



MULTIFAMILY REPORT

# San Francisco Winds Down

November 2024

**T3 Advertised Asking Rents Contract**

**Deliveries Solid, Pipeline Slows**

**Investments Set to Outpace 2023**

# SAN FRANCISCO MULTIFAMILY



## Rents Decline, Supply Steadies

San Francisco's multifamily market ended the third quarter with an uneven performance as fundamentals were influenced by several economic factors, including seasonal slowdowns. Average advertised asking rents were down 0.1%, on a trailing three-month basis through September, to \$2,811, while the national rate stood flat, at \$1,750. Occupancy in the metro increased 40 basis points year-over-year, to 95.7%, above the 94.8% U.S. average.

Unemployment reached 4.7% in August, 50 basis points higher than the national figure, according to preliminary data from the Bureau of Labor Statistics. Although job growth only saw a 0.5% rate of expansion over the 12 months ending in July, the rate was an improvement from the beginning of the year. The metro gained 27,500 net jobs during this period, with education and health services contributing the most (23,700 jobs). Meanwhile, tech layoffs continued, with the information sector contracting by 9,200 jobs.

Supply expansion was still low but showed signs of improvement, as developers completed 6,132 units year-to-date through September. This was only about 200 units less than the deliveries recorded during the same period last year. Construction starts were down 64.4% year-over-year, however. Meanwhile, investors traded \$1.2 billion in multifamily assets year-to-date through September, on par with the total volume for 2023.

## Market Analysis | November 2024

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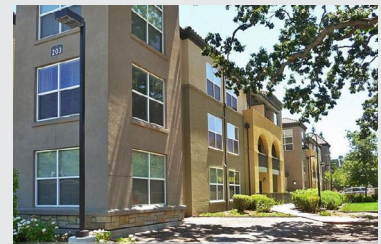
### Recent San Francisco Transactions

#### L Seven



City: San Francisco  
Buyer: Waterton  
Purchase Price: \$387 MM  
Price per Unit: \$944,567

#### Villa Montanaro



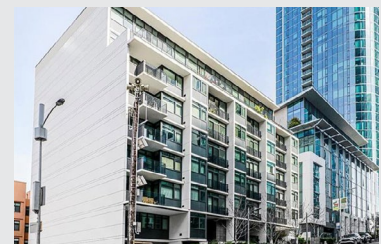
City: Pleasant Hill, Calif.  
Buyer: Acacia Capital  
Purchase Price: \$59 MM  
Price per Unit: \$400,685

#### Riverwood



City: Napa, Calif.  
Buyer: Friedkin Property Group  
Purchase Price: \$49 MM  
Price per Unit: \$292,560

#### 333 Fremont

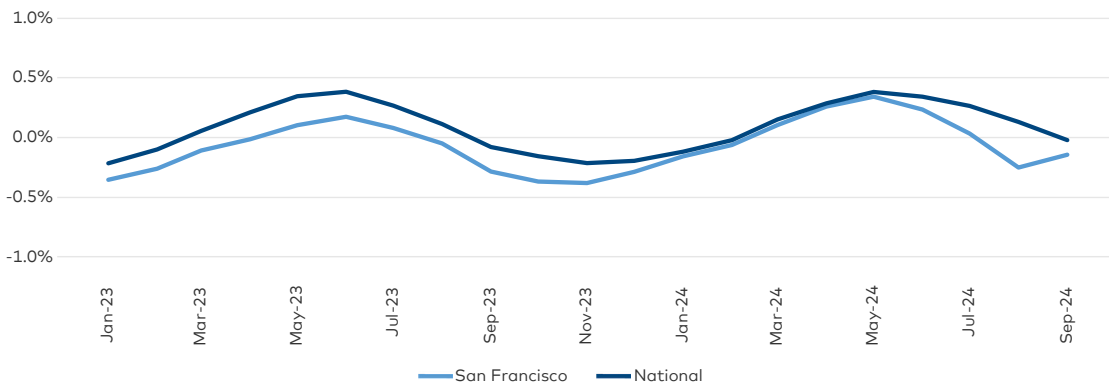


City: San Francisco  
Buyer: JRK Property Holdings  
Purchase Price: \$44 MM  
Price per Unit: \$533,133

