



The San Francisco Smaller Apartment Building Market

October 2022 Report
2-4 Unit Multi-Family Buildings

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As in the general residential market in San Francisco and the Bay Area, the smaller apartment building market in the city saw significant effects on buyer demand and property values in the 3rd quarter from the economic headwinds that have arisen and strengthened since 2022 began: What could best be described as a market correction.

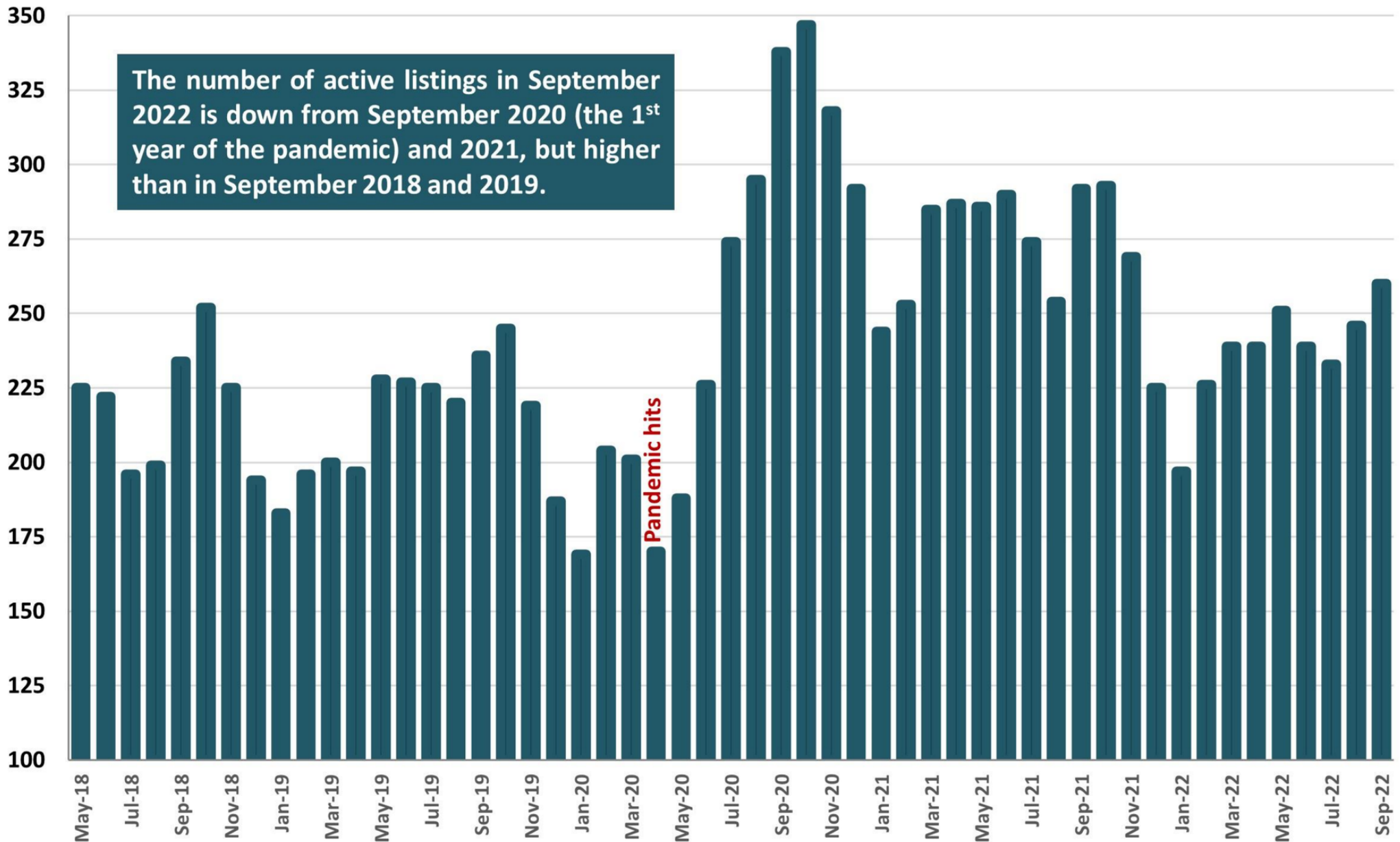
On the positive side, rental rates have continued to slightly improve.

The market is still adjusting to volatile and unsettled economic conditions, and definitive conclusions should not be made based upon a single quarter's data. The autumn selling season runs until mid-November, when the mid-winter holiday slowdown usually begins.

Data reported to regional MLS associations. Q3 2022 numbers are estimates using data available in early October: Late reported sales may alter these numbers. Statistics are generalities, essentially summaries of disparate data generated by dozens, hundreds or thousands of unique, individual sales. They are best seen not as precise measurements, but as broad, comparative indicators. Anomalous fluctuations in statistics are not uncommon, especially in smaller market segments with fewer sales. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers approximate. How these figures apply to any particular property is unknown without a specific comparative market analysis.

Active Listings on Market in Month

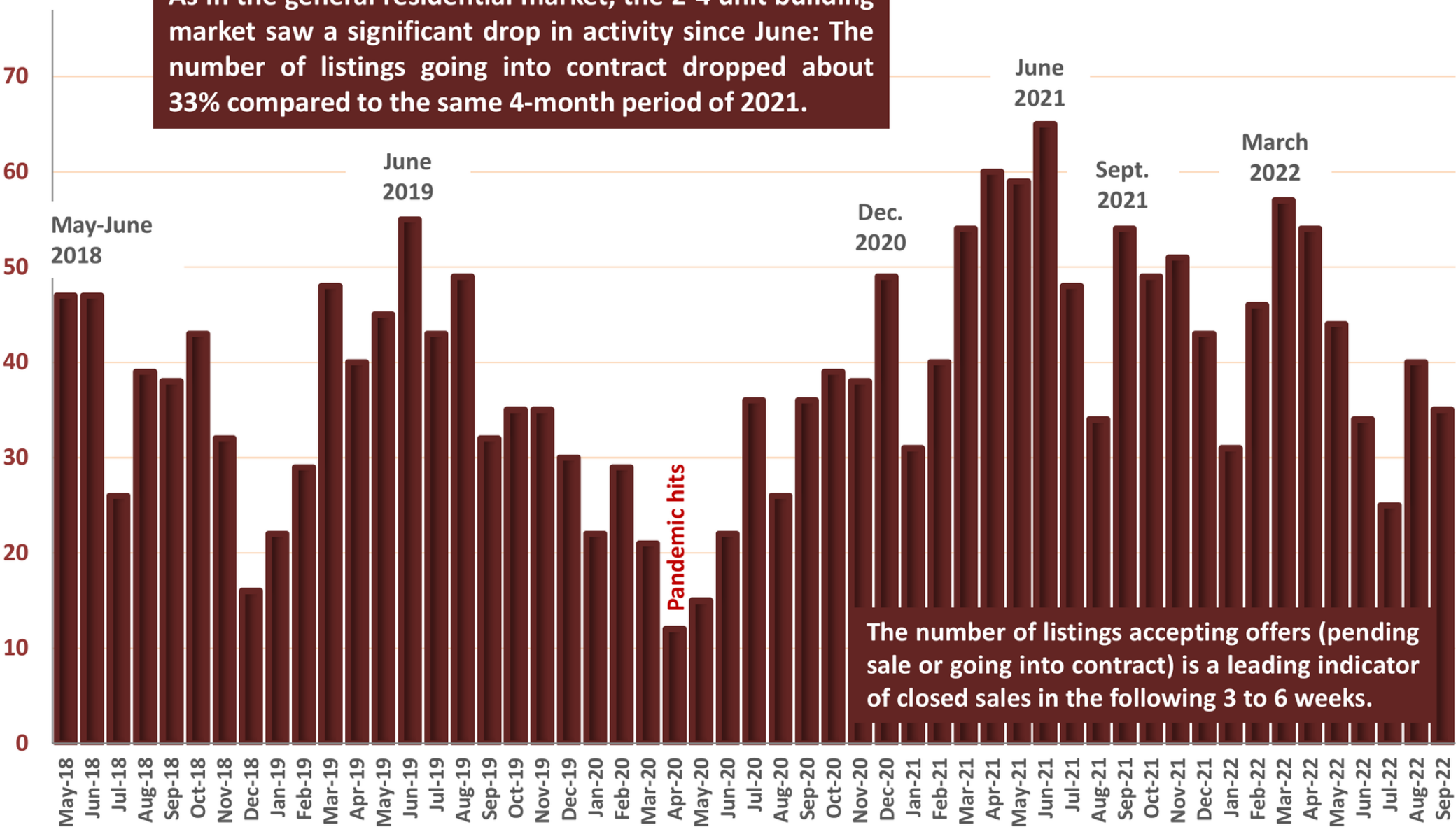
San Francisco 2-4 Multi-Family Building Market, since Spring 2028



As reported to SFARMLS & MLSLISTINGS, per Broker Metrics. Data from sources deemed reliable but may contain errors and subject to revision. All numbers approximate, and may change with late reported activity.

