

SAN FRANCISCO- OAKLAND, CA MULTIFAMILY REPORT

2023 | MIDYEAR

BERKADIA[®]
INSTITUTIONAL SOLUTIONS





Jobs Added / Lost

LAST 12 MONTHS

53,100

↑ 2.2%

NEXT 12 MONTHS*

28,000

↑ 1.1%

Unemployment

MIDYEAR 2023

3.1%

↑ 50 BPS YOY

MIDYEAR 2024*

3.1%

⊖ 0 BPS YOY

*Projected

SAN FRANCISCO-OAKLAND, CA EMPLOYMENT

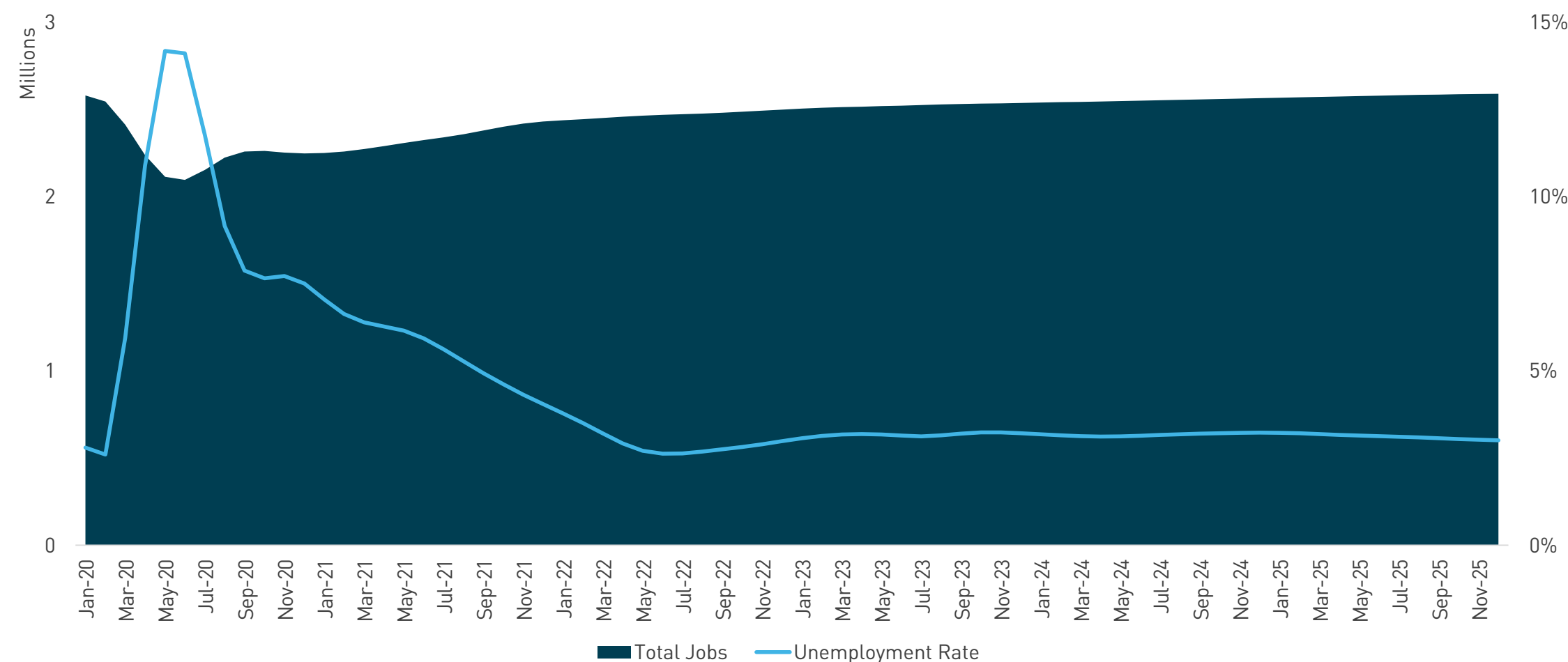
Despite a slight uptick in the unemployment rate in the Bay Area compared to mid-2022, the labor market in Greater San Francisco is outperforming the national average in June 2023. Businesses added 38,100 jobs to the market year over year.

