COMPREHENSIVE HOUSING MARKET ANALYSIS

San Francisco-Redwood City-South San Francisco, California

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of May 1, 2024

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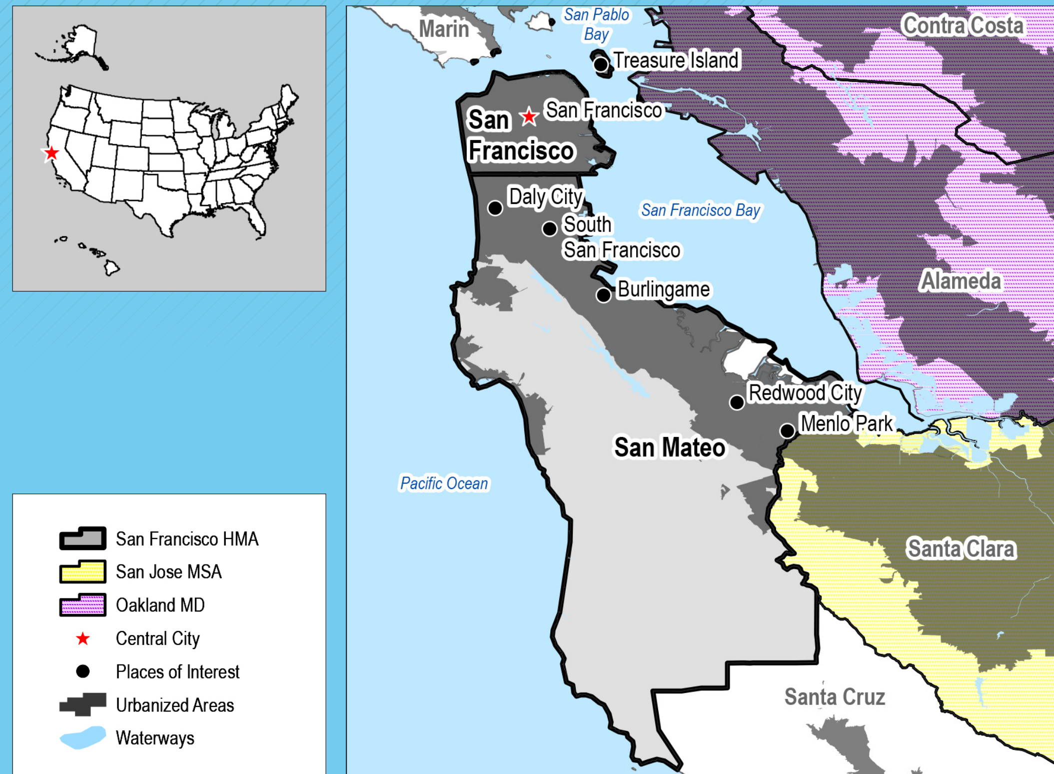
Executive Summary

Housing Market Area Description

The San Francisco-Redwood City-South San Francisco Housing Market Area (hereafter, San Francisco HMA) is coterminous with the metropolitan division of the same name and includes San Francisco and San Mateo Counties. The HMA is one of three metropolitan divisions in the San Francisco-Oakland-Hayward, CA Metropolitan Statistical Area (MSA). For purposes of this analysis, the HMA is divided into two submarkets: the San Francisco submarket, which includes the city and county of San Francisco, and the San Mateo submarket, coterminous with San Mateo County.

The current population of the HMA is estimated at 1.60 million.

The HMA is an international center of the technology industry, which created large numbers of jobs and immense wealth during the 2010s. The divergence between rapid economic growth and limited expansion of the housing stock—approximately seven jobs were created for every housing unit added—contributed to housing costs that are currently among the highest in the nation. During the COVID-19 pandemic, a large volume of people moved out of the HMA as the increased availability of remote work enabled workers to move to areas with lower housing costs.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Weak: Nonfarm payrolls in the San Francisco HMA are still 2.0 percent below the level of payrolls during 2019, before the COVID-19 pandemic.

During the 12 months ending April 2024, nonfarm payrolls decreased by 19,500, or 1.7 percent, to 1.16 million jobs compared with a 4.1-percent increase during the same period a year earlier. Six of the 11 nonfarm payroll sectors contracted during the past 12 months, led by declines of 14,500 and 13,400 jobs, or 11.4 and 4.3 percent, in the information and the professional and business services sectors, respectively. The average unemployment rate increased to 3.5 percent from 2.5 percent during the same period a year earlier and is above the prepandemic rate. Nonfarm payrolls are expected to increase during the 3-year forecast period at an average rate of 0.7 percent annually.

Sales Market

Balanced: Home sales prices have not increased significantly since 2019 but are still much higher than the national average.

The sales vacancy rate in the HMA is currently estimated at 1.3 percent, up from 0.9 percent as of April 2020. The HMA had a 2.6-month supply of homes for sale during April 2024, up from 2.2 months of supply during April 2023 and a 1.6-month supply during April 2019, before the pandemic (Redfin, a national real estate brokerage, with adjustments by the analyst). During the 12 months ending April 2024, new and existing home sales decreased 8 percent, and home sales prices increased less than 1 percent year over year (Zonda). During the next 3 years, demand is expected for 4,275 additional homes. The 710 homes under construction are expected to meet a portion of that demand during the first year of the forecast period.

Rental Market

Balanced: The rental vacancy rate is currently estimated at 5.3 percent, a decrease from 5.7 percent in April 2020, when conditions were also balanced.

The apartment vacancy rate fell during the past 3 years as the HMA economy recovered from the COVID-19 pandemic. As of the first quarter of 2024, the apartment vacancy rate decreased to 6.0 percent from 6.7 percent a year earlier and from the recent peak of 9.4 percent as of the first quarter of 2021 (CoStar Group). As of the first quarter of 2024, the average apartment monthly rent increased less than 1 percent from a year earlier to $2,869—nearly unchanged from the average of $2,872 as of the first quarter of 2019. During the forecast period, demand is expected for an additional 11,075 rental units. The 8,350 units under construction will meet all the demand during the first and second years of the forecast period.

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3-Year Housing Demand Forecast

	Sales Units			Rental Units		
	HMA Total	San Francisco Submarket	San Mateo Submarket	HMA Total	San Francisco Submarket	San Mateo Submarket
Total Demand	4,275	1,200	3,075	11,075	6,600	4,475
Under Construction	710	220	490	8,350	4,600	3,750

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of May 1, 2024. The forecast period is May 1, 2024, to May 1, 2027.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Professional and Business Services

> Since 2011, the professional and business services sector has added 117,500 jobs—more than any other sector.

Primary Local Economic Factors

Technology industries, especially firms that take advantage of the economic potential of the Internet, are the economic base of the San Francisco HMA. Venture capital funding nurtured the creation and expansion of numerous firms that supported high rates of job growth and wealth creation in the 2010s. Since 2010, approximately $479 billion of venture capital investment, or 37 percent of all venture capital investment in the nation, has occurred in the greater Silicon Valley area, which includes the HMA (Silicon Valley Institute for Regional Studies). With that capital, approximately 7,625 startups were funded in the HMA. Technology firms and their employees based in the HMA include Salesforce, Inc. (10,000 employees), Meta Platforms, Inc. (4,000 employees), Uber Technologies, Inc. (3,500 employees), Lyft, Inc. (2,000 employees), and Pinterest, Inc. (1,500 employees). These firms have expanded since 2010 to become industry leaders, and many are among the largest employers in the HMA (Table 1). Nearly one-third of all privately owned startups since 2010 in the nation with a current valuation of at least $1.0 billion—referred to as unicorns—have been based in the HMA. When these unicorn startups reach the point of an initial public offering (IPO), it often generates large amounts of wealth for the founders, employees, and investors who provided the initial funding. Since 2010, approximately 22 percent of all IPOs in the nation have been for companies based in Silicon Valley.

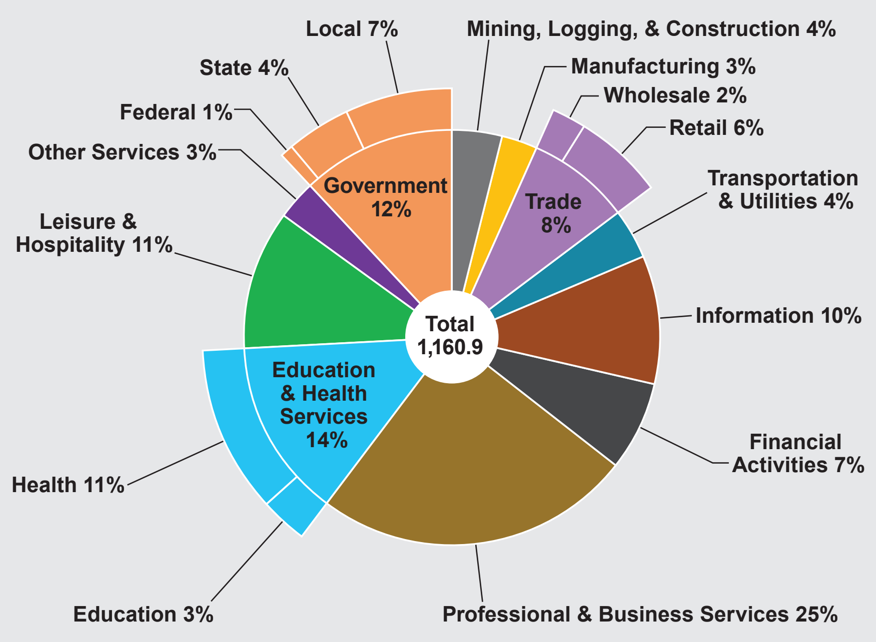
Most of the jobs in the technology industry are in the professional and business services and the information sectors. The professional and business services sector is the largest payroll sector in the HMA, representing 25 percent of all nonfarm payrolls (Figure 1). Since 2011, the job totals in these two sectors have expanded 66 and 20 percent, respectively. The immense amount of

Table 1. Major Employers in the San Francisco HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of California Health	Government	29,500
Salesforce, Inc.	Professional & Business Services	10,000
United Airlines, Inc.	Transportation & Utilities	10,000
Wells Fargo & Company	Financial Activities	6,500
Kaiser Permanente	Education & Health Services	6,500
Sutter Health	Education & Health Services	6,000
Oracle Corporation	Professional & Business Services	6,000
Meta Platforms, Inc.	Information	4,000

Note: Excludes local school districts and governments.
Source: Estimates by the analyst

Figure 1. Share of Nonfarm Payroll Jobs in the San Francisco HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through April 2024.
Source: U.S. Bureau of Labor Statistics

revenue generated in the technology industry supports large numbers of high-paying jobs and compensation in the form of stock options, leading to significant wealth creation. As the technology industry has expanded since 2010, the difference in average wages between the HMA and the nation has increased dramatically. Workers in the HMA earned an average of $169,000 in 2023, 135 percent higher than the national average compared with a 62-percent difference in 2010 (Quarterly Census of Employment and Wages).

Current Conditions—Nonfarm Payrolls

Economic conditions in the HMA weakened during the past year because of job losses in the technology industry. Total nonfarm payrolls in the HMA averaged 1.16 million during the 12 months ending April 2024, down by 19,500 jobs, or 1.7 percent, from the 12 months ending April 2023 (Table 2), when payrolls were up by 47,000, or 4.1 percent. Job losses during the 12 months ending April 2024 were greatest in the professional and business services and the information sectors, which contracted by 13,400 and 14,500 jobs, or 4.3 and 11.4 percent, respectively. Since late 2022, most large technology firms in the HMA have laid off workers in response to perceived overexpansion during the previous 2 years and rising interest rates incentivizing firms to focus more on near-term profitability in lieu of long-term growth. Salesforce, Inc., X Corp. (formerly

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the San Francisco HMA, by Sector

	12 Months Ending April 2023	12 Months Ending April 2024	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**1,180.4**	**1,160.9**	**-19.5**	**-1.7**
Goods-Producing Sectors	77.7	76.1	-1.6	-2.1
Mining, Logging, & Construction	40.7	40.8	0.1	0.2
Manufacturing	37.0	35.3	-1.7	-4.6
Service-Providing Sectors	1,102.7	1,084.7	-18.0	-1.6
Wholesale & Retail Trade	89.5	87.9	-1.6	-1.8
Transportation & Utilities	44.8	43.4	-1.4	-3.1
Information	127.6	113.1	-14.5	-11.4
Financial Activities	84.7	80.7	-4.0	-4.7
Professional & Business Services	309.2	295.8	-13.4	-4.3
Education & Health Services	152.5	159.1	6.6	4.3
Leisure & Hospitality	119.4	125.9	6.5	5.4
Other Services	38.0	38.7	0.7	1.8
Government	137.1	140.2	3.1	2.3

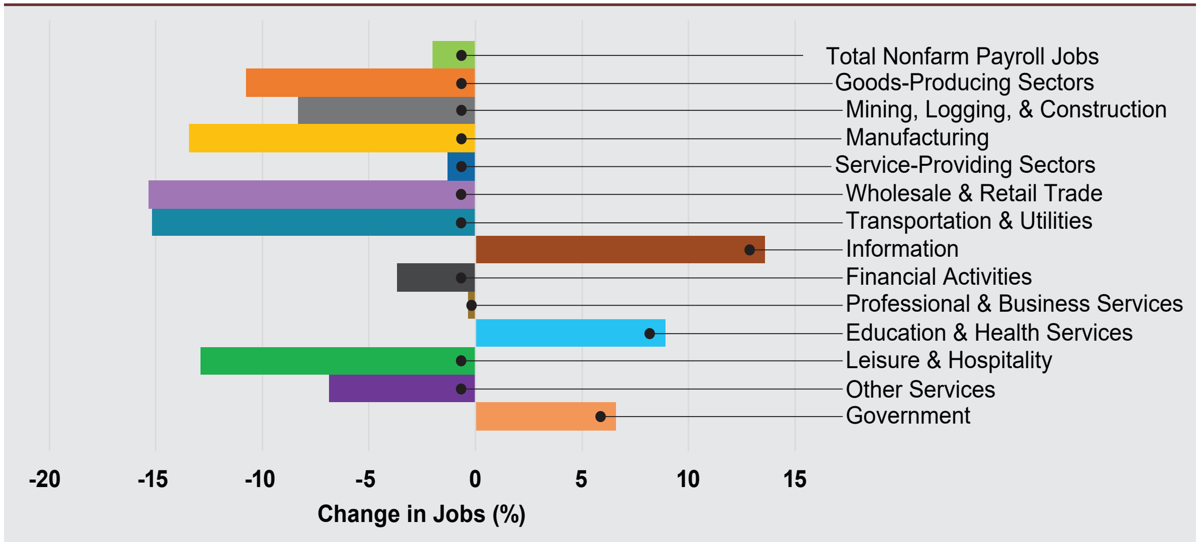
Notes: Based on 12-month averages through April 2023 and April 2024. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

Twitter), and Twilio Inc. have laid off approximately 10,000, 6,000, and 2,300 employees, respectively, since November 2022 (Layoffs.fyi; estimates by the analyst). During the 12 months ending April 2024, gains in the education and health services and the leisure and hospitality sectors partially offset job losses—the sectors expanded by 6,600 and 6,500 jobs, or 4.3 and 5.4 percent, respectively.

