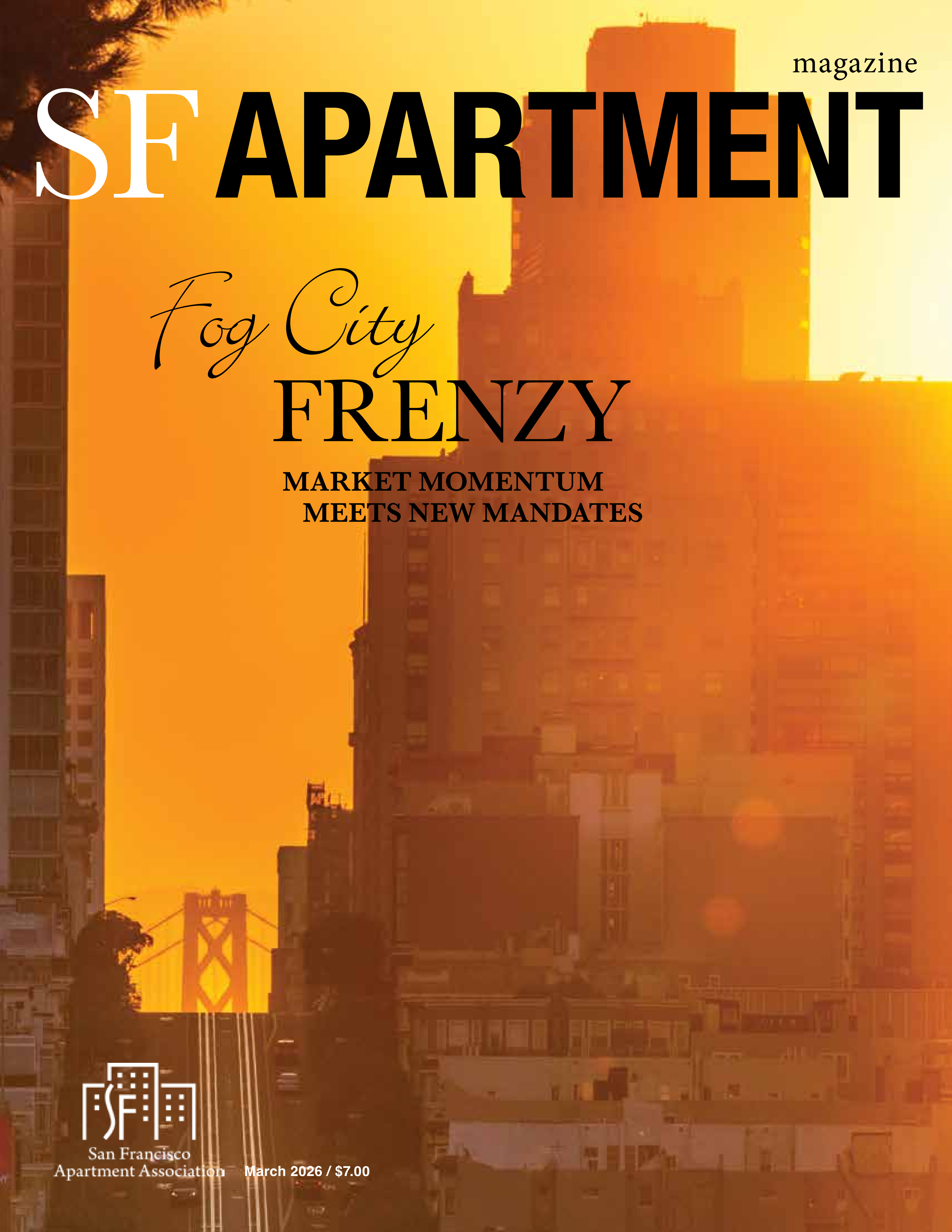

magazine

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MARKET MOMENTUM MEETS NEW MANDATES

San Francisco Apartment Association

March 2026 / $7.00

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Second Wind

written by JAY H. GREENBERG

Stronger leasing and rising rents show the apartment market finally shifting.

After several years of uncertainty, 2025 marked a clear turning point for the San Francisco apartment sales market. Demand reasserted itself, vacancies tightened, and rents resumed an upward trajectory, restoring confidence in the core fundamentals of multifamily ownership. Sales activity for buildings of five units and larger rebounded meaningfully as buyers re-engaged, attracted by improving operating performance and the city's long-standing supply constraints.

With limited new construction, stabilizing tech-driven employment, and renting remaining the most attainable housing option for many households, San Francisco's multifamily market in 2025 shifted from a defensive posture to renewed momentum. The year set the stage for a more active and competitive investment landscape moving into 2026.

Beyond the numbers, overall sentiment improved materially. Increased focus on public safety, street conditions, and quality-of-life issues under the city's new administration contributed to a more orderly and livable urban environment. This improvement in the city's day-to-day experience has played a subtle but important role in restoring confidence among residents, investors, and apartment owners alike.