Employment sectors which had the largest annual growth were the leisure and hospitality and the private education and healthcare segments, creating more than 25,000 total net new jobs in the metro since mid-2022. The increase in leisure and hospitality jobs is a positive signal for further growth across the industry, as the sector slowly regains its traction after the impact of the pandemic when thousands of jobs were once lost. Residents and travelers can travel

freely throughout the Greater San Francisco like in 2019, making it plausible that leisure and hospitality jobs would need to make a comeback to support the expected rise in tourism.

Other notable areas of job growth for the metro include the trade, transportation, and utilities industry, with 5,300 jobs added since the middle of last year as business resumes for many companies who were uncertain about the effects of the pandemic. Total nonfarm employment has had 21 consecutive months of job growth.

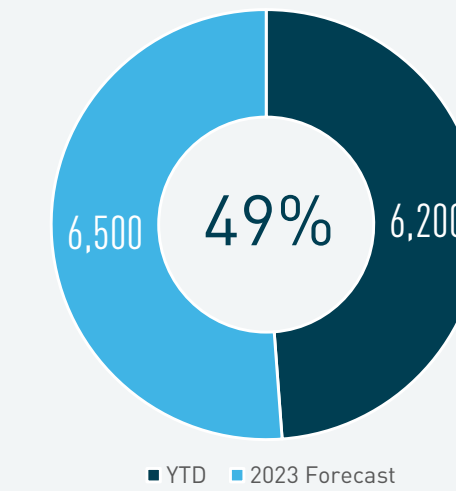
Employment Trends



Source: Moody's Analytics

Who's Hiring?

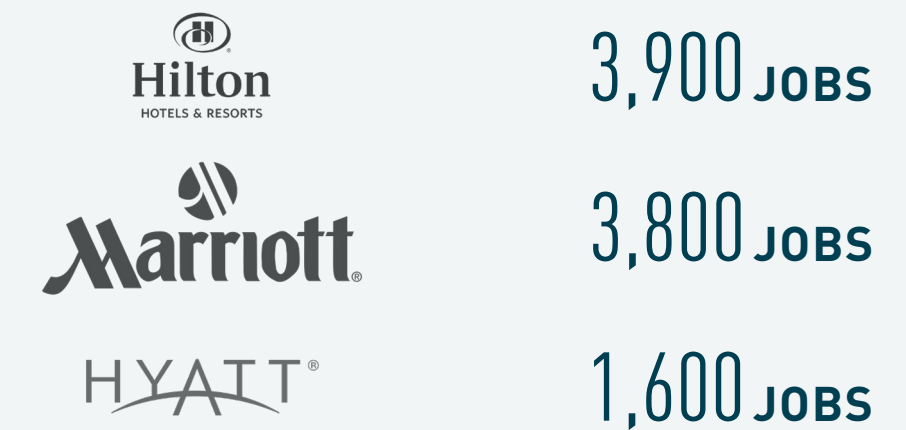
LEISURE & HOSPITALITY INDUSTRY



10%
OF ALL JOBS IN THE METRO

\$41,200
AVERAGE ANNUAL SALARY

Top Leisure & Hospitality Employers



In The News

- United Airlines plans to hire 1,600 in San Francisco
- Job growth continues in the Bay Area
- Young professionals are starting to come back to San Francisco



SAN FRANCISCO-OAKLAND, CA DELIVERIES & ABSORPTION

2023 Units*

DELIVERIES

4,858

ABSORPTION

6,165

2024 Units*

DELIVERIES

7,395

ABSORPTION

8,618

*Projected

Apartment demand is forecast to outpace new supply in 2023 by more than 1,300 units. The positive shift is attributed to delayed construction timelines as well as migration back to the Bay Area for many residents.

