

The Regency Apartments **GREAT DEAL!**

31 Apartments with 3 approved ADUs located in North Beach/Russian Hill

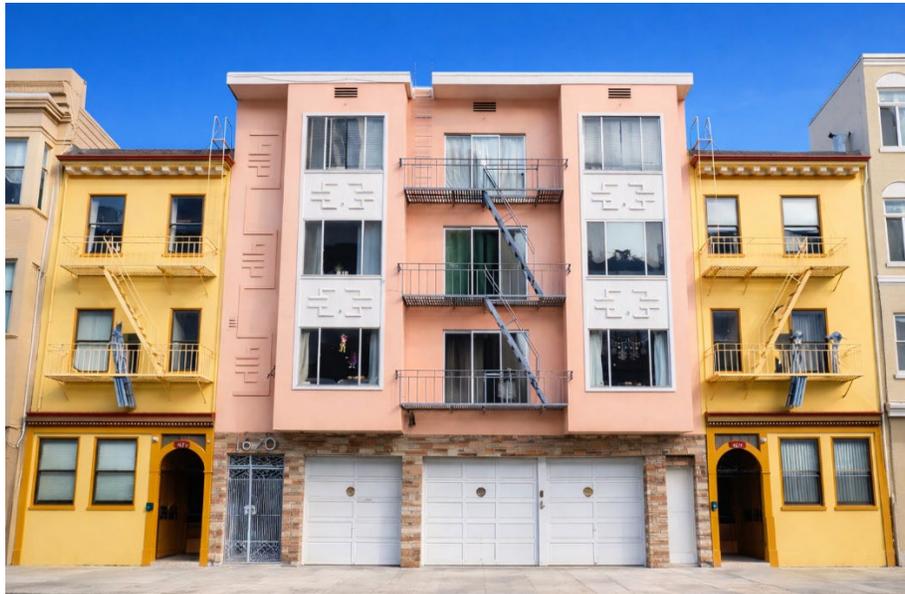
\$13,700,000 Apartment Complex

**Below Value for Quick Sale**

**Appraised at 13,700,000 by MAI Appraiser**

Attention Non-Profits, Developers, Investors and Brokers!

1618-1632 Street San Francisco, Ca 94133



**RECESSION PROOF INVESTMENT-TRUE HEDGE AGAINST INFLATION**

35% Upside in the Rents

Existing Cap 4.7%, Market Cap 6.2%

Existing Gross Rent Multiplier 14.4 Market Gross Rent Multiplier 11.9

High growth city and area influencing great appreciation potential

No deferred maintenance - Easy Management

Strong Rent Upside. Trouble free income and management

Offers immediate scale in a supply constrained market.

Tremendous access to major employers- Drafting off of eastward migration.

Resilient growth market fundamentals in post-COVID recovery

**For more information about this fabulous opportunity and a complete disclosure package**

**Please call Fred Lewis at office 209-522-9999 cell 209-604-9993**

**Go to [www.hotdealsoakland.com](http://www.hotdealsoakland.com)**

**OR**

**Email: [info@hotdealsoakland.com](mailto:info@hotdealsoakland.com) or [Fred@bigtymedeamaker.com](mailto:Fred@bigtymedeamaker.com)**





## 1618-1632 Mason Street San Francisco, Ca 94133

**Price: \$13,700,000**

**Down Payment: \$4,860,000**

**Existing Capitalization Rate: 4.7%**

**Market Cap: 6.2%**

**Cost Per Residential Unit: \$441,000**

**Cost Per Unit with ADUs: \$400,000**

**Existing Gross Rent Multiplier: 14.4**

**Market Gross Rent Multiplier: 11.9**

**Great time to buy in San Francisco- “Be greedy when others are fearful and fearful when others are greedy” Warren Buffet**

**Complex Description: 31 Apartments plus 3 approved ADUs Assessor's Parcel Number: 02-0129-019**

### ***Recession Proof investment. True hedge against inflation***

**Building Description:** This very nostalgic 3 story property is located at 1618-1632 Mason Street in San Francisco California. The property has a great unit mix of 12 Studios, 7 one-bedroom/one-bathroom units and 12 two-bedroom/one-bathroom units, all with private baths and kitchens. The property was built in 1912, with a new concrete perimeter foundation, exterior walls are wood, and the roof is composition shingle. There is laundry on site. 80% of the units have been renovated. All units have separate gas and electric meters and individual hot water heaters minimizing the owners' expenses. There is 35% upside in the current rents. With 35% upside in rents, this building allows the next owner to increase returns and leverage investment in the hot San Francisco market. This building is located on the cable car route and walking distance to Chinatown. The subject has no deferred maintenance and is in good condition. The property was appraised at \$13,700,000 when the income was 25% less a few years ago.

The apartment unit mix is outstanding 12 Studios, 7 one-bedroom units and 12 two-bedroom units; and there is street parking. The quality of the building is maintained with pride. The property has a fairly new roof. The units have spectacular views from the entry and living room of upstairs units. The laundry is coin operated for additional income. 1618-1632 Mason Street blends historic charm with urban realities, offering affordable living with great potential and a strong sense of community, particularly appealing to those seeking proximity to medical facilities and a diverse, established neighborhood. Multimillion-dollar homes line the street with some of San Francisco's best views.

Construction is typical wood framing with concrete foundation walls raised to create a partial basement on the southern portion and slab on grade foundation on the northern portion. The entire foundation was rebuilt for \$500,000 for earthquake protection. The exterior finishes consist of painted brick veneer and stucco siding. The flat roof contains built up covering. Units are heated by electric wall heaters. Domestic water lines are copper. Electrical wiring is observed as copper.

You will appreciate the neighborhood amenities near Mason Street. This part of San Francisco is bike friendly, so you get around town easily. You can go for a walk in one of the neighborhood parks. If you like to walk, you will find streets lined with trees and sidewalks that are well-lit at night. Residents in this neighborhood consider the area to be the most walkable with stores, public transportation, and shops nearby, and the cable car stops in front of the building.

The property at Mason Street in San Francisco, CA has strong investment potential due to its proximity to major employers, transportation routes, shopping centers, dining venues, and entertainment options. It is an attractive option for renters seeking convenience and accessibility. The combination of a robust economy and desirable location make this property a promising investment opportunity in the San Francisco real estate market.

Located in the Russian Hill and North Beach district, 1618-1632 Mason Street is just steps away from San Francisco's famous Little Italy, renowned for its fine Italian dining, live performance venues and bustling nightlife. Our beautiful property is located in the bright North Beach / Russian Hill neighborhood. Stationed near small restaurants & local businesses- this is an ideal area for a true foodie! This property is in a quiet, peaceful & central neighborhood. We have installed new windows throughout the whole building which accentuate the stunning views, allowing plenty of sunshine & natural breeze to flow in. This location is perfect for commuters- as it is highly accessible to the cable & bus line. The Regency Apartments are currently under complete renovation. Starting from the units to the exterior of the building. We will be adding laundry rooms on each floor making it accessible to every tenant on every level. Through these renovations, our property continuously offers dependable security. The Regency Apartments is an apartment community located in San Francisco County and the 94133 ZIP Code. This area is served by the San Francisco Unified attendance zone. The lot is a U-shaped lot. This is a turnkey operation. The management of this property is simple. The tenants directly deposit most of their rent and there is no deferred maintenance. Rents are skyrocketing in the neighborhood. This property can be managed effortlessly as your investment grows.

The building is bordered by Northpoint Street to the north, Columbus Avenue to the East, Broadway to the south, and Van Ness Avenue to the West. The area is commonly known as the Russian Hill. This is a residential mixed area and a tourist area with destination on Lombard Street. Columbus Avenue is a commercial strip that extends into the Financial District. The subject area has a mixed-use building along the Grant Avenue and Stockton Street corridor. Powell Street and Mason Street are residential streets with high commercial spaces.

North Beach / Russian Hill is a neighborhood in the northeast of San Francisco adjacent to Chinatown, the Financial District, and Russian Hill. The neighborhood is San Francisco's "Little Italy" and has historically been home to a large Italian American population, largely from Northern Italy. It still has many Italian restaurants and a sizeable Italian community, though many other ethnic groups currently live in the neighborhood. It was also the historic center of the beatnik subculture and has become one of San Francisco's main nightlife districts as well as a residential neighborhood populated by a mix of young urban professionals, families, and Chinese immigrants.

North Beach is bounded by the former Barbary Coast, now Jackson Square, the Financial District south of Broadway, Chinatown to the southwest of Columbus below Green Street, Russian Hill to the west, Telegraph Hill to the east and Fisherman's Wharf at Bay Street to the north. Main intersections are Union and Columbus, the southwest corner of Washington Square, Grant Avenue, and Vallejo Street. The neighborhood consists of modern, mid-century apartments, duplexes, and Victorian homes and multiplexes.

**Commission-Brokers**-Owner is a principal and not a broker. A selling commission of \$250,000 will be to be paid for the procurement and actual consummation of the transaction. If a buyer is procured and the sale is not consummated for any reason a commission will not be due payable.

**One of the Hottest Apartment Markets in the Country**-San Francisco continues to be one of the leaders in the nation's apartment market in rent growth.

**Location Description:** Land uses in the subject neighborhood are mixed-use in the nature and primarily include commercial, mixed-use and multi-family uses. The commercial buildings in the subject neighborhood, i.e. Van Ness Avenue, Bush Street and Larkin. The mixed-use buildings rent to buffer the commercial uses, while the multimillion dollar single-family homes are situated further away to the east away from the commercial and mixed-use properties. The majority of the buildings in the subject neighborhood are 2-6 stories high and of good quality condition. Public transportation is readily available in the subject neighborhood in the form of municipal Bus service is available on Sutter Street as well as some of the other primary street in the subject neighborhood, BART and the Cal Train station are located within two miles of the subject property.

**San Francisco** is the capital of culture, with the largest number of well-established cultural institutions. They include ballet, classical music, art, and the San Francisco Opera, which is regarded by many as one of the top 10 opera houses in the world. The city is also the news media center for all of Northern California and has been the West Coast's financial hub for 150 years. San Francisco's centrality is fading as other parts of the Bay Area grow. Some of the city's population is moving into the suburbs and the suburbs of former suburbs and Silicon Valley is spreading and transforming into other nearby parts of the Bay Area.

### **Transportation-**

People in the San Francisco Bay Area rely on a complex multimodal transportation infrastructure consisting of roads, bridges, highways, rail, tunnels, airports, seaports, and bike and pedestrian paths. The development, maintenance, and operation of these different modes of transportation are overseen by various agencies, including Caltrans, the Association of Bay Area Governments, San Francisco Municipal Transportation Agency, and the Metropolitan Transportation Commission. These and other organizations collectively manage several interstate highways and state routes, eight passenger rail networks, eight trans-bay bridges, transbay ferry service, local and transbay bus service, three international airports, and an extensive network of roads, tunnels, and bike paths.

The Bay Area, especially San Francisco, are frequently listed as one of the best and most extensive cities and/or metropolitan areas in the United States for public transportation. Local trips on transit are frequently accomplished by bus services. Different agencies serve different corners of the Bay Area, such as SamTrans serving mostly San Mateo County and County Connection connecting the suburbs of Contra Costa County; though some bus agencies operate transbay services, such as Golden Gate Transit. While ferries also connect communities across the bay, most transbay and longer-distance trips on public transportation, however, use rail-based transit. Bay Area Rapid Transit (BART) is the sole rapid transit system within the bay and the dominant provider of regional transportation between San Francisco, northern San Mateo County, and much of the East Bay. The Bay Area is also home to various commuter rail services, such as SMART within Sonoma and Marin counties, Caltrain on the San Francisco Peninsula, ACE between San Jose and Stockton, and various Amtrak routes out of Oakland and San Jose. San Francisco is also the home of the world's last manually-operated cable car system, and both San Francisco's Muni and Santa Clara's VTA operate light rail networks to complement their bus services. With few exceptions, most public transit within the Bay Area can be paid for by using the Clipper card.