## RENT TRENDS

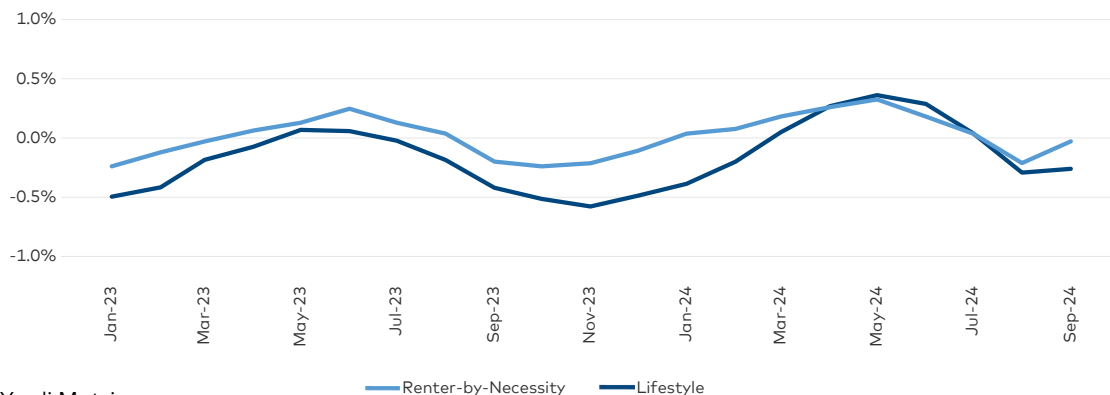
- ▶ San Francisco's advertised asking rents were down 0.1% on a trailing three-month (T3) basis through September, to \$2,811. The national figure remained flat, with the average at \$1,750. Since the beginning of the year, San Francisco's rent growth has not improved much, mirroring national trends. Year-over-year, rents were down 0.3%, while the U.S. figure was up 0.9%.
- ▶ Working-class Renter-by-Necessity advertised asking rents remained flat on a T3 basis through September, at \$2,546. The upscale Lifestyle segment's T3 figure was down 0.3% for the second consecutive month, to \$3,202. Rent development for the two quality segments did not exceed 0.4% and 0.3%, respectively, throughout the year.
- ▶ San Francisco's overall occupancy increased 40 basis points year-over-year, to 95.7% as of September, while the national figure was unchanged, at 94.8%. Occupancy for both quality segments improved—Lifestyle 60 basis points, to 95.8%, and RBN 30 basis points, to 95.6%.
- ▶ Peninsula submarkets led advertised asking rent growth year-over-year through September. Broadmoor–Daly City led gains (up 8.6% to \$2,639), followed by San Rafael (5.2% to \$2,693), S.W. San Francisco (4.4% to \$3,383) and Burlingame (3.6% to \$3,182). The highest losses were in the East Bay, including Downtown Oakland (-8.3% to \$2,664), East Oakland–Oakland Hills (-7.5% to \$2,496) and Berkeley (-5.6% to \$2,986).

### San Francisco vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

### San Francisco Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

## ECONOMIC SNAPSHOT

- San Francisco's unemployment rate was 4.7% in August, 50 basis points higher than the national figure, according to preliminary BLS data. The rate had dropped to 3.9% in May, then started climbing again. Despite the increase, the metro remains in a better position than the state's 5.3% figure, as well as Los Angeles' 6.7% and San Diego's 5.0%. San Jose fared better, at 4.5%.
- San Francisco gained 27,500 jobs over the 12-month period ending in July. This was a 0.5% expansion of the labor pool year-over-year, trailing the national rate by 80 basis points. Still, the metro's rate of employment growth improved from the start of the year, when it was negative 0.1%.
- Education and health services added the most jobs (23,700), for a 5.1% expansion. Two other sectors saw significant gains—government (9,000 jobs) and leisure and hospitality (8,300). Tech layoffs continued, with the information sector contracting by 9,200 jobs. Manufacturing also recorded losses, down 5,800 jobs.
- One of the largest infrastructure projects in the Bay Area reached a new milestone. AECOM was selected to provide construction management services for the \$8.3 billion Downtown Rail Extension project. The 2.2-mile development aims to extend Caltrain service and will connect to a future high-speed rail.