The number of jobs in the HMA during the 12 months ending April 2024 was 2.0 percent less than 2019 levels before the pandemic, whereas payrolls in the nation were 4.0 percent higher than 2019 levels. The largest shortfall is in the leisure and hospitality sector, with 18,700 fewer jobs, or 12.9 percent, than during 2019. Tourism and business travel to the HMA is still below pre-COVID-19 levels—hotel occupancy in the city of San Francisco was 64 percent during March 2024, down from 83 percent in March 2019 (City of San Francisco Tourism Statistics). By comparison, hotel occupancies in similarly large metropolitan areas were only slightly down from prepandemic rates. In New York and Los Angeles, hotel occupancy rates during March 2024 were 85 and 73 percent, respectively, compared with 87 and 81 percent during

March 2019. The wholesale and retail trade sector had the second largest decline during the 12 months ending April 2024 relative to 2019 levels, down by 15,900 jobs, or 15.3 percent. Competition from e-commerce contributed to the retail vacancy rate in San Francisco rising to 8.9 percent as of the first quarter of 2024, up from 3.9 percent as of the first quarter of 2019 and compared with a national rate of 4.0 percent, a record low level for the nation (CoStar Group). Despite the large number of job losses during the past 12 months, payrolls in the information sector were 13,600 jobs, or 13.5 percent, above pre-COVID-19 levels because of strong hiring in the sector from 2020 through 2022 (Figure 2).

Figure 2. Sector Growth in the San Francisco HMA, 2020 to Current

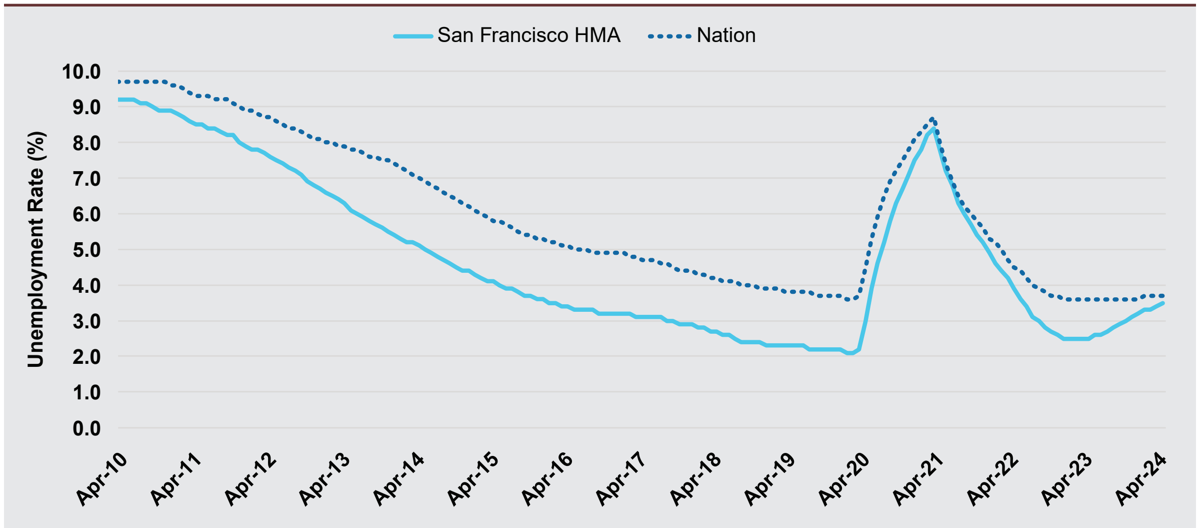


Note: Current data are based on the 12-month averages ending April 2024.
Source: U.S. Bureau of Labor Statistics

Current Conditions—Unemployment

The unemployment rate in the HMA was 3.5 percent during the 12 months ending April 2024, up from 2.5 percent in the 12 months ending April 2023 but below the national average of 3.7 percent (Figure 3). Resident employment decreased 2.5 percent during the 12 months ending April 2024, more than offsetting the labor force decline of 1.6 percent, partially because an increasing number of retirees in the HMA left the workforce. The unemployment rate reached a recent annual high of 7.5 percent during 2020 because of the COVID-19-related economic downturn and then fell to 2.5 percent in 2022.

Figure 3. 12-Month Average Unemployment Rate in the San Francisco HMA and the Nation



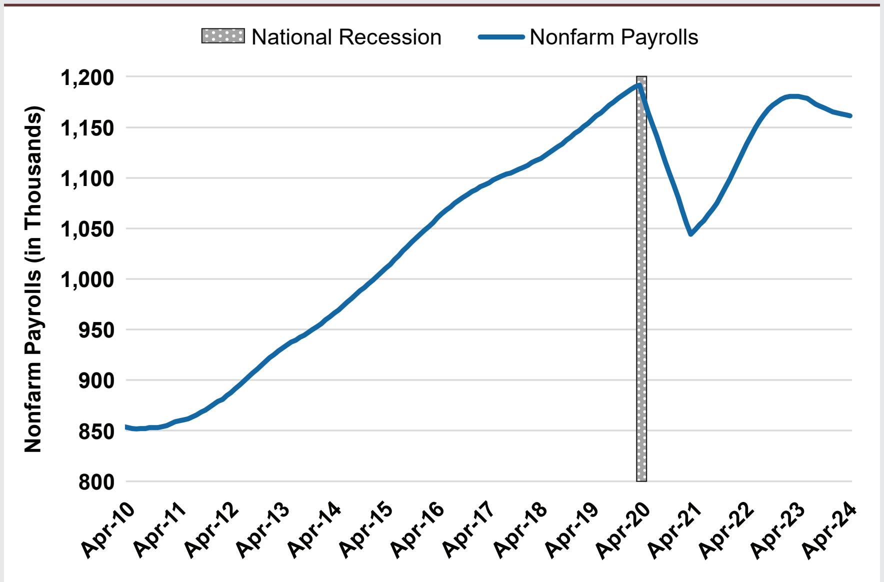
Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Before the 2020 economic downturn, the unemployment rate in the HMA had declined throughout the 2010s as a result of rapid job growth. Due to the job losses incurred during the Great Recession, the unemployment rate was 8.9 percent in 2010. From 2011 through 2019, the unemployment rate decreased every year to 2.2 percent during 2019. The unemployment rate of the HMA was below the national level every year during this period.

Economic Recovery and Expansion:
2011 Through 2019

The economy of the HMA expanded rapidly throughout the 2010s, supported by the booming technology industry. From 2011 through 2016, nonfarm payrolls increased by an average of 38,700 jobs, or 4.1 percent, annually (Figure 4). During this period, only 3 of the nation's 100 most populous MSAs had faster rates of job growth. Nearly 40 percent of job growth in the HMA occurred in the professional and business services sector, which expanded by an average of 14,900 jobs, or 7.0 percent, annually. The computer systems design and related services industry accounted for 38 percent of job growth in the sector, increasing by an average of 5,700 jobs, or 12.7 percent, annually. The second largest increase in the number of jobs and the fastest growth in percentage terms occurred in the information sector, which added an average of 5,700 jobs, or 11.5 percent, annually. X Corp. (formerly Twitter) relocated its headquarters to the South of Market (SoMa) neighborhood in San Francisco in 2012, hiring 500 employees in the process.

Figure 4. 12-Month Average Nonfarm Payrolls in the San Francisco HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

Job growth moderated from 2017 through 2019 but remained strong, averaging increases of 32,700 jobs, or 2.9 percent, annually. The professional and business services and the information sectors continued to lead job growth, adding averages of 9,600 and 9,300 jobs, or 3.5 and 11.6 percent, annually. In 2017, Salesforce, Inc. opened Salesforce Tower, the tallest building in San Francisco, and expanded its workforce in the HMA by nearly 3,000 employees. However, a tight labor market and weaker population growth from 2017 through 2019 constrained hiring, contributing to slower job growth.

2020 Through 2022—Job Losses During the COVID-19 Pandemic and a Partial Recovery

During 2020, nonfarm payrolls in the HMA fell 8.8 percent, or by 103,800 jobs, with 10 of 11 payroll sectors contracting because of public health measures to limit the spread of COVID-19. Job losses during this period were more severe than in the nation, where nonfarm payrolls decreased 5.8 percent. The leisure and hospitality sector had the most job losses, declining by 57,400 jobs, or 39.7 percent, with the food services and drinking places industry contracting by 39,900 jobs, or 39.7 percent, because restaurants were forced to limit services or temporarily close, and tourism plummeted. The wholesale and retail trade sector had the second highest number of job losses, contracting by 14,200 jobs, or 13.7 percent, because net out-migration from the HMA and increased use of e-commerce resulted in reduced shopping at brick-and-mortar stores. The information sector continued to grow during 2020, adding 7,800 jobs, or 7.8 percent, because demand for technology services increased, and most jobs in the sector could be performed remotely.

The economy of the HMA began to recover in 2021, adding 18,000 jobs, or 1.7 percent. The largest gain was in the information sector, which continued to expand rapidly, adding 8,100 jobs, or 7.5 percent. The education and health services sector increased by 3,800 jobs, or 2.7 percent, because an aging population led to increased usage of healthcare services. Recovery in the leisure and hospitality sector was slower, up by 2,700 jobs, or 3.1 percent, because tourism remained depressed, and public health countermeasures to slow the spread of COVID-19 prevented restaurants from opening at 100-percent capacity until June 2021.

Job growth accelerated in 2022, with the HMA adding 78,600 jobs, or 7.2 percent. The largest job gain occurred in the leisure and hospitality sector, which expanded by 25,000 jobs, or 27.8 percent. The professional and business services and the information sectors were also major sources of job growth, with payrolls increasing by 21,400 and 12,300 jobs, or 7.4 and 10.6 percent, respectively. Between July 2020 and December 2022, the technology industry added an estimated 130,000 jobs in Silicon Valley (Beacon Analysis). Shifting demands for technology services among firms and consumers during the COVID-19 pandemic supported this expansion. In addition, the rising valuations of technology companies and low interest rates supported increased investment and hiring in the industry. For example, the Salesforce, Inc. workforce more than doubled worldwide from 36,000 in 2019 to 76,000 in 2023.

Commuting Patterns

The HMA is home to several large technology firms, including many in the San Francisco central business district, and many workers commute into the HMA from nearby areas. During 2021, the most recent year of data availability, approximately 1.08 million people worked in the HMA, whereas only 753,100 workers lived in the HMA (U.S. Census Bureau OnTheMap data). Approximately 247,100 people who live in the Oakland-Hayward-Berkeley metropolitan division commute to the HMA for work, but only 80,175 HMA residents make the opposite commute. Approximately 104,300 workers commuted to the HMA from the San Jose-Sunnyvale-Santa Clara MSA, which borders the HMA to the south and is home to Apple and Google headquarters, whereas 96,750 HMA residents worked in the San Jose-Sunnyvale-Santa Clara MSA.

Although the San Francisco submarket is primarily urban, whereas the San Mateo submarket is mostly suburban, a substantial number of people commute between the two submarkets. Approximately 77,000 workers residing in the San Mateo submarket, or 22 percent, commuted to the San Francisco submarket in 2021. Conversely, approximately 47,400 workers living in the San Francisco submarket, or 11.8 percent, commuted to the San Mateo submarket. Many workers at technology firms in Silicon Valley, which includes San Mateo and Santa Clara Counties, choose to live in the city of San Francisco for urban amenities while commuting to work in more suburban areas.