Listings Accepting Offers (Going into Contract) San Francisco 2-4 Unit Building Market by Month

As in the general residential market, the 2-4 unit building market saw a significant drop in activity since June: The number of listings going into contract dropped about 33% compared to the same 4-month period of 2021.



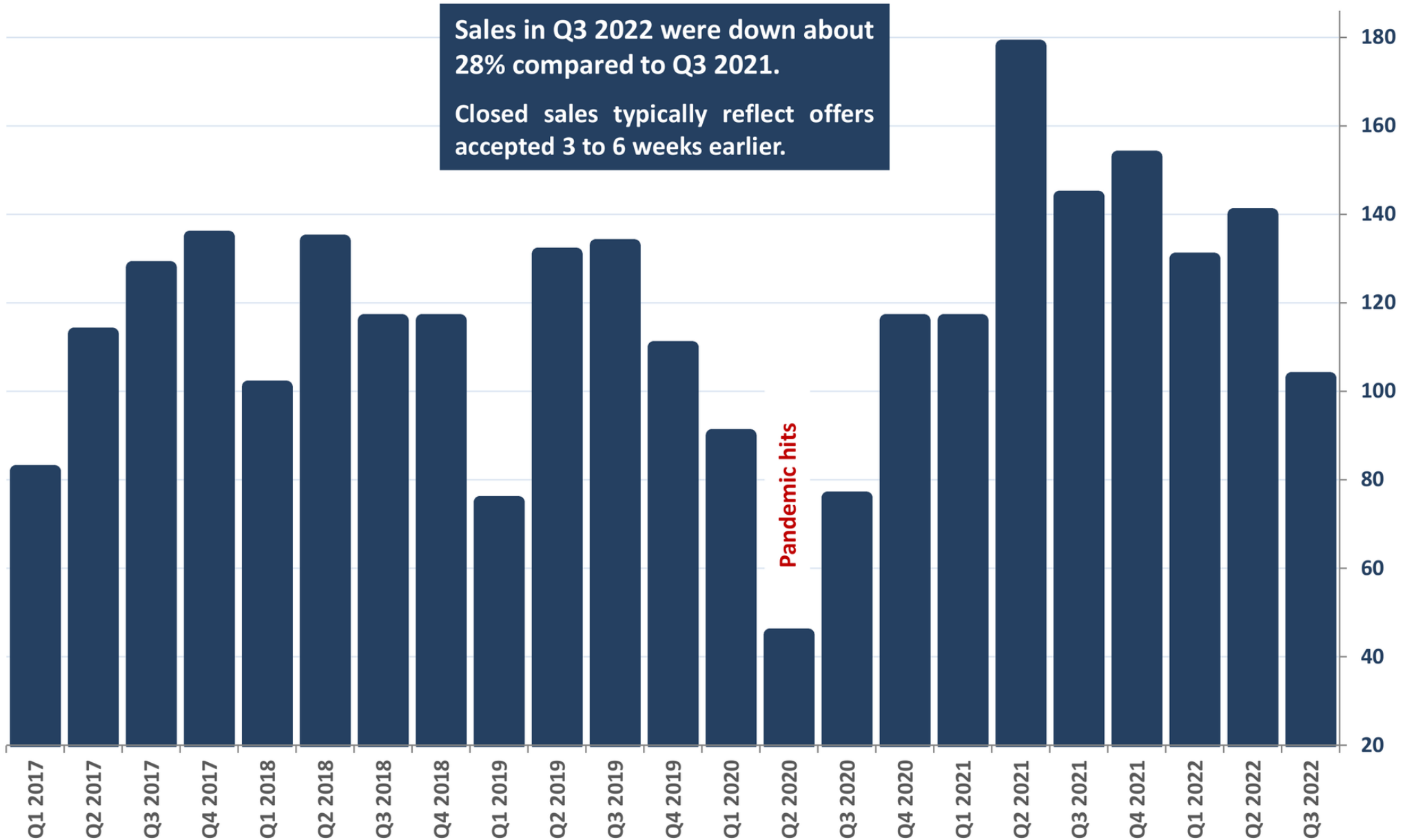
The number of listings accepting offers (pending sale or going into contract) is a leading indicator of closed sales in the following 3 to 6 weeks.

As reported to MLS, per Broker Metrics. Data from sources deemed reliable but may contain errors and subject to revision. All numbers are approximate. Last reading estimated and may change with late reported activity.



San Francisco 2-4 Unit Building Sales

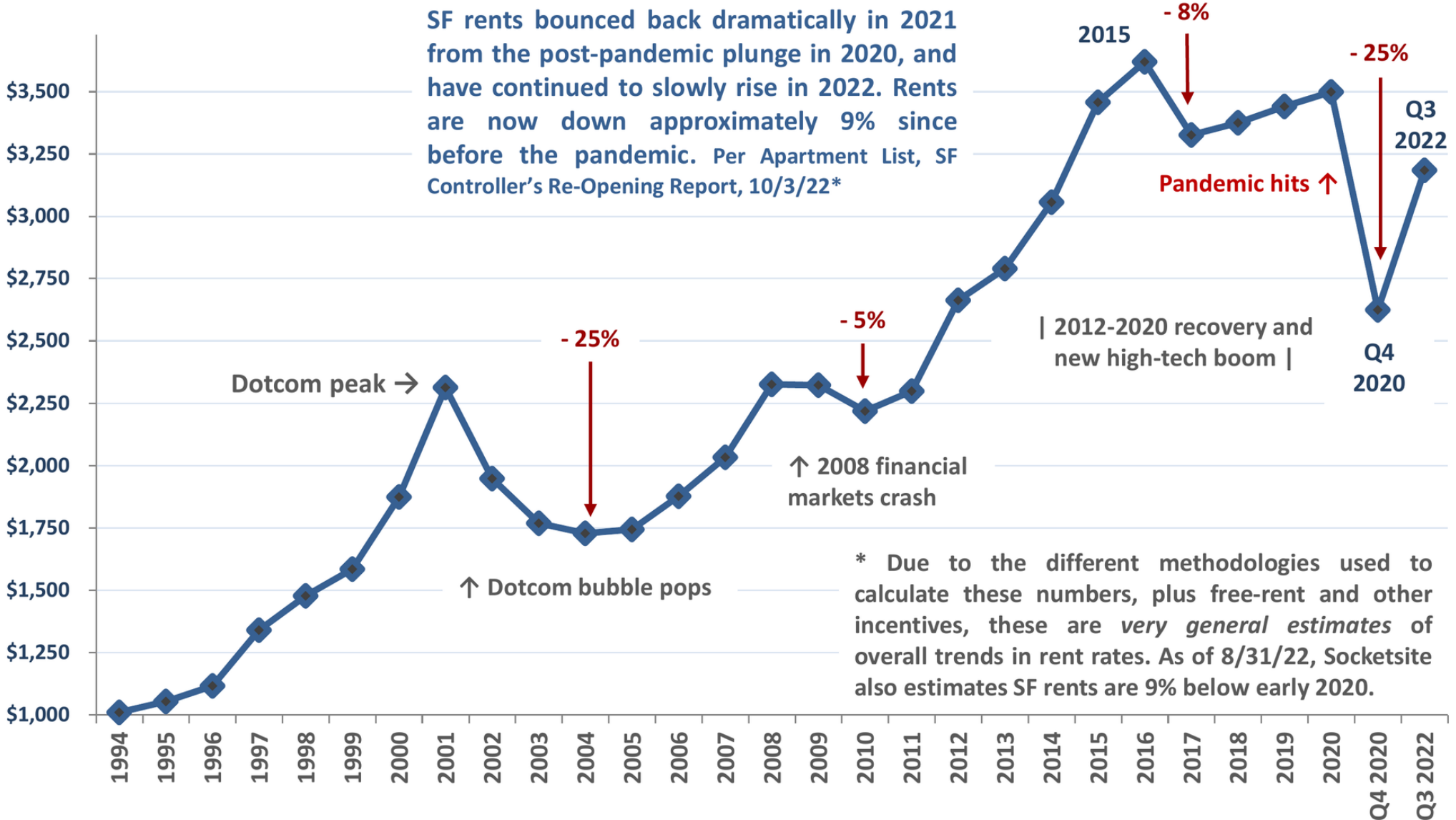
Sales Volume, 2017 – Present, by Quarter



As reported to SFARMLS, MLSLISTINGS, per Broker Metrics. Data from sources deemed reliable but may contain errors and subject to revision. All numbers approximate. Last reading estimated and may change with late reported activity.

