director of Research
Dana.Seeley@Yardi.com
(800) 866-1124 x2035

Jack Kern

Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Author

Anca Gagiuc

Associate Editor

Bay Area's Rental Bull Run

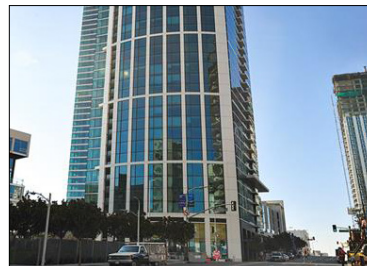
San Francisco continues to be an economic powerhouse, among the top metros in the U.S. in job creation and home to many iconic brands and technology companies such as Apple, Google and Twitter. Nearly half of all venture capital invested in the U.S. is invested in the Bay Area.

The growth of skilled jobs and influx of young professionals has created a demand for housing that is transforming neighborhoods and pushing rents to extreme highs. Lack of affordable housing is not only impacting the urban core but pushing workers to outer suburbs. More than 20% of the region's workforce commutes above 45 minutes, while BART ridership has risen 55% since 1998, reaching its capacity during peak commute times. To meet demand for housing, development is surging, with 22,000 units under construction and more than 62,000 units planned. Still, the new units can't come fast enough, and the city's stringent zoning laws may prevent development from achieving needed levels.

While the situation may be untenable for many low- and middle-income renters that are choking on rate increases and being forced out of formerly affordable neighborhoods, the Bay Area is a haven for real estate investors. Property values are soaring; rents rose 10.5% in 2015, and our forecast calls for another year of double-digit gains as demand outstrips supply. The rapid escalation may be unsustainable, but the cooling off is likely to come after 2016.

Recent San Francisco Transactions

Tower Two at One Rincon Hill



City: San Francisco
Buyer: Rockpoint Group
Purchase Price: \$410 MM
Price per Unit: \$1,375,839

Sharon Green



City: Menlo Park, Calif.
Buyer: Maximus Real Estate Partners
Purchase Price: \$245 MM
Price per Unit: \$827,703

Waterstone



City: San Jose, Calif.
Buyer: Grosvenor
Purchase Price: \$160 MM
Price per Unit: \$370,370

Village Lake



City: Mountain View, Calif.
Buyer: Ronald Tate
Purchase Price: \$145 MM
Price per Unit: \$697,115