Commuting patterns changed after the onset of the COVID-19 pandemic. Between 2019 and 2021, the percentage of workers commuting into the HMA increased from 50 to 55 percent, whereas the percentage of residents working in the HMA fell from 68 to 65 percent. Increased telework, allowing workers to live farther from workplaces and commute less often, likely influenced the shifts. In addition, many HMA residents moved to Alameda and Contra Costa Counties in the Oakland metropolitan division during the early stages of the COVID-19 pandemic (Internal Revenue Service [IRS] County-to-County Migration Flows, 2020–21, with adjustments by the analyst).

Forecast

During the 3-year forecast period, the economic recovery in the HMA is expected to resume, with nonfarm payroll jobs increasing an average of 0.7 percent annually. Layoffs in the technology industry are expected to be lower than recent levels. The layoff rate was already slowing in late 2023 and early 2024 (layoffs.fyi). The continued recovery in the leisure and hospitality sector and the ongoing expansion of the education and health services sector are expected to support job growth because the population of the HMA will continue to age and require more healthcare services.

Population and Households

Current Population: 1.60 Million

> Limited home construction and high housing costs restricted population growth in the 2010s, and the COVID-19 pandemic contributed to population loss in the early 2020s.

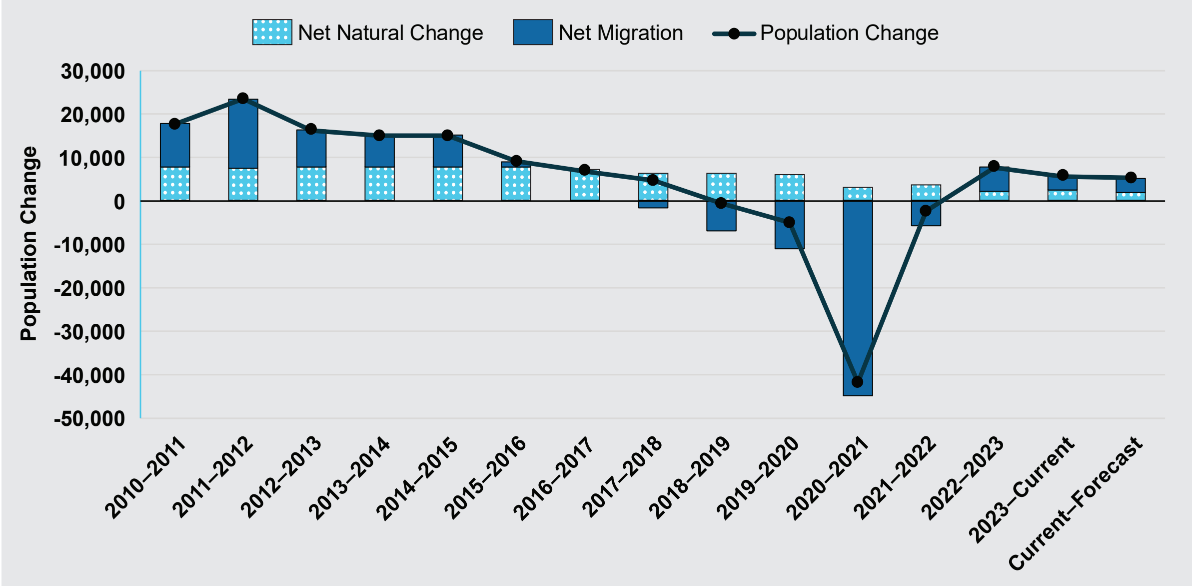
Population Trends

The population of the San Francisco HMA declined sharply during the COVID-19 pandemic, partially because increased remote work allowed many residents to relocate to areas with lower housing costs. Since 2023, population growth has resumed, but the population remains well below 2020 levels. Net out-migration during the COVID-19 pandemic occurred at a higher rate in the San Francisco submarket, but population trends are similar in both submarkets.

2010 to 2020

Population growth peaked in the early 2010s, supported by rapid job growth that drew new residents to the HMA. From 2010 to 2015, population growth averaged 18,050 people, or 1.2 percent, annually (Census Bureau decennial census counts and California Department of Finance population estimates as of July 1; Figure 5), and annual net in-migration and net natural increase averaged 10,250 and 7,800 people, respectively. Most net in-migration to the HMA was international, averaging 9,150 people annually, whereas domestic net in-migration averaged 1,100 people annually. After housing costs increased significantly, domestic net out-migration from the HMA has occurred since 2013 and was primarily responsible for slowing population growth during the latter part of the decade. From 2015 to 2018, population growth slowed to an average of 6,850 people, or 0.4 percent, annually, and domestic net out-migration averaged 9,275 people annually, more than offsetting international net in-migration of 9,075 people annually. Net natural increase slowed to an average of 7,050 people annually from 2015 to 2018 because an aging population and decreased birthrates led to more deaths and fewer births. The population decreased by an average of 380, or less than 0.1 percent, from 2018 to 2020, primarily because domestic net out-migration increased to 10,800 people annually. In addition, international net in-migration slowed, falling to an average of 7,400 people annually, and net natural increase slowed to 6,450 people annually. Limited housing construction led to rising housing costs throughout the 2010s and contributed to increasing levels of domestic net out-migration because fewer people moved to the HMA, and more residents moved to areas with lower housing costs.

Figure 5. Components of Population Change in the San Francisco HMA, 2010 Through the Forecast Period



Notes: Data displayed are average annual totals. The forecast period is from the current date (May 1, 2024) to May 1, 2027.
Sources: California Department of Finance and U.S. Census Bureau; current to forecast—estimates by the analyst

2020 to Current

The population of the HMA dropped sharply from April 2020 to July 2021 by an annual average of 37,400, or 2.3 percent. Increased mortality related to the COVID-19 pandemic caused net natural increase to slow to an annual average of 3,400 people. Domestic net out-migration averaged 39,200 people, and international net out-migration averaged 1,625 people because more people in the HMA moved to foreign countries than arrived from other countries for the first time since 2010. The outflow of people from the HMA moderated from 2021 to 2022, with the population decreasing by 2,275, or 0.1 percent. Net natural increase remained subdued at 3,575 people, and domestic net out-migration averaged 11,250 people, similar to levels immediately before the COVID-19 pandemic. With the removal of barriers to international travel enacted in response to COVID-19, international net in-migration totaled 5,400 people from 2021 to 2022.

Population growth resumed in the HMA from 2022 to 2023, up by 7,750 people, or 0.5 percent. International net in-migration increased to 6,075 people, and domestic net out-migration slowed to 650 people—the lowest rate of outflow since 2013. Many firms rescinded telework policies enacted during the pandemic and required workers to return to the office, contributing to reduced domestic net out-migration. However, net natural increase continued to slow, with an increase of 2,325 people. These population trends have continued since 2023, with the population rising by an average of 5,700, or 0.4 percent, annually to 1.60 million as of May 1, 2024. From 2023 to the current date, net natural increase and net in-migration are estimated to have averaged 2,500 and 3,200 people, respectively.

COVID-19 Migration Trends

During 2021, the year with the highest rate of out-migration from the HMA, about two-thirds of all domestic out-migration was to other areas in California (IRS County-to-County Migration Flows, 2020–21, with adjustments by the analyst). Nearly one-half of people migrating from the HMA to other areas in California moved to Alameda, Contra Costa, Sacramento, San Joaquin, and Stanislaus Counties, all east of San Francisco Bay and with relatively lower housing costs. Out-migration from the HMA to areas outside California was mostly to the Census Bureau-defined West Region, which includes Nevada, Arizona, and Colorado, and to the South Region, which includes Texas and Florida. Migrants leaving the HMA had higher IRS-reported incomes than those moving to the HMA. The average adjusted gross income of people leaving the HMA was $232,900 compared with $153,000 for people moving to the HMA.

Submarket Population Trends

Population trends were similar in both submarkets in the 2010s. From 2010 to 2015, the population of the San Francisco and San Mateo submarkets grew at respective average rates of 1.2 and 1.1 percent annually before slowing to averages of 0.6 and 0.2 percent annually from 2015 to 2018. The population of the San Mateo submarket declined an average of 0.2 percent annually from 2018 to 2020, whereas the San Francisco submarket population increased an average of 0.1 percent annually. In both submarkets, net natural increase slowed throughout the decade, and net in-migration in the early 2010s shifted to net out-migration in the latter part of the decade.

Net out-migration from the HMA during the early stages of the COVID-19 pandemic was greatest in the San Francisco submarket. From April 2020 to July 2021, the population of this submarket decreased an average of 3.0 percent on an annual basis compared with a 1.5-percent average annual decline in the San Mateo submarket. However, the population of the San Francisco submarket is estimated to have increased an average of 0.4 percent annually since 2021, whereas growth in the San Mateo submarket is estimated to have averaged only 0.1 percent annually during the same period.

Household Trends

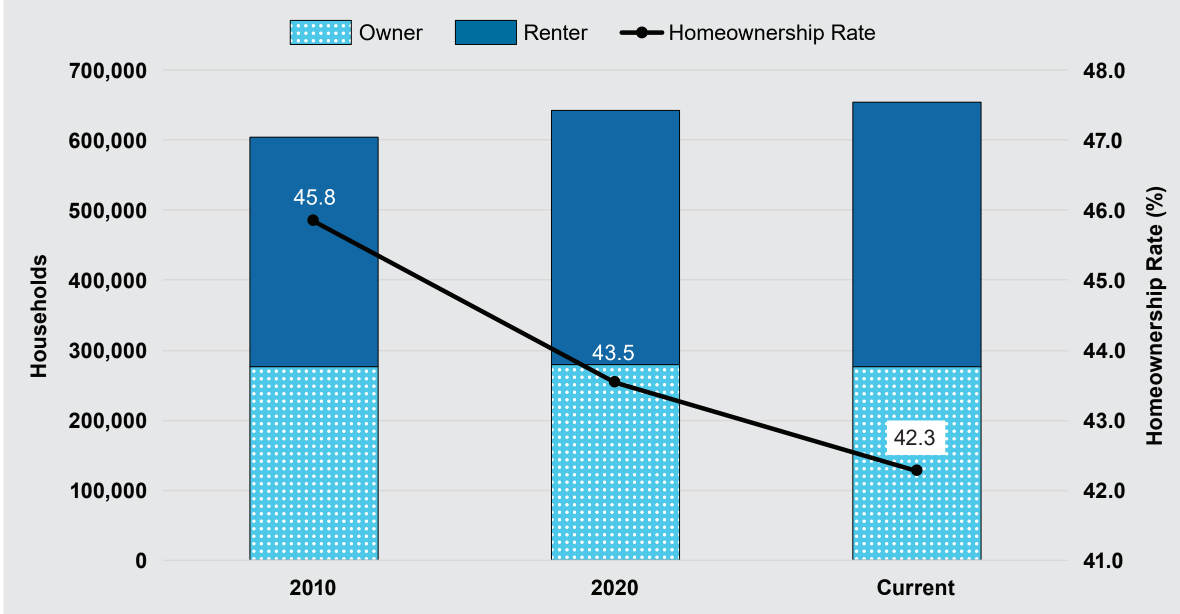
As of May 1, 2024, the number of households in the HMA is estimated at 653,700, representing an average increase of 3,050 households, or 0.5 percent, annually since 2020 despite a population decrease (Table 3). Between 2019 and 2023, the share of one-person households increased from 31 to 34 percent, and the percentage of households with children younger than 18 fell from 24 to 22 percent (2019 and 2023 American Community Survey [ACS] 1-year data). The increasing population of elderly people—those aged 60 years and older—in the HMA at least partly contributed to the rise in the number of people living alone and to the decline in households with children. Between 2019 and 2023, the share of households that included a member aged 60 or older increased from 38 to 40 percent. Despite a relatively larger decline in population in the San Francisco submarket, the number of households has grown an average of 0.6 percent annually since 2020 compared with 0.4-percent average annual growth in the San Mateo submarket. Household growth in the HMA was slower than population growth from 2010 to 2020 because relatively low rates of housing construction constrained household formation, with the number of households increasing an average of 0.6 percent annually. The homeownership rate in the HMA has declined since 2010 and is currently 42.3 percent, down from 43.5 percent as of April 2020 (Figure 6).

Table 3. San Francisco HMA Population and Household Quick Facts

		2020	Current	Forecast
Population Quick Facts	Population	1,638,382	1,601,800	1,617,600
	Average Annual Change	11,475	-8,950	5,225
	Percentage Change	0.7	-0.6	0.3
		2020	Current	Forecast
Household Quick Facts	Households	641,268	653,700	665,300
	Average Annual Change	3,750	3,050	3,875
	Percentage Change	0.6	0.5	0.6

Notes: Average annual changes and percentage changes are based on averages from 2010 to 2020, 2020 to current, and current to forecast. The forecast period is from the current date (May 1, 2024) to May 1, 2027.
Sources: 2010 and 2020—2010 Census and 2020 Census; current and forecast—estimates by the analyst

Figure 6. Households by Tenure and Homeownership Rate in the San Francisco HMA



Note: The current date is May 1, 2024.
Sources: 2010 and 2020—2010 Census and 2020 Census; current—estimates by the analyst

Forecast

During the next 3 years, the population of the HMA is expected to increase by an average of 5,225, or 0.3 percent, a year—similar to population growth rates since 2023. An increase in net in-migration is expected to offset a moderate slowdown in net natural increase. The population of the San Francisco and San Mateo submarkets are both expected to increase an average of 0.3 percent annually during the 3-year forecast period. Household growth during the next 3 years is expected to average 3,875 households, or 0.6 percent, annually—slightly higher than from 2020 to the current date and above the forecast population growth rate. The factors contributing to faster growth in households compared with the population since 2020 are expected to continue into the forecast period. In both submarkets, household growth is expected to average 0.6 percent annually.