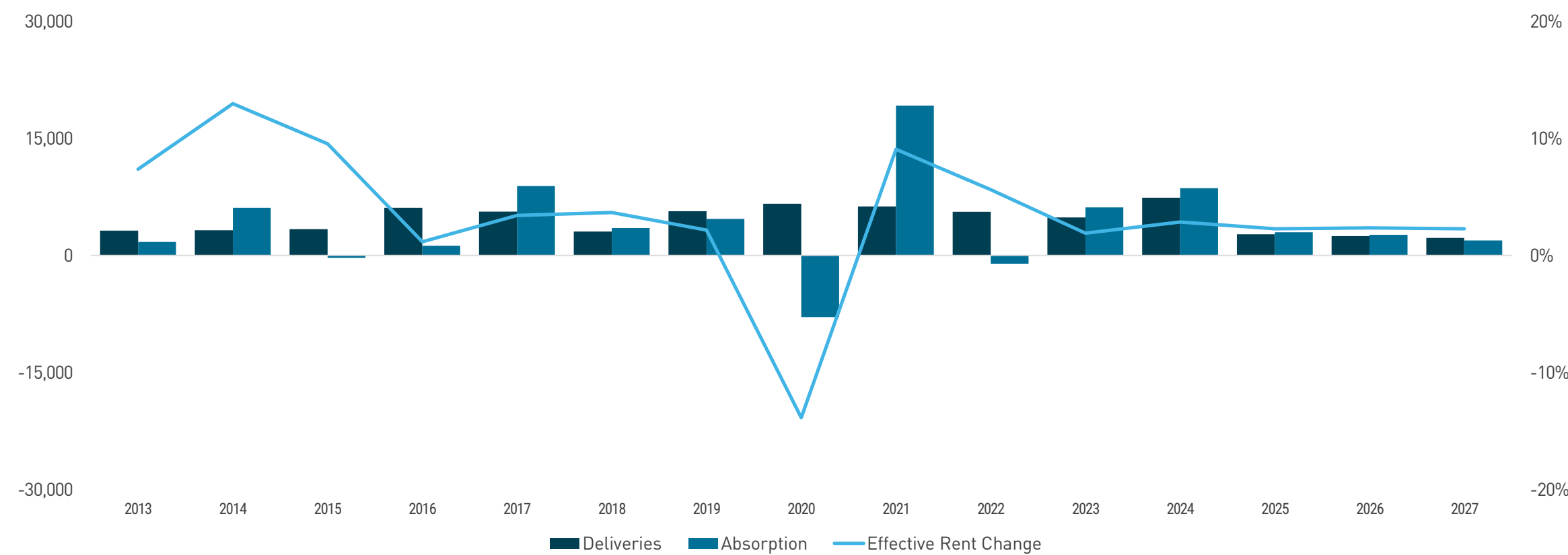
Even with the delays, more than 12,000 units are under construction at midyear 2023. Demand for apartments in the San Francisco-Oakland metropolitan area is expected to exceed 6,100 units in 2023 as more employers require employees to be present in the office.

The Oakland/Berkeley submarket led the way for total units under construction in mid-2023 with more than 4,000. With almost double the amount of new supply under construction in this submarket compared to

others, developers are confident in the submarket moving forward.

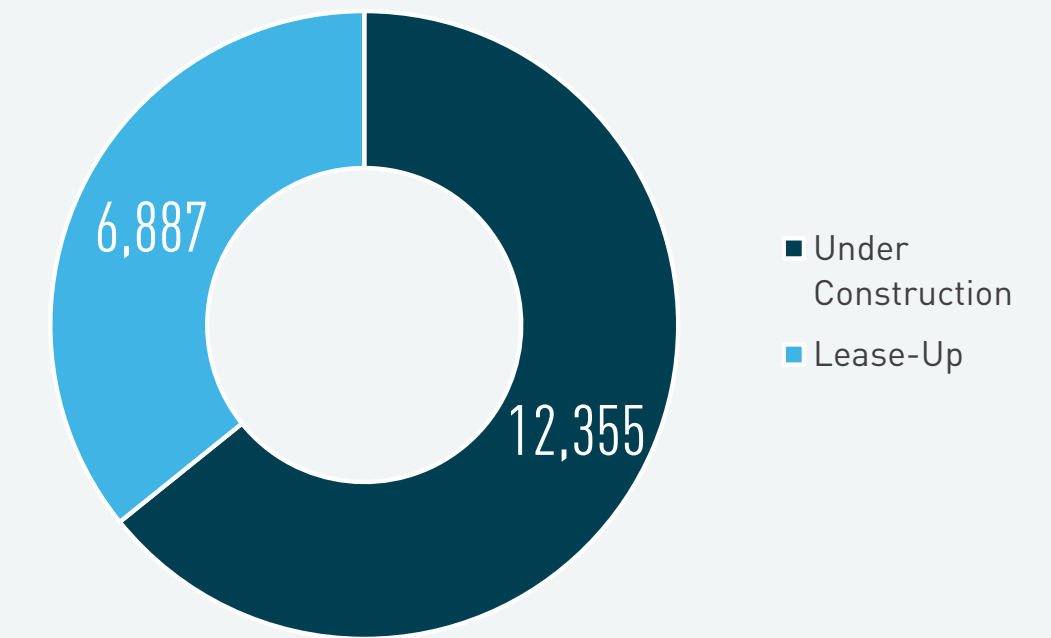
The presence of a large education system in the area such as the University of California, Berkeley, as well as convenient public transportation access for residents, which has been shown to display higher demand from tenants as opposed to areas which do not have the same transportation options available bodes well for developers. The Bay Area Rapid Transit System is present in a majority of the newly delivered supply in the Oakland/Berkeley and Walnut Creek/Lafayette submarkets, giving residents premier access to be able to navigate the metro without any hassle.