### San Francisco Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	490.3	16.9%
90	Government	375.8	12.9%
70	Leisure and Hospitality	320.4	11.0%
80	Other Services	106.4	3.7%
40	Trade, Transportation and Utilities	421.1	14.5%
15	Mining, Logging and Construction	159.1	5.5%
55	Financial Activities	150.7	5.2%
60	Professional and Business Services	545	18.8%
30	Manufacturing	195.6	6.7%
50	Information	138.1	4.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

## Population

- San Francisco lost 33,342 residents from 2021 to 2022, for a 0.7% contraction. Although this was in line with national migration patterns, the metro's rate of decline was on the higher end. Meanwhile, the U.S. population grew 0.4%.

### San Francisco vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
San Francisco	4,701,332	4,709,220	4,725,584	4,692,242

Source: U.S. Census

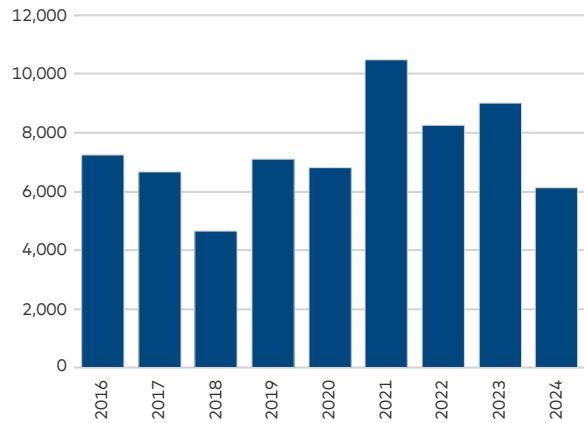
## SUPPLY

- San Francisco developers completed 6,132 units year-to-date through September, which accounted for 2.0% of existing stock and was only 10 basis points behind the U.S. rate. This total was only about 200 units less than the deliveries recorded for the same period last year. It was also 1,400 units short of the annual average recorded between 2016 and 2023—7,532 units. Two-thirds of this year’s completions were in the Peninsula, while the rest were in the East Bay.
- Developers had 14,935 units under construction across 96 projects in September. Construction of fully affordable projects continues in the metro, with the segment accounting for nearly 50% of units. This was slightly more than the share of units in Lifestyle assets. An additional 130,000 were in the planning and permitting stages.
- Construction starts point to an incoming decline in supply, as developers broke ground on just 1,932 units across 14 properties in the first nine months of the year. This was less than half of the 5,427 units and 39 projects that started construction during the same period last year.
- The Peninsula encompassed nearly 60% of all units under construction in the metro, outpac-

ing other submarkets. The five most active submarkets were Downtown Oakland (1,279 units underway), Eastern San Francisco (1,258), Redwood City (1,166), East Fremont (1,153) and Napa South (1,091).