### **Sea and Air Cargo-**

The Port of San Francisco manages 7.5 miles of waterfront that is home to popular destinations and attractions, historic districts, small businesses and robust maritime opportunities. The Port works to advance environmentally and financially sustainable maritime, recreational, and economic opportunities for the City, Bay Area, and California. The Port acknowledges that we are on the unceded ancestral homeland of the Ramaytush Ohlone, who are the original inhabitants of the San Francisco Peninsula. As the indigenous stewards of this land and in accordance with their traditions, the Ramaytush Ohlone have never ceded, lost, or forgotten their responsibilities as the caretakers of this place, as well as for all peoples who reside in their traditional territory.

We recognize that we benefit from living and working on their traditional homeland. We wish to pay our respects by acknowledging the Ancestors, Elders, Relatives of the Ramaytush Ohlone community and by affirming their sovereign rights as First Peoples. The Port has sister port agreements with 10 ports across the world. Sister port agreements recognize good relationships between ports. These agreements allow ports to share information and best practices on managing a waterfront. They also encourage trade and business opportunities between those cities.

**Education-**The Bay Area has a wealth of top-flight universities and colleges, including the two top-ranked graduate schools in the country, as well as one of the nation's top ranked medical schools. The Bay area is home to excellent institutions of learning.

## Annual Property Operating Data

<b>Location:</b> 1618-1632 Mason Street San Francisco 94133	<b>Price:</b> \$13,700,000
<b>Type of Property:</b> 31 Apartments & 3 APPROVED ADUS	<b>Down Payment:</b> \$4,960,000
	<b>Loan:</b> \$8,840,000

### ASSESSED APPRAISED VALUES

<b>Land:</b>	\$2,720,000
<b>Improvements:</b>	\$10,708,000
<b>Personal Property:</b>	\$272,000
<b>Total:</b>	\$13,700,000

**1<sup>st</sup> LOAN      \$8,840,000 65% LTV      30years      5.5%      \$50,192 monthly**

Annual Income/ Expense	EXISTING	MARKET	SECTION 8
Total Rental Income	\$936,660	\$1,141,356	\$1,430,460
Laundry Income	\$ 9,000	\$9,000	\$9,000
<b>Total Income</b>	<b>\$945,660</b>	<b>\$1,150,356</b>	<b>\$1,439,460</b>
Expenses			
Management	\$18,000	\$18,000	\$18,000
Vacancy 3%	\$27,980	\$ 27,980	\$ 27,980
Property Insurance	\$44,169	\$44,169	\$44,169
Utilities			
Electric and Gas	\$6,806	\$6,806	\$ 6,806
Water & Sewer	\$25,053	\$25,053	\$25,053
Garbage	\$32,911	\$32,911	\$ 32,911
Taxes			
Property Taxes	\$154,925	\$154,925	\$154,925
<b>Total Operating Expenses</b>	<b>\$311,295</b>	<b>\$311,295</b>	<b>\$311,295</b>
<b>Net Operating Income</b>	<b>\$634,365</b>	<b>\$839,061</b>	<b>\$1,128,165</b>
<b>Less Debt Service</b>	<b>\$602,304</b>	<b>\$602,304</b>	<b>\$602,304</b>
<b>Cash Flow</b>	<b>\$32,061</b>	<b>\$236,751</b>	<b>\$525,861</b>

The above income and expenses are only estimates because of occupancy changes and renovation. Although the information contained herein is deemed reliable, no representations of any kind, expressed or implied are being made as to the accuracy of such information. All of the data in this prospectus are estimates and approximations to include square footage. Any prospective purchaser and their tax and legal advisor should carefully verify all information contained herein and conduct an independent investigation to include engaging contractors and engineers to complete inspections. Seller bears no liability of any errors, inaccuracies, or omissions.

**Commercial Rent Roll**

Property: 1618-1632 Mason Street

1618-1632 Mason Street	Unit	Unit Mix	Rent		
			Charges	Market Rent	Section 8 Rent
1618-#1	1/1		\$3,244	\$3,244	\$3,274
1618-#3	1/1		\$2,668	\$2,668	\$3,274
1618-#4	Studio		\$1,995	\$1,995	\$2,730
1618-#5	Studio		\$2,476	\$2,476	\$2,730
1618-#6/7	2/1		\$714	\$3,195	\$3,964
1618-#8	2/1		\$2,343	\$3,095	\$9,364
1618-#10	1/1		\$1,469	\$2,495	\$3,274
1618-#11	Studio		\$1,820	\$1,995	\$2,733
1618-#12	Studio		\$1,921	\$1,995	\$2,733
1618-#14	Studio		\$3,006	\$3,006	\$2,733
1618-#15	1./1.0		\$2,102	\$2,395	\$3,274
1618-#16	1/1		\$2,961	\$2,961	\$3,274
1618-#18	2/1		\$3,980	\$3,980	\$3,981
1618-#19	Studio		\$1,921	\$1,995	\$2,733
1618-#20	Studio		\$1,875	\$1,995	\$2,733
1618-#21	Studio		\$1,900	\$1,995	\$2,733
1618-#22	1/1.0		\$2,102	\$2,395	\$3,274
1632-#1	2/1		\$3,300	\$3,300	\$3,964
1632-#23	Studio		\$952	\$1,995	\$2,733
1632-#25	2/1		\$1,649	\$3,195	\$3,964
1632-#26	Studio		\$2,557	\$2,557	\$2,733
1632-#27	Studio		\$2,023	\$2,023	\$2,733
1632-#28	2/1		\$3,244	\$3,244	\$3,964
1632-#29	2/1		\$3,395	\$3,395	\$3,964
1632-#31	2/1		\$3,849	\$3,849	\$3,964
1632-#35	2/1		\$3,741	\$3,741	\$3,964
1632-#36	2/1		\$3,980	\$3,980	\$3,964
1632-#38	2/1		\$2,590	\$3,195	\$3,964
1632-#40	2/1		\$3,244	\$3,244	\$3,964
1632-#41	Studio		\$1,699	\$1,995	\$2,733
1632-#42	1/1		\$3,335	\$3,335	\$3,274
ADU 1	1/1		\$0.00	\$2,495	\$3,274
ADU 2	1/1		\$0.00	\$2,495	\$3,274
ADU 3	2/1		\$0.00	\$3,195	\$3,964
Laundry Income			\$750	\$750	\$750
<b>Totals for</b>			<b>\$78,805</b>	<b>95,863</b>	<b>\$119,955</b>

## SALES COMPARABLES FOR APARTMENT BULDINGS

Subject Property	# Of Units	Unit Mix	Sales Price	Cost Per Unit	Close of Escrow
1618 Mason Street	31	12 (studios) 7 (1) bedrooms 12 (2) bedrooms	\$13,700,000	\$425,000	For Sale
		2 studio	\$7,650,000	\$450,000	09/266/2025
4326 Irving St	17	5 (2) bdrm 8 (3) bdrm 2 (4) bdrm			
1738-1743 Page St	6		\$2,575,000	\$429,166	10/24/2025
		3 (3) bdrms			
3340-3342 24 <sup>th</sup> St	5	2 (4) bdrm	\$2,095,000	\$419,000	11/20/2025
495 32 <sup>nd</sup> Ave	12	4 10 1 Penthouse	\$4,800,000	\$400,000	08/06/2025



**Housing Authority of the City and County of San Francisco**  
 Payment Standards

2026 Fair Market Rents and Payment Standards

**New Payment Standards Effective 1/1/2026 for all transactions**

FMR: Fair Market Rents

TENANT-BASED VOUCHERS PAYMENT STANDARDS			
Unit Size	FY26 HUD FMRs	Housing Authority Payment Standards 1/1/2026	% of HUD FMRs
SRO	\$1,864	\$2,050	110%
STUDIO	\$2,485	\$2,733	110%
ONE	\$2,977	\$3,274	110%
TWO	\$3,604	\$3,964	110%
THREE	\$4,604	\$5,064	110%
FOUR	\$4,772	\$5,249	110%
FIVE	\$5,488	\$6,036	110%
SIX	\$6,204	\$6,823	110%

PROJECT-BASED VOUCHERS PAYMENT STANDARDS			
Unit Size	FY26 HUD FMRs	Housing Authority Payment Standards 1/1/2026	% of HUD FMRs
SRO	\$1,864	\$2,050	110%
STUDIO	\$2,485	\$2,733	110%
ONE	\$2,977	\$3,274	110%
TWO	\$3,604	\$3,964	110%
THREE	\$4,604	\$5,064	110%
FOUR	\$4,772	\$5,249	110%
FIVE	\$5,488	\$6,036	110%
SIX	\$6,204	\$6,823	110%

Note: The PBV Payment Standard amounts represent the maximum rents that SFHA can approve. This maximum is not guaranteed. Any requested rent increase must be determined by SFHA to be rent reasonable and be consistent with rents charged for comparable market rate units of similar location, size, and amenities.

EHV PAYMENT STANDARDS (TENANT-BASED VOUCHERS)			
Unit Size	FY26 HUD FMRs	Housing Authority Payment Standards 1/1/2026	% of HUD FMRs
SRO	\$1,864	\$2,050	110%
STUDIO	\$2,485	\$2,733	110%
ONE	\$2,977	\$3,274	110%
TWO	\$3,604	\$3,964	110%
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FOUR	\$4,772	\$5,249	110%
FIVE	\$5,488	\$6,036	110%
SIX	\$6,204	\$6,823	110%



