Overview

The San Francisco-San Mateo-Redwood City Housing Market Area (hereafter, the San Francisco HMA), along the Pacific coast of California, comprises San Francisco, San Mateo, and Marin Counties. San Francisco County is the most populous county in the HMA, with 45 percent of the total population. San Mateo County borders San Francisco County to the south and Marin County borders San Francisco County to the north. The HMA is a regional center for technological development, tourism, and government.

- As of December 1, 2013, the estimated population of the San Francisco HMA was 1.8 million, an increase of 16,400, or 0.9 percent, annually since April 1, 2010.
- From July 2000 to July 2006, the dot-com bust resulted in an average population decline of approximately 850 people, or less than 0.1 percent, annually. Average annual out-migration of 9,575 people was mostly offset by a net natural increase of 8,725 people annually.
- Since 2010, net in-migration has averaged 8,050 people annually, contributing to 49 percent of the population growth as the economy has continued to recover and expand.
Economic Conditions

Economic conditions have strengthened in the San Francisco HMA since 2010, as reflected by job growth in most nonfarm payroll sectors.

During the 3 months ending November 2013—

- Nonfarm payrolls averaged 1.04 million jobs, an increase of 23,100 jobs, or 2.3 percent, compared with the number of jobs recorded during the same 3-month period in 2012, largely because of growth in the tourism and high-technology industries.

- The most significant gains were in the leisure and hospitality and the professional and business services sectors, which added 5,700 and 8,600 jobs, increases of 4.2 and 3.7 percent, respectively, from the 3 months ending November 2012. The tourism industry benefited from an increase in visitor spending in the San Francisco HMA, which increased by $9.1 billion, or 65 percent, from 2009 to 2010 (State of California).

- The only sector to record job losses was the manufacturing sector, which declined by 500 jobs, or 1.4 percent, to 35,800 jobs. Since 2000, the manufacturing sector has lost 26,400 jobs and payrolls have remained unchanged or have declined in all but 1 year.

- The average unemployment rate decreased to 5.1 percent compared with the rate of 6.4 percent recorded during the 3-month period ending November 2012.

Since late 2010, the San Francisco HMA has experienced faster job growth than the Pacific region and the nation.

<table>
<thead>
<tr>
<th>Name of Employer</th>
<th>Nonfarm Payroll Sector</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of California, San Francisco</td>
<td>Government</td>
<td>22,650</td>
</tr>
<tr>
<td>United Airlines</td>
<td>Transportation and utilities</td>
<td>9,000</td>
</tr>
<tr>
<td>Wells Fargo &amp; Company</td>
<td>Financial activities</td>
<td>8,950</td>
</tr>
</tbody>
</table>

Note: Excludes local school districts.
Sources: North Bay Business Journal; San Francisco Business Times.
The professional and business services sector is projected to lead job gains during the next 3 years. Salesforce.com, Inc., and Twitter, Inc., are expected to increase their workforces in the HMA by 3,000 and 1,800 jobs, respectively, as part of expansions in downtown San Francisco.

Sales Market Conditions

The sales housing market in the San Francisco HMA is tight, with an estimated sales vacancy rate of 1.0 percent, a decrease from 1.7 percent in 2010. During the 12 months ending November 2013, new home sales declined 43 percent, to 450 homes, compared with the 790 homes sold during the previous 12-month period (CoreLogic, Inc.). The average sales price for a new home declined 3 percent, to $914,400, during the same period. Existing home sales and prices increased during the 12-month period ending

Existing home sales prices in the San Francisco HMA have been increasing since late 2012, but new home sales prices have been declining since early 2013.

The rate of distressed loans in the San Francisco HMA has consistently been lower than the statewide and national rates.

Single-family permitting in the San Francisco HMA has increased since 2010 but remains below peak levels.
Rental Market Conditions

Rental housing market conditions in the San Francisco HMA are tight. As a result of the expanding technology industry, an influx of young professionals with a preference for apartment units increased demand for rental units in the HMA.

- As of December 1, 2013, the estimated vacancy rate for all rental units (which includes renter-occupied single-family homes, manufactured homes, and apartment units) was 3.3 percent, a decrease from 5.2 percent in 2010.
- The apartment market, which represents nearly 80 percent of all rental units, is tight, with a 4.0-percent vacancy rate in the third quarter of 2013, a slight decline from the 4.2-percent rate a year earlier (Axiometrics Inc.).

Vacancy rates have declined as average market rent growth continues, albeit at a slower pace in the San Francisco HMA.

- The average monthly apartment asking rent was approximately $2,650 in the third quarter of 2013, an increase of $150, or 6 percent, from the third quarter of 2012.

Multifamily construction activity, as measured by the number of multifamily units permitted, increased in the past year as builders responded to tighter rental market conditions.

- During the 3 months ending November 2013, permits were issued for 170 single-family homes, up from 150 homes permitted in the same 3-month period in 2012 (preliminary data).
- By comparison, an average of 90 single-family homes were permitted during the corresponding 3-month periods from 2009 through 2011.
- Because of limited land availability, new housing construction mostly comprises condominium and townhome developments. Lumina, a 655-unit condominium project currently under construction, will become the largest condominium development in the city of San Francisco when completed in 2015. Expected asking prices have yet to be released.

Builders responded to tightening rental market conditions by increasing multifamily construction in the San Francisco HMA.

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Note: Includes preliminary data from January 2013 through November 2013.
Source: U.S. Census Bureau, Building Permits Survey
• NEMA, a 754-unit apartment complex under construction with studio, one-bedroom, and two-bedroom units, offers rents starting at $2,425 for studio units starting at 470 square feet and $3,125 for one-bedroom units starting at 757 square feet. Completion is expected by March 2014.

• The largest residential project under construction in the HMA, the Trinity Place project in the city of San Francisco, is in its third phase of construction and will contain four apartment towers with 1,900 studio and one-bedroom units when complete. Rents are expected to start at $2,314 and $2,574, respectively, for studio and one-bedroom units.