

# Bay Area Multifamily

The Bay Area economy continues to experience upwards growth, fueled by the tech industry. Demand for housing remains strong, placing pressure on developers to deliver units, especially in urban areas. Average rental rates currently stand at a high \$2,729 across all nine counties in the Bay Area, compared to \$2,620 from the prior year.

## Rental Rates

Overall rental rates grew slightly this quarter to \$2,729. San Francisco commands the highest average asking rent at \$3,583 as ongoing strong demand outpaces the city's supply. Of notable interest are the climbing rents in San Mateo County. Rents have increased 6.10% year over year in this region and are currently at an average rate of \$3,070. Further, Alameda County rents rose to an average of \$2,464, experiencing a 3.2% rental growth year over year. Oakland is a popular location for many people, as it provides them a cheaper living situation than neighboring areas and allows easy access to San Francisco. By the end of the third quarter, average rates stood at \$2,670 in the city. Looking into the fourth quarter and the first half of 2019, rents are forecasted to increase in the Bay Area by an average of 2.8% (Yardi Matrix).

## Projected Future Supply

Deliveries slowed down this quarter, as 467 units were completed in the Bay Area, compared to 931 in the prior quarter and 1,234 in the first quarter. This is partially associated to a labor shortage and high

construction costs in the area. San Francisco welcomed 467 units into its market, with Avalon Dogpatch adding the majority with 326 units. Further, with affordability requirements in place on new housing projects, lower-income residents will have the opportunity to live in newly delivered buildings. For example, San Francisco requires that new housing developments with 10 units or more must provide 19% of on-site affordable units. The Bay Area has a strong development pipeline, with a little over 23,000 units in the planning stages and over 24,000 units under construction. Santa Clara County has almost 10,000 units under construction, with Alameda close behind with nearly 7,000.

## Employment and Estimate of Future Demand

A booming economy, thanks in part to a strong tech presence and diverse labor pool, has solidified the Bay Area as an economic force in the world. According to the Bay Area Economic Institute, if the Bay Area were a country, it would have the 19th largest economy in the world, exceeding that of Switzerland and Saudi Arabia. Companies such as Survey Monkey, Allakos, and Eventbrite have gone public this quarter, raising a substantial amount of capital and fueling the region's

### Market Forecast Trends



YEAR-TO-YEAR BASIS

### Notable Sale Transactions

- South Shore Beach & Tennis Club**  
Alameda  
\$193.2M | \$435,135/unit | \$510/s.f. | 4.8% cap
- Park Central**  
Concord  
\$117M | \$451,737/unit | \$498/s.f. | 4.5% cap
- Ironhorse Park**  
Pleasant Hill  
\$85M | \$337,302/unit | \$512/s.f. | 4.8% cap

### Notable Deliveries

- Avalon Dogpatch**  
800 Indiana Street, San Francisco  
326 units | AvalonBay Communities
- 750 Harrison Street**  
750 Harrison Street, San Francisco  
77 units | SST Investments
- Cheshill on Mission**  
33 Seneca Avenue, San Francisco  
64 units | Thomas Cheung

economy. Survey Monkey currently has over 40 positions available in San Mateo, while Eventbrite posts 37 in San Francisco. The average unemployment rate in the Bay Area stands at 2.9%, compared to the national average of 3.7%. In addition, over 2,800 jobs were added this quarter in the counties of San Francisco and San Mateo, strengthening the labor market within these regions.

Despite this economic surge, the high cost of housing has affected the Bay Area, to the point that many individuals are considering relocating. As of August 2018, the median price of a single-family home among all nine counties in the Bay Area was \$935,000, lower than what was reported in May of this year at \$1,088,000. Although this provides some relief for buyers hoping to purchase a property in this high-priced region, affordability remains low. The median single-family home price in San Francisco is \$1,550,000, with San Mateo County close behind at \$1,500,000. As of August 2018, the price stands at \$320,200 nationwide.

## Pricing

Sales activity increased in the third quarter, as 15 sales were reported, totaling \$891.9 million in volume. Maximus Real Estate Partners purchased the South Shore Apartments in Alameda for \$193.2 million, or \$435,135/unit. A cap rate of 4.8% was reported for this sale. In the third quarter of 2017, 11 sales volume amassed nearly \$678 million and was over \$1.2 billion in 3Q 2016. This decline in volume is partially associated with rising interest rates and impact fees for new developments. At the end of the third quarter, the Fed raised interest rates to a 2.25%, compared to 2.0% at the end of 2Q. The Fed has signaled its plans to increase rates to 2.5% in December 2018. Looking into the fourth quarter, there are four potential apartment acquisitions, signaling an optimistic investment outlook in this market.

Sources: Yardi Matrix, Federal Reserve Bank of St. Louis, California Association of Realtors, California Labor Market Division

## County Statistics

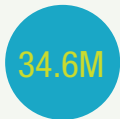
County	Total Units	Units Planned	Units Under Construction	Quarterly Deliveries	Average Asking Rents	Vacancy	Rent Growth (YOY)	Unemployment	Avg Cap Rate
San Francisco	43,638	4,800	4,472	467	\$3,583	4.4%	3.60%	2.4%	N/A
San Mateo	30,577	1,406	1,962	0	\$3,070	4.1%	6.10%	2.3%	N/A
Santa Clara	109,486	5,741	9,892	0	\$2,874	3.6%	4.70%	2.7%	4.4%
Alameda	65,866	8,172	6,938	0	\$2,464	3.9%	3.20%	3.2%	4.3%
Contra Costa	29,666	2,209	552	0	\$2,137	3.9%	2.10%	3.3%	4.6%
Marin	6,957	0	0	0	\$2,783	2.6%	4.00%	2.5%	N/A
Napa	3,140	0	282	0	\$2,094	2.3%	4.80%	2.9%	N/A
Sonoma	12,845	828	446	0	\$2,051	3.7%	5.90%	2.9%	N/A
Solano	12,666	0	82	0	\$1,733	3.6%	4.00%	4.1%	5.1%
<b>Total</b>	<b>314,841</b>	<b>23,156</b>	<b>24,626</b>	<b>467</b>	<b>\$2,729</b>	<b>3.8%</b>	<b>4.30%</b>	<b>2.9%</b>	<b>4.6%</b>

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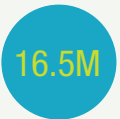
### COMMERCIAL BROKERAGE



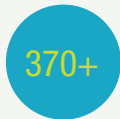
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# BROKERS

### PROPERTY MANAGEMENT

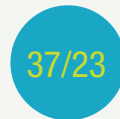


MANAGEMENT  
PORTFOLIO

### VALUATION ADVISORY



ASSIGNMENTS  
ANNUALLY



TOTAL #  
APPRAISERS/MAI'S

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