San Francisco Residential Rents – Approximate, Good Faith Estimates*

Average Asking Rent, 1994 – Present, Q1 Data Points (except as noted)



1st quarter data points except, as noted for Q4 2020 and Q3 2022. Numbers are estimated using data from a number of rental data sources. Data from sources deemed reliable but may contain errors and subject to revision. All numbers are good-faith estimates and very approximate.

Median Sales Price Trends since 2011 by Year

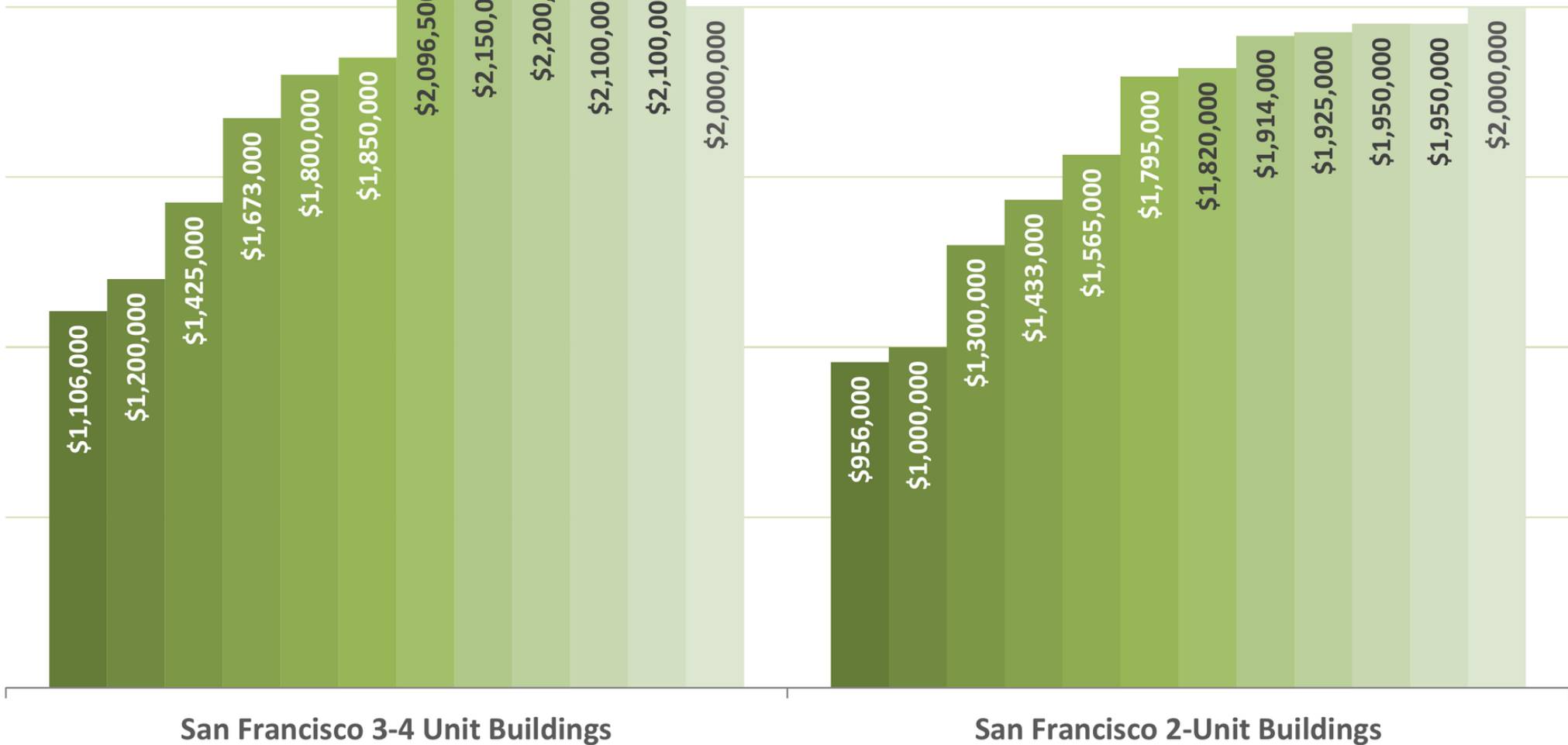
San Francisco 2-4 Unit Residential Buildings

A specific comparative market analysis is required to value any particular property.

Median Sales Prices

■ 2011 ■ 2012 ■ 2013 ■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ 2020 ■ 2021 ■ 2022 YTD

2022 YTD values will be dominated by sales in the 1st half of the year, when sales volumes were higher.



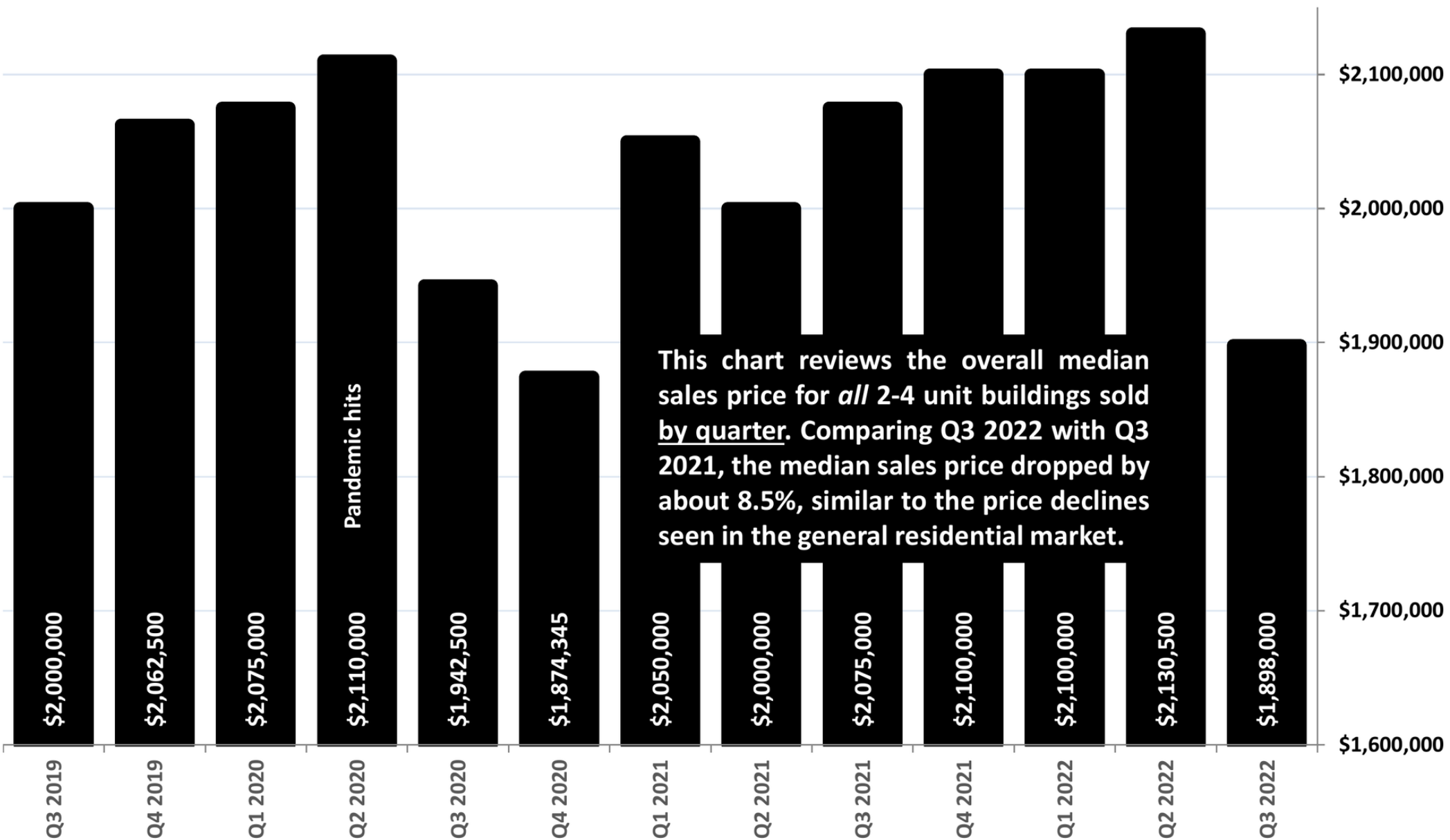
Sales reported to NorCal MLS Alliance as of 9/30/22. These prices are generalities reflecting sales of a wide variety of buildings in locations of differing values. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers should be considered approximate. Late reported sales may change data.