Deliveries, Absorption, & Effective Rent Change

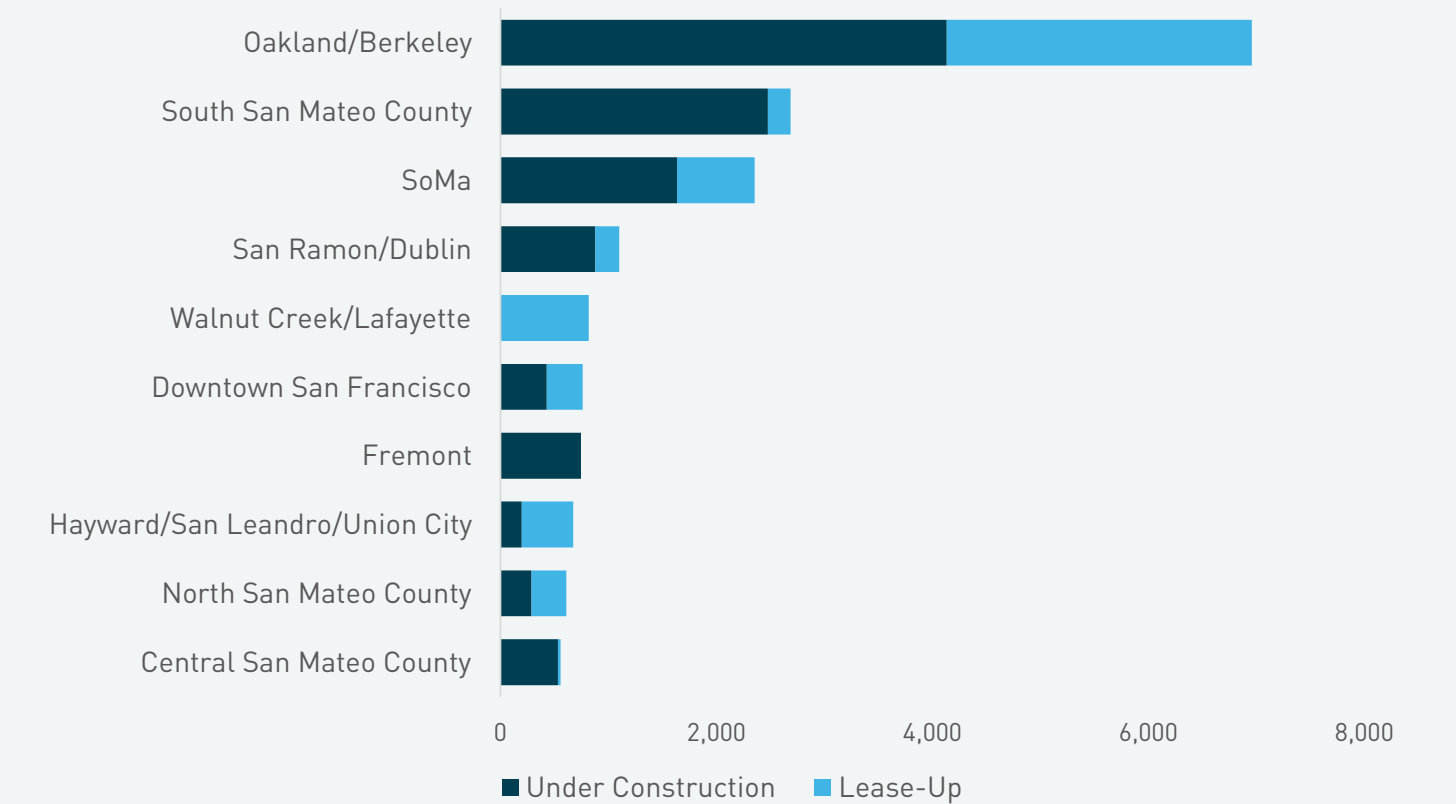


Source: RealPage

Market Pipeline



Top 10 Submarket Pipelines

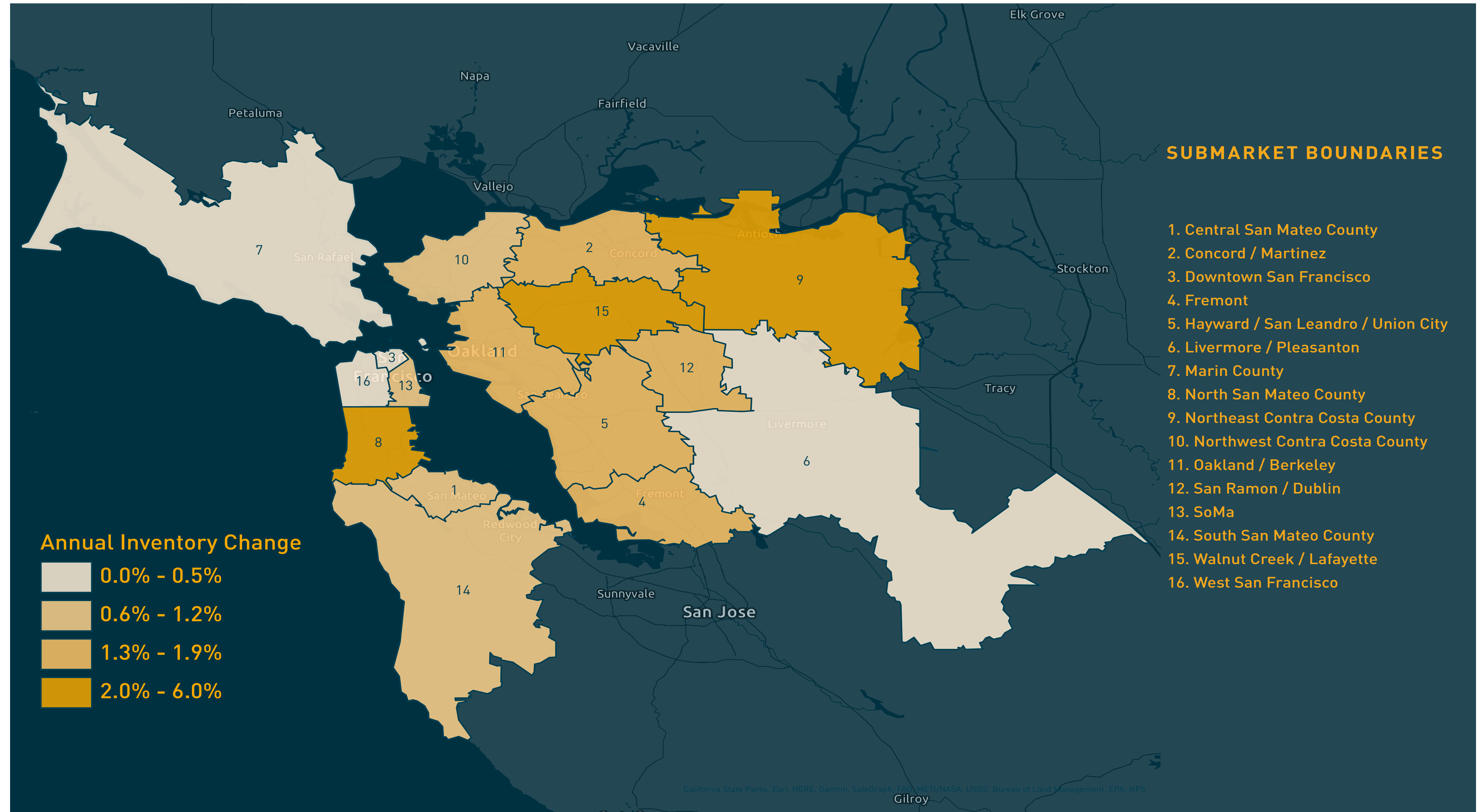




SAN FRANCISCO-OAKLAND, CA

SUBMARKET ANNUAL INVENTORY CHANGE

With limited inventory growth around Downtown San Francisco, development in suburban areas in the East Bay Area increased, especially the Walnut Creek / Lafayette submarket. Having grown 6.0% year over year, more than 16% of units in the submarket were offering concessions to attract renters. The far east submarkets fared well for supply growth at the midyear, as the Northeast Contra Costa County also saw a significant number