**Housing Authority of the City and County of San Francisco**  
 Payment Standards

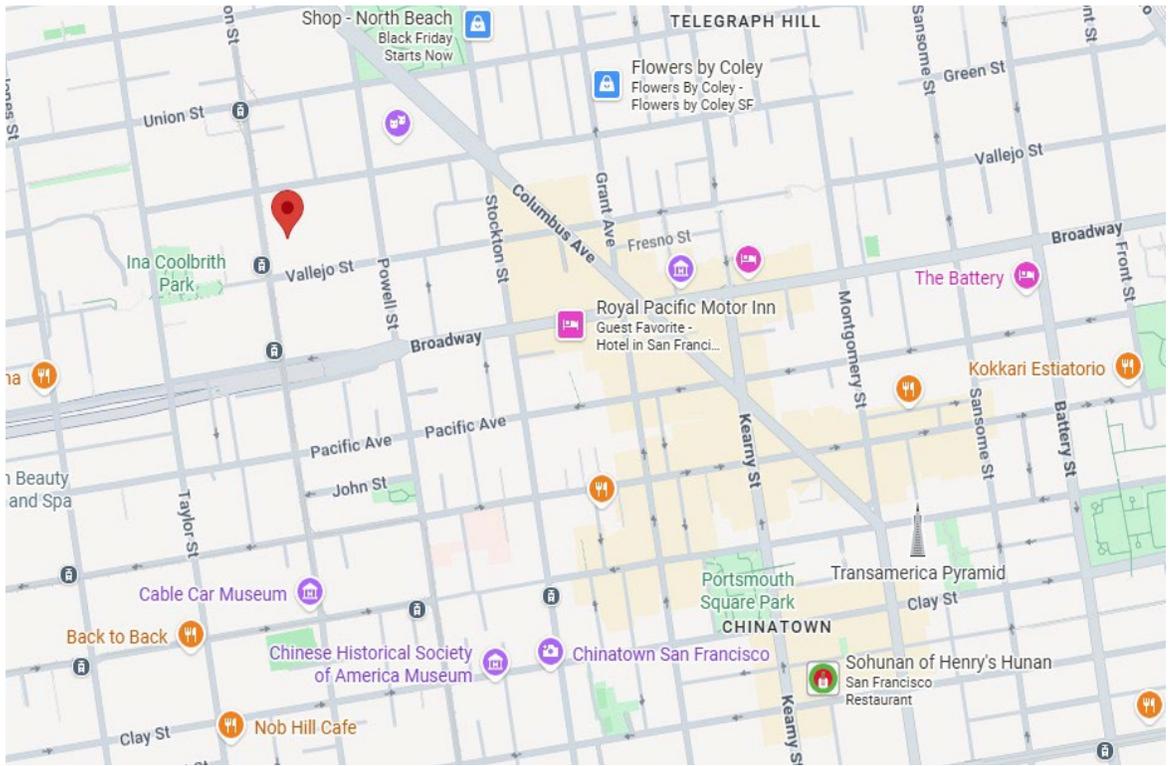
<b>VASH PAYMENT STANDARDS (TENANT-BASED VOUCHERS)</b>			
<b>Unit Size</b>	<b>FY26 HUD FMRs</b>	<b>Housing Authority Payment Standards 1/1/2026</b>	<b>% of HUD FMRs</b>
<b>SRO</b>	\$1,864	\$2,050	110%
<b>STUDIO</b>	\$2,485	\$2,733	110%
<b>ONE</b>	\$2,977	\$3,274	110%
<b>TWO</b>	\$3,604	\$3,964	110%
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<b>FOUR</b>	\$4,772	\$5,249	110%
<b>FIVE</b>	\$5,488	\$6,036	110%
<b>SIX</b>	\$6,204	\$6,823	110%

<b>VASH PROJECT-BASED VOUCHERS PAYMENT STANDARDS</b>			
<b>Unit Size</b>	<b>FY26 HUD FMRs</b>	<b>Housing Authority Payment Standards 1/1/2026</b>	<b>% of HUD FMRs</b>
<b>SRO</b>	\$1,864	\$2,050	110%
<b>STUDIO</b>	\$2,485	\$2,733	110%
<b>ONE</b>	\$2,977	\$3,274	110%
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<b>FIVE</b>	\$5,488	\$6,036	110%
<b>SIX</b>	\$6,204	\$6,823	110%

Note: The VASH PBV Payment Standard amounts represent the maximum rents that SFHA can approve. This maximum is not guaranteed. Any requested rent increase must be determined by SFHA to be rent reasonable and be consistent with rents charged for comparable market rate units of similar location, size, and amenities.

AMI: Area Median Income

<b>2025 INCOME LIMITS (Effective 4/1/2025)</b>			
<b>Family Size</b>	<b>Extremely Low 30% of AMI</b>	<b>Very Low 50% of AMI</b>	<b>Low 80% of AMI</b>
<b>1</b>	\$40,600	\$67,700	\$108,300
<b>2</b>	\$46,400	\$77,400	\$123,800
<b>3</b>	\$52,200	\$87,050	\$139,250
<b>4</b>	\$58,000	\$96,700	\$154,700
<b>5</b>	\$62,650	\$104,450	\$167,100
<b>6</b>	\$67,300	\$112,200	\$179,500

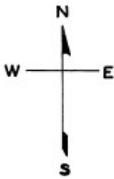


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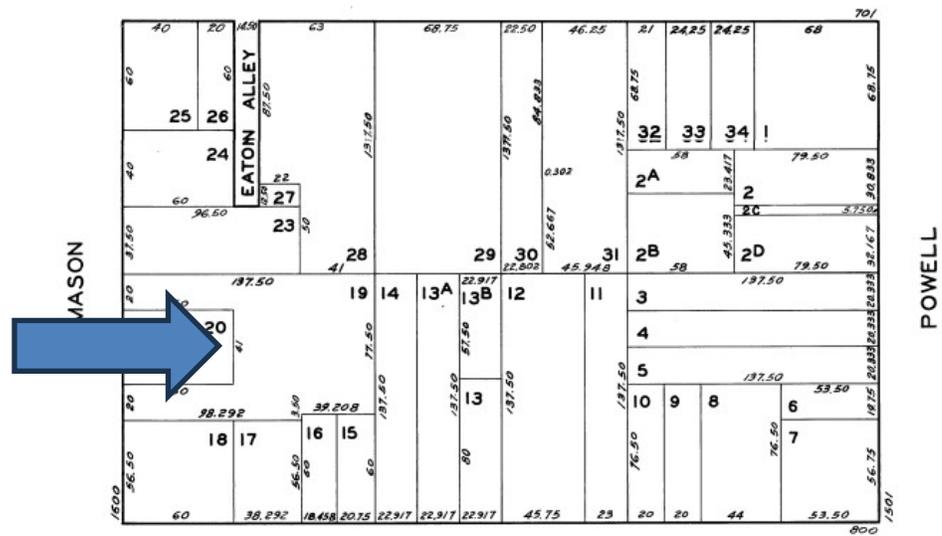
50 VARA BLK. 156

LOTS MERGED  
 LOT 21 INTO LOT 20 - 1942  
 " 17A " " 19 - 1943  
 " 22 " " " "

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GREEN



VALLEJO



Extraordinary Assumptions:

- The renovation and addition of the units are complete in three months and leased in six months. The units under renovation are assumed to be in good condition, and the occupied units are assumed to be in average condition.

Based on the appraisal described in the accompanying report, subject to the Limiting Conditions and Assumptions, Extraordinary Assumptions and Hypothetical Conditions (if any), I have made the following value conclusion(s):

**Current As Is Market Value:**

The "As Is" market value of the Leased Fee estate of the property, as of May 28, 2020, is

**Thirteen Million One Hundred Sixty Thousand Dollars (\$13,160,000)**

The market exposure time preceding May 28, 2020 would have been 3 months based on the value opinion.

**Prospective As Complete Market Value:**

The "As Complete" market value of the Leased Fee estate of the property, as of February 28, 2021, is

**Thirteen Million Four Hundred Seventy Thousand Dollars (\$13,470,000)**

The market exposure time preceding February 28, 2021 would have been 3 months based on the value opinion.

**Prospective As Stabilized Market Value:**

The "As Stabilized" market value of the Leased Fee estate of the property, as of May 28, 2021, is

**Thirteen Million Seven Hundred Thousand Dollars (\$13,700,000)**

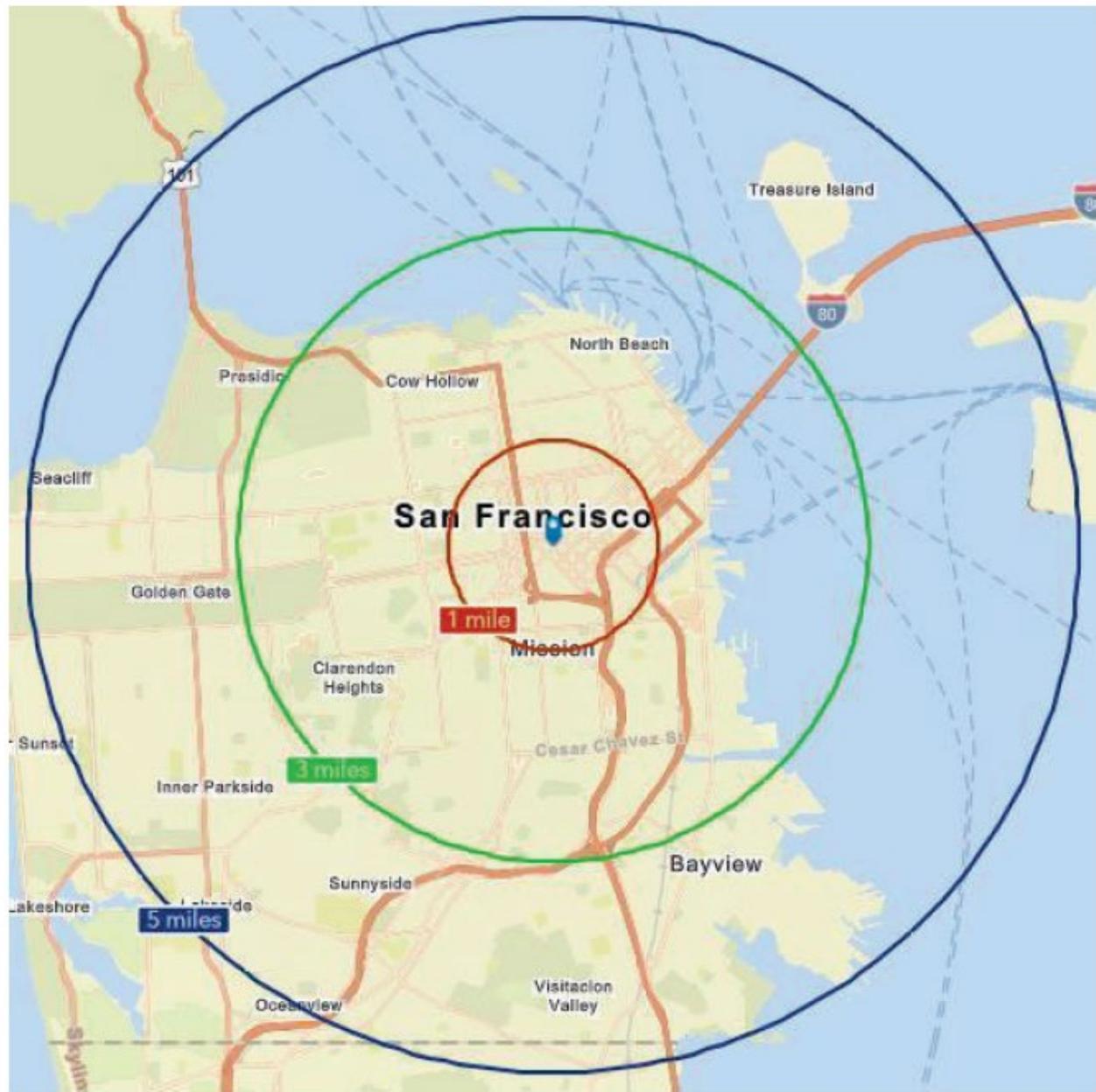
The market exposure time preceding May 28, 2021 would have been 3 months based on the value opinion.

Respectfully submitted,  
HT Appraisal, Inc.