Home Sales Market

Sales Market—San Francisco HMA

Market Conditions: Balanced

During the 12 months ending April 2024, total home sales decreased 8 percent, and the average price for a home increased less than 1 percent.

Table 4. Home Sales Quick Facts in the San Francisco HMA

Home Sales Quick Facts		San Francisco HMA	Nation
	Vacancy Rate	1.3%	NA
	Months of Inventory	2.6	2.5
	Total Home Sales	9,775	4,032,000
	1-Year Change	-8%	-17%
	New Home Sales Price	$1,330,000	$516,200
	1-Year Change	-12%	0%
	Existing Home Sales Price	$1,811,000	$471,300
	1-Year Change	1%	6%
	Mortgage Delinquency Rate	0.2%	0.9%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending April 2024; and months of inventory and mortgage delinquency data are as of April 2024. The current date is May 1, 2024.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage, with adjustments by the analyst; mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—Zonda

Current Conditions

The home sales market in the San Francisco HMA is balanced, with an overall sales vacancy rate of 1.3 percent as of May 1, 2024 (Table 4), up from 0.9 percent in 2020, when conditions were slightly tight. The volume of home sales declined during the past 2 years, and the average home sales price increased less than 1 percent during the 12 months ending April 2024 to $1.79 million, after decreasing 4 percent during the previous 12-month period (Zonda). Higher mortgage interest rates since early 2022 have reduced demand and contributed to falling home sales during the past 2 years. The 30-year fixed-rate mortgage averaged 6.8 percent during the 12 months ending April 2024, up 0.7 percentage points from the 12 months ending April 2023 and 3.2 percentage points higher than the rate during the 12 months ending April 2022 (Freddie Mac). In addition to the home price changes during the past 2 years, higher interest rates increased the monthly mortgage payments. For an average-priced home in the HMA purchased with a 20-percent down payment, the rise in rates increased the monthly mortgage payment by $742 compared with the 12 months ending April 2023 and by $2,566 compared with the 12 months ending April 2022. As a result, the number of home sales decreased 8 percent to 9,775 during the 12 months ending April 2024, following a 35-percent decrease during the 12 months ending April 2023 (Zonda).

Slowing home sales contributed to a larger supply of homes for sale. The HMA had an inventory of approximately 1,925 single-family homes, condominiums, and townhomes for sale during April 2024, representing a 2.6-month supply at the current sales rate, up from 1,775 homes for sale, or a 2.2-month supply, during April 2023 and 1,850 homes for sale, or a 1.5-month supply, during April 2022 (Redfin, a national real estate brokerage, with adjustments by the analyst). By comparison, the HMA had 1,425 homes for sale, or a 1.6-month supply, during April 2019. Although market conditions eased during the past 24 months, the inventory of available homes has been below a 3.0-month supply since 2013, contributing to home price growth in the HMA.

Sales Housing Affordability

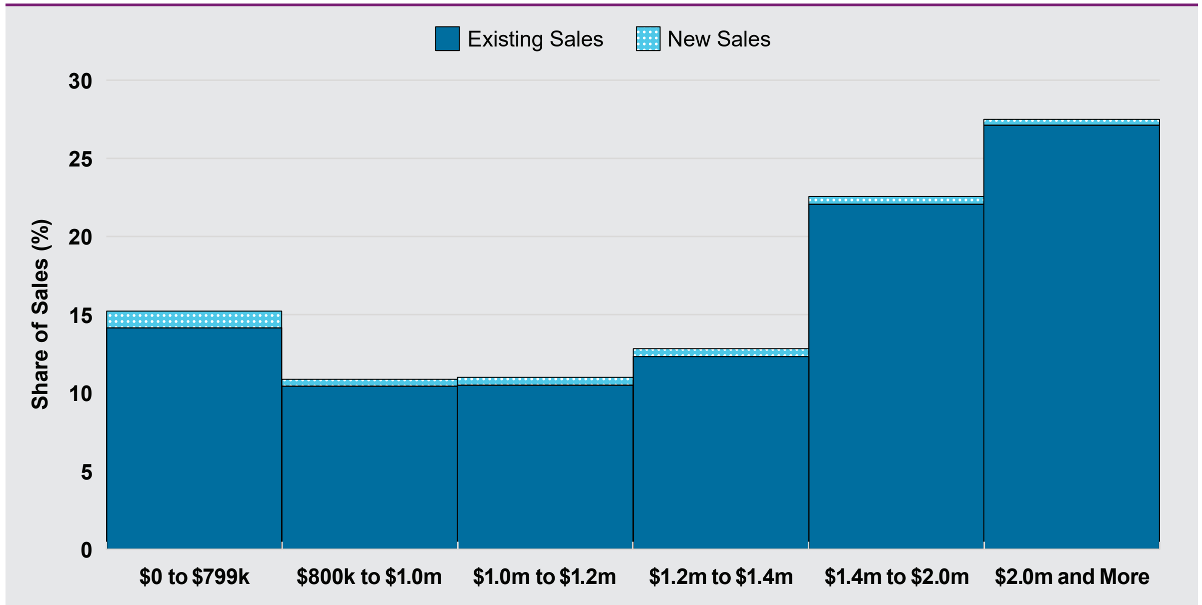
Home prices in the HMA are very high, with approximately 28 percent of all homes selling for more than $2.00 million (Zonda; Figure 7). The National Association of Home Builders/Wells Fargo Cost of Housing Index ranked the median home price in the San Francisco-Oakland-Hayward, CA MSA—which includes the HMA, the San Rafael Metropolitan Division, and the Oakland-Berkeley Metropolitan Division—as the second highest in the nation as of the first quarter of 2024. Although median household income in the HMA is high relative to national levels, that income only partially offsets high house prices. The San Francisco-Oakland-Berkeley MSA ranked 170th among 175 metropolitan areas for homeownership affordability. A median-income household in the HMA would need to spend 69 percent of its monthly income for a median mortgage payment, compared with 38 percent nationally.

Local governments in the HMA have introduced programs to help households attain homeownership. All new multifamily housing built in the San Francisco submarket, both owner and renter occupied, must set aside 15 percent of all units to be available at below-market prices or pay a fee to fund additional affordable housing construction. Since 2010, this stipulation has resulted in the production of 720 affordable condominium units. In the San Mateo submarket, the county offers down payment assistance to households that make less than $170,000 and work or live in the county.

Forecast

During the 3-year forecast period, demand is expected for 4,275 new homes (Table 5). The 710 homes under construction will satisfy a portion of the demand in the first year of the forecast period. Approximately 72 percent of the demand will be in the San Mateo submarket, which has slightly less than one-half of the HMA population but approximately 55 percent of owner-occupied households and has experienced larger increases in average home prices since 2020.

Figure 7. Share of Overall Sales by Price Range During the 12 Months Ending April 2024 in the San Francisco HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

Table 5. Demand for New Sales Units in the San Francisco HMA During the Forecast Period

	Sales Units
Demand	4,275 Units
Under Construction	710 Units

Note: The forecast period is from May 1, 2024, to May 1, 2027.
Source: Estimates by the analyst

Sales Market—San Francisco Submarket

Market Conditions: Slightly Soft

Sales market conditions in the San Francisco submarket softened during the past 2 years, and home prices are similar to 2019 levels.

Current Conditions

Home sales market conditions in the submarket are slightly soft. The sales vacancy rate is currently estimated at 2.0 percent, up from 1.3 percent in April 2020, when conditions were balanced (Table 6). Weak economic conditions, population loss, and increased mortgage interest rates have constrained home price growth in the submarket since 2020.

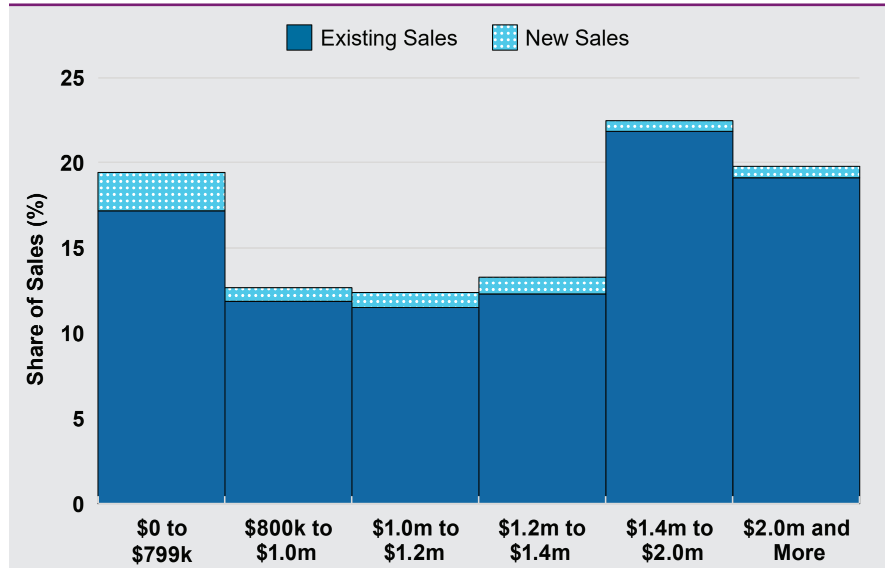
Approximately 1,250 single-family homes, condominiums, and townhomes were available for sale in April 2024, representing a 3.4-month supply at the current sales rate, up from 2.9 months during April 2023 (Redfin, a national real estate brokerage, with adjustments by the analyst). The supply of homes for sale is higher than during April 2019, before the COVID-19 pandemic, when 730 homes were for sale, representing a 1.6-month supply. During the 12 months ending April 2024, the average price for homes, including new and existing home sales, decreased 2 percent to $1.6 million, following an 8-percent decline during the preceding 12 months (Zonda). The current average home price in the submarket is similar to the average home price during 2019. By comparison, average home prices increased 43 percent nationally. Despite minimal price growth in the submarket, housing prices are still extremely high, with the average home price more than triple the national average. However, the high number of relatively smaller townhomes and condominium units in the city provides some measure of affordability—approximately 33 percent of home sales in the submarket were priced below $1.0 million compared with only 20 percent of home sales in the San Mateo submarket (Figure 8). During the 12 months ending April 2024, the number of home sales in the San Francisco submarket decreased 10 percent to 4,725 compared with a 34-percent decline a year earlier.

Table 6. Home Sales Quick Facts in the San Francisco Submarket

		San Francisco Submarket	San Francisco HMA
Home Sales Quick Facts	**Vacancy Rate**	2.0%	1.3%
	Months of Inventory	3.4	2.6
	Total Home Sales	4,725	9,775
	1-Year Change	-11%	-8%
	New Home Sales Price	$1,203,000	$1,330,000
	1-Year Change	-11%	-12%
	Existing Home Sales Price	$1,624,000	$1,811,000
	1-Year Change	-1%	1%
	Mortgage Delinquency Rate	0.3%	0.2%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending April 2024; and months of inventory and mortgage delinquency data are as of April 2024. The current date is May 1, 2024.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage, with adjustments by the analyst; mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—Zonda

Figure 8. Share of Overall Sales by Price Range During the 12 Months Ending April 2024 in the San Francisco Submarket



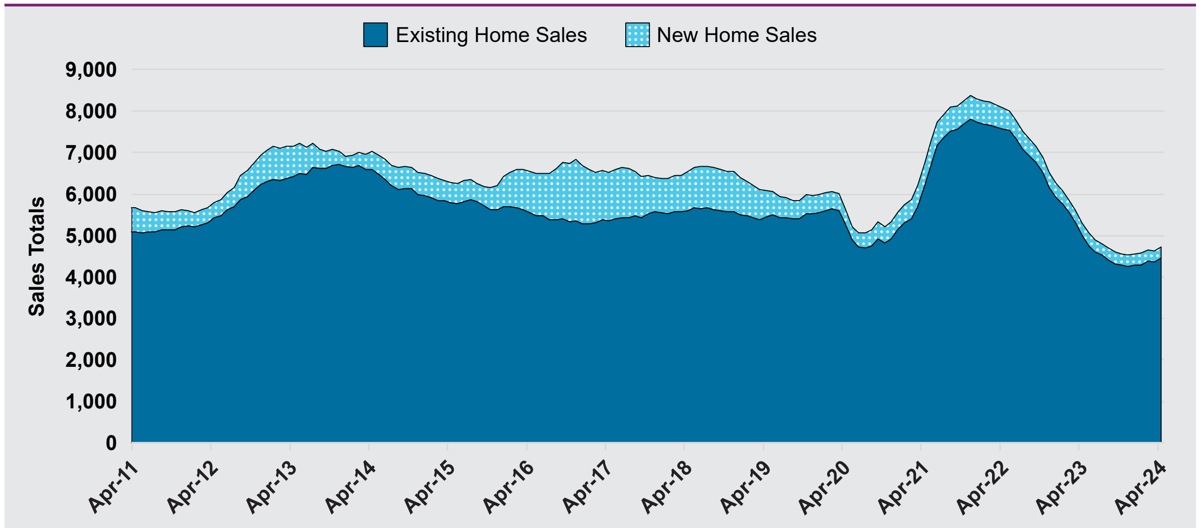
Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

Home Sales and Price Trends

Home prices in the submarket increased throughout the 2010s, supported by strong economic and population growth and limited new construction. In 2011, in the aftermath of the global financial crisis, the average home price decreased 5 percent before increasing an average of 14 percent annually from 2012 through 2015. By comparison, home prices nationally increased an average of 6 percent annually from 2012 through 2015. Price growth slowed from 2016 through 2019, averaging 6 percent annually, but still outpaced national price growth, which averaged 3 percent annually. Total home sales were generally stable throughout the decade. Home sales rose from 5,700 sales in 2010 to 7,050 sales in 2012, when the submarket recovered from the housing crisis, then declined an average of 2 percent annually from 2013 through 2019, when low rates of home construction and rapidly rising home prices constrained home sales (Figure 9).

