

HUD PD&R Housing Market Profiles

San Francisco-San Mateo-Redwood City, California



Quick Facts About San Francisco-San Mateo-Redwood City

- **Current sales market conditions: tight.**
- **Current rental market conditions: tight.**
- **The area is known for innovation in the high-technology industry, which is supported by venture capital funding. Venture capital invested in the nine-county San Francisco Bay Area increased 32 percent, to \$3.6 billion, during the third quarter of 2013 compared with the venture capital invested during the same quarter a year earlier (National Venture Capital Association).**



By Elaine Ng | As of December 1, 2013

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.



Growth in the tourism and high-technology industries led job gains in the San Francisco HMA.

	3 Months Ending		Year-Over-Year Change	
	November 2012 (thousands)	November 2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,014.5	1,037.6	23.1	2.3
Goods-producing sectors	73.7	74.9	1.2	1.6
Mining, logging, and construction	37.5	39.1	1.6	4.3
Manufacturing	36.3	35.8	-0.5	-1.4
Service-providing sectors	940.7	962.6	21.9	2.3
Wholesale and retail trade	116.8	119.0	2.2	1.9
Transportation and utilities	37.9	38.8	0.9	2.4
Information	46.7	47.6	0.9	1.9
Financial activities	79.1	80.1	1.0	1.3
Professional and business services	233.8	242.4	8.6	3.7
Education and health services	114.9	116.3	1.4	1.2
Leisure and hospitality	136.6	142.3	5.7	4.2
Other services	40.9	41.0	0.1	0.2
Government	134.2	135.1	0.9	0.7
	(percent)	(percent)		
Unemployment rate	6.4	5.1		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

Economic Conditions

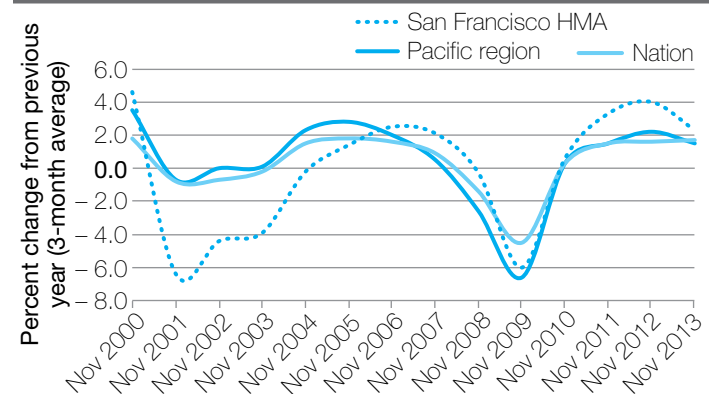
Economic conditions have strengthened in the San Francisco HMA since 2010, as reflected by job growth in most nonfarm payroll sectors.

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.

continued on page 3

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



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the San Francisco HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of California, San Francisco	Government	22,650
United Airlines	Transportation and utilities	9,000
Wells Fargo & Company	Financial activities	8,950

Note: Excludes local school districts.
Sources: *North Bay Business Journal*; *San Francisco Business Times*

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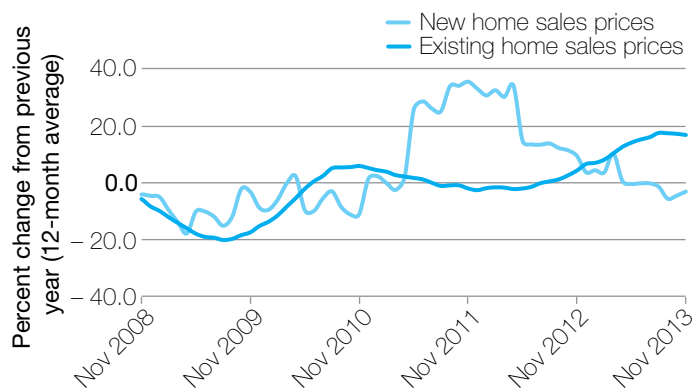
The professional and business services sector is projected to lead job gains during the next 3 years. Salesforce.com, Inc., and Twitter,

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

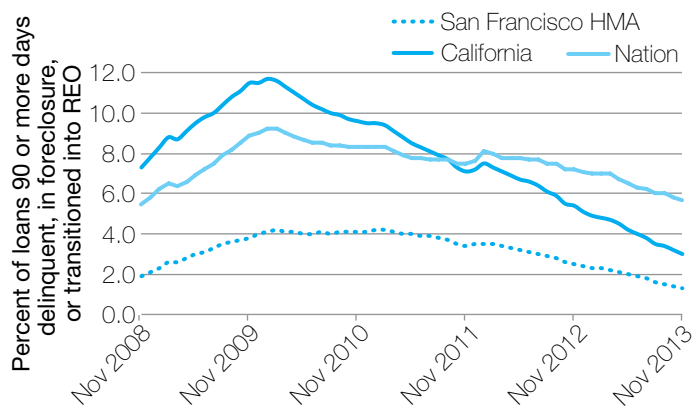
The sales housing market in the San Francisco HMA is tight, with an estimated sales vacancy rate of 1.0 percent, a decrease from 1.7 percent in 2010. During the 12 months ending November 2013, new home sales declined 43 percent, to 450 homes, compared with the 790 homes sold during the previous 12-month 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.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

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



REO = Real Estate Owned.
Source: Black Knight Financial Services, Inc.