The following data compares 2025 year-end statistics against the prior five years, providing insight into emerging trends and the outlook for San Francisco's multifamily market.

5-9 Units

Price per Square Foot

The average year-end price per square foot reached $554 in 2020, representing the peak of the reported period. Pricing moderated to $524 in 2021 and declined further to $507 in 2022. In 2023, the average fell to $440, followed by an additional 7% decline to $410 in 2024. In 2025, pricing stabilized and showed modest improvement, with the average price per square foot increasing to $418.

Gross Rent Multipliers (GRMs)

The average GRM was 15.71 in 2020 before declining to 14.97 in 2021 and 14.47 in 2022. In 2023, the average GRM dropped 10% to 12.96, followed by an 8% decline to 11.95 in 2024. By year-end 2025, the average GRM settled at 11.52.

Cost per Unit

Average cost per unit peaked at $484,000 in 2020 and then declined to $441,000 in 2021 and $428,000 in 2022. In 2023, costs dropped 13% to $369,000 per unit. Pricing remained relatively stable in 2024 at $366,000 before declining slightly again in 2025 to $360,000 per unit.

Dollar Volume

Total dollar volume was $236 million in 2020 and rebounded sharply to $358 million in 2021, the highest level in a decade. Volume declined to $317 million in 2022 and dropped 25% to $237 million in 2023. A modest recovery occurred in 2024, with volume increasing 3% to $244 million. In 2025, activity surged, with dollar volume reaching a new decade high of $444 million.

Transactions

Transaction count totaled 78 in 2020, rebounded to 108 in 2021, and increased further to 117 in 2022. Activity declined to 101 transactions in 2023, then rose 10% in 2024 to 112 closings. In 2025, the market reached a new decade high with 148 transactions.

10-Plus-Unit Buildings

Price per Square Foot

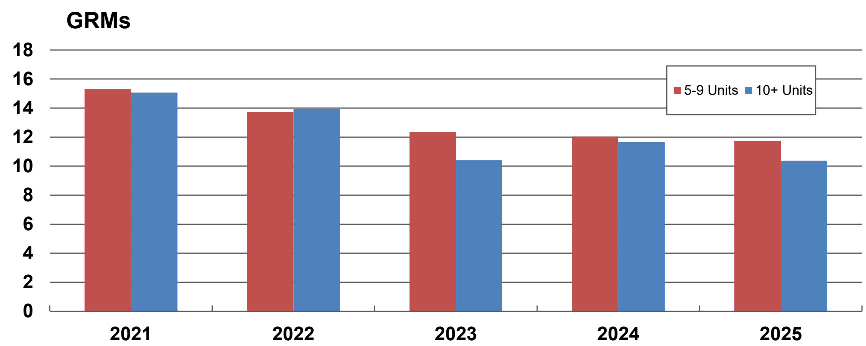
The average year-end price per square foot was $544 in 2020, declining to $520 in 2021 and $447 in 2022. In 2023, pricing dropped 16% to $372 per square foot and remained essentially flat in 2024 at $371. In 2025, values improved, with the average price per square foot increasing to $392.

Gross Rent Multipliers (GRMs)

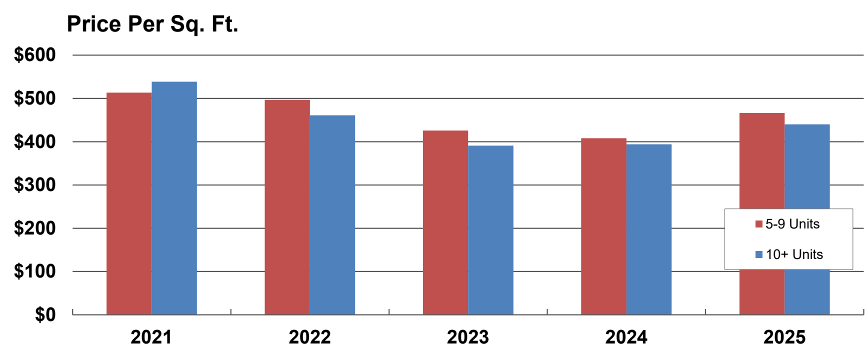
The average GRM was 15.54 in 2020, declining to 14.15 in 2021 and 13.54 in 2022. In 2023, the average GRM fell sharply to 10.50. A modest rebound occurred in 2024, with the average increasing to 10.95, before settling slightly lower at 10.53 in 2025.