San Francisco 2-4 Unit Building Values

Median Sales Prices, by Quarter

Closed sales typically reflect offers accepted 3 to 6 weeks earlier.



As reported to SFARMLS, per Broker Metrics. Data from sources deemed reliable but may contain errors and subject to revision. All numbers approximate, and may change with late reported activity.



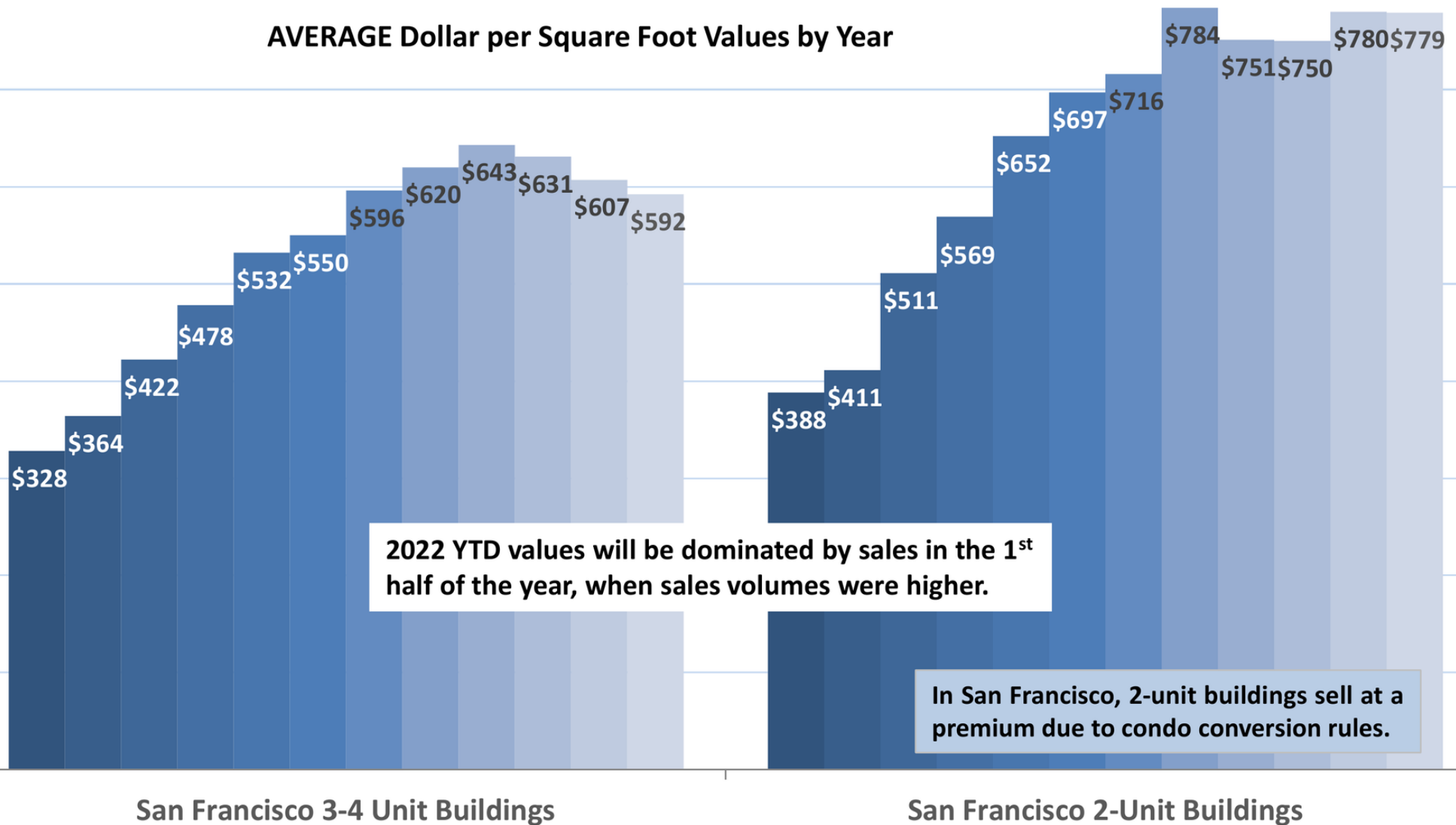
Average Dollar per Square Foot Values by Year

San Francisco 2-4 Unit Residential Building Sales since 2011

A specific comparative market analysis is required to value any particular property.

■ 2011 ■ 2012 ■ 2013 ■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ 2020 ■ 2021 ■ 2022 YTD

AVERAGE Dollar per Square Foot Values by Year



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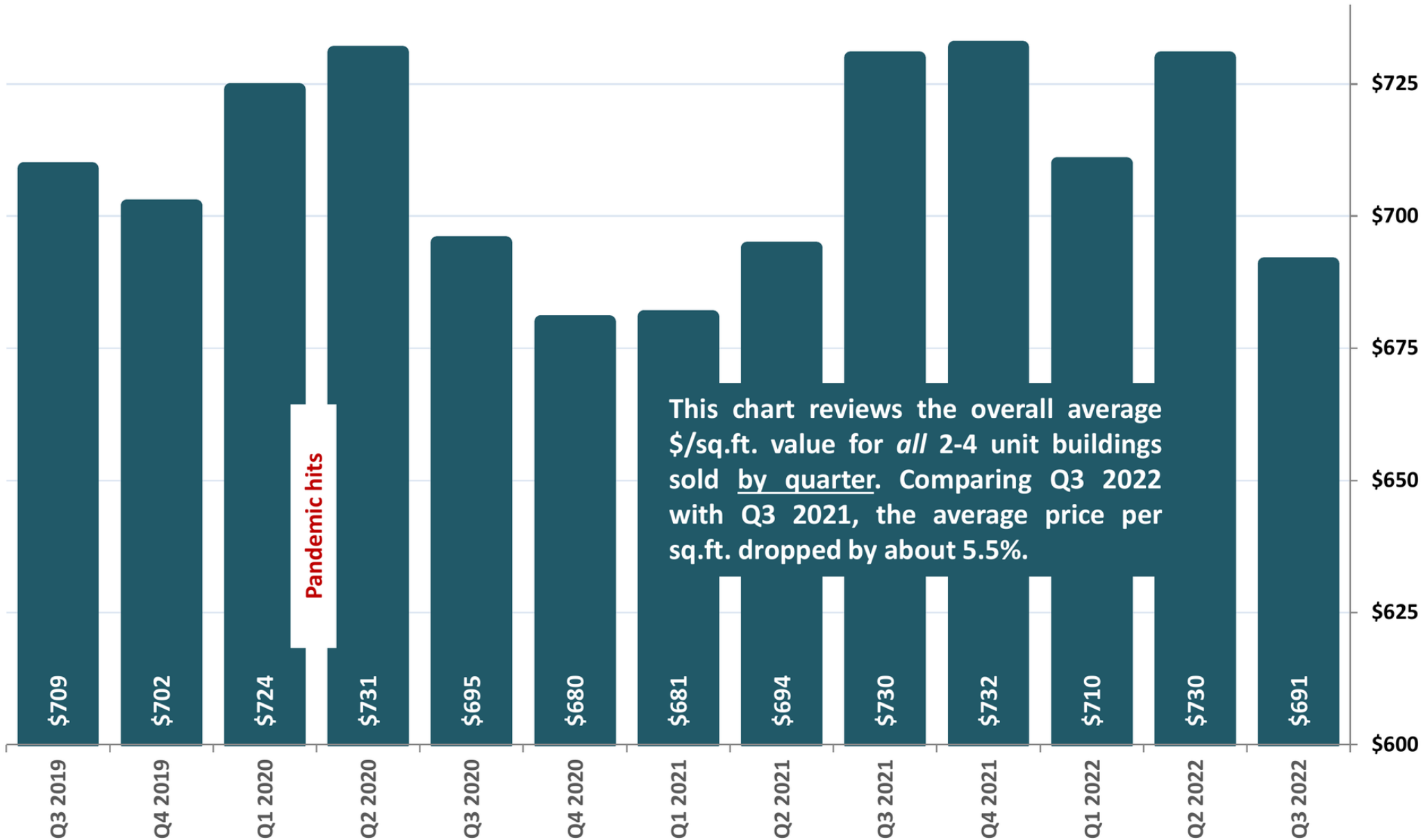
In San Francisco, 2-unit buildings sell at a premium due to condo conversion rules.