of new units be brought online from the beginning of 2023. Inventory increased by almost 4% since the beginning of the year, which in exchange increased the number of units offering concessions to prospective tenants to 9.8%. When combined, these submarkets had more than 1,100 total units added to existing supply during the first half of 2023.





SAN FRANCISCO-OAKLAND, CA RENT & OCCUPANCY

Effective Rent

Q2 2023

\$2,925

↓ 0.1% YOY

Occupancy

Q2 2023

95.0%

↓ 120 BPS YOY

Despite demanding a 61.7% premium in effective rent compared to the national average, the San Francisco-Oakland metropolitan area's decrease in apartment demand has not been as dramatic as many other major metropolitan areas. San Francisco-Oakland effective rent averaged \$2,925 per month in the second quarter of 2023, down 0.1% year over year.

The metro's average occupancy rate was 95.0% in mid-2023, which was 30 basis points higher than the national average. A notable submarket that outperformed the rest of the market regarding rent and occupancy was South San Mateo County. Operators within the South San Mateo County submarket charge 22.7% higher rent when

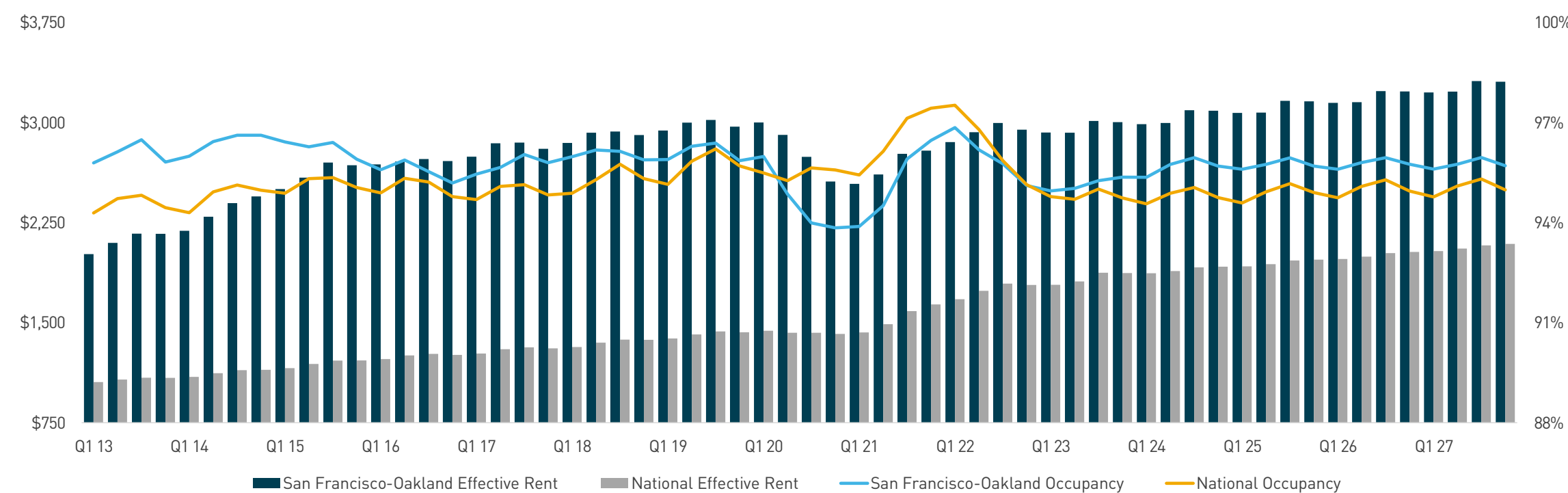
compared to the metro average, with an annual increase of 4.6% in the submarket. Operators in this submarket have been able to avoid a significant dip in occupancy despite heightened rent rates.