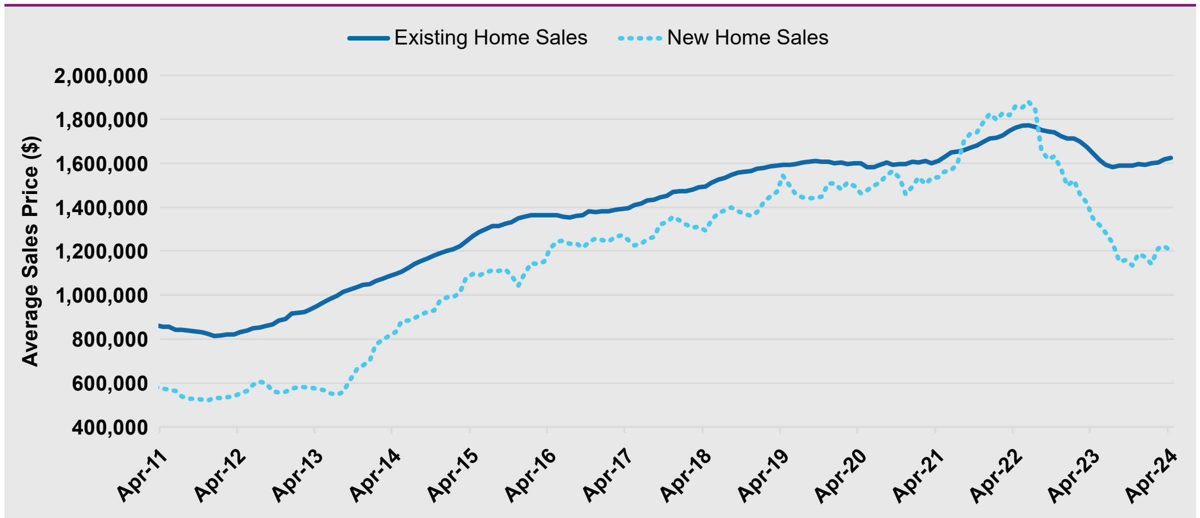
Existing home prices were higher than new home prices throughout the 2010s (Figure 10), mostly because relatively larger single-family homes accounted for nearly one-half of all existing home sales but only 3 percent of new home sales. The remaining 97 percent of new home sales consisted of townhomes, condominiums, and other multifamily structures. New home sales prices increased faster than existing home prices, rising an average of 14 percent annually from 2012 through 2019

Figure 9. 12-Month Sales Totals by Type in the San Francisco Submarket



Source: Zonda

Figure 10. 12-Month Average Sales Price by Type of Sale in the San Francisco Submarket



Source: Zonda

compared with 9-percent average annual growth of existing home prices. On a per-square-foot basis, the average price of a new home increased from $506 per square foot, or 12 percent less than existing homes, in 2012 to $1,362 per square foot, or 30 percent more than existing homes, in 2019.

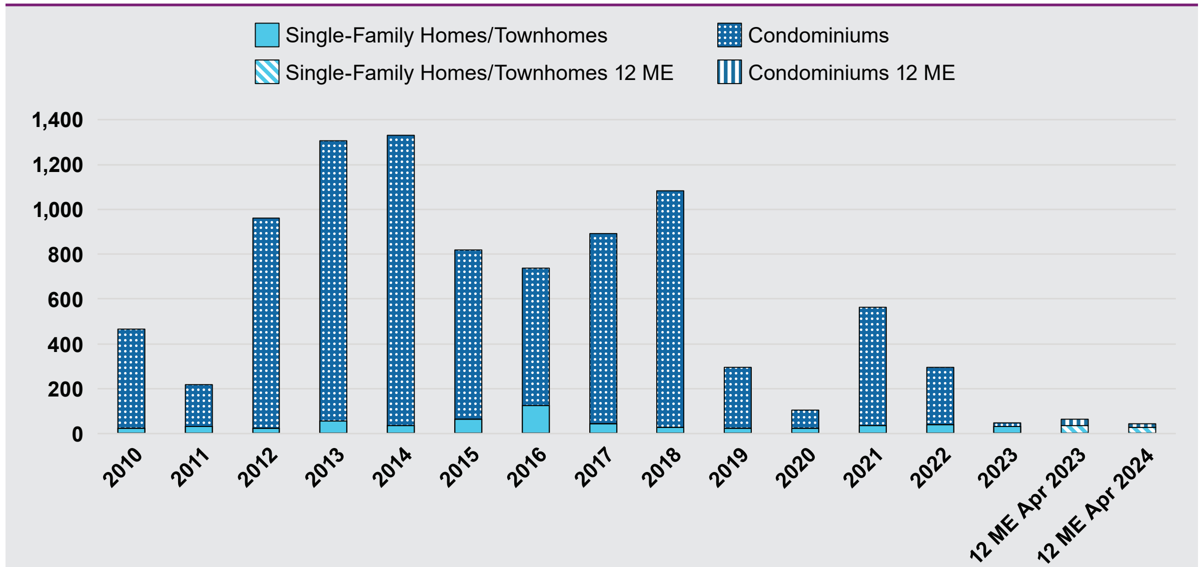
The sales market eased following the onset of the COVID-19 pandemic, with home prices increasing less than 1 percent and home sales falling 7 percent during 2020. Despite a high level of out-migration and an elevated unemployment rate, the home sales market tightened during 2021, with home sales rising 48 percent to 8,300 sales—the most home sales of any year since at least 2010—and with the average home price increasing 7 percent. During 2021, the average price of an existing home increased 6 percent, and the average new home sales price rose 22 percent. Historically low mortgage interest rates supported price growth during this period. However, the sales market softened beginning in 2022 because of job losses and rising mortgage interest rates. During 2022 and 2023, the number of home sales fell an average of 26 percent annually, and the average sales price fell an average of 5 percent annually, reversing most of the price gains since 2019. New home prices fell rapidly, decreasing an average of 20 percent annually, and existing home prices declined an average of 4 percent annually. The price per square foot of a new home decreased from $1,362 in 2019 to $1,081 in 2023 but was still 4 percent higher than the price per square foot of an existing home.

Sales Construction

Beginning in 2012, home builders responded to rapid home price growth by increasing for-sale construction in the submarket, as measured by the number of single-family homes, townhomes, and condominium units permitted (building permits). Building activity peaked from 2012 through 2018, when an average of 1,025 units were permitted annually, up from an average of 340 units permitted annually during 2010 and 2011 (Figure 11). Condominiums in and around the San Francisco central business district accounted for most for-sale construction activity from 2012 through 2018, as structures with five or more units accounted for 90 percent of all owner-occupied homebuilding during this period.

Homebuilding began to decrease before the COVID-19 pandemic, with only 300 units permitted during 2019, and declined further during 2020, when builders began construction on 100 units. Since 2021, for-sale construction has remained limited, with an average of 300 units permitted annually from 2021 through 2023. Fewer than 45 units intended for owner occupancy were permitted during the 12 months ending April 2024, down 31 percent from the previous 12-month period. Weaker sales demand and increasing

Figure 11. Annual Sales Permitting Activity in the San Francisco Submarket



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–23—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

construction costs have curtailed the start of new condominium construction developments since 2019. One of the largest condominium developments under construction is 400 China Basin, a 148-unit below-market-rate development. When complete in the summer of 2024, units will be offered at prices ranging from $260,000 to $501,000 to households earning no more than 110 percent of the Area Median Income.

Forecast

During the next 3 years, demand is expected for 1,200 new homes and condominiums in the submarket (Table 7), with demand distributed evenly throughout the 3-year forecast period. Although home sales and construction have slowed since 2020, high home prices throughout the submarket indicate that demand exists for additional owner-occupied housing. The 220 units under construction will satisfy some of the demand during the first year.

Table 7. Demand for New Sales Units in the San Francisco Submarket During the Forecast Period

	Sales Units
Demand	1,200 Units
Under Construction	220 Units

Note: The forecast period is from May 1, 2024, to May 1, 2027.
Source: Estimates by the analyst

Sales Market—San Mateo Submarket

Market Conditions: Slightly Tight

The inventory of homes for sale in the San Mateo submarket is similar to prepandemic levels.

Current Conditions

The sales housing market in the submarket is slightly tight, with a 0.8-percent vacancy rate (Table 8), up from 0.6 percent in 2020, when sales market conditions were tight. The amount of for-sale inventory increased during the past 24 months but is still similar to levels before the COVID-19 pandemic. In April 2024, 670 homes were available for sale, representing a 1.8-month supply at the current sales rate, up from 590 homes, or a 1.5-month supply, in April 2023 and 570 homes, or a 0.9-month supply, in April 2022 (Redfin, a national real estate brokerage, with adjustments by the analyst). By comparison, 700 homes were available for sale, or a 1.5-month supply, during April 2019. The limited supply of homes for sale has supported home price growth in the submarket. During the 12 months ending April 2024, the average price of new and existing homes increased 2 percent to $1.98 million, following a decline of less than 1 percent a year earlier (Zonda). Home prices in the submarket have increased 21 percent since 2019, before the COVID-19 pandemic, whereas home prices in the San Francisco submarket are similar to prepandemic levels. During the 12 months ending April 2024, approximately 35 percent of home sales in the San Mateo submarket were priced at more than $2.00 million (Figure 12). Limited population growth, high home prices, and increased mortgage interest rates have constrained the number of home

Table 8. Home Sales Quick Facts in the San Mateo Submarket

		San Mateo Submarket	San Francisco HMA
Home Sales Quick Facts	**Vacancy Rate**	0.8%	1.3%
	Months of Inventory	1.8	2.6
	Total Home Sales	5,050	9,775
	1-Year Change	-6%	-8%
	New Home Sales Price	$1,959,000	$1,330,000
	1-Year Change	6%	-12%
	Existing Home Sales Price	$1,978,000	$1,811,000
	1-Year Change	2%	1%
	Mortgage Delinquency Rate	0.2%	0.2%

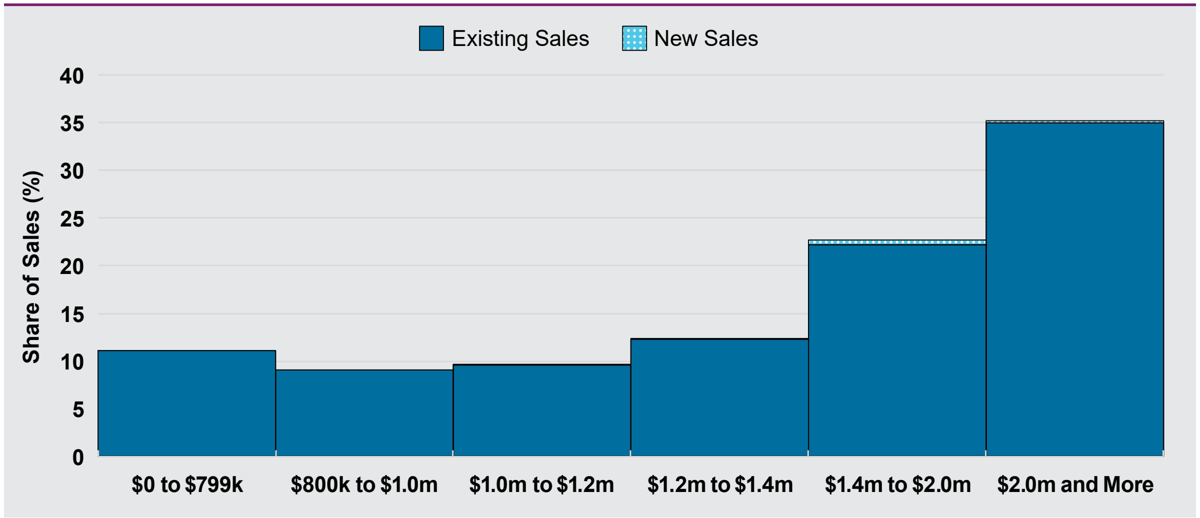
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending April 2024; and months of inventory and mortgage delinquency data are as of April 2024. The current date is May 1, 2024.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage, with adjustments by the analyst; mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—Zonda

sales. During the 12 months ending April 2024, the number of home sales fell 6 percent to 5,050 homes, following a 36-percent decline during the 12 months ending April 2023.