Sales reported to NorCal MLS Alliance as of 9/30/22. These values are generalities reflecting sales of a wide variety of buildings in locations of differing values. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers to be considered approximate. Late reported sales may alter these numbers.

San Francisco 2-4 Unit Building Values

Average Dollar per Square Foot Values, by Quarter

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2-4 Unit Residential Building Values by San Francisco Realtor District

Median Sales Prices, Building Square Footage, \$/Sq.Ft. Values – 2022 YTD Sales*

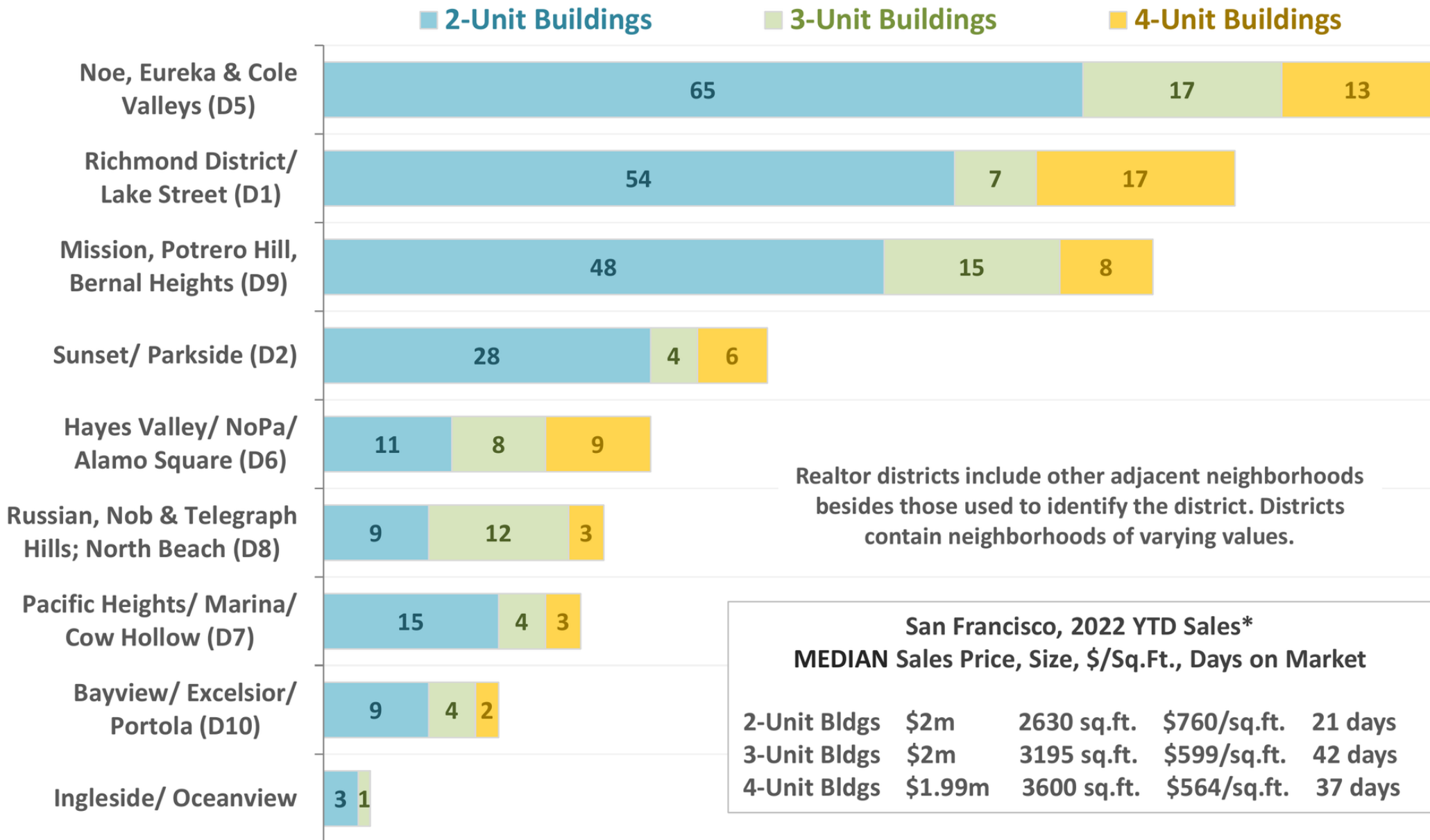
San Francisco District	2-Unit Buildings	3-Unit Buildings	4-Unit Buildings
Pacific & Presidio Heights, Cow Hollow & Marina (District 7)	\$3,280,000 3239 sq.ft. - \$933/sq.ft.	\$3,025,000 3636 sq.ft. - \$826/sq.ft.	Not enough sales for statistics
Russian, Nob & Telegraph Hills; North Beach (District 8)	\$1,950,000 2728 sq.ft. - \$707/sq.ft.	\$2,612,500 3632 sq.ft. - \$781/sq.ft.	Not enough sales for statistics
Noe, Eureka & Cole Valleys; Ashbury & Corona Heights; Mission Dolores (D5)	\$2,180,000 2584 sq.ft. - \$856/sq.ft.	\$1,805,000 2903 sq.ft. - \$625/sq.ft.	\$2,150,000 3600 sq.ft. - \$587/sq.ft.
North of Panhandle (NoPa), Alamo Square, Hayes Valley, Lower Pacific Heights (D6)	\$2,720,000 3050 sq.ft. - \$852/sq.ft.	\$2,067,500 4080 sq.ft. - \$552/sq.ft.	\$1,960,000 3801 sq.ft. - \$555/sq.ft.
Lake Street, Richmond District, Lone Mountain, Jordan Park (District 1)	\$1,989,000 2950 sq.ft. - \$740/sq.ft.	\$1,800,000 3420 sq.ft. - \$525/sq.ft.	\$2,100,000 3920 sq.ft. - \$587/sq.ft.
Potrero Hill, Bernal Heights, Inner Mission, South of Market (District 9)	\$1,627,500 2356 sq.ft. - \$745/sq.ft.	\$1,675,000 3170 sq.ft. - \$492/sq.ft.	\$1,537,500 2919 sq.ft. - \$579/sq.ft.
Sunset, Parkside (District 2)	\$1,854,000 2486 sq.ft. - \$748/sq.ft.	\$1,781,500 Insufficient data	\$1,550,000 3257 sq.ft. - \$486/sq.ft.
Bayview-Excelsior-Visitacion Valley (District 10)	\$1,050,000 2020 sq.ft. - \$514/sq.ft.	\$1,329,000 Insufficient data	Not enough sales for statistics

*Data from sales as reported to NorCal MLS Alliance in 2022, as reported by 9/30/22. This analysis was performed in good faith with data derived from sources deemed reliable, but may contain errors and subject to revision. Many factors affect multi-unit values, including income, tenant profile and owner-occupancy. How these values apply to any particular property is unknown without a specific comparative market analysis. Due to the large variety of buildings and circumstances, these numbers to be considered very approximate. Not all listings gave square footage figures.