Gary Tang, CCIM, CCAM, LEED AP  
CA-AG003535

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AREA/CITY MAP





NOTICE OF SPECIAL RESTRICTIONS UNDER THE PLANNING CODE

RECORDING REQUESTED BY

And When Recorded Mail To:

Name: Fredenck D. Lewis III  
American Liberty Investments LP  
Address: 7205 SPY Glass Dr.  
City: Modesto  
State: CA ZIP: 95350



Doc # 2022010886

City and County of San Francisco  
Joaquin Torres, Assessor - Recorder

2/1/2022	11:00:10 AM	Fees	\$23.00
Pages 4	Title 394 AL	Taxes	\$0.00
Customer 036		Other	\$0.00
		SB2 Fees	\$75.00
		Paid	\$98.00

(Space Above This Line For Recorder's Use)

I (We) Fredenck D. Lewis III American Liberty Investments LP  
the owner(s) of that certain real property situated in the City and County of San Francisco, State of California more particularly described as follows: (or see attached sheet marked "Exhibit A" on which property is more fully described):

**BEING ASSESSOR'S BLOCK: 0129, LOT: 019;**

**COMMONLY KNOWN AS: 1618 & 1632 MASON ST;**

hereby give notice that there are special restrictions on the use of said property under the San Francisco Planning Code.

Said Restrictions consist of conditions attached to the approval of Building Permit Application Nos. 202104098281 and 202104198852 by the Planning Department of the City and County of San Francisco and are conditions that had to be so attached in order that said application could be approved under the Planning Code. The proposal is to add three Accessory Dwelling Units to a property containing 29 units located at 1618 & 1632 MASON ST in the RM-2 Zoning District. Two ADUs are proposed in the existing 15-unit building at 1618 Mason Street and one ADU is proposed in the existing 14-unit building at 1632 Mason Street, pursuant to Planning Code Section 207(c) and 307(l).

**The restrictions and conditions of which notice is hereby given are:**

1. That said Accessory Dwelling Unit authorized under Planning code Section 207(c)(4) may not be merged with an original dwelling unit(s);
2. That said Accessory Dwelling Unit shall not be used for Short-Term Residential Rentals under Chapter 41 of the Administrative Code;
3. That said Accessory Dwelling Unit is proposed in a building undergoing mandatory seismic retrofitting in compliance with Chapter 4D of the Building Code or voluntary seismic retrofitting in compliance with the Department of Building Inspection's Administrative Bulletin 094 and shall maintain any eligibility to enter the condo-conversion lottery and may only be subdivided if the entire property is selected in the condo-conversion lottery.

**NOTICE OF SPECIAL RESTRICTIONS UNDER THE PLANNING CODE**

- 4. The property owner(s) shall record a copy of these conditions with the Office of the Recorder of the City and County of San Francisco as part of the property records for the block and lot identified above.

The use of said property contrary to these special restrictions shall constitute a violation of the Planning Code, and no release, modification or elimination of these restrictions shall be valid unless notice thereof is recorded on the Land Records by the Zoning Administrator of the City and County of San Francisco.

*[Handwritten Signature]*  
(Signature)

Frederick D. Lewis III  
(Printed Name)

American Liberty Investments LP.  
(Legal Name of Ownership Entity, if applicable)

Dated: NOV 17, 2021 at Modesto, California.  
(Month, Day) (City)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed Name)

\_\_\_\_\_  
(Legal Name of Ownership Entity, if applicable)

Dated: \_\_\_\_\_, 20\_\_\_\_ at \_\_\_\_\_, California.  
(Month, Day) (City)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed Name)

\_\_\_\_\_  
(Legal Name of Ownership Entity, if applicable)

Dated: \_\_\_\_\_, 20\_\_\_\_ at \_\_\_\_\_, California.  
(Month, Day) (City)

Each signature must be acknowledged by a notary public before recordation; add Notary Public Certification(s) and Official Notarial Seal(s).

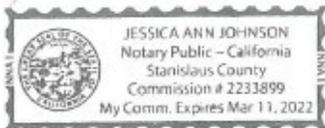
CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }
County of Stanislaus }
On NOV 17, 2021 before me, Jessica Johnson Notary Public
Date Here Insert Name and Title of the Officer
personally appeared Frederick O. Lewis III
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature [Handwritten Signature]
Signature of Notary Public

Place Notary Seal and/or Stamp Above

OPTIONAL

Completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: Notice of Special restrictions Under planning Code

Document Date: November 17, 2021 Number of Pages: 1

Signer(s) Other Than Named Above:

Capacity(ies) Claimed by Signer(s)

Signer's Name:
[ ] Corporate Officer - Title(s):
[ ] Partner - [ ] Limited [ ] General
[ ] Individual [ ] Attorney in Fact
[ ] Trustee [ ] Guardian of Conservator
[ ] Other:
Signer is Representing:

**EXHIBIT A**  
**Legal Description of Property**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN FRANCISCO, IN THE COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

COMMENCING at a point on the Easterly line of Mason Street, distant thereon 56 feet 6 inches Northerly from the Northerly line of Vallejo Street; running thence Northerly along said line of Mason Street 20 feet; thence at a right angle Easterly 80 feet; thence at a right angle Northerly 41 feet; thence at a right angle Westerly 80 feet to the Easterly line of Mason Street; thence at a right angle Northerly along said line of Mason Street 20 feet; thence at a right angle Easterly 137 feet 6 inches; thence at a right angle Southerly 77 feet 6 inches; thence at a right angle Westerly 77 feet 6 inches; thence at a right angle Southerly 3 feet 6 inches; thence at a right angle Westerly 80 feet to the point of commencement.

BEING a portion of 50 Vara Block No. 156.

## **Scope of Work**

### **Work: Construction of (3) New Accessory Dwelling Units (ADUs)**

#### **1. General**

- All work shall comply with the 2019 California Building Code with San Francisco Amendments, the California Electrical Code, and local Fire Marshal requirements
- The contractor will coordinate with the architect, engineers, and city inspectors to ensure approvals at every stage.
- Temporary safety, dust protection, scaffolding, and site security will be provided.
- Contractor to maintain jobsite cleanliness, remove debris regularly, and comply with SF Construction & Demolition Debris Ordinance.
- Two-year workmanship warranty to be issued upon completion.

#### **2. Demolition & Site Preparation**

- Selective demolition of basement storage areas at both 1618 Mason and 1632 Mason per plans.  
Removal of existing concrete, finishes, and utilities interfering with new work.
- Shoring and bracing as required for structural stability.
- Excavation and grading for new foundations, footings, and utility connections.

#### **3. Foundation & Structural Work**

- Excavate and pour new reinforced concrete footings as shown on structural plans.

- Install slab preparation, sub-base, and waterproofing under new ADUs.
- Provide new structural framing (wood and/or steel per plans).
- Install shear walls, hold-downs, and hardware per engineer's details.

#### **4. Framing & Carpentry**

- Frame new walls, floors, and ceilings in accordance with plans.
- Provide fire-rated assemblies where required (1-hour walls at separations).
- Install blocking, headers, and supports for future finishes and fixtures.
- Roof or floor framing modifications as needed for access and egress.

#### **5. Mechanical, Electrical & Plumbing (MEP)**

- Rough-in and final plumbing for kitchens, bathrooms, and laundry.
- Electrical service upgrades and new panel distribution for ADUs.
- Install outlets, lighting, smoke/CO detectors, GFCI protection, and wiring per Title 24.
- Provide mechanical ventilation systems, bathroom fans, and heating units per energy compliance requirements.
- Coordinate utility connections to existing building services.

#### **6. Fire & Life Safety**

- Coordinate installation of new fire sprinklers at basement (under separate permit).
- Install all required egress lighting, exit signs, and safety signage.

### **7. Insulation & Drywall**

- Install batt and rigid insulation per Title 24 requirements.
- Provide vapor barriers and waterproofing where specified.
- Hang, tape, and finish drywall to a Level 4 finish.

### **8. Finishes**

- Install new flooring (vinyl, tile, or engineered wood per client's selections).
- Prime and paint all interior walls, ceilings, and trims.
- Install new baseboards, trims, and interior doors.
- Prepare and finish bathrooms with waterproof tile, grout, and sealants.

### **9. Fixtures & Millwork**

- Install new kitchen cabinets and countertops (allowance or client-supplied).
- Install plumbing fixtures: sinks, faucets, showers, toilets, and tubs per plans.
- Install light fixtures, switches, dimmers, and smoke/CO detectors.
- Install appliances (owner-supplied unless otherwise noted)

### **10. Exterior & Site Work**

- Modify exterior walls for new windows, doors, and egress openings.
- Install waterproof windows and doors per schedule.
- Provide exterior patching, stucco/paint finishes to match existing.
- Restore site conditions, pathways, and exterior drainage as required.



---

### 11. Final Completion

- Thorough cleaning of all work areas.
- Provide operation manuals and warranties binder.
- Conduct walk-through with client, architect, and city inspector.
- Deliver Certificate of Final Completion.

---

### Exclusions

**Fire alarm, owner-selected finishes & appliances, unforeseen structural conditions, and utility fees.**

---

### Change Order

**All modifications or additions outside the approved plan set will be processed as written change orders.**

---

***Contract Price: \$600,000***



# San Francisco Turnaround & Real Estate Recovery in 2025

Blog > San Francisco Turnaround & Real Estate Recovery in 2025

 [daniellelazier](#)  June 4, 2025  [Market Updates](#)

Just about everywhere you look, the San Francisco turnaround is getting more and more apparent. After years of headlines about [doom loops](#) and exodus migration, the city feels like it's turning a page in 2025.

A few statistics: Crime has dropped to a 23-year low. Office leasing just hit its highest level in six years. The tent count fell to the lowest level since records began. These are just a few of the signs that San Francisco is back on track.

## Public Safety and Livable Streets

From our SF real estate perspective, let's start with what matters most to homebuyers and investors: safety and livability. As [reported by The Telegraph](#), car break-ins fell by 50% last year in 2024 to a 22-year low. Overall crime fell 28% in 2024. Walk through areas like UN Plaza in the Civic Center, and you'll see ping-pong tables where tent encampments used to be.

The change in San Francisco goes beyond crime reduction. Local organizations like [Streets For All San Francisco](#) (formerly [KidSafe SF](#)) have spent four years creating safer, more walkable and enjoyable neighborhoods. The organization led the charge to make [JFK Promenade](#) permanent, established 16 [Slow Streets](#), and helped to transform the Great Highway into the new [Sunset Dunes](#) park.

Anecdotally in our team of [top SF Realtors](#) working with buyers and sellers, [Contact us today](#). Clients who want to consider certain neighborhoods (or maybe buying at all) are more actively exploring

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across the city.



## AI Boom and SF Office Market Recovery

Commercial real estate in San Francisco is also seeing its most significant turnaround in years. Companies like Salesforce [now require](#) employees to work at least four days a week in the office. Gap Inc. [announced](#) a return to five-day office weeks (among many other companies in SF). But however you feel about RTO mandates, the real story in commercial real estate is artificial intelligence.

Nvidia CEO Jensen Huang [believes San Francisco is back](#). "Just about everybody evacuated San Francisco," he said during a recent podcast interview. "Now it's thriving again. It's all because of AI." Nvidia is reportedly hunting for roughly 30,000 square feet of high-end sales office space in San Francisco.

The hype has turned into real movement for commercial properties. AI companies have [leased over 5 million square feet](#) in San Francisco in the past five years and are projected to take an additional 16 million square feet between now and 2030, or roughly 2.7 million square feet annually. That would cut the city's office vacancy rate from ~36% currently to less than 18% by 2030.

Another data point in this trend is [OpenAI's expansion](#) to nearly 1 million square feet across three buildings in SF. And when workers return to downtown, they need places to live. That demand directly benefits residential real estate across [San Francisco neighborhoods](#).

## SF Real Estate Market is Gaining Momentum

The San Francisco housing market turnaround reflects this recovery and change in the city. While macroeconomic pressures (tariffs, uncertainty, etc.) are keeping a lid on home sales to an extent, the latest

g 2025 numbers show positive trends on both the [buying](#) and [selling](#) side.