Median single-family home prices exceeded \$1.6 million in the second quarter of the year, causing the purchase of a home to be unattainable for most potential buyers in the Bay Area. Elevated home prices are expected to continue keeping tenants as renters for longer periods of time, leaving average rental rates with a projected annual increase of 2.5%.

Submarket Performance

SUBMARKET NAME	Q2 2023 OCCUPANCY	YOY (BPS)	Q2 2023 EFFECTIVE RENT	YOY
Central San Mateo County	96.3%	-50	\$3,280	-0.5%
Concord/Martinez	94.2%	-210	\$2,322	0.3%
Downtown San Francisco	92.7%	-20	\$3,149	-2.0%
Fremont	95.7%	-140	\$2,717	2.7%
Hayward/San Leandro/Union City	95.8%	-150	\$2,432	2.1%
Livermore/Pleasanton	95.0%	-170	\$2,832	0.5%
Marin County	95.5%	-90	\$3,024	-4.6%
North San Mateo County	96.8%	-80	\$2,708	4.2%
Northeast Contra Costa County	94.3%	-250	\$2,176	1.9%
Northwest Contra Costa County	93.2%	-430	\$2,498	-0.2%
Oakland/Berkeley	93.0%	-120	\$2,837	-2.7%
San Ramon/Dublin	96.5%	-130	\$2,691	-0.8%
SoMa	94.7%	-30	\$3,327	-2.4%
South San Mateo County	95.7%	-140	\$3,588	4.6%
Walnut Creek/Lafayette	95.0%	-240	\$2,564	-1.5%
West San Francisco	94.7%	-160	\$3,228	1.4%