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2-4 Unit Residential Property Sales

by San Francisco Realtor District, 2022 YTD Sales*



*2022 sales reported to NorCal MLS Alliance by September 30, 2022. Not all sales are reported. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers approximate, and may change with late-reported sales.

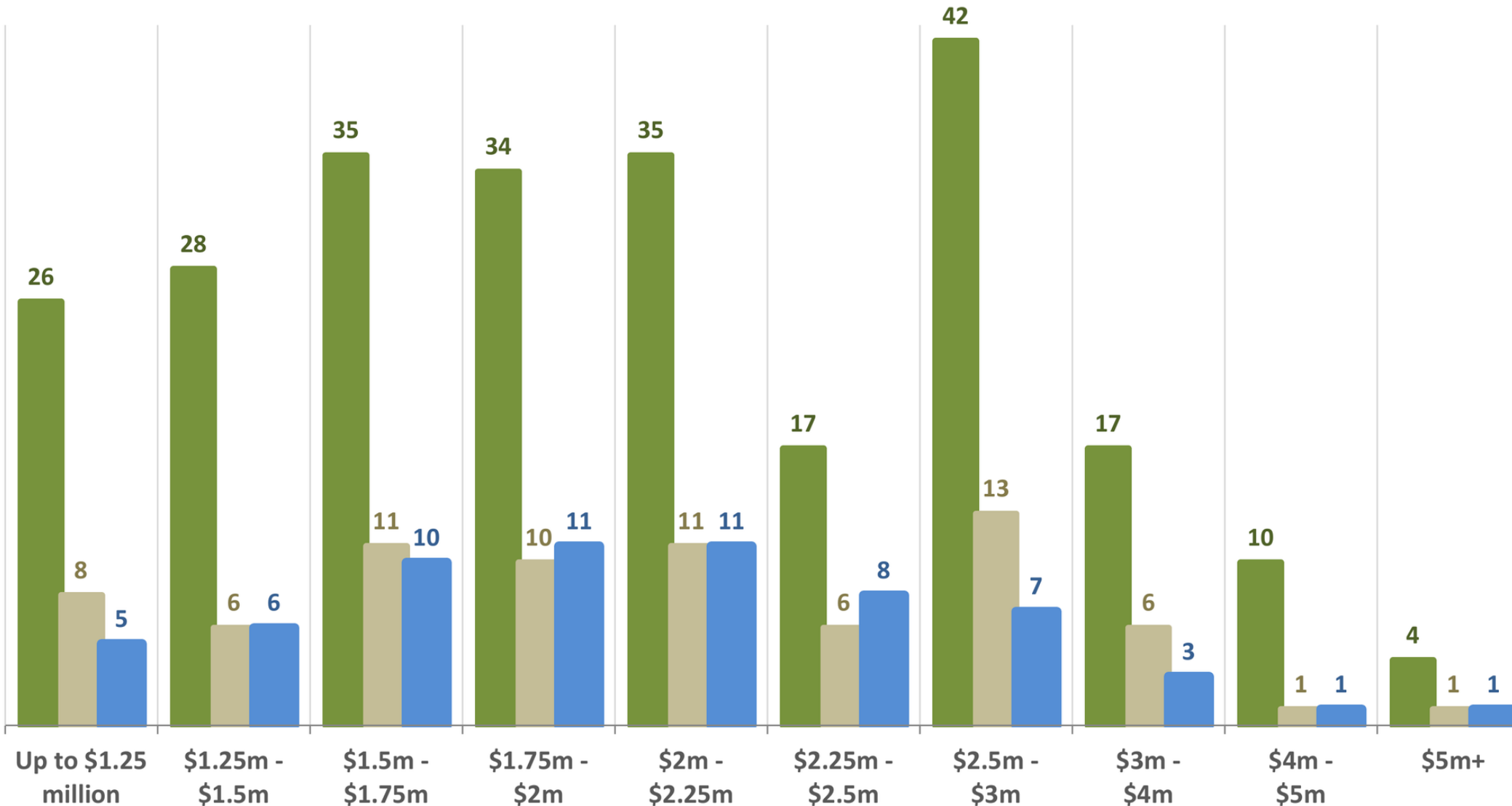
San Francisco 2-4 Unit Residential Buildings

2022 YTD Sales by Number of Units & Price Segment*

■ 2-Unit Building Sales

■ 3-Unit Building Sales

■ 4-Unit Building Sales



* "M" signifies millions of dollars. 2022 sales reported to NorCal MLS Alliance by 9/30/22. Mixed use buildings excluded. Late reported sales may alter these numbers. Data from sources deemed reliable, but subject to error and revision. Not all sales report square footage. All numbers approximate.

Sales Price to Original List Price Percentage

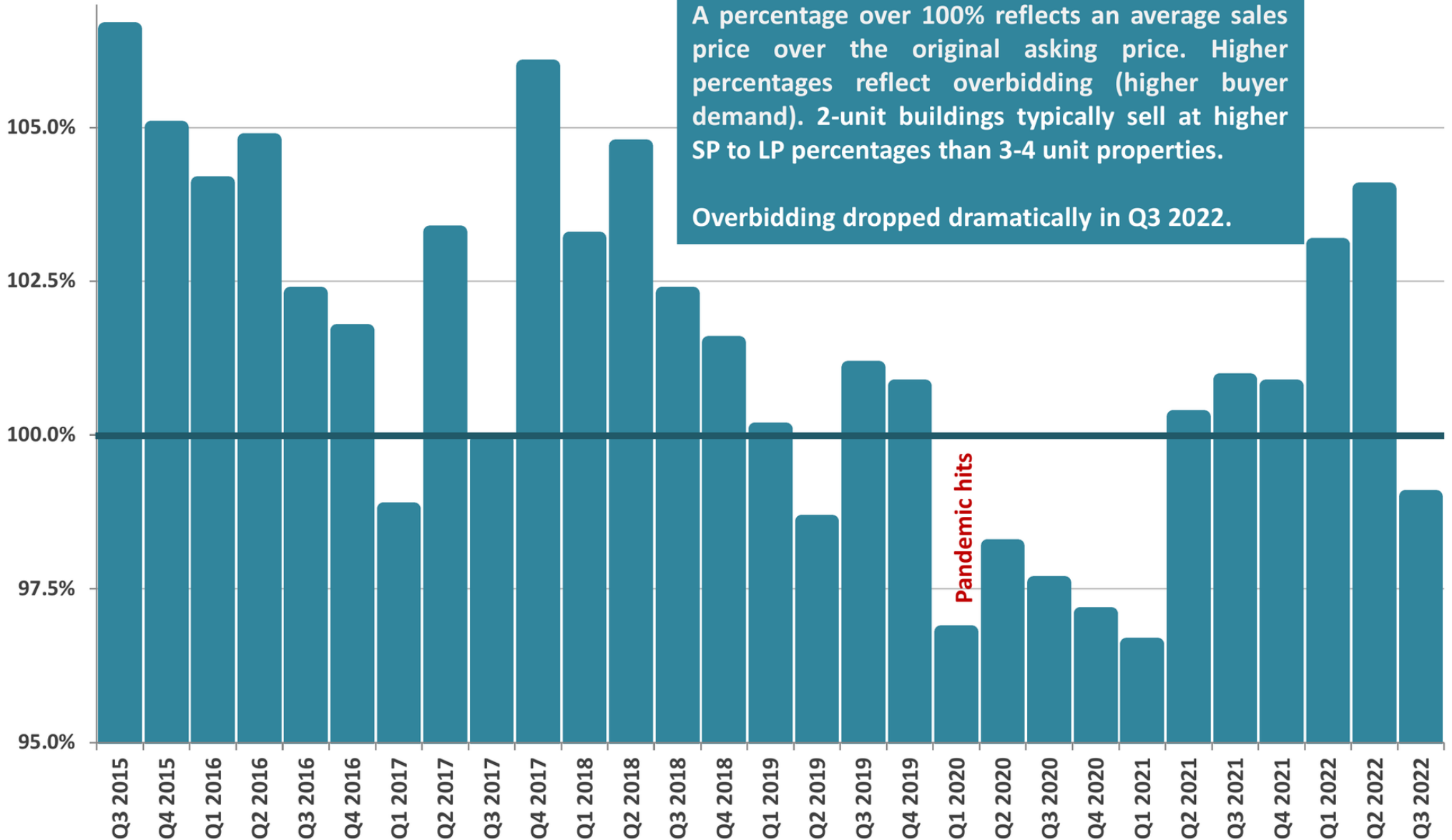
San Francisco 2-4 Unit Buildings, by Quarter

