

SAN FRANCISCO APARTMENT MARKET REPORT

2012 MID-YEAR OVERVIEW

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The first half of 2012 has seen the investment real estate market heat up alongside the local housing market. Huge buyer demand, low inventory of available properties, and record low interest rates have combined to create a frenzied atmosphere.

As for much of last year, the Bay Area's strong economy and low vacancy rates continued to push apartment rents higher and thus increased property values.



MULTI FAMILY SALES OF 10+ UNIT BUILDINGS IN SAN FRANCISCO

According to the San Francisco MLS database, there have been 28 sales of 10+ buildings through June of this year. In addition, there were several large transactions that took place off-market. For instance, 899 Pine Street is a 200+ unit, 19 story high-rise apartment building that sold for \$81.5 million off-market in May. There were 15 offers total by a mix of local and institutional groups. Similarly, 12 buildings totaling 323 units were sold by Prana Group and Blackrock sold off a 476 unit portfolio of former Lembi buildings in early May.

MULTI FAMILY SALES OF 5+ UNIT BUILDINGS IN SAN FRANCISCO

Buildings in the 5-9 unit range, at least those listed and sold through the MLS, totaled 39 transactions through June. The average sale price is \$1.9 million and \$317 per foot.

APARTMENT RENTAL MARKET IN SAN FRANCISCO

Rents are skyrocketing over the past 24 months and continue to do so thanks to all of the high-tech hiring. Vacancy citywide is now approximated at less than 3%. According to rentbits.com, the average asking price of a one bedroom apartment in San Francisco is \$2,909 per month! upside, which should have a positive effect on values and could create tremendous opportunity in 2012.

INSTITUTIONAL MONEY

One thing we have seen this year that differs from past market cycles, is the introduction of Institutional Buyers for San Francisco apartment buildings. The reason(s) for this are mostly due to the availability of larger numbers of units/buildings at one time (thanks to the continued implosion of the Lembi/Citi Apartments empire). In addition, historically low interest rates and volatility in other markets makes San Francisco apartment buildings a good place to put money. Groups such as the Prado Group, Veritas, Bridge Capital and others are able to place large sums of capital and purchase hundreds of units at a time. Owners such as Grosvenor and previous Buyers of ex-Lembi notes have taken advantage by listing and selling large deals.

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