Looking at agent-reported MLS data, the median home sale price in San Francisco increased by 4% annually during the spring March-May period. Condos, which have been the slower market segment, actually outperformed with 5.7% price growth compared to 4.3% for houses. Condos are also selling faster, with the median days-on-market dropping to 26 days from ~29 last year.

## Market Supply Dynamics

The supply of homes for sale in San Francisco also points to this turnaround. Houses are at just 1.8 months of inventory compared to 3.9 months for condos, but supply is tightening across both segments, down 14% for houses and 20% for condos year-over-year as of May 2025.

The biggest value opportunities are still in urban condo markets like [South of Market \(SoMa\)](#) and [South Beach](#), where roughly six months of supply still exists. ('Months of supply' compares the current number of homes on the market against the current rate of sales - how fast would existing supply sell if there were no new listings?) However, even these markets are tightening. SoMa condo monthly supply dropped 30% year-over-year in May. Condos in more suburban neighborhoods like [Noe Valley](#) show just 1.4 months of supply.

## Citizen Activism and Political Change

None of this happened by accident. Credit goes to organizations like [Neighbors for a Better San Francisco](#) (who are a central focus of *The Telegraph's* article) and the countless local residents who demanded change.

We also appreciate the hard work of [Streets For All San Francisco](#) and their campaign since COVID to create safer, more livable streets.

The results have been impressive. Mayor Daniel Lurie, who took office in January 2025, brings a pro-business approach that has generally been well-received. "People wanted to count us out, and I think that was a bad bet. We're seeing all of this because the ecosystem is better here in San Francisco than anywhere else in the world." Agreed.

## What This Means for San Francisco Real Estate

Current market conditions in SF are creating opportunities across price points and property types. The AI boom adds new demand, as the tech workers and sales staff need housing. Decreasing supply and increasing demand for real estate listings create will upward pressure on prices, although there are still macroeconomic concerns out of any local buyer, seller, or SF Realtor's control. (Try as we might.)

For inspiration from real-life stories of San Francisco homebuyers and sellers, check out our [Real Estate Case Studies](#).

## Looking Forward

The San Francisco turnaround is happening. Knock on wood, the worst appears behind us, and many of the best opportunities may still be ahead.

If you've been thinking about a change in living arrangements, current trends suggest now is a good time to consider your options and see what aligns with your long-term goals.

Want the latest in your inbox? [Subscribe to our newsletter](#) for our regular updates on San Francisco real es....e.





The San Francisco Bay Area has long been a desirable place for real estate investment, and for good reason. Known for its stunning views of the Pacific Ocean, vibrant culture, and strong job market, the city attracts people from around the world. For investors (<https://kennyrealty.nesthub.com/blog/how-to-become-an-investor-of-real-estate-in-the-san-francisco-bay-area>), San Francisco offers the potential for significant returns on property investments, despite the area's high prices. At Kenny Realty (<https://www.kennyrealty.com/>), we know the ins and outs of this competitive market, helping investors make informed decisions.

In this article, we'll explore why investing in San Francisco real estate is a smart move, the benefits it offers, and key factors to consider when purchasing property in this iconic city.

## Why Investing in San Francisco Real Estate is a Smart Move

San Francisco real estate is known for its high property values, making it a prime location for those looking to invest. Whether you're eyeing a single-family home, apartments, or commercial real estate, properties in this city have consistently appreciated over time.



The demand for housing in San Francisco is driven by the city's robust job market, particularly in the tech and finance sectors. With companies like Salesforce, Twitter, and other Silicon Valley giants nearby, the city offers excellent opportunities for both short-term and long-term cash flow. Rental demand is always strong, and the city's limited space means property values continue to rise.

# 5 Benefits of Investing in San Francisco Property

Investing in San Francisco real estate (<https://kennyrealty.nesthub.com/blog/essential-tips-for-investing-in-investment-property>) is not only about acquiring property—it's about securing a long-term asset in one of the most dynamic markets in the world. Whether you're looking for steady cash flow, diverse investment options, or access to top neighborhoods, San Francisco offers unique advantages that make it a smart move for investors (<https://kennyrealty.nesthub.com/blog/5-san-francisco-bay-real-estate-investor-secrets-to-success>). Let's dive into five key benefits of investing in this highly sought-after market.

## 1. High Property Values

San Francisco properties have a long history of strong value appreciation. Despite high prices, the city's limited land supply, coupled with high demand, keeps property values on an upward trajectory. Investing in San Francisco real estate means securing an asset that is likely to grow in value over time.

## 2. Strong Cash Flow Opportunities

With rents among the highest in the nation, San Francisco offers excellent cash flow potential. Investors who purchase rental properties can expect strong returns, particularly in desirable neighborhoods where demand for rental units remains high.

## 3. Diverse Investment Options

From luxury condos to commercial real estate and single-family homes, San Francisco offers a wide range of investment opportunities. Whether you're a first-time homebuyer or a seasoned investor, there are options suited to different needs and financial goals.



#### 4. Competitive Job Market

The city's thriving tech industry, as well as its finance and biotech sectors, drive continued demand for housing. This job market stability ensures that investing in San Francisco property can yield reliable rental income for investors.

#### 5. Access to Top Neighborhoods and Amenities

San Francisco is known for its unique and diverse neighborhoods, each with its own charm and access to amenities like parks, restaurants, and cultural landmarks. The Bay Area is also home to world-class educational institutions and healthcare facilities, making it an attractive place for families and professionals.

## The Advantages of Living in the San Francisco Bay Area

Beyond its investment potential, the San Francisco Bay Area offers a lifestyle that's hard to beat. Residents enjoy proximity to the Pacific Ocean, breathtaking views, and a temperate climate. The city is also a hub of culture, with iconic landmarks such as the Golden Gate Bridge, Fisherman's Wharf, and historic neighborhoods like Haight-Ashbury.

The well-being of its residents is also a key factor. With access to top schools, healthcare, and a well-connected transportation system, people who live in the Bay Area enjoy a high quality of life. All of these factors combine to drive demand for housing, making San Francisco properties a solid long-term investment.

## Why Investing in San Francisco Real Estate is Still a Smart Move

Despite high prices, investing in San Francisco real estate remains a smart move due to the city's resilience in the face of market fluctuations. Historically, property values in San Francisco have weathered economic downturns and



continued to rise. This market's consistency offers peace of mind to investors looking for long-term stability.

Even as other markets experience volatility, San Francisco's status as a global tech hub ensures continued demand for housing, both for residents and businesses. High property prices may be a hurdle, but the big picture reveals strong appreciation over time, making the city a good investment for the future.

## **Exploring Investment Property Options in San Francisco**

Investors in San Francisco can choose from a range of property types. Single-family homes in desirable neighborhoods offer high rental demand, while commercial real estate in tech-heavy districts provides excellent income potential. Apartments and condos, often located in the city's busiest areas, are ideal for generating cash flow in a competitive rental market.

San Francisco's unique architecture, historic buildings, and thriving business districts also make it appealing to developers and buyers alike. Whether you're purchasing for resale or long-term investment, the city offers various avenues for generating returns on investment.

## **Commercial Real Estate in San Francisco: A Competitive Advantage**

San Francisco's booming economy makes commercial real estate a smart investment. The demand for office space in areas like the Financial District and SoMa (South of Market) is driven by the city's technological and financial sectors. Commercial buildings in these areas offer high rents and long-term appreciation potential.

Investors in commercial real estate also benefit from tax advantages, including depreciation deductions and favorable capital gains treatment. With San Francisco's commercial real estate market showing no signs of slowing down,



2025

this is an ideal time to capitalize on the city's economic growth.

# Key Factors to Consider When Investing in San Francisco Properties

When investing in San Francisco real estate, it's crucial to consider several key factors:

- **Financing:** High property prices mean you'll need a solid financial plan. Work with lenders to secure favorable financing options.
- **Market Conditions:** Keep an eye on the current market and how it affects prices, rent demand, and future property values.
- **Demand:** Be aware of neighborhood trends and property demand in the areas you're considering investing in.
- **Developer Opportunities:** New developments and planned infrastructure improvements can boost property values in certain neighborhoods.

## Local Insight from Kenny Realty

At Kenny Realty, we have decades of experience providing real estate services (<https://www.kennyrealty.com/san-francisco-bay-real-estate-services>) to help investors navigate the San Francisco real estate market. Whether you're looking for an investment property, commercial real estate, or advice on the current market, our team (<https://www.kennyrealty.com/about>) provides expert guidance to help you make the best investment choices. We understand the local demand, property values, and key factors affecting the future of San Francisco real estate.



# Why Kenny Realty Believes Investing in San Francisco is Your Smartest Move Yet

Investing in San Francisco real estate is more than just a financial decision—it's a smart move for anyone looking to secure long-term growth and stability. With high property values, strong cash flow opportunities, and access to desirable neighborhoods, the city offers a unique investment landscape. For personalized advice and insight into the market, contact Kenny Realty (<https://www.kennyrealty.com/contact>) to explore your investment options in the San Francisco Peninsula, Bay Area, and surrounding communities.

## Author

**Evan Godfrey**

Realtor/Property Manager CalDRE #01954828



Evan has been in the real estate and property management field for 6+ years. He is experienced in working with first time home buyers, is an Accredited Buyer's Representative (ABR®), Seller Representative Specialist® (SRS) and Seniors Real Estate Specialist®(SRES®). He also works closely with Kenny Realty owners, getting their rental properties rented as quickly as possible.

Evan is responsible for monitoring rental market conditions and advising our owners on market rates. He has outstanding communication with all clients he works with, keeping everyone in the loop at all times. He is the third generation of the Kenny family to practice property management on the peninsula.

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# San Francisco Apartment Market Leads the Nation for Rent Growth



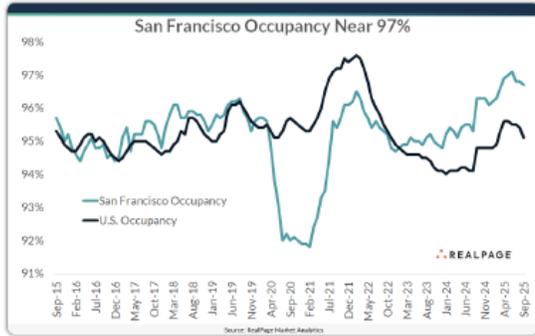
by [Kim O'Brien](#) Posted October 30, 2025

in [San Francisco](#)



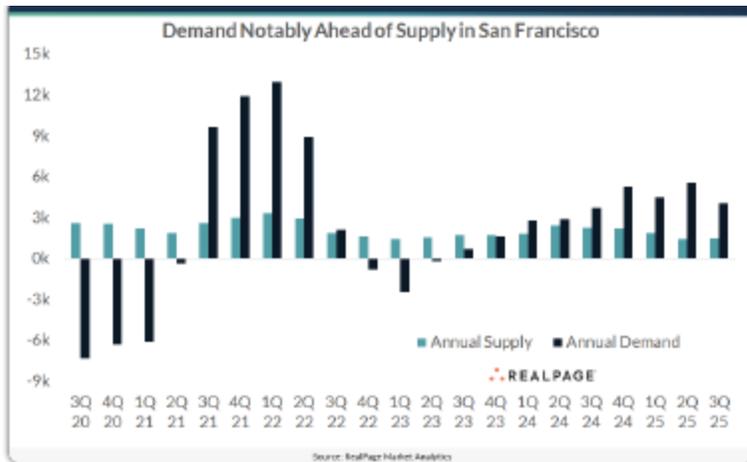
San Francisco is leading the nation for rent growth, trending in contrast to national price cuts.