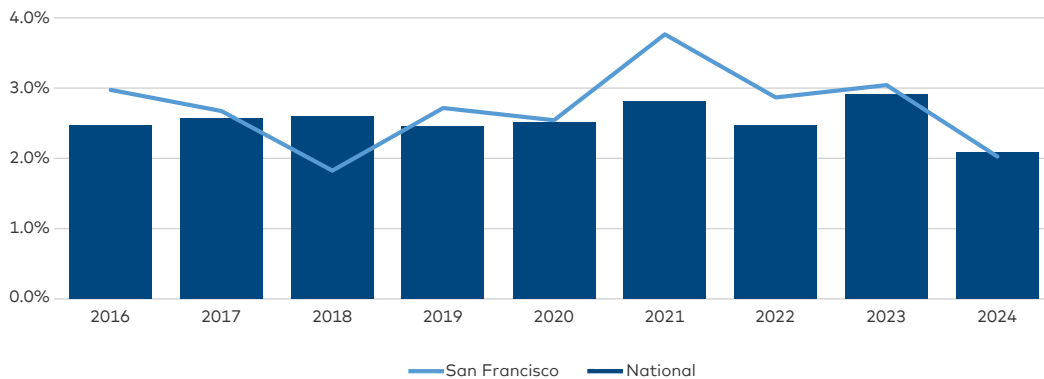
- Behring Cos.’ 1900 Broadway in Downtown Oakland was the largest property to come on-line this year through September, with 452 units. The 39-story tower also includes 53,653 square feet of office and 6,706 square feet of retail.

**San Francisco Completions** (as of September 2024)



Source: Yardi Matrix

**San Francisco vs. National Completions as a Percentage of Total Stock** (as of September 2024)



Source: Yardi Matrix

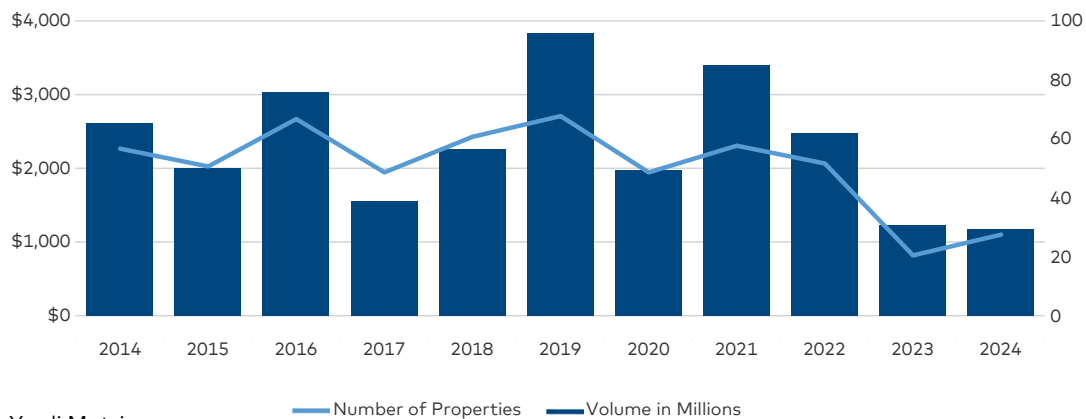
## TRANSACTIONS

- ▶ San Francisco investors traded \$1.2 billion in multifamily assets year-to-date through September. The figure is on par with the total volume for the entire last year. Considering this growth, the metro is on track to return to historic levels of activity. From 2014 to 2022, average annual transactions totaled \$2.6 billion.
- ▶ Multifamily assets changed hands for an average of \$310,818 per unit during the first three quarters, as the metro remained significantly pricier than the national average—\$188,379.

San Francisco's per-unit price jumped 21.5% from 2023 but remained below 2019's decade peak of \$441,671.

- ▶ Over the 12-month period ending in September, \$741 million traded in the Peninsula market and \$660 million in the East Bay. The Eastern San Francisco submarket made it to the top of the list thanks to a single transaction—Waterton acquired the 410-unit L Seven for \$387 million, or a whopping \$944,567 per unit.

### San Francisco Sales Volume and Number of Properties Sold (as of September 2024)



Source: Yardi Matrix

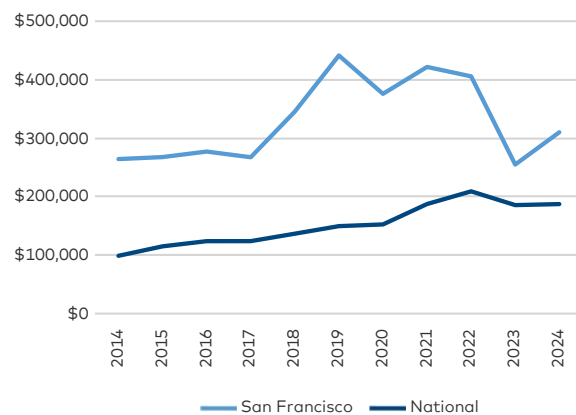
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Eastern San Francisco	387
East Fremont	162
Pleasant Hill—Martinez	157
Walnut Creek—Lafayette	115
Napa North	96
Vacaville	55
Redwood City	54

Source: Yardi Matrix

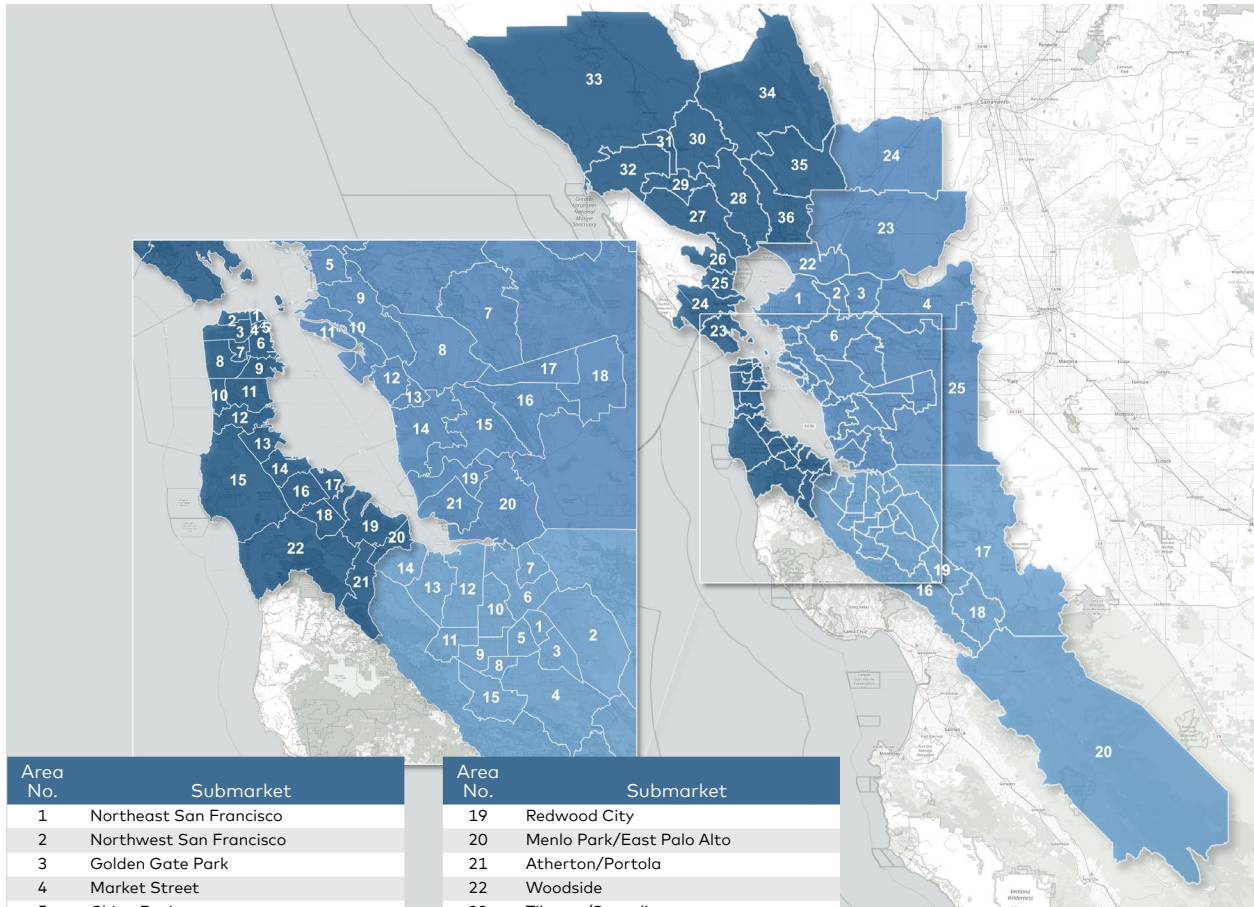
<sup>1</sup> From October 2023 to September 2024

### San Francisco vs. National Sales Price per Unit



Source: Yardi Matrix

# SAN FRANCISCO SUBMARKETS



Area No.	Submarket
1	Northeast San Francisco
2	Northwest San Francisco
3	Golden Gate Park
4	Market Street
5	China Basin
6	Eastern San Francisco
7	Central San Francisco
8	Southwest San Francisco
9	Southeast San Francisco
10	Broadmoor/Daly City
11	Colma/Brisbane
12	South San Francisco
13	Millbrae/Airport
14	Burlingame
15	Moss Beach
16	San Mateo
17	Foster City
18	Belmont/San Carlos

Area No.	Submarket
19	Redwood City
20	Menlo Park/East Palo Alto
21	Atherton/Portola
22	Woodside
23	Tiburon/Sausalito
24	San Rafael
25	Lucas Valley
26	Novato
27	Petaluma
28	Sonoma
29	Rohnert Park
30	Santa Rosa
31	Roseland
32	Sebastopol
33	Northern Sonoma County
34	Deer Park/St. Helena
35	Napa North
36	Napa South

Area No.	Submarket
1	Central San Jose
2	East San Jose
3	South San Jose
4	Far South San Jose
5	Central San Jose West
6	North San Jose
7	Milpitas
8	Campbell
9	West San Jose
10	Santa Clara
11	Cupertino
12	Sunnyvale
13	Mountain View-Los Altos
14	Palo Alto-Stanford
15	Los Gatos-Saratoga
16	West Santa Clara County
17	East Santa Clara County
18	Gilroy
19	Morgan Hill
20	San Benito County

Area No.	Submarket
1	Richmond
2	Pleasant Hill/Martinez
3	Concord
4	Antioch/Oakley
5	Berkeley
6	Walnut Creek/Lafayette
7	San Ramon-West/Danville
8	Castro Valley
9	East Oakland/Oakland Hills
10	Downtown Oakland
11	Alameda
12	San Leandro
13	San Lorenzo

Area No.	Submarket
14	Hayward
15	Union City
16	Pleasanton
17	Dublin
18	Livermore
19	West Fremont
20	East Fremont
21	South Buckhead
22	Midtown
23	Lindbergh
24	North Druid Hills
25	North Decatur/Clarkston/Scottdale

## DEFINITIONS

**Lifestyle households (renters by choice)** have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

**Renter-by-Necessity households** span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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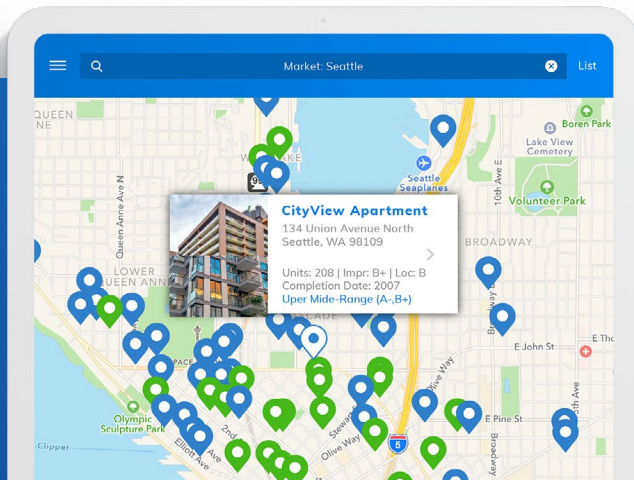
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