

San Francisco 4Q14 Multifamily Report

Multifamily



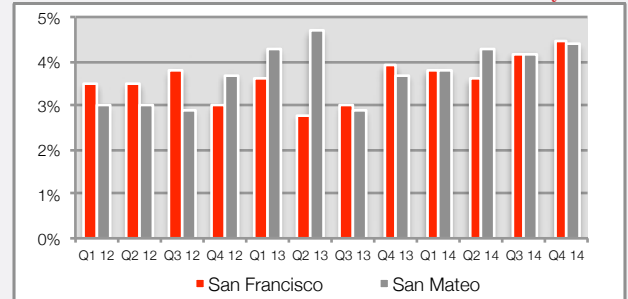
The market for multifamily real estate in San Francisco has exceeded pre-recession highs since the beginning of 2013. Steady job growth and mortgage restrictions have created a demand far above the supply of multifamily units; this has led to tight occupancy and increases in rents. Investors see potential for continued appreciation of multifamily, which brings plenty of investors despite lower capitalization rates in San Francisco. Effective rents have been continually on the rise.

San Francisco and San Mateo counties had 2,689 units delivered in 2014 and 2,588 units delivered in 2013. In the fourth quarter of 2014, San Francisco had 7,654 units under construction. Downtown San Francisco accounted for 3,620 units under construction. In the fourth quarter of 2014, San Francisco's average capitalization rate is 16 basis points lower than in the fourth quarter of 2013, at 4.31%. In the fourth quarter, the average capitalization rate for multifamily property in the East Bay market was 5.57%.

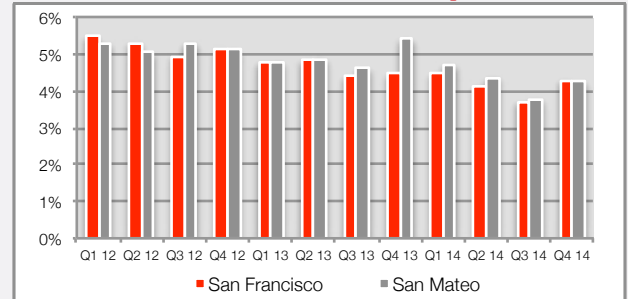
In the fourth quarter, San Francisco had three major deals: 3711 19th Ave., a 3,221-unit building sold for \$1,310,000,000; 2-8 Mint Plz., a 25-unit building sold for \$21,500,000; and 900-918 Valencia St., a 20-unit building sold for \$14,200,000. 3711 19th Ave., Parkmerced, currently has 3,221 units with plans to expand and upgrade the property of 150 acres to 8,900 units. The 601W Companies purchased 75% interest in these buildings for \$1,310,000,000.

In the fourth quarter, NAI Northern California had two major deals in San Francisco: 1019-1029 Grant Ave. sold in December for \$5,000,000 and 720-730 Bush St. sold in December for \$4,950,000.

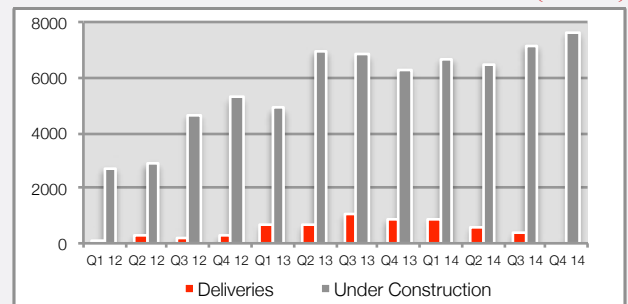
Vacancy Rates



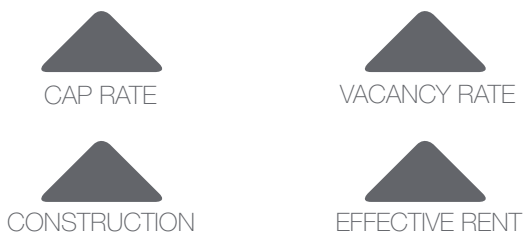
Capitalization Rates



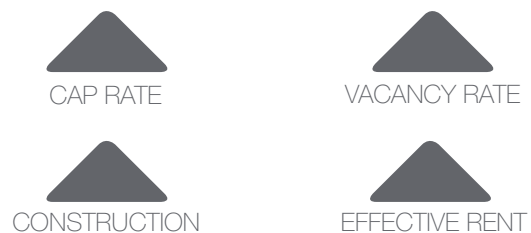
San Mateo and San Francisco New Construction (in Units)



Trends for 4Q14 for San Francisco



Trends for 4Q14 for San Mateo



San Francisco 4Q14

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Market Overview:

Submarket Name	Cap Rate	Price/Unit	Effective Rent	Vacancy (%)	Absorption (Units)	Deliveries (Units)	Under Const.
SF Downtown Core/North/South	-	-	\$3,157.81	3.5%	37	0	2,809
SF Downtown West	4.70%	\$239,386	\$2,012.27	5.6%	38	266	1,210
San Mateo Central	4.81%	\$226,383	\$2,499.75	4.0%	23	111	950
San Mateo North/West	4.54%	\$217,092	\$2,067.99	4.0%	4	0	0
San Mateo South	3.68%	\$344,565	\$2,050.58	5.4%	15	0	1,036
SF Southeast	-	-	\$2,682.33	6.6%	-8	0	860
Southern City	4.06%	\$406,169	\$2,429.23	3.3%	-11	0	196
West of Van Ness	3.92%	\$348,435	\$2,539.23	4.4%	-4	0	593

Significant San Francisco Sales Transactions:

Address	Price	Size	Units	Submarket
3711 19th Ave (75% interest)	\$1,310,000,000	3,000,000	3,221	South Beach
2-8 Mint Plz	\$21,500,000	32,093	25	Forest Knolls
900-918 Valencia St	\$14,200,000	20,247	20	Civic Center
3440 20th St	\$13,600,000	26,754	39	Civic Center
1030-1042 Polk St	\$13,000,000	37,687	42	Telegraph Hill
825-835 Pine St	\$12,500,000	21,900	32	Civic Center
6242-6260 Geary Blvd	\$9,925,000	27,900	41	Civic Center
3101 Gough St	\$8,600,000	13,125	20	Mission
1421 10th Ave	\$7,425,000	16,014	18	Civic Center

Significant San Mateo Sales Transactions:

Address	Price	Size	Units	City
1307 Monte Diablo Ave	\$14,200,000	56,308	70	San Mateo
1033 Jefferson Ave	\$6,370,000	20,406	21	Redwood City
1617-1621 Sixth Ave	\$5,980,000	18,244	17	Belmont
62 Duane St	\$4,800,000	11,466	16	Redwood City
101 School St	\$4,000,000	26,996	18	Daly City
12 Coleman Pl	\$3,500,000	6,700	8	Menlo Park
1550-1570 Ebener St	\$3,300,000	14,286	12	Redwood City
775 Menlo Ave	\$3,100,000	8,794	6	Menlo Park

4Q'14

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