Helping inspire solid rent growth in the past year, apartment occupancy in San Francisco has recovered from its pandemic setback and is up to nearly 97% as of September. This latest showing of 96.7% was well ahead of the U.S. rate of 95.1%.



While San Francisco's September occupancy rate wasn't a top 10 showing among the nation's largest 150 apartment markets, it was a top three reading among the largest 50 markets. Among these major markets, only Newark and New York had tighter showings closer to 97% in September.

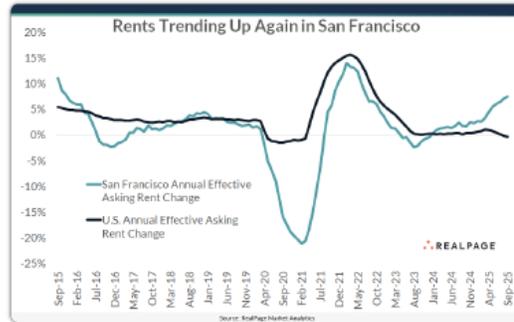
Occupancy tightness in San Francisco is the result of demand pushing well past concurrent completion volumes in recent years. Only 1,443 units were delivered in San Francisco in the year-ending 3rd quarter, which was a little more than half the decade average. Annual demand, meanwhile, was nearly three times the rate of supply, with San Francisco absorption topping 4,000 units in the year-ending 3rd quarter.



Renewed demand in San Francisco seems to stem, in part, from the area's continuing economic recovery, fueled by optimism surrounding artificial intelligence. While overall job growth may still look modest, strengthening fundamentals in the tech sector are contributing to broader economic momentum and helping to slow the [population decline](#) experienced in recent years.

Effective asking rents increased 7.5% in San Francisco in the year-ending September, according to data from RealPage [Market Analytics](#). This movement is in contrast to the [national performance](#), and was well ahead of the market's decade average.

San Francisco saw a deep decline in rental rates along with the nation's other [gateway](#) markets in 2020 and 2021, during the economic decline of the COVID-19 pandemic. Rents rebounded in 2022 to double-digit territory, which is not uncommon for San Francisco. In fact, the market saw a similar peak in annual rent growth back in 2011, when rates were near 14%.



San Francisco's latest price increase was well ahead of the nation's other big rent growth showings in the past year. Among the nation's largest 150 apartment markets, the other top readings were in the smaller Champaign, Providence and Portland markets, which saw rent growth between 5% and 6% in the past year. Among the largest 50 apartment markets, New York and Chicago were the closest to San Francisco, with annual rent growth around 4%.

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From the San Francisco Business Times:

[https://www.bizjournals.com/sanfrancisco/news/2026/01/28/soaring-rent-zumper-real-estate-data-new-york.html?utm\\_source=st&utm\\_medium=en&utm\\_campaign=ae&utm\\_content=FR&j=43795541&senddate=2026-01-28&utm\\_term=ep1&empos=p1](https://www.bizjournals.com/sanfrancisco/news/2026/01/28/soaring-rent-zumper-real-estate-data-new-york.html?utm_source=st&utm_medium=en&utm_campaign=ae&utm_content=FR&j=43795541&senddate=2026-01-28&utm_term=ep1&empos=p1)

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Residential Real Estate

## San Francisco's soaring rents could soon surpass New York and become priciest in U.S.



Crescent Heights has the green light to build a 67-story residential tower at 10 South Van Ness in San Francisco, which could help ease the city's housing crunch that's led to soaring rents.

KPF



By Mark Calvey - Senior Reporter, San Francisco Business Times  
Jan 28, 2026

Listen to this article 4 min

### Story Highlights

- San Francisco rents rose 16.1% annually to \$3,670 for the median one-bedroom.
- AI sector growth and return-to-office mandates drive rental demand.
- San Francisco approaches New York as nation's most expensive rental market.

San Francisco apartment rents chalked up their largest annual growth since real estate marketplace Zumper began tracking the data more than a decade ago, and they're headed toward a new milestone: priciest in the nation.

San Francisco's median one-bedroom rent in January rose 16.1% year over year to \$3,670, according to Zumper's National Rent Report released Wednesday. The

city's two-bedroom median rent soared 19% from a year ago to \$5,010, perhaps reflecting the popularity of getting a roommate to help cut living expenses.

That put San Francisco's two-bedroom rent just \$130 lower than New York's two-bedroom rent, according to Zumper. The last time San Francisco topped the list of most expensive cities for a two-bedroom apartment was July 2021, with New York holding the lead since then.

"Internally here at Zumper, the conversation has shifted from whether San Francisco would catch up to how long it might stay there if current momentum holds," Zumper spokesperson Crystal Chen told the Business Times. "San Francisco's notable rent growth is being driven by a rebound in high-income demand colliding with one of the most supply-constrained markets in the country."

San Francisco apartment landlords are benefitting from more companies wanting workers back in the office, such as TikTok shifting from three days a week in the office to five this year. Numerous AI companies want their teams in office to spur collaboration and innovation.

Some companies are offering a carrot as part of their return-to-office policies by providing rent stipends to workers living within a 10-minute walk of the company's offices. San Francisco-based AI startup Cluely is among those offering a rent stipend to eligible workers, the *New York Times* reported.

One of the first things Cluely CEO and cofounder Roy Lee did after raising \$5.3 million in venture funding last year was to lease eight apartments for his employees at a new luxury apartment complex just a one-minute walk from the company's South of Market office.

"Growing optimism around artificial intelligence has strengthened hiring expectations, particularly for highly paid technical and research roles that tend to cluster in San Francisco," Chen said. "As ambitious workers prioritize proximity to talent, capital and fast-moving companies, that demand shows up quickly in rents, which suggests that San Francisco is asserting itself as a magnet for career-driven renters tied to AI and adjacent sectors."

Echoing Zumper's observations, LinkedIn's latest report on *Jobs on the Rise in San Francisco* showed that the fastest-growing roles in the city signal the AI sector is shifting from investment to execution. That shift includes roles for business operations managers and other roles needed for building successful companies on the latest advances in AI. Unfortunately, the city's AI sector isn't hiring fast enough to offset the loss of thousands of tech jobs last year.

But soaring apartment rents has more real estate developers moving forward on San Francisco apartment projects that now pencil out, including a 619-unit tower envisioned for 555 Beale St. and a 67-story tower at 10 South Van Ness.

San Francisco's robust rent growth stands in sharp contrast to weakening rents across much of the country due to slower household formation, economic uncertainty and lingering excess supply of apartments.

"San Francisco is moving in the opposite direction," Chen said. "Demand is rebounding faster than housing can be delivered and long-standing zoning and development constraints have left little buffer."

Nationally, one-bedroom median rent fell 0.1% month over month to \$1,503, which was down 2% year over year, according to Zumper's National Rent Index. Two-bedroom median rent nationally fell 0.2% month over month to \$1879, which was down 1.5% year over year.

"Markets that have already worked through excess inventory may see a faster snapback than what national averages suggest," Zumper CEO Anthermos Geoglades said in a news release. "The spring leasing season will offer a clearer signal for where the market is headed."

## T H E L I S T

# The Most VC-Funded AI Companies in the Bay Area

Equity raised in 2024

Rank	Prior Rank	Business name
1	1	xAI Corp.
2	2	Databricks Inc.
3	3	Anthropic PBC

[View This List](#)

# SAN FRANCISCO METRO

THE BAY AREA IS THE BIRTHPLACE AND CENTER OF INNOVATION AND ADVANCEMENT IN TECHNOLOGY IN THE UNITED STATES.

Some of the largest technology firms, financial companies and educational institutions are located here. The San Francisco metro consists of San Francisco, San Mateo and Marin counties, and contains a population of 1.84 million people. The city of San Francisco accounts for all of San Francisco County, and contains nearly 860,000 residents. Marin County is located to the north of the city and has 252,000 residents, while San Mateo County is south of San Francisco and has a population above 730,000 people. While the metro represented one of the later-recovering markets from the pandemic, the area's population is slated to expand by just over 30,000 residents over the next five years.



POPULATION  
**5.0M**

GROWTH '23-'28  
7.0%

HOUSEHOLDS  
**1.9M**

GROWTH '23-'28  
7.4%

## METRO HIGHLIGHTS

MEDIAN AGE

**41.2**

U.S. MEDIAN  
38.7

MEDIAN  
HOUSEHOLD  
INCOME

**\$122,900**

U.S. MEDIAN  
\$68,500

### WORLD-CLASS INSTITUTIONS

The Bay Area is home to top-ranked educational and research institutions, including one campus of the University of California system, along with the University of San Francisco.

### EDUCATED WORKFORCE

The metro has one of the most skilled labor forces in the nation. Approximately 50 percent of residents ages 25 and older have obtained a bachelor's degree, well above the national rate.

### HIGH-INCOME EARNERS

The still large tech and financial sectors contribute to a median household income that is almost double that of the nation.





# SAN FRANCISCO DEMOGRAPHICS

- The metro's populace is slated to expand by 1.8 percent through 2028. In the same period, roughly 16,000 households will be formed, generating demand for housing.
- Home prices significantly above the U.S. median result in a homeownership rate of 46 percent, which is well below the national rate, providing a strong rental market.
- Roughly 50 percent of the local population over the age of 25 holds a graduate or pro-fessional degree, well above the national rate of 29 percent.

## 2023 POPULATION BY AGE



## QUALITY OF LIFE

San Francisco is recognized worldwide for its spectacular physical beauty, culture, business opportunities and professional sports teams. It also acts as the administrative, financial, cultural and services hub for the West Coast. San Francisco's cost-of-living, however, is one of the most expensive in the nation, due in part to the tight housing market and elevated cost of goods and services. The metro also has one of the highest discretionary income levels in the U.S., as a result of the area's educated workers and its large concentration of jobs in well-paying industries. Cultural and recreational opportunities abound, including a theater district, symphony, opera and more than 20 museums.