San Francisco-Oakland vs. National Effective Rent & Occupancy



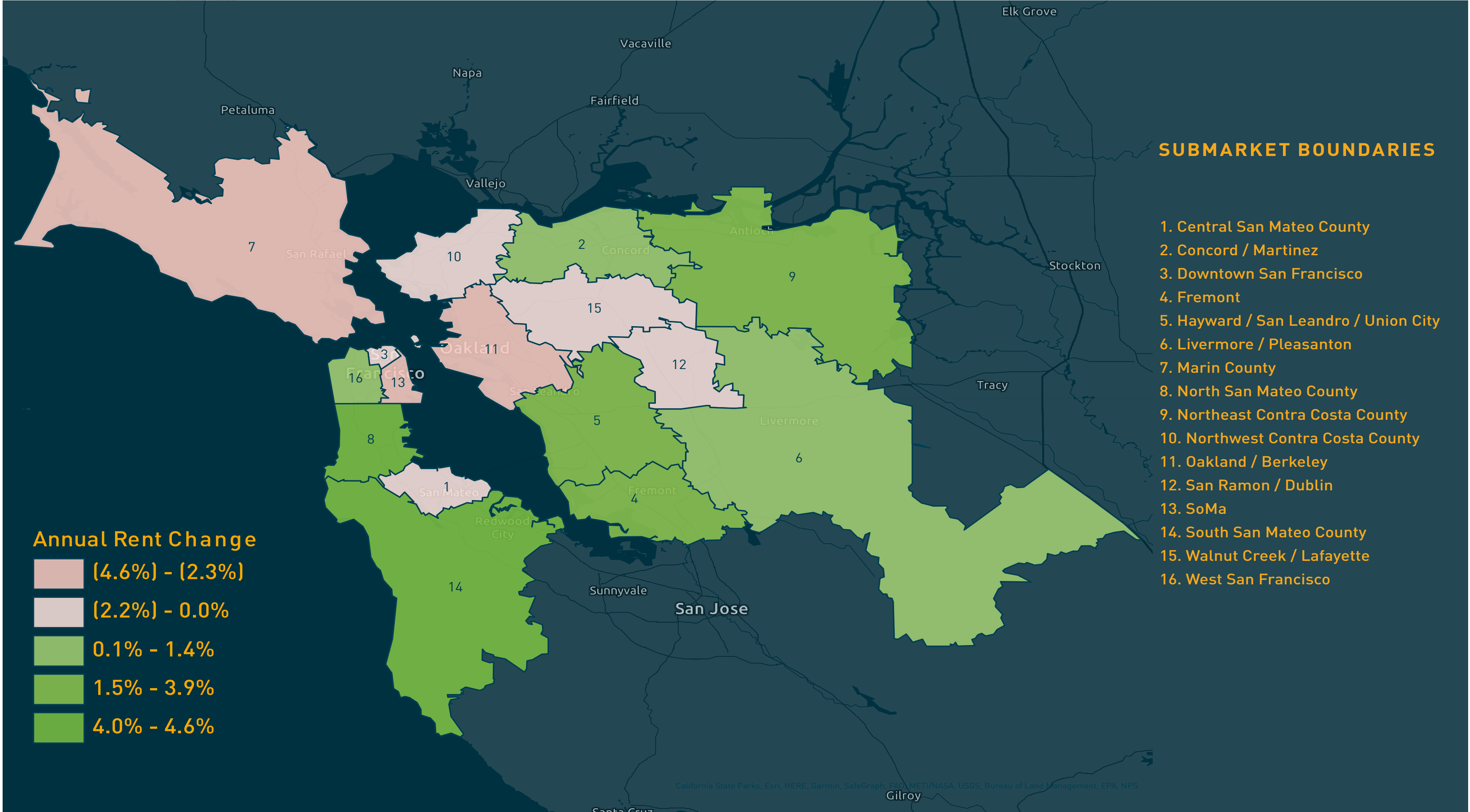
Source: RealPage



SAN FRANCISCO-OAKLAND, CA

SUBMARKET ANNUAL RENT CHANGE



While average effective rent across the San Francisco-Oakland Metro remained slightly lower compared to the pre-pandemic level, effective rent in mid-2023 surpassed year-end 2019 effective rent in 11 of the 16 submarkets. Effective rent growth in the South San Mateo County submarket was the highest and has had the sharpest annual increase, with monthly effective rent reaching \$3,588 in the second quarter of 2023. As many other submarkets in the area have had an influx of new units, the South San Mateo County submarket has not, which has allowed operators to continue gradually increasing rental rates for renters. With more than 2,400 new units under construction in the submarket, rental hikes are expected to cool off from previous levels moving forward. Effective rent in the submarket is forecast to increase by an additional 2.5% over the next year.




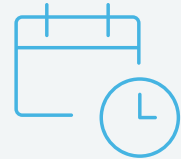
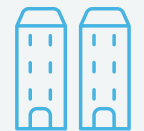
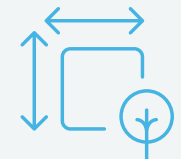


SAN FRANCISCO-OAKLAND, CA SALES

2023 Year to Date*

	VOLUME \$1.0B		PRICE PER UNIT (AVG) \$334,490
	TRANSACTIONS 7		CAP RATE (AVG) N/A

What's Trading?*

	UNITS (AVG) 305		YEAR BUILT (AVG) 1960s
	BUILDINGS (AVG) 11		ACRES (AVG) 12.93

Source: Real Capital Analytics
*\$10m+

Top Buyers**

BUYER	LOCATION
Carmel Partners	San Francisco
California Community Housing Agency	Hanford, CA
Catalyst Housing Group	Larkspur, CA
Prime Group	San Francisco
CSCDA	Walnut Creek, CA

Top Sellers**

SELLER	LOCATION
Gerson Bakar & Associates	San Francisco
Equity Residential	Chicago
Pell Development	San Rafael, CA
UBS	Zurich, Switzerland
Greystar	Charleston, SC

**Past 24 Months



Sources: RealPage; Moody's Analytics; Real Capital Analytics

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