Based upon SFARMLS activity, per Broker Metrics

A percentage over 100% reflects an average sales price over the original asking price. Higher percentages reflect overbidding (higher buyer demand). 2-unit buildings typically sell at higher SP to LP percentages than 3-4 unit properties.

Overbidding dropped dramatically in Q3 2022.

Pandemic hits



Data from sources deemed reliable, but may contain errors and subject to revision.
All numbers are approximate. Fluctuations in this metric are not unusual.

Percentage of Listings Accepting Offers

San Francisco 2-4 Unit Building Market by Quarter

Absorption Rate: The higher the percentage of listings accepting offers, the stronger the buyer demand *as compared to* the supply of properties available to purchase.



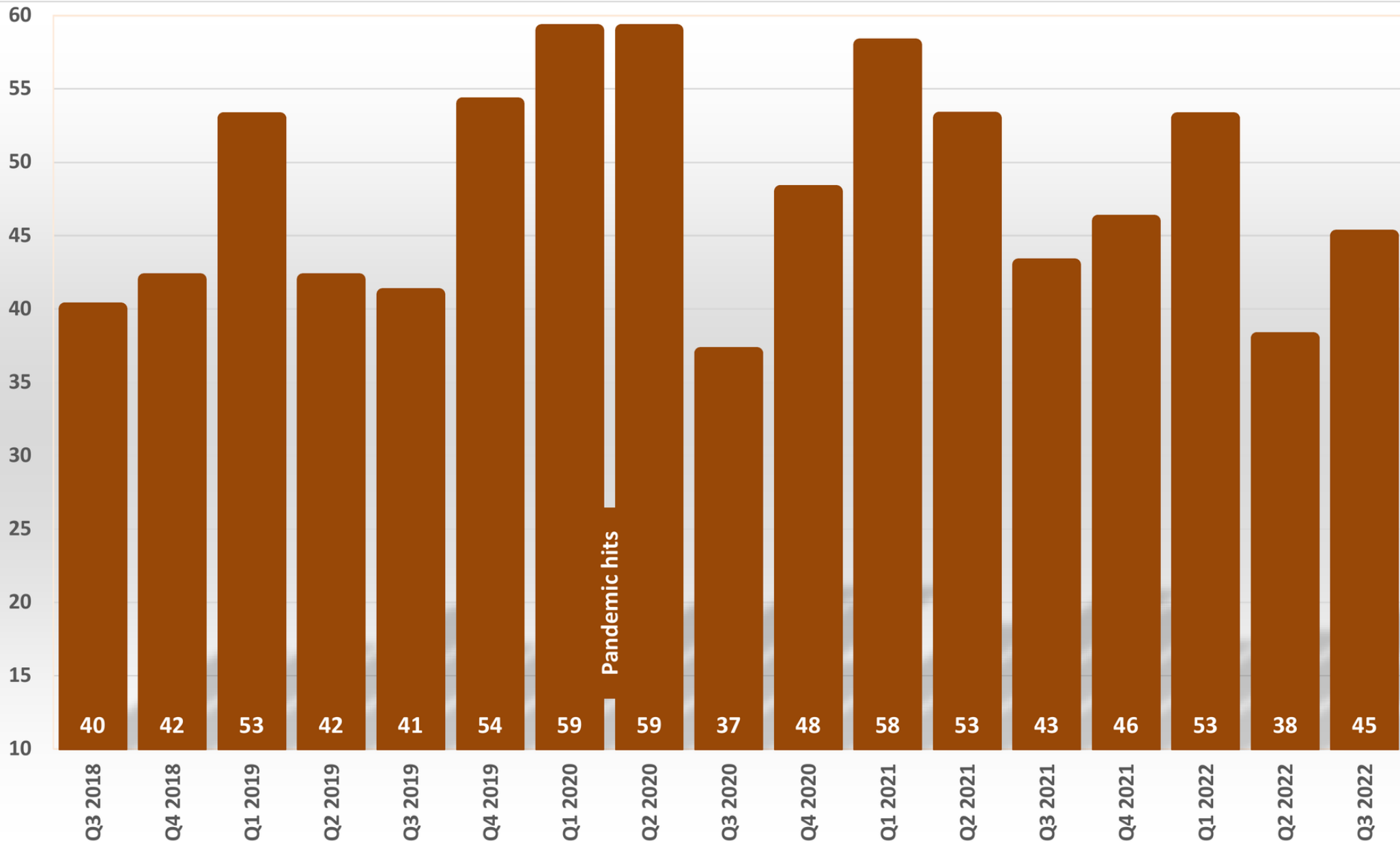
Based upon SFARMLS activity; per Broker Metrics. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers are approximate, and may change with late reported activity.



Average Days on Market by Quarter

San Francisco 2-4 Residential Unit Building Sales

2-unit buildings typically sell faster than 3-4 unit properties.



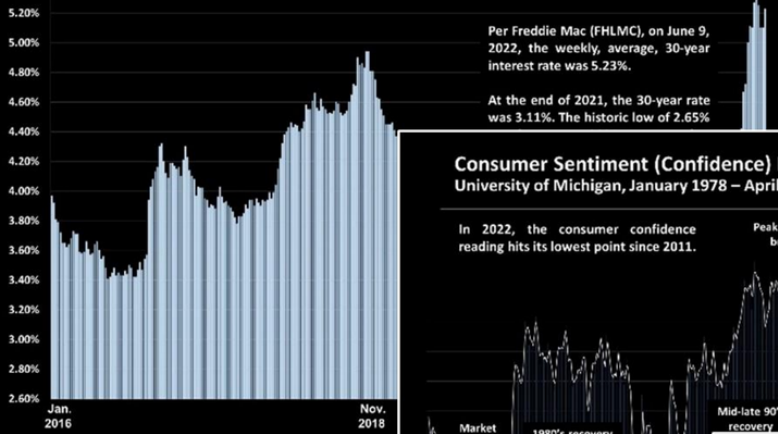
Residential market activity reported to SFARMLS, per Broker Metrics. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers are approximate. Last reading may change with late-reported activity.

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Mortgage Interest Rate Trends, 2016 – Present

30-Year Conforming Fixed-Rate Loans, Weekly Average Readings

Rates published by the FHLMC



Per Freddie Mac (FHLMC), on June 9, 2022, the weekly, average, 30-year interest rate was 5.23%.

At the end of 2021, the 30-year rate was 3.11%. The historic low of 2.65%

Interest rates may fluctuate suddenly and dramatically, and changes. Data from sources deemed reliable but not guaranteed. Home loans should consult with a qualified mortgage professional.

Consumer Sentiment (Confidence) Index

University of Michigan, January 1978 – April 2022

As published by the Federal Reserve Bank of St. Louis

In 2022, the consumer confidence reading hits its lowest point since 2011.