Home Sales and Price Trends

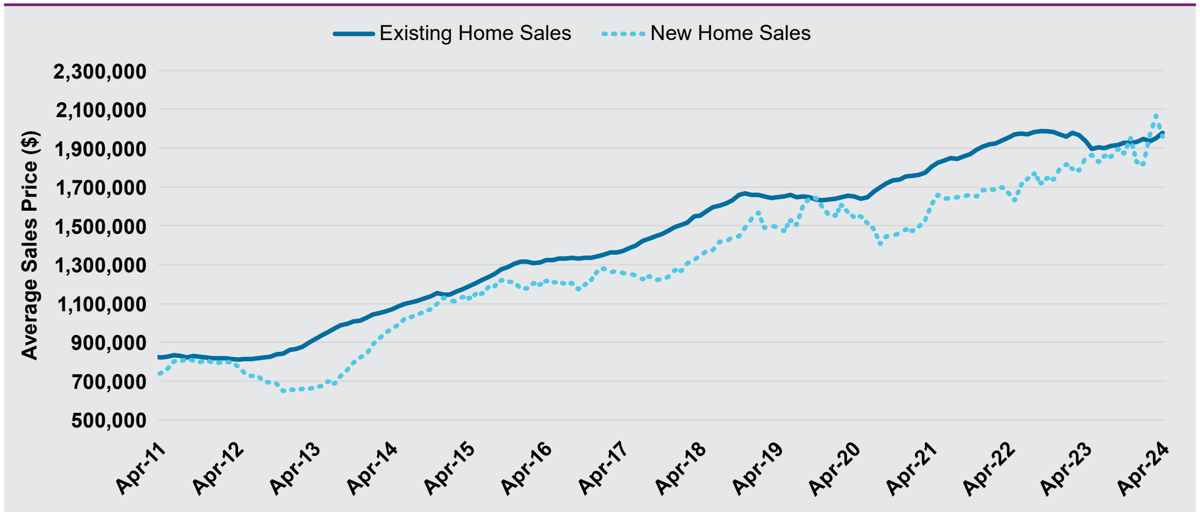
Throughout much of the 2010s, home prices in the submarket increased rapidly. The average home price decreased 1 percent in 2011, then grew an average of 13 percent annually from 2012 through 2015. From 2012 through 2015, new and existing home sales prices increased by averages of 10 and 13 percent annually. Home price growth slowed from 2016 through 2019, with average gains of 6 percent annually. New home prices increased an average of 7 percent annually, and existing home prices grew an average of 6 percent annually. Similar to the San Francisco submarket, home prices in the San Mateo submarket more than doubled between 2010 and 2019 because of high rates of job and income growth, consistent population growth, and limited increases in the housing supply (Figure 13). Home sales increased an average of 11 percent annually during 2011 and 2012, then decreased an average of 4 percent annually from 2013 through 2019 because a low supply of homes for sale and high home prices limited the number of homes sold (Figure 14). New home sales increased an average of 3 percent annually from 2013 through 2019, whereas existing home sales fell 4 percent annually. Despite increasing

Figure 12. Share of Overall Sales by Price Range During the 12 Months Ending April 2024 in the San Mateo Submarket



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

Figure 13. 12-Month Average Sales Price by Type of Sale in the San Mateo Submarket

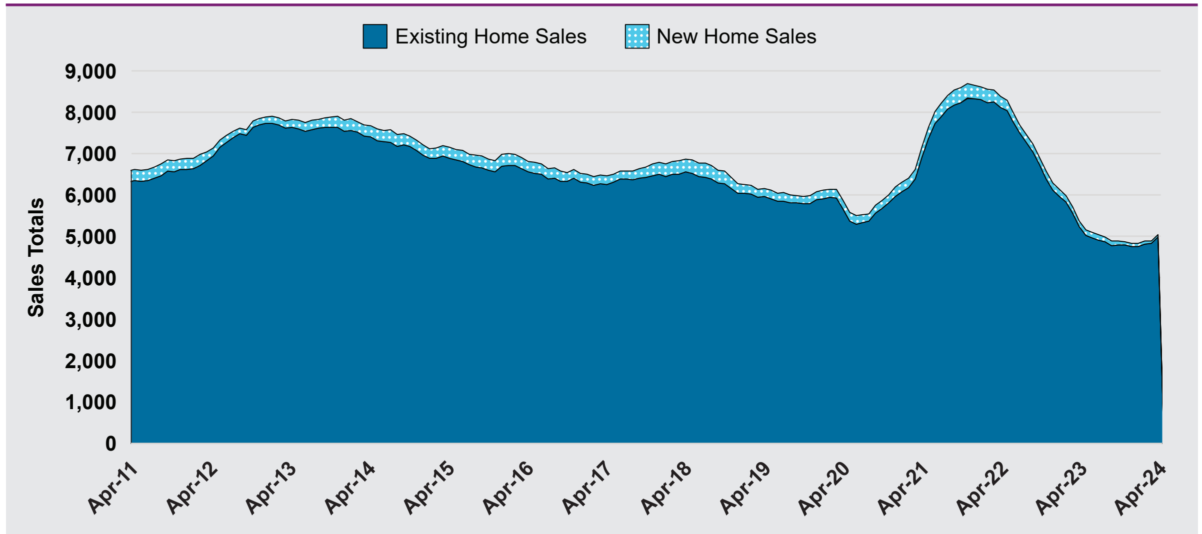


Source: Zonda

during the period, new home sales accounted for less than 4 percent of total home sales from 2013 through 2019. Similar to the San Francisco submarket, from 2010 through 2019, new home prices were generally below existing home prices because townhomes and condominiums comprised 71 percent of new home sales but only 23 percent of existing home sales.

The home sales market in the submarket was stable during the early stages of the COVID-19 pandemic, with home sales rising 2 percent and home prices increasing 7 percent year over year during 2020. In 2021, home sales surged 39 percent year over year, and home sales price growth accelerated to 9 percent annually. Low mortgage interest rates made homebuying more attainable, and the proliferation of remote work contributed to a shift in demand to larger units as remote workers sought more space and included a shift away from rental units, such as apartments, which are typically smaller. During 2022, the number of home sales in the submarket fell 27 percent in response to rising interest rates, and home price growth slowed to 4 percent. Those trends continued in 2023, with home sales and prices decreasing 23 and 2 percent, respectively, year over year. New home prices outpaced existing home prices from 2021 through 2023, rising an average of 7 percent annually, whereas existing home prices grew an average of 3 percent annually during this period.

Figure 14. 12-Month Sales Totals by Type in the San Mateo Submarket



Source: Zonda

Sales Construction

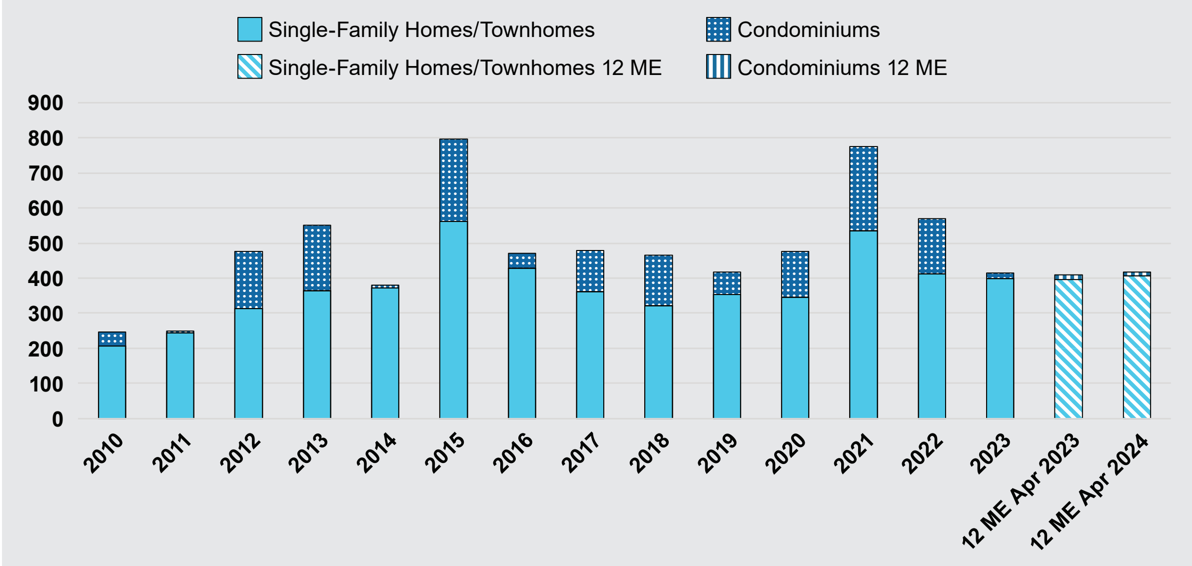
Homebuilding in the submarket was generally stable throughout most of the 2010s. During 2010 and 2011, an average of 250 for-sale units were permitted annually, increasing to an average of 500 units permitted annually from 2012 through 2019 (Figure 15). Relative to the San Francisco submarket, condominium units are a smaller but still significant portion of new home construction in the San Mateo submarket. From 2012 through 2019, approximately 75 percent of new homes intended for owner occupancy were single-family homes or townhomes, and 25 percent were condominiums. Despite the higher homeownership rate and more suburban nature of the submarket, homebuilding occurred at a slower rate than in the San Francisco submarket during the 2010s. From 2010 through 2019, the owner-occupied housing stock in the San Mateo submarket expanded approximately 3.0 percent through new construction compared with 6.6 percent in the San Francisco submarket. By comparison, the national owner-occupied housing stock increased by an estimated 11.0 percent because of new home construction activity during this period.

Since 2020, the volume of homebuilding has not changed significantly in the submarket compared with the previous decade. From 2020 through 2023, an average of 560 units were permitted annually, with a high of 780 units in 2021, when mortgage interest rates were low and home prices were increasing rapidly. During the 12 months ending April 2024, approximately 420 single-family homes, townhomes, and condominiums were permitted, up 2 percent from the previous 12 months. Vera Avenue Townhomes, a 10-unit townhome development completed in 2022, is a typical example of small-scale infill homebuilding that occurs in the submarket. All the three-bedroom townhome units were sold, with prices ranging between $1.5 and $2.0 million.

Forecast

During the next 3 years, demand is expected for 3,075 new homes in the submarket, supported by expected population growth and a limited inventory of available resale homes (Table 9). This demand estimate is higher than recent construction levels because home construction has persistently lagged behind the growth in demand, as indicated by high average home prices and tight to slightly tight sales market conditions, resulting in a chronic shortage of homes. The 490 homes under construction will meet a portion of the demand in the first year of the 3-year forecast period.

Figure 15. Annual Sales Permitting Activity in the San Mateo Submarket



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–23—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Table 9. Demand for New Sales Units in the San Mateo Submarket During the Forecast Period

	Sales Units
Demand	3,075 Units
Under Construction	490 Units

Note: The forecast period is from May 1, 2024, to May 1, 2027.
Source: Estimates by the analyst

Rental Market

Rental Market—San Francisco HMA

Market Conditions: Balanced

Rental market conditions have tightened since the early stages of the COVID-19 pandemic, when conditions were soft.

Current Conditions and Recent Trends

The overall rental market in the San Francisco HMA—including apartments, single-family homes, and other housing units available for rent—is balanced. The estimated 5.3-percent rental vacancy rate is down from 5.7 percent in April 2010, when rental conditions were softer (Table 10). Rental market conditions are balanced in both the San Francisco and San Mateo submarkets. The rental vacancy rate declined because of strong demand for rental units during 2021 and 2022, after the rental vacancy rate increased sharply during 2020 in the early months of the COVID-19 pandemic.

Apartment Market Conditions

The apartment market is also balanced. The apartment vacancy rate was 6.0 percent as of the first quarter of 2024, down from 6.7 percent a year earlier (CoStar Group). The apartment vacancy rate has consistently decreased after peaking at 9.4 percent as of the first quarter of 2021. During 2020, job losses and net out-migration contributed to a drop in demand for apartments, with negative absorption of 6,125 units. However, demand for apartments rebounded strongly during 2021 and 2022, with average annual absorption of 5,700, more than any other year since 2000. By comparison, apartment absorption averaged 2,425 units annually from 2015 through 2019. Deliveries of new apartments slowed after the onset of COVID-19, averaging 2,350 units annually during 2021 and 2022 compared with an average of 2,950 units annually from 2015 through 2019. During the 12 months ending March 2024, both apartment absorption and deliveries trended downward, totaling 2,250 and 1,025 units, respectively.

