

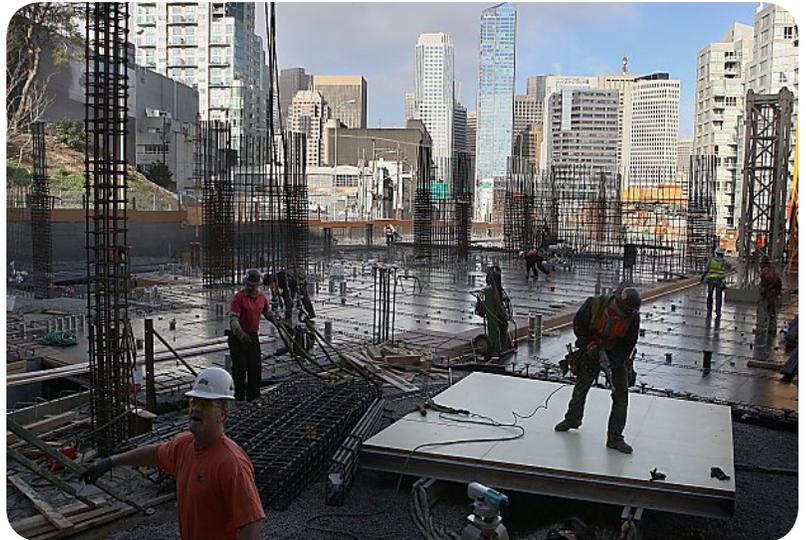
SAN FRANCISCO APARTMENT MARKET REPORT

2011 MARKET SUMMARY

MARKET OVERVIEW

2011 was an active year for investment real estate with apartment buildings leading the way. Low interest rates, increasing rents and an uncertain stock market combined to make investment property an attractive and popular alternative.

Locally, the Bay Area's strong economy and low vacancy rates put further upward pressure on apartment rents and helped to increase property values.



2011 APARTMENT SALES OF 5+ UNIT BUILDINGS IN SAN FRANCISCO

Overall, 2011 was a record year in terms of transactional sales volume for multifamily investment properties in San Francisco. 10+ unit buildings accounted for the lion's share of the transactions with over 120 buildings sold. The total value of these sales is estimated at over \$600,000,000.

Buildings in the 5-9 unit range also traded in significant numbers with over 50 transactions totaling in excess of \$80,000,000 in sales volume.

Generally speaking, city GRMs (Gross Rent Multiples) averaged in the 10-13 range depending on neighborhood and building size. Obviously, the higher-end areas command greater value, with GRMs generally running 12 to 16, while the less affluent downtown and Tenderloin areas of San Francisco are typically trading in the 8-10 range.

Perhaps the most important trend is the rapid increase in apartment rents in the city – much of it due to the huge rebound in high-paying, high-tech jobs in the Bay Area. Once again, this year saw double digit increases in many neighborhoods, and according to Rentbits.com, the median asking rent for 1-bedroom units has now hit a whopping \$2780/month. The rental market is red hot and appears to have further upside, which should have a positive effect on values and could create tremendous opportunity in 2012.

If you would like more specific details regarding any of the enclosed information or summaries of available apartment buildings, please contact me. In addition, I am available to prepare a confidential and detailed Estimate of Value of your investment property.

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