2-month rolling trend line. University of Michigan: Consumer Sentiment Index. Federal Reserve Bank of St. Louis: <https://fred.stlouisfed.org/series/UCS>

Click Here for Review of Selected Macroeconomic Trends

Financial Markets in 2022

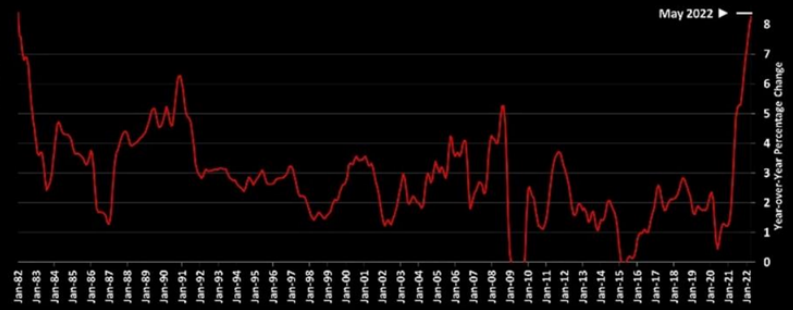
Percentage Declines since January 3, 2022



Last reading as of 6/13/22 AM. Data per MarketWatch.com, daily closing price reading. Data from source deemed reliable, but may contain errors and subject to change. Financial markets change constantly and all numbers should be considered as approximate.

Inflation: Consumer Price Index, 1982 – 2022*

3-Month-Rolling Average, Year-over-Year % Change



*3-month rolling average of Consumer Price Index for All Urban Consumers: All Items in U.S. City Average [CPIAUCSL], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CPIAUCSL>, June 2022. Data from U.S. Bureau of Labor Statistics. All Items (CPIAUCSL) is a price index of a basket of goods and services paid by urban consumers. This particular index includes roughly 88 percent of the total population. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers approximate.

Factors in Bay Area Real Estate Markets

Many of these factors' effects can swing both positive and negative; sometimes effects are deeply counter-intuitive (e.g. a pandemic causing a fierce housing boom). Economic, political, social and ecological dynamics constantly change and interact in difficult-to-predict ways. Market-changing developments can percolate gradually, or arise quickly and unexpectedly. The impact of specific factors can vary by market segment.

- Local economic conditions: High-tech booms, employment, housing affordability & development, venture capital & foreign investment, pro/anti-business sentiment, etc.
- Interest rates
- Stock markets
- Inflation
- Consumer confidence
- Household wealth: personal, corporate, gov. debt levels
- Massive, governmental economic interventions (including by the Fed): post 9/11/2001, post 9/2008, post 3/2020
- Natural disasters such as COVID, 1989 earthquake, 2017-21 fires, drought
- Domestic & foreign migration; federal immigration policy; demographic changes
- Tax law e.g. real estate tax benefits & credits, 2017 SALT-deduction limitation
- Rental market dynamics
- State income tax disparities
- International economic/political events, e.g. large oil price swings, military/economic conflict, foreign economic crises, 9/11, 2015 Chinese stock market crash
- Local, state & national politics
- Social and quality of life issues: Crime, homelessness, cost of living, economic inequality, partisan politics, etc.
- Financial industry manipulation, fraud, engineering, recklessness, e.g. junk bonds, S&L collapse, predatory lending, abandonment of risk mgmt. & underwriting standards, CDOs & rating-agency deceit, insider trading, over-leveraged investing; Irrational exuberance

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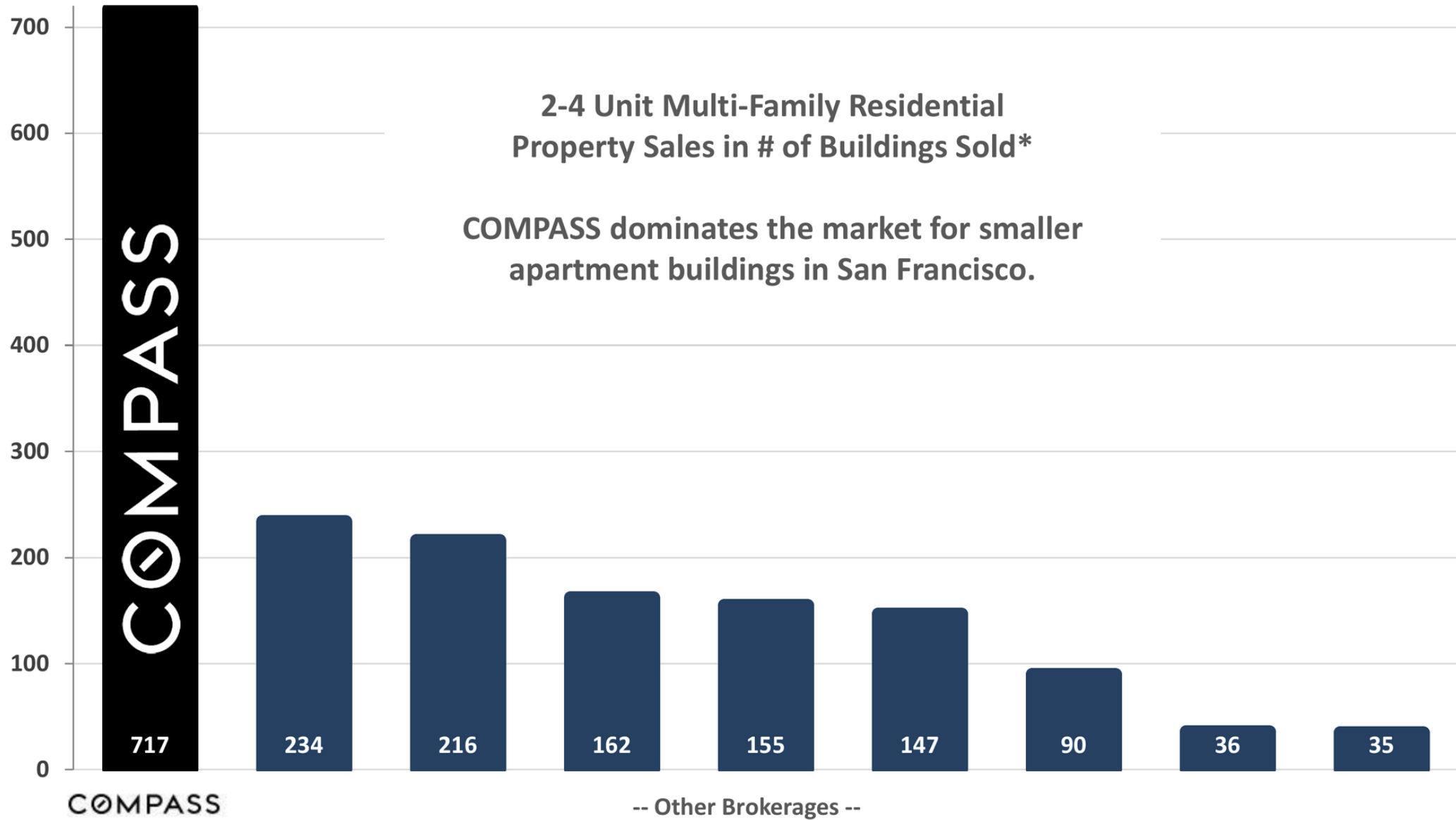


San Francisco Bay Area Real Estate Survey

[Click Here to Access the Full Report](#)

The focus of this survey is on broad, Bay Area market trends. Though submarkets will often diverge to various degrees, over longer periods of time, general trends in supply and demand typically apply across the region.

San Francisco 2-4 Unit Multi-Family Building Sales By Broker, Residential Income Property Sales, 2020-2022 YTD*



* Transaction-side sales, 2-4 unit “residential income” buildings, 1/1/20 – sales reported by 9/30/22, per Broker Metrics. Sales reported to SFARMLS & MLSLISTINGS: Not all sales are reported, and late-reported sales may change numbers.



Note that the quantity of sales in any given local submarket is usually relatively small and/or the number of sales that report the necessary financial information can be limited. Buildings of different ages, qualities and sizes selling in different periods can cause these average and median figures to fluctuate significantly. Furthermore, the reliability of some of these calculations depends upon the quality of the income and expense figures provided by the listing agents, and sometimes instead of actual numbers, much less meaningful projected or scheduled figures are used. Therefore, the above statistics should be considered very general indicators, and how they apply to any particular property without a specific comparative market analysis is unknown.

These analyses were made in good faith with data from sources deemed reliable, but they may contain errors and are subject to revision. Statistics are generalities and all numbers should be considered approximate.

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