Table 10. Rental and Apartment Market Quick Facts in the San Francisco HMA

		2020 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	5.7	5.3
		2010 (%)	**2023 (%)**
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	21	20
	Multifamily (2–4 Units)	21	17
	Multifamily (5+ Units)	58	63
	Other (Including Mobile Homes)	0	1

		1Q 2024	YoY Change
Apartment Market Quick Facts	**Apartment Vacancy Rate**	6.0	-0.7
	Average Rent	$3,013	1%
	Studio	$2,118	0%
	One-Bedroom	$2,690	1%
	Two-Bedroom	$3,568	1%
	Three-Bedroom	$4,387	1%

1Q = first quarter. YoY= year-over-year.
Notes: The current date is May 1, 2024. Percentages may not add to 100 due to rounding.
Sources: 2020 vacancy rate—2020 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2023 American Community Survey 1-year data; apartment data—CoStar Group

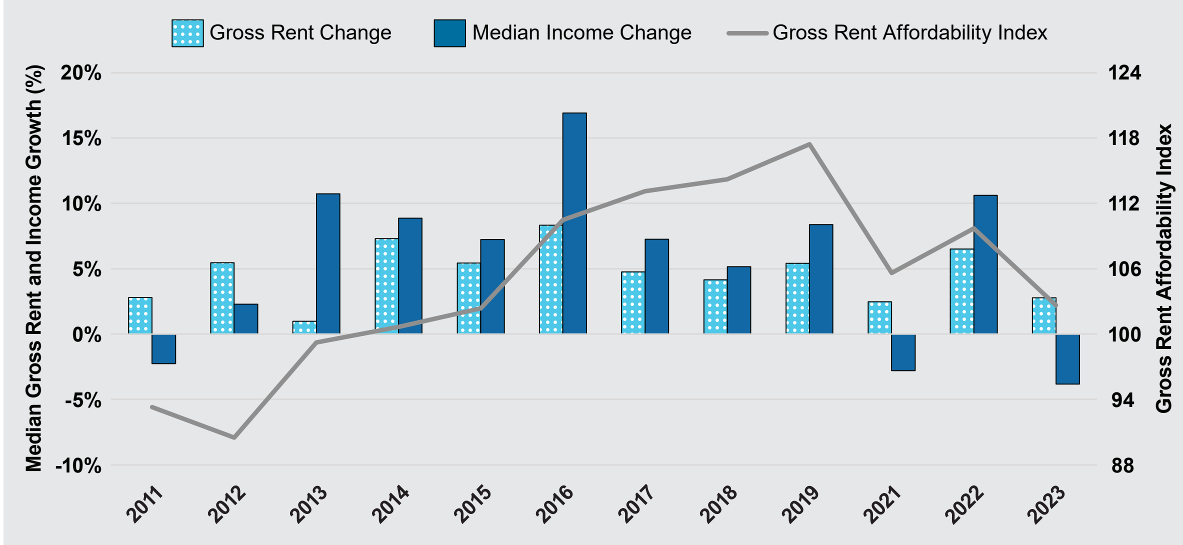
Apartment rent growth has been limited since the onset of the COVID-19 pandemic. During 2020, average asking rents in the HMA fell 8 percent as property owners responded to falling demand for apartments. Apartment rents recovered in 2021, rising 7 percent annually as demand increased and apartment market conditions tightened. Rent growth slowed in 2022 and 2023, with average annual rent increases of less than 1 percent annually. By comparison, asking rents increased an average of 2 percent annually from 2015 through 2019. As of the first quarter of 2024, average asking rents increased 1 percent to $3,013 compared with a year earlier, less than 1 percent above the prepandemic average asking rent of $2,986 as of the first quarter of 2019. By comparison, national average asking rents increased 20 percent between the first quarters of 2019 and 2024. Despite sluggish rent growth during the past 4 years, rents in the HMA are still approximately 71 percent higher than the national average.

Affordability

Rents in the HMA have increased since 2011, but high-income growth has more than offset the higher costs. From 2011 to 2019, the median gross rent increased 54 percent, whereas the median income of renter households increased 85 percent (ACS 1-year data). Those factors caused the HUD Gross Rent Affordability Index—a measure of median renter household income relative to qualifying income for the median-priced rental unit—to increase from 98.1 in 2010 to 117.4 in 2019, signifying a more affordable rental market (Figure 16). Since the outbreak of the COVID-19 pandemic, income growth has not kept pace with rent increases. Between 2019 and 2023, the average rent in the HMA increased 15 percent, whereas the median income of renter households has not significantly changed, which caused the HUD Gross Rent Affordability Index to fall to 102.7. Among households that have incomes below 50 percent of the Area Median Family Income, approximately 26.1 percent have a moderate to high cost burden, spending between 31 and 50 percent of their income on rental housing costs. An additional 45.7 percent are severely cost burdened, spending more than 50 percent of their income on rental housing costs, similar to national averages (Table 11).

Local government policy limits the ability of landlords to raise rents, contributing to relatively moderate rent burdens despite comparatively high rents in the HMA. In the San Francisco submarket, most apartments built before 1980 have rent control, which limits annual rent increases to 60 percent of the increase in the local Consumer Price Index. Since 2010, landlords in the San Francisco submarket with rent-controlled units have been allowed to increase rent an average of 2 percent annually. The California Tenant Protection Act of 2019 limits annual rent increases in most apartments in the

Figure 16. San Francisco HMA Gross Rent Affordability Index



Notes: The Gross Rent Affordability Index differs from the HUD Rental Affordability Index published on the U.S. Housing Market Conditions website in that it is based on combined rent and utilities expenditure. Data for 2020 are not available.
Source: American Community Survey 1-year data

Table 11. Percentage of Cost-Burdened Renter Households by Income

	Moderate to High Cost Burden: 31–50 Percent of Income Toward Housing Costs		Severe Cost Burden: 51 Percent or More of Income Toward Housing Costs	
	San Francisco HMA	Nation	San Francisco HMA	Nation
Renter Households with Income <50% HAMFI	26.1	27.1	45.7	47.9
Total Renter Households	18.5	21.6	18.7	22.0

HAMFI = HUD Area Median Family Income.
Sources: Consolidated Planning/ Comprehensive Housing Affordability Strategy (CHAS) data; American Community Survey 5-year estimates

San Mateo submarket and apartments built since 1980 in the San Francisco submarket to 10 percent or the local Consumer Price Index plus 5 percent, whichever is lower.

The state of California passed several bills to stimulate housing construction in areas with high living costs and low housing production, such as the HMA. In 2018, the state of California passed SB-35, allowing housing developments that meet local zoning standards and have at least 50 percent of the units with rents below market rate to bypass discretionary design and environmental reviews. This law was enacted in response to lengthy approval processes for proposed construction projects. In 2017, the median approval time for new multifamily construction in the San Francisco submarket was nearly 27 months (*Examining Entitlement in California to Inform Policy and Process: Advancing Social Equity in Housing Development Patterns*). SB-35 requires planning officials to approve qualifying proposals within 6 months of application. Since it was enacted, approximately 3,600 units in the San Francisco submarket have received building permits using the streamlined approval processes. In October 2023, SB-423 was enacted, superseding SB-35 in requiring streamlined approval for multifamily developments with at least 10 percent of the units having rents below market rate. SB-423 will apply to the San Francisco submarket as of July 2024 and may apply to jurisdictions in the San Mateo submarket in 2026 if they fail to meet housing production goals.

Homelessness

An estimated 10,450 people throughout the HMA were homeless in January 2024, up from 9,550 people in 2022 (Point-in-Time Count), and the number of unsheltered individuals remained stable at 5,500. The number of homeless individuals in the HMA has trended upward since 2017, when 8,100 people were identified as homeless. During 2024, approximately 80 percent of homeless individuals in the HMA resided in the San Francisco submarket. However, the homeless population in the San Mateo submarket has grown faster since 2017, rising 69 percent to 2,130 individuals in 2024, whereas the number of homeless people in the San Francisco submarket increased 21 percent during the same period. Across the HMA, the number of unsheltered homeless people has increased more slowly than individuals sleeping in shelters, rising 10 and 59 percent since 2017, respectively.

Local governments in the HMA have taken measures to combat homelessness. In 2020, after the onset of the COVID-19 pandemic, the city of San Francisco created the Homelessness Recovery Plan, which resulted in the city purchasing or leasing 3,075 supportive housing units to house formerly homeless individuals by the end of 2022. The city of San Francisco is using the 2023-to-2028 strategic plan, which aims to add 1,075 new shelter beds and 3,250 new units of permanent housing to support formerly homeless individuals.

Forecast

During the next 3 years, demand is estimated for 11,075 rental units in the HMA (Table 12). The 8,350 units under construction are expected to meet all the demand during the first 2 years of the 3-year forecast period. Improving economic conditions and continued population growth will increase the demand for rental units. In addition, high home prices and interest rates will continue making the shift from renting to homeownership difficult.

Table 12. Demand for New Rental Units in the San Francisco HMA During the Forecast Period

	Rental Units
Demand	11,075 Units
Under Construction	8,350 Units

Note: The forecast period is May 1, 2024, to May 1, 2027.
Source: Estimates by the analyst

Rental Market—San Francisco Submarket

Market Conditions: Balanced

The overall rental vacancy rate in the San Francisco submarket is estimated at 5.5 percent, down from 6.0 percent in 2020.

Current Conditions

The submarket accounts for 58 percent of all households in the HMA and 68 percent of renter households. Rental market conditions in the submarket are currently balanced, with an estimated vacancy rate of 5.5 percent, down from 6.0 percent in 2020 (Table 13). Municipal rent control policies cover an estimated two-thirds of rental units in the submarket, contributing to a low and stable rental vacancy rate because tenants are disincentivized to move and lose access to below-market-rate rents. Approximately 67 percent of all renter households in the submarket lived in multifamily buildings with five or more units per building, typically apartments, during 2023 compared with 55 percent in the San Mateo submarket (ACS data).

Table 13. Rental and Apartment Market Quick Facts in the San Francisco Submarket

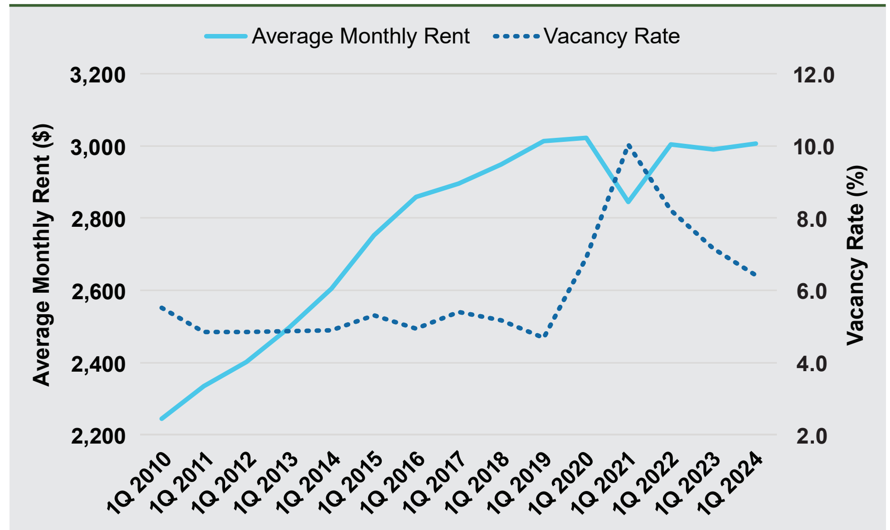
		2020 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	6.0	5.5
		2010 (%)	**2023 (%)**
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	13	14
	Multifamily (2–4 Units)	26	19
	Multifamily (5+ Units)	61	67
	Other (Including Mobile Homes)	0	0
		1Q 2024	**YoY Change**
Apartment Market Quick Facts	**Apartment Vacancy Rate**	6.4	-0.7
	Average Rent	$3,008	1%
	Studio	$2,075	-1%
	One-Bedroom	$2,686	1%
	Two-Bedroom	$3,630	1%
	Three-Bedroom	$4,171	1%

1Q = first quarter. YoY= year-over-year.
Notes: The current date is May 1, 2024. Percentages may not add to 100 due to rounding.
Sources: 2020 vacancy rate—2020 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2023 American Community Survey 1-year data; apartment data—CoStar Group

Apartment Market Conditions

The apartment market in the San Francisco submarket is slightly soft. Apartment market conditions ranged from tight to balanced before the COVID-19 pandemic, when the apartment vacancy rate was between 4.7 and 5.4 percent every first quarter from 2015 to 2019 (CoStar Group; Figure 17). Approximately 1,950 apartments were delivered annually, and 1,900 units were absorbed. Rent growth was moderate, averaging 3 percent annually, the same as the national average. The apartment market was softening before the onset of the COVID-19 pandemic because of limited absorption of new apartments, with the vacancy rate rising to 6.9 percent as of the first quarter of 2020 and average asking rents remaining stable year over

Figure 17. Apartment Rents and Vacancy Rates in the San Francisco Submarket



1Q = first quarter.
Source: CoStar Group

year. The softening trend intensified following the onset of the pandemic, with the apartment vacancy rate rising to 10.0 percent as of the first quarter of 2021 and rents falling 6 percent year over year. Job losses and net out-migration from the submarket led to a decrease in apartment demand. During the 12 months ending March 2021, 2,250 apartment units were delivered, whereas absorption was negative, with 1,575 fewer occupied apartments than a year earlier.

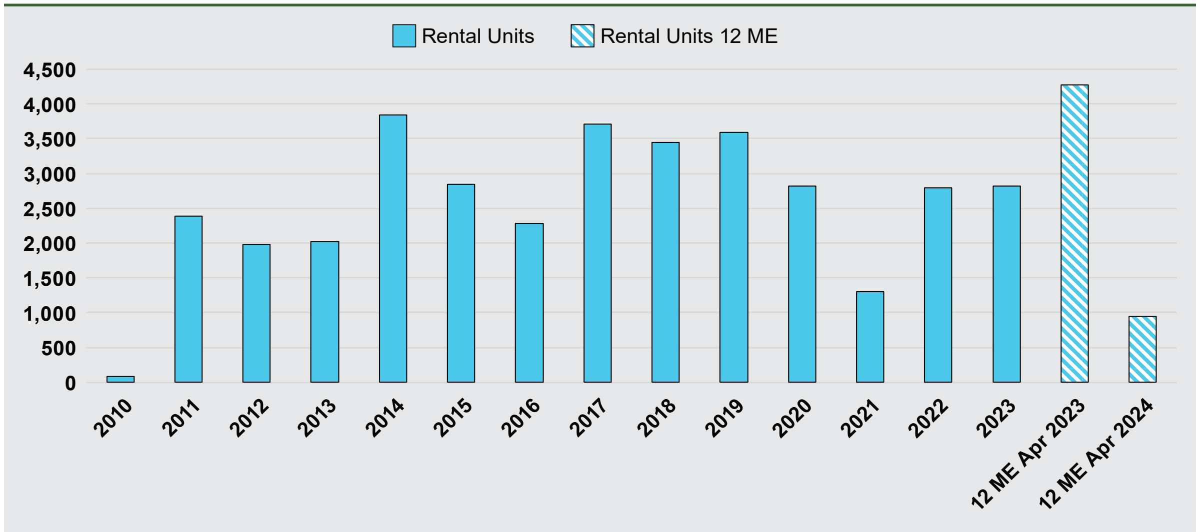
The apartment market tightened as population levels in the submarket stabilized and economic conditions improved. During the 12 months ending March 2022, approximately 4,325 apartments were absorbed—the most of any 12-month period since 2010—whereas 2,375 apartments were completed, causing the apartment vacancy rate to fall to 8.2 percent. Increased demand for apartments allowed landlords to raise rents 6 percent compared with a year earlier—the largest annual increase since 2010. The apartment market continued tightening, with the vacancy rate declining to 7.1 percent as of the first quarter of 2023 and 6.4 percent as of the first quarter of 2024. From the first quarters of 2023 to 2024, absorption remained moderate, averaging 1,900 units annually, whereas the number of apartments completed fell to an average of 700 units annually. Rents are virtually unchanged compared with the first quarter of 2022 and increased less than 1 percent annually as of the first quarter of 2024 to $3,008.

Rental Construction Activity

Rental construction was low following the Great Recession, with only 85 rental units permitted in 2010. As economic conditions improved, rental permitting increased to an average of 2,125 units annually from 2011 through 2013 and reached a high of 3,850 units during 2014 (Figure 18). Rental construction slowed to an average of 2,550 units permitted annually during 2015 and 2016 before rebounding to an average of 3,575 units permitted annually from 2017 through 2019. During this period, high rents and low apartment vacancy rates attracted the interest of builders in new apartment construction in the submarket despite regulatory impediments to residential development.

Rental construction in the submarket decreased following the onset of the COVID-19 pandemic, as builders responded to soft apartment market conditions and supply chain constraints made building more difficult. An average of approximately 2,425 rental units were permitted annually from 2020 through 2023. Building activity strengthened significantly during the 12 months ending April 2023, but during the 12 months ending April 2024 rental construction decreased sharply, with 950 units permitted, down 78 percent from a year earlier.

Figure 18. Annual Rental Permitting Activity in the San Francisco Submarket



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–23—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

An estimated 4,600 apartments are under construction in the submarket. The largest concentration of apartment construction is Treasure Island, an island and former naval base in the San Francisco Bay. When built out, Treasure Island will have an estimated 8,000 residential units, of which about 25 percent will be below market rate. Currently, 670 apartments are under construction, including the 250-unit Isle House and the 138-unit Star View Court. Both projects are anticipated to be complete in the fall of 2024. The city of San Francisco is also redeveloping the Potrero Annex and Potrero Terrace public housing sites. When complete, the existing 613 units will be replaced with approximately 820 below-market-rate and 800 market-rate apartments. The second phase of this redevelopment is underway, with 157 apartments under construction. When complete in late 2024, all 157 apartments will be offered at below-market-rate rents to households earning between 30 and 60 percent of the Area Median Income.

Forecast

During the 3-year forecast period, demand is expected for an additional 6,600 rental units (Table 14). The 4,600 rental units under construction are expected to meet demand during the first 2 years of the forecast period. Demand for new rental units will be distributed throughout the submarket, but most new apartments will be built on the eastern side of San Francisco and Treasure Island because of zoning restrictions elsewhere.

Table 14. Demand for New Rental Units in the San Francisco Submarket During the Forecast Period

Rental Units	
Demand	6,600 Units
Under Construction	4,600 Units

Note: The forecast period is May 1, 2024, to May 1, 2027.
Source: Estimates by the analyst

Rental Market—San Mateo Submarket

Market Conditions: Balanced

The apartment vacancy rate has decreased year over year in every first quarter since 2022 and is similar to prepandemic levels.

Current Conditions

The rental market in the San Mateo submarket is balanced to slightly tight, with an estimated 4.8-percent rental vacancy rate, down from 4.9 percent during 2020 (Table 15). Since 2020, rental market conditions in this submarket have been more stable than those in the San Francisco submarket, with a smaller increase in the rental vacancy rate during the beginning stages of the COVID-19 pandemic. Single-family homes represent approximately 32 percent of rental units in the submarket, unchanged from 2010 (ACS data).

Table 15. Rental and Apartment Market Quick Facts in the San Mateo Submarket

		2020 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	4.9	4.8
		2010 (%)	**2023 (%)**
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	32	32
	Multifamily (2–4 Units)	13	11
	Multifamily (5+ Units)	55	55
	Other (Including Mobile Homes)	0	1
		1Q 2024	**YoY Change**
Apartment Market Quick Facts	**Apartment Vacancy Rate**	5.2	-0.6
	Average Rent	$3,023	2%
	Studio	$2,203	2%
	One-Bedroom	$2,698	2%
	Two-Bedroom	$3,448	2%
	Three-Bedroom	$4,809	3%

1Q = first quarter. YoY= year-over-year.
Notes: The current date is May 1, 2024. Percentages may not add to 100 due to rounding.
Sources: 2020 vacancy rate—2020 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2023 American Community Survey 1-year data; apartment data—CoStar Group

Apartment Market Conditions

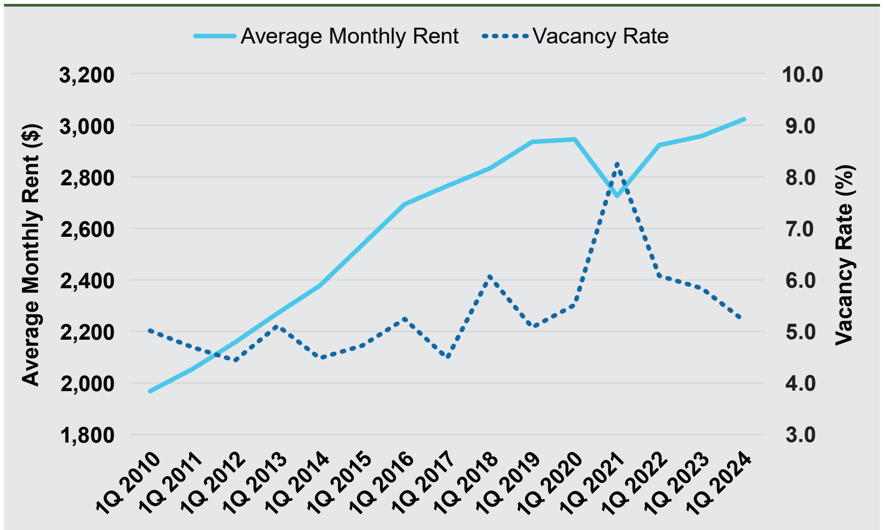
The apartment market in the submarket is balanced. As of the first quarter of 2024, the apartment vacancy rate was 5.2 percent, down from 5.8 percent as of the first quarter of 2023 (CoStar Group; Figure 19). Conditions ranged from balanced to slightly soft from 2015 through 2019, with apartment vacancy rates ranging from 4.5 to 6.1 percent and rent growth averaging 4 percent annually.

Apartment market conditions in the San Mateo submarket softened after the onset of the COVID-19 pandemic but to a lesser extent than in the San Francisco submarket. The apartment market vacancy rate in the San Mateo submarket was 5.5 percent as of the first quarter of 2020 and increased to 8.2 percent as of the first quarter of 2021. From the first quarters of 2020 to 2021, the average asking rent fell 7 percent year over year to $2,723. However, the apartment market in the submarket recovered quickly. As of the first quarter of 2022, the apartment vacancy rate fell to 6.1 percent, and rents increased 7 percent year over year. A smaller percentage decrease in population relative to the San Francisco submarket moderated the downturn in apartment market conditions in the submarket during the beginning stages of the pandemic. Apartment market conditions have recently tightened. As of the first quarter of 2024, the apartment market vacancy rate was 5.2 percent, and average asking rents increased 2 percent to $3,023 compared with the first quarter of 2023, when the vacancy rate was 5.8 percent, and rents increased 1 percent year over year.

Rental Construction Activity

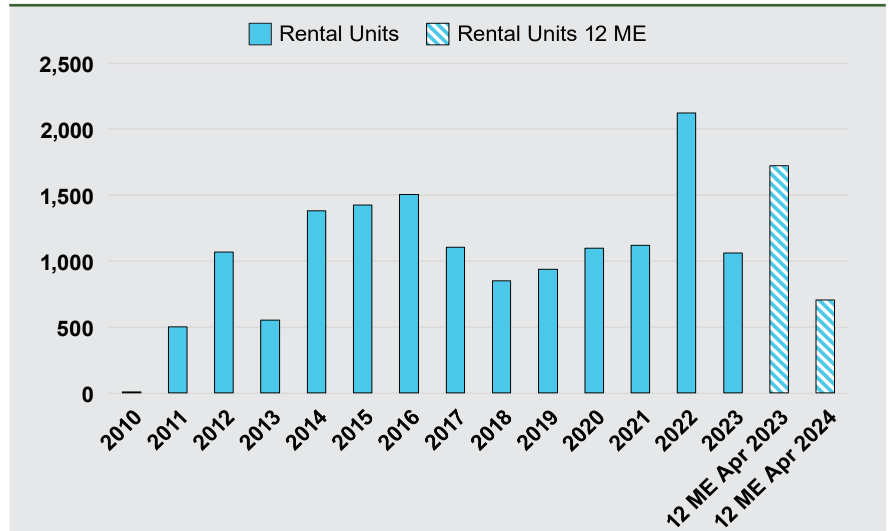
Rental construction activity in the submarket has been relatively stable since 2014. Rental construction was low in the early 2010s, with only 5 units permitted in 2010 and an average of 710 units permitted from 2011 through 2013 (Figure 20). Rental construction increased to an average of 1,425 rental units annually from 2014 through 2016, supported by very high rents and strong economic growth. Rental construction slowed to an average of

Figure 19. Apartment Rents and Vacancy Rates in the San Mateo Submarket



1Q = first quarter.
Source: CoStar Group

Figure 20. Annual Rental Permitting Activity in the San Mateo Submarket



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–23—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

960 units annually from 2017 through 2019. Similar to the San Francisco submarket, local approval processes have constrained rental construction in the San Mateo submarket. During 2020 and 2021, approximately 1,100 rental units were permitted annually, supported by a more moderate downturn in rental market conditions than the San Francisco submarket, and 2,125 rental units were permitted in 2022 as conditions improved. During the 12 months ending April 2024, approximately 700 units were permitted in the submarket, down 59 percent from the previous 12-month period.

An estimated 3,750 apartments are under construction in the submarket, with construction mainly distributed in the eastern portion along the US-101 corridor, which includes parts of the cities of South San Francisco, Redwood City, and Menlo Park. Broadway Village, a 518-unit mixed-use development in Redwood City, is one of the larger residential developments in the submarket. When complete in 2026, Broadway Village will offer 119 affordable and 399 market-rate apartments. Vasara and Lume are a pair of apartment developments nearing completion in Menlo Park. These properties have a combined 579 market-rate and 115 affordable units. Market-rate rents at these properties will start at $3,600, $5,000, and $6,500 for one-, two-, and three-bedroom apartments, respectively.

Forecast

During the next 3 years, demand is estimated for 4,475 rental units (Table 16). Demand is expected to be evenly distributed among all years of the 3-year forecast period, although the current pipeline of an estimated 3,750 units under construction will meet all demand during the first and second years. Demand during the forecast period is expected to be distributed throughout the submarket.

Table 16. Demand for New Rental Units in the San Mateo Submarket During the Forecast Period

	Rental Units
Demand	4,475 Units
Under Construction	3,750 Units

Note: The forecast period is May 1, 2024, to May 1, 2027.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Absorption	The net change, positive or negative, in the number of occupied units in a given geographic range.
Apartment Vacancy Rate/ Average Monthly Rent	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease up. A property is stabilized once it reaches a 90-percent occupancy rate or at least 18 months have passed since the property was changed from "under construction" to "existing" on the CoStar Group website.
Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Cost Burdened	Spending more than 30 percent of household income on housing costs. *Moderate to high cost burden* refers to households spending 31 to 50 percent of income on housing costs. *Severe cost burden* refers to households spending 51 percent or more of income on housing costs.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Existing Home Sales and Prices	Includes regular resales and real estate owned sales.
Forecast Period	5/1/2024–5/1/2027—Estimates by the analyst.

Home Sales	**Includes single-family home, townhome, and condominium sales.**
Net Natural Increase	**Resident births are greater than resident deaths.**
Rental Vacancy Rate	**Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.**
Silicon Valley	**For the purposes of this report, Silicon Valley is defined as the housing market area and the adjacent San Jose-Sunnyvale-Santa Clara, CA Metropolitan Statistical Area.**
Venture Capital	**Funding provided to firms in exchange for an equity stake in the company.**

B. Notes on Geography

1.	**The metropolitan division definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.**
2.	**Urbanized areas are defined using the U.S. Census Bureau's 2020 Census Urban and Rural Classification and the Urban Area Criteria.**
3.	**The census tracts referenced in this report are from the 2020 Census.**

C. Additional Notes

1.	**This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.**
2.	**The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.**

D. Photo/Map Credits

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