Price per Unit

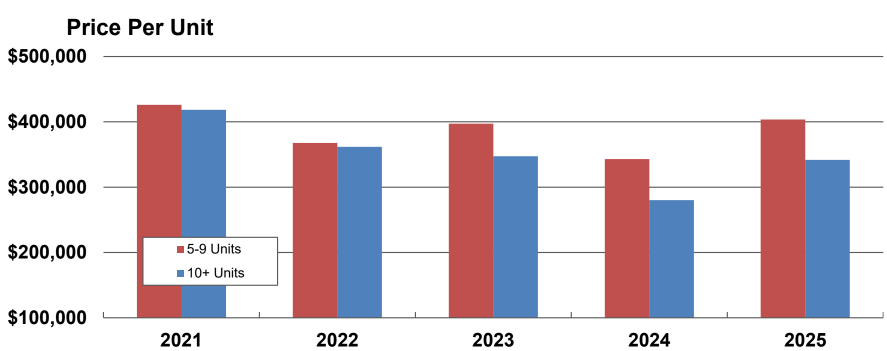
Average cost per unit declined from $425,000 in 2020 to $385,000 in 2021 and $346,000 in 2022. In 2023, pricing fell 15% to $295,000 per unit,



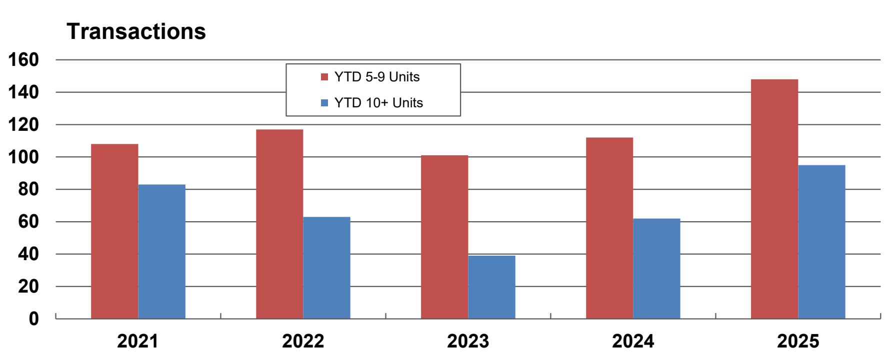
Source: CoStar Comps 2025



Source: CoStar Comps 2025



Source: CoStar Comps 2025



Source: CoStar Comps 2025

followed by an additional 12.5% decline in 2024 to $258,000. In 2025, pricing rebounded meaningfully, with a 25% increase bringing the year-end average to $324,000 per unit.

Dollar Volume

Dollar volume totaled $377 million in 2020 and surged to $554 million in 2021 before declining to $511 million in 2022. A significant contraction occurred in 2023, with volume dropping 61% to $199 million. Recovery began in 2024 with a 30% increase to $260 million, followed by a dramatic resurgence in 2025, when dollar volume rose 117% to $564 million.

Transactions

Closings totaled 46 in 2020 and rebounded to 83 in 2021. Transaction count declined to 63 in 2022 and reached a decade low of 39 in 2023. In 2024, activity increased 60% to 62 closings. In 2025, momentum accelerated further, with a 53% increase to 95 transactions.

Sources: Jay Greenberg, Vitaly Rutus, San Francisco Multiple Listing Service, CoStar Comps.

My Two Cents

Year-end indicators for 2025 show a mix of modest gains and minor declines across most value categories, with the notable exception of a 25% increase in price per unit for 10-plus-unit properties. More significant than pricing, however, was the resurgence in market activity. Across both size categories, transaction volume increased approximately 40% year over year, while total dollar volume doubled. Notably, fourth-quarter 2025 produced the highest quarterly closing count of the past decade, providing strong momentum heading into 2026.

Demographic trends are also showing signs of stabilization. According to the U-Haul Growth Index released January 6, 2026, San Francisco posted a net gain in movers during 2025, ranking 17th among U.S. growth metros. This marked a reversal from 2024, when more

Market View... continued on Page 56

Market View... continued from Page 20

residents departed than arrived. While California as a whole continued to experience net outbound migration, San Francisco's reversal points to improving local conditions.

Rent growth remains a key driver of long-term appreciation. From 2019 through 2024, rents were largely stagnant or declining, while operating costs rose sharply due to inflation. The allowable annual rent increase—capped at 60% of CPI—has failed to keep pace with rising expenses, placing sustained pressure on net operating income and contributing to value declines. Compounding this issue, interest paid on tenant security deposits consumes a significant portion of the allowable increase, reducing the effective rent gain to less than 50% of CPI. As a result, once a lease is executed, profit margins on individual units tend to erode over time.

In this environment, tenant turnover and market-rate rent resets have become increasingly important components of profitability. In 2025, the rental market shifted decisively. Rents rose rapidly across the city, and vacancies declined to their lowest levels in years. Within my own portfolio, summer 2025 market rents increased approximately 25% compared to 2024. Even after seasonal cooling, December rents remained roughly 18% higher year over year.

At the same time, interest rates eased into the mid-to-upper 5% range. With rents rising and the cost of capital declining, buyer response has been swift. These converging trends position San Francisco's multifamily sector for continued stability and opportunity in 2026.

If you'd like to receive updates on new offerings, legislative developments, or market trends, please email me at jay@jayhgreenberg.com. For additional insight into current market conditions or your specific real estate matters, feel free to reach out at any time.