## SPORTS

- 1 **Baseball** | San Francisco Giants
- 2 **Men's Basketball** | Golden State Warriors
- 3 **Women's Basketball** | Golden State Valkyries

## EDUCATION

- 4 San Francisco State University
- 5 University of San Francisco
- 6 University of California, San Francisco
- 7 City College of San Francisco

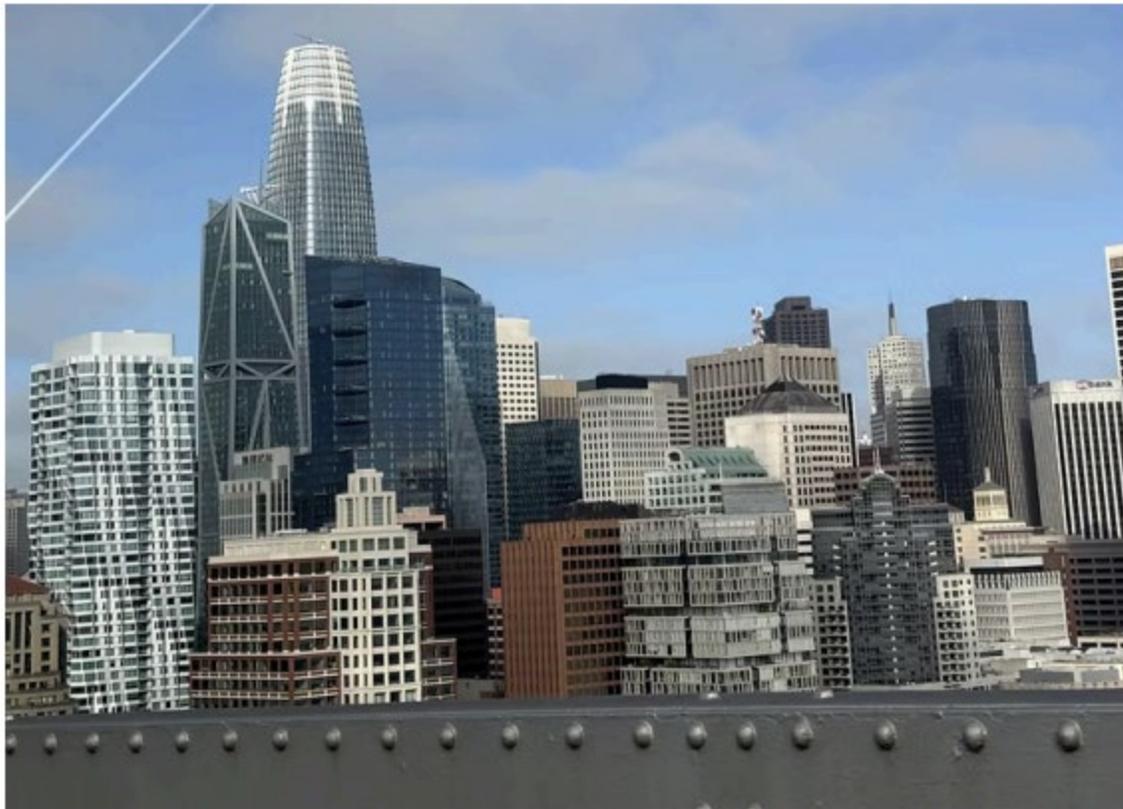
## ARTS & ENTERTAINMENT

- 8 Golden Gate Park
- 9 The Walt Disney Family Museum
- 10 Exploratorium
- 11 San Francisco Museum of Modern Art



Jun 25 · 22 min read

## San Francisco Real Estate Recovery in Mid-2025: Sector Insights and Policy Shifts



San Francisco's real estate landscape is navigating a pivotal phase in mid-2025. After several turbulent years, the market is showing early signs of stabilization and recovery, albeit unevenly across sectors. This report – from the perspective of a feasibility advisory firm – examines current conditions and recovery signals in four key sectors (Office, Multifamily Residential, Retail, Industrial) and discusses changes shaping the city's outlook. The tone is cautiously optimistic: while challenges remain, emerging trends

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toward a gradual revitalization. Below, we break down each sector's status with data-driven insights, and then explore how new leadership and rezoning efforts may influence San Francisco's real estate trajectory over the next 6–18 months.

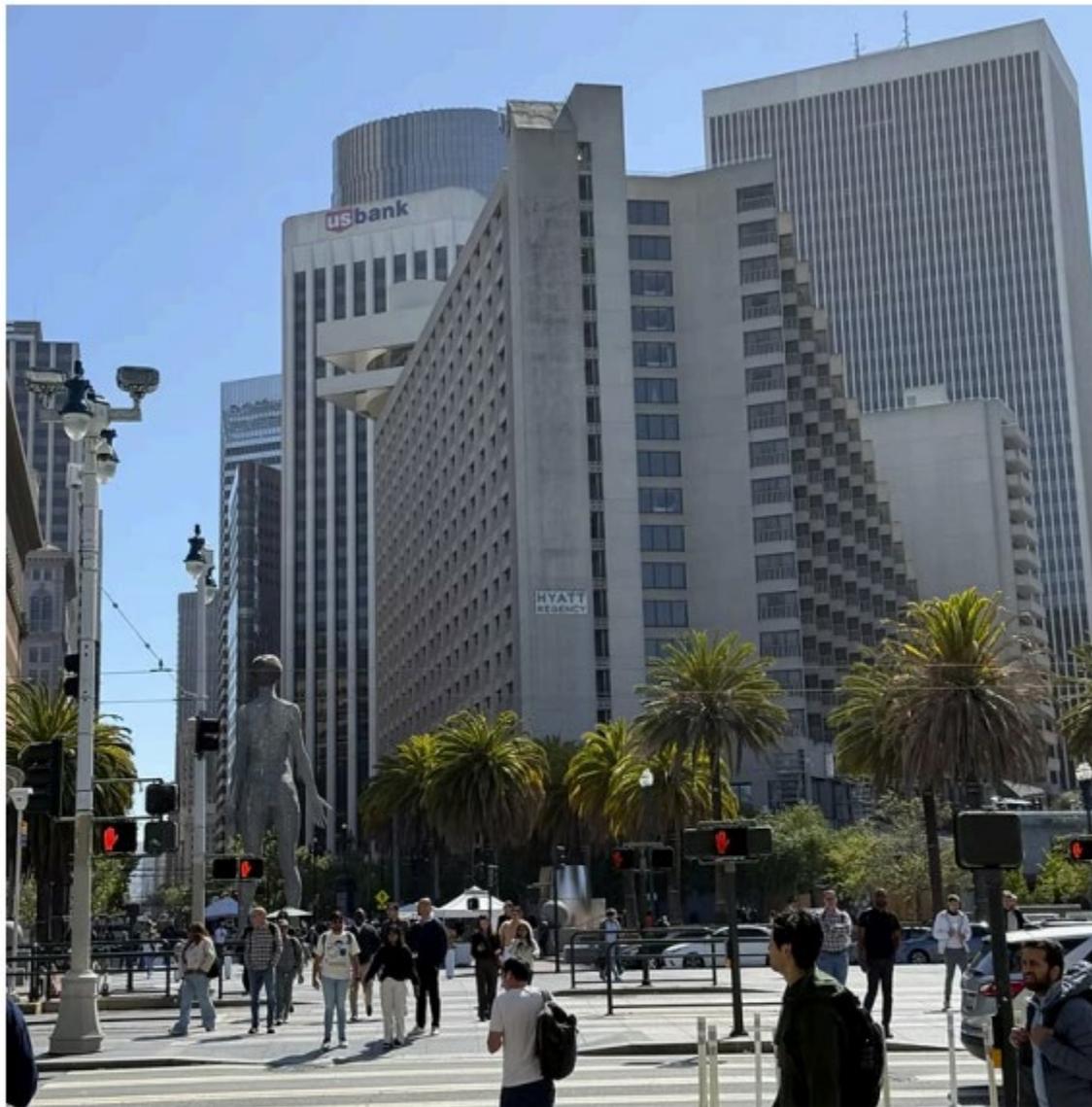
## Office Market: High Vacancy Meets Renewed Demand

**Current Conditions:** San Francisco's office market is slowly rebounding from its pandemic-era downturn. Leasing activity has accelerated through late 2024 and early 2025, reaching its highest volumes since early 2022. Tech firms – particularly in the booming artificial intelligence (AI) sector – have led this leasing uptick by expanding into quality spaces freed up by earlier tenant contractions. Notably, companies like OpenAI, Anthropic, and Databricks have all signed large leases for space in San Francisco in recent quarters. This new demand has helped offset the remote/hybrid work-induced drop in occupancy that hit San Francisco harder than any other major office hub.

**Market Stats:** Despite improving leasing momentum, the **office vacancy rate** remains historically high at **22.8%** as of Q2 2025. This is up slightly (about 60 basis points) from a year prior, and starkly higher than the ~5.9% vacancy of 2019 before the pandemic. In total, roughly **50 million square feet** of office space is available citywide, including **9.3 million square feet** listed for sublease – a legacy of companies downsizing. Top-tier office towers are especially underutilized: Class 4 & 5 Star buildings face a **27.2%** vacancy rate, exerting upward pressure on the overall vacancy. On the pricing side, **asking rents** have fallen about 30% from their 2019 peak and now average **\$50–\$51 per sq. ft.** annually across all classes. The good news is that rent declines have *slowed* markedly – year-over-year rent growth stands at **-1.7%** (essentially flat) in Q2 2025, hinting at approaching rent stabilization. Another positive indicator is absorption: over the past 12 months net absorption was effectively flat at **-14,000 sq. ft.**, a dramatic improvement from the **-6.5 million sq. ft.** annual net absorption recorded in 2023. In fact, **gross absorption** of office space surpassed **3.5 million sq. ft. in Q1 2025**, the highest quarterly volume in four years. Construction of new offices has virtually halted – only **1.3 million sq. ft.** is under construction, mostly life-science oriented projects – reflecting developer caution amid high vacancies.

**Demand Drivers & Headwinds:** The office demand that does exist is being driven by San Francisco's evolving tech economy. **AI and biotech firms** are fueling much of the new leasing, attracted by high-quality (and often discounted) sublease space that came on the market during the downturn. Major commitments by firms like Google (which renewed over 550,000 sq. ft. in early 2025) and law firm Morgan Lewis (which took 123,000 sq. ft. in the Transamerica Pyramid) underscore that there is still confidence in select locations and properties. On the other hand, **structural headwinds** persist. Remote and hybrid work has permanently reduced the baseline demand for office space, especially in downtown high-rises. Many companies already **downsized** their footprints in 2022–2023, and while that wave is easing, a few continued **move-outs** are occurring as pre-pandemic leases expire (e.g. recent space give-backs by LendingClub and Okta). The sheer scale of **excess space** – including subleases – will take time to backfill. Elevated vacancy, particularly in older or less amenity-rich buildings, also **deters investment** and new development. Indeed, brokers agree that outside of specialized life-science projects, new speculative office construction will be rare in the coming years.

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**Signs of Recovery/Restructuring:** Despite the challenges, there are clear signals that the office market may have **hit bottom** and is slowly turning a corner. The pace of vacancy increase has **slowed** significantly compared to the steep rises of 2020–2022. Total available space has even ticked down slightly over the past year – a subtle but important sign of nascent re-absorption of excess inventory. Landlords report growing sentiment that an **inflection point** is at hand, expecting key indicators like absorption, vacancy, and rent to stabilize and start improving in upcoming quarters. The deal activity in late 2024 and early 2025 – including **20-year lease commitments** and large tech expansions – hints at long-term confidence from certain tenants. Moving forward, the office sector's recovery will likely involve **restructuring** of underperforming assets: we anticipate more building renovations and potential conversions (for instance, some obsolete offices may be repurposed to laboratory space or even housing, aided by new city incentives). Overall, the office market's trajectory in the next year will be defined by a slow grind of absorption as the city's tech-driven growth (AI, life sciences) fills some of the void, while landlords and policymakers explore creative reuse for the most vacant properties.

## Multifamily Residential: Demand Resurgence and Tightening Vacancies

**Current Conditions:** In stark contrast to the office sector, San Francisco's **multifamily residential** market is mounting a robust recovery in 2025. After a period of pandemic-era outflow and soft demand, renters are returning and absorption has surged. The first quarter of 2025 saw the **largest expansion in apartment demand in four years**, and momentum remained strong into Q2. This upswing coincides with a return to **population growth** for San Francisco: after several years of decline, the city's population stabilized and even notched a modest increase in 2024, which has bolstered apartment demand. Market observers attribute the turnaround to a combination of factors – renewed hiring (especially by AI and tech firms), improving downtown safety conditions, and the simple fact that many who left during the pandemic have either come back or been replaced by new arrivals. Neighborhoods that were hard-hit by remote work and civic issues (homelessness, street crime) – such as parts of Downtown and Civic Center – are showing tentative improvement, suggesting that city initiatives to improve livability are having an effect.