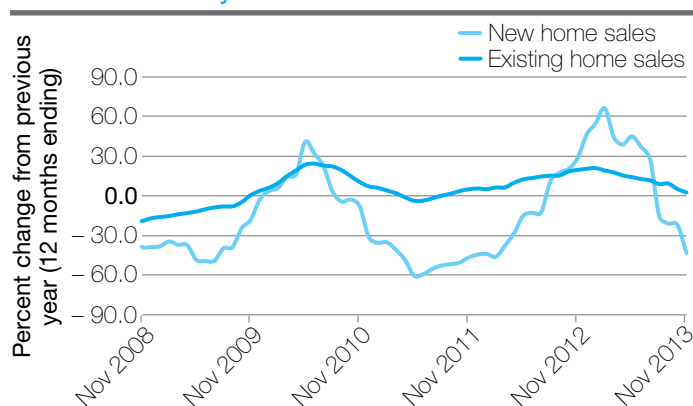
November 2013 compared with sales and prices during the previous 12 months. Existing home sales totaled 18,700 homes, an almost 3 percent increase compared with sales during the 12 months ending November 2012, and sales prices increased 17 percent, to \$975,200. New homes have a lower average sales price than existing homes in the HMA because of a decline in the average square footage of newly constructed sales units.

During the 12 months ending November 2013—

- Existing home sales increased in two of the three counties in the San Francisco HMA, with the greatest change occurring in San

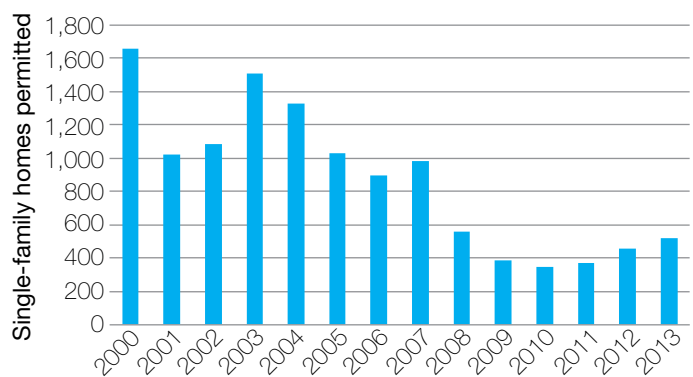
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Existing home sales in the San Francisco HMA have increased since late 2011, but new home sales have declined recently.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

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



Note: Includes preliminary data from January 2013 through November 2013.
Source: U.S. Census Bureau, Building Permits Survey

continued from page 3

Francisco County, where existing home sales increased by 340 homes, or 5 percent, to 7,325 homes sold. Existing home sales in San Mateo County remained flat.

- New home sales declined in two of the three counties; in San Mateo County, however, sales increased 43 percent, to 250 new homes sales, compared with 140 new home sales during the previous 12 months.
- Distressed sales comprised 9 percent of all existing home sales in the HMA, down from 20 percent during the same period in 2012.
- The percentage of home loans in the HMA that were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) declined from 2.5 percent in November 2012 to 1.3 percent in November 2013 (Black Knight Financial Services, Inc.).

Single-family home construction activity, as measured by the number of single-family homes permitted, increased during the 3 months ending November 2013 despite the decline in new home sales.

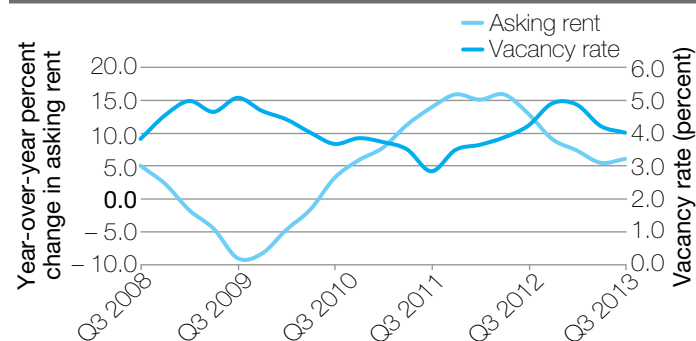
- During the 3 months ending November 2013, permits were issued for 170 single-family homes, up from 150 homes permitted in the same 3-month period in 2012 (preliminary data).
- By comparison, an average of 90 single-family homes were permitted during the corresponding 3-month periods from 2009 through 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.

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.



Source: Axiometrics Inc.

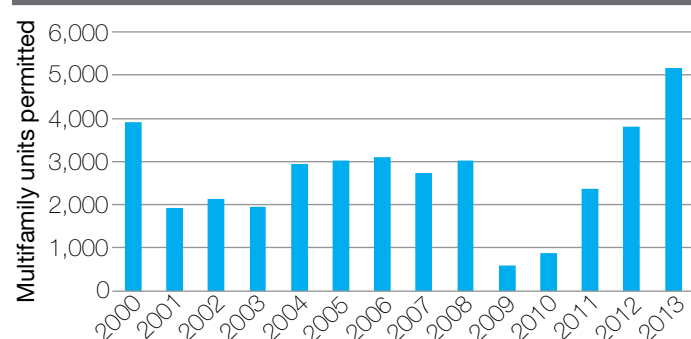
- The average monthly apartment asking rent was approximately \$2,650 in the third quarter of 2013, an increase of \$150, or 6 percent, from the third quarter of 2012.

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, approximately 1,500 multifamily units were permitted, an increase of 75 units, or 5 percent, compared with the number permitted during the same period a year ago (preliminary data).
- Because of the growing economy, multifamily permitting activity has increased since 2011. In 2011 and 2012, an average of 3,100 units were permitted annually, an increase from the previous average annual peak of 2,975 units from 2004 through 2008.

continued on page 5

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



Note: Includes preliminary data from January 2013 through November 2013.

Source: U.S. Census Bureau, Building Permits Survey

continued from page 4

- 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.