

SAN FRANCISCO MULTIFAMILY

YARDIMATRIX
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Market Analysis

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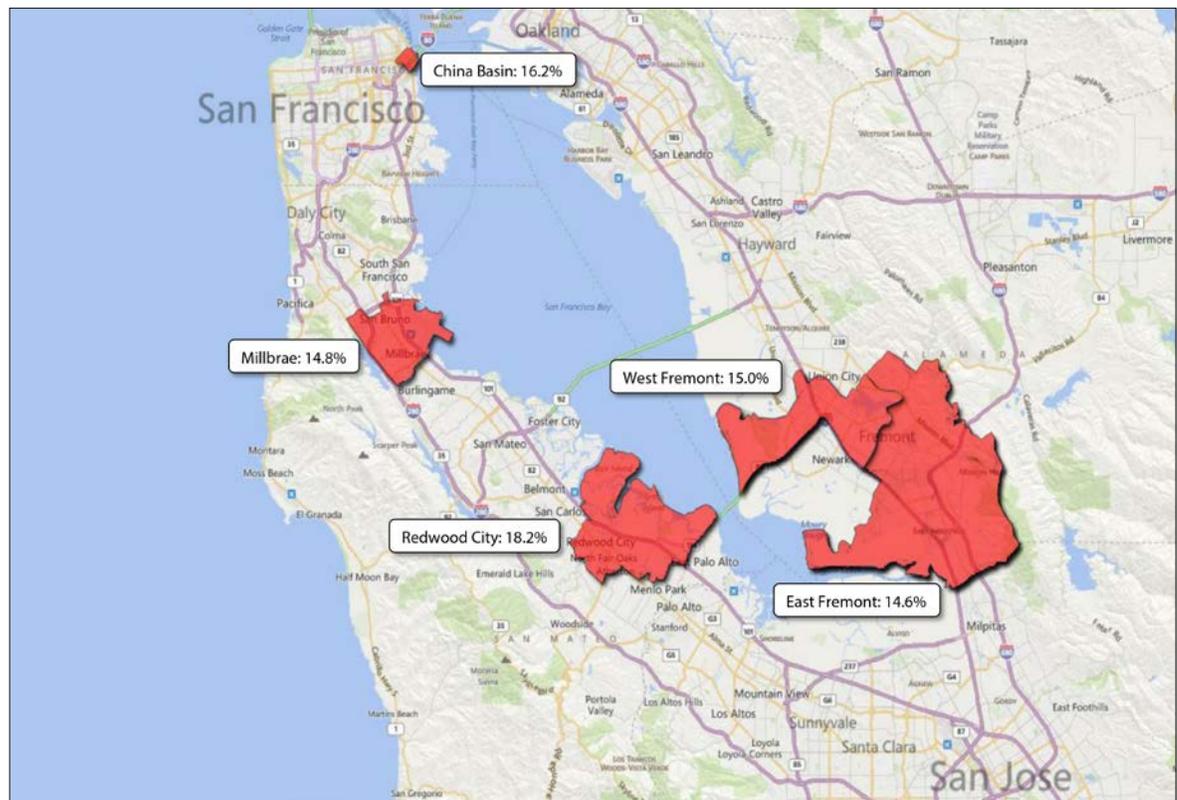
Tech Boom Fuels Growth in San Francisco

Known for its cold winds, the City by the Bay's multifamily market is nothing but hot. The metro is ground zero for tech companies and the movement of young professionals to trendy urban centers. San Francisco is among the top metros in the U.S. in job creation, not only in technology but other sectors such as financial services and hospitality. Suburban companies including Apple, Facebook, Google and eBay have set up their own bus systems that transport workers to and from their residences in San Francisco.

The rapid growth of high-wage jobs in a metro with little land available for development, and coming on the heels of several years of stagnant housing construction owing to the financial crisis, has put demand well ahead of supply. That has led to rapid and enormous increases in rents and single-family house prices. Over the last three years, average rents in the metro have increased by one-third, and we expect gains to top 10% again in 2015.

The strong performance has made the metro popular with real estate investors. After pausing for a few years, development is surging, with 20,000 units under construction and more than 60,000 planned. Property values are getting frothy, with investors willing to buy for initial yields in the 3-4% range. While positive signs abound, recent history has shown that such rapid increases in prices can be unsustainable. And some troubling issues loom, including the metro's growing disparity in income and lack of affordable housing for middle-income residents.

Top 5 Submarkets for Rent Growth (Fall 2014 to Spring 2015¹)



¹ YardiMatrix™ surveys over 1,000 properties in San Francisco, three times a year during the Spring, Summer & Fall.