**Market Stats:** Apartment occupancy has tightened dramatically over the past year. The **vacancy rate** has fallen to **5.1%** as of Q2 2025 – the lowest level in San Francisco in over a decade. For context, vacancy peaked near 10–11% in late 2020 during the height of urban out-migration; today's 5.1% is even lower than pre-pandemic 2019, indicating a **full recovery** in occupancy. Net **absorption** over the last 12 months hit approximately **3,700 units**, matching the annual demand levels of the city's pre-pandemic boom. This demand has outpaced the limited new supply: relatively few new multifamily projects have delivered in the past year (fewer than 1,000 units were added over 12 months), allowing excess vacancies to be absorbed rapidly. Tightening supply-demand conditions are translating into rising rents. Citywide **asking rents** are up about **4.9% year-over-year** as of Q2, one of the fastest growth rates among major U.S. markets. In fact, the average apartment rent in San Francisco has **just surpassed its 2019 peak** in nominal terms. Effective rents (net of concessions) have similarly climbed, and landlords are regaining pricing power after the rent declines of 2020–2021. By property class, the **luxury segment (4 & 5 Star)**, which saw vacancies skyrocket during the pandemic, has rebounded significantly – its vacancy rate has dropped to **8.5%** (down from nearly 20% in 2020) as high-income renters return to the city. Mid-market and workforce apartments (3 Star and below) remain the tightest, with sub-5% vacancy across Class 3, 2, and 1 properties.

**Demand Drivers & Headwinds:** Several **tailwinds** are fueling the multifamily resurgence. **Employment growth** in San Francisco's resurgent tech sector (especially AI) is attracting new residents and boosting household formation, directly increasing apartment demand. Additionally, **population inflows** – whether young professionals moving in or former residents returning – have resumed now that the city is perceived to be stabilizing economically and addressing quality-of-life concerns. Local officials' efforts to curb open-air drug use and improve public safety in key neighborhoods have made urban living more attractive than it was a couple of years ago. Another important driver is the **cost of homeownership**: with Bay Area home prices still high and mortgage interest rates around their highest in over a decade, many would-be buyers are remaining renters. This dynamic keeps rental demand robust, since *renting is the only feasible option* for a large portion of the workforce given the barriers to buying in San Francisco's housing market. On the supply side, one **headwind** is the **slow pace of new construction**. While the city has an ambitious housing pipeline on paper, groundbreakings have been limited by economic conditions, high construction costs, and lengthy approvals. Developers have entitlements for thousands of units – for example, in the South of Market area alone, over 5,000 units are approved and awaiting better market conditions – but many projects are paused until financing and cost dynamics improve. Thus, **new supply remains constrained**, which in the near term actually supports landlords by limiting competition. A potential medium-term challenge would be if interest rates decline and stalled projects break ground en masse; however, any large wave of deliveries is at least a couple of years out. For now, the primary headwinds for multifamily are macroeconomic – if a recession or tech slowdown hits, renter demand could soften again – but currently all signs point to strength.

**Signals of Recovery & Resilience:** The apartment sector's fundamentals underscore **resilience** and a sharp recovery. Absorption turning positive across all asset classes (even the previously struggling luxury high-rises) indicates broad-based demand returning. The **rapid decline in vacancy** back to historically low levels in just a two-year span highlights how quickly the market absorbed the pandemic shock. Moreover, rent growth has returned without any significant concessions needed, showing that landlords have regained confidence in the leasing environment. Importantly, even neighborhoods that saw the greatest pandemic-era stress – such as Downtown/SOMA, or areas like the Tenderloin which experienced social challenges – are now seeing occupancy **improve month by month**. This suggests that public and private efforts to revitalize the urban core (improved policing, new neighborhood investment) are positively impacting the residential sector. With **new leadership at City Hall pushing to accelerate housing production** (more on that below), the long-term outlook is constructive: policy support

for more housing could eventually ease the affordability crunch, but in the next 6–18 months, limited new supply and a rebounding population mean the **multifamily market is likely to remain tight**. Landlords can expect continued high occupancy and moderate rent growth in the near term, barring any major economic hiccup.

## Retail: Stabilization After a Downtown Shakeout

**Current Conditions:** San Francisco's retail sector is emerging from a prolonged slump and showing tentative signs of **stabilization in mid-2025**. The past two years were exceptionally challenging for retail landlords – pandemic aftershocks led to *diminished foot traffic*, waves of store closures, and rising vacancies, especially in the Downtown and Union Square areas. By 2023-2024, the city's once-bustling central retail districts experienced high-profile closures (from department stores to small shops) due to the combined impacts of remote work, lost tourism, and public safety concerns. However, the tide is beginning to turn. In late 2024, leasing activity started picking up and **net absorption turned modestly positive** for the first time in years. This positive momentum has carried into the first half of 2025 as retailers cautiously expand or backfill some vacant spaces. While conditions are still far from pre-pandemic norms, the worst of the retail contraction appears to be over.

**Market Stats:** Citywide retail vacancy stands at about **6.1%**, which is relatively moderate – but this masks a sharp divergence between the **downtown core** and outlying neighborhoods. In the Downtown/Union Square submarkets (which make up roughly a quarter of the metro's retail inventory), availability rates have soared into the low teens, reflecting a glut of empty storefronts. As of early 2025, *downtown San Francisco's retail availability is ~13.6%*, compared to just 3–5% in many neighborhood shopping districts and suburban parts of the metro. The most extreme case is the Union Square area's indoor malls: the exit of anchor tenants Nordstrom and Bloomingdale's has left the **Westfield San Francisco Centre ("Emporium") nearly vacant**, pushing the downtown mall availability up to 26.9%. By contrast, community-oriented retail centers outside the core have largely maintained healthy occupancy. Over the past year (Q2 2024 to Q2 2025), **net absorption** for the overall market crept into positive territory at roughly **+140,000 sq. ft.** Essentially all of those gains occurred in non-downtown areas, offsetting ongoing losses in the city center. Rent trends mirror this tale of two markets: Overall **asking rents** are roughly flat to slightly up (+0.9% YoY), but that average hides a **4% drop in downtown rents** versus stability (or slight growth) in the neighborhoods. The citywide average asking rent is about **\$44/sq. ft.** per year, and landlords in prime suburban corridors have held rents steady, whereas downtown landlords have had to offer concessions and lower rates to lure tenants. New retail construction is almost nonexistent – San Francisco has long had *limited retail development* due to land constraints and a shift toward e-commerce; true to form, **no significant retail projects delivered in the past year** and only minimal square footage is under construction as of mid-2025.

**Demand Drivers & Headwinds:** Retail demand in San Francisco hinges on the return of **people and spending power** to formerly empty areas. **Office workers and tourists** are critical to downtown retail – their absence during the pandemic crushed many businesses. Now, incremental improvements in office attendance (as more employees adopt hybrid schedules) and a rebound in tourism are gradually bringing life back to central shopping streets. Additionally, a **structural shift in consumer behavior** is at play: even though San Francisco boasts high household incomes, much of that spending migrated online or to neighborhood commercial districts in recent years. Residents working from home are more likely to patronize local shops and restaurants in their own neighborhoods, which is why smaller retail nodes in residential areas have fared better. This shift is a double-edged sword: it has **weakened downtown** but **strengthened neighborhood retail**. Going forward, one driver for downtown could be the city's efforts to **improve safety and cleanliness** – reducing crime and blight is essential to lure shoppers back, and the data suggests some progress on this front, as publicized efforts to address open-air drug markets and street conditions coincide with the stabilization of retail occupancy. Still, significant **headwinds** remain: e-commerce is a formidable competitor (structurally limiting demand for brick-and-mortar retail), and downtown's recovery is tied to uncertain variables like the future of office work and conventions. Moreover, the rash of store closures created a perception challenge; it takes time for new tenants to backfill empty flagship stores, and some national retailers are still hesitant on San Francisco. In sum, retail demand is rebuilding, but it faces a long road and will likely *look different* than before (more experiential, food/beverage and local-serving retail, less traditional big-box).

**Emerging Signals:** Encouragingly, the retail market's recent trajectory suggests **resilience and adaptation**. The fact that overall occupancy has leveled off and even improved slightly is a significant achievement following eight consecutive years of net negative absorption (2015–2022). It appears that the **"bottom" of the retail cycle hit in 2023**, and tenant interest is now reappearing for well-located spaces at the right price. Smaller retailers and service businesses are stepping into some vacancies, capitalizing on lower rents. Additionally, there is a **flight to quality**

within retail – the best-located streetfronts (e.g. Chestnut Street, Valencia Street, etc.) continue to attract tenants, whereas secondary locations might remain empty longer. The stability in neighborhood retail performance demonstrates the sector's inherent strength in serving local demand; these districts have been a **bedrock of resilience**, benefiting from residents spending more of their dollars close to home. Looking ahead, the retail sector is likely to see **restructuring and repurposing** in the downtown core. Large vacant properties like the nearly-empty Westfield Centre will require creative solutions – possibly redevelopment into mixed-use or non-retail uses – to address the oversupply of traditional retail space. City leaders are actively discussing incentives for **adaptive reuse** of underutilized commercial buildings. Overall, the next 6–18 months should bring gradual improvement: expect a few more national or concept retailers to cautiously re-enter the downtown market (as lease terms become favorable), and continued strength in neighborhood retail, all contributing to a modest drop in vacancy by year-end. Rental rates in the aggregate are projected to inch up again by 2026 if these trends hold.

## Industrial: Mixed Signals in Logistics and Life Sciences

**Current Conditions:** San Francisco's industrial sector (which includes warehouses, distribution facilities, and flex/R&D spaces) is experiencing a bifurcated trend in mid-2025. **Overall demand softened in 2023**, leading to rising vacancies, but there are now early signs of a rebound in certain segments. The story differs for traditional **logistics space** (warehouses for storage and distribution) versus **flex space** (often life science labs or tech R&D facilities). In 2024, high interest rates and ebbing pandemic-era consumption caused many logistics tenants to scale back – leasing activity in the warehouse segment dropped ~25% compared to 2023. As a result, move-outs outpaced move-ins significantly, and by the end of 2024 the logistics side of the market was in correction. At the same time, the **flex sector** faced its own challenges: a wave of new laboratory/R&D buildings hit the market just as biotech leasing demand pulled back sharply (venture funding for biotech dried up with rising rates). This combination led to a spike in flex vacancies even though some new buildings were build-to-suit (pre-leased). Entering 2025, however, conditions are slowly changing. Both Q4 2024 and Q1 2025 saw **increased leasing volumes**. In late 2024, flex/R&D leasing surged to its highest quarterly total since mid-2022 (~750,000 sq. ft. leased in Q4). And in Q1 2025, the logistics segment also recorded its strongest quarter of leasing since 2023, with about **650,000 sq. ft.** of deals signed. These improvements suggest that tenants have started to capitalize on softened rents and greater availability to secure space.

**Market Stats:** Across all industrial and flex properties in the metro, the **vacancy rate** has climbed to **13.2%** as of Q2 2025. This is a substantial increase from roughly 6–7% vacancy a couple of years ago, reflecting how the market loosened. The pain is not evenly distributed: the **flex submarket** now posts a hefty **23.0% vacancy**, an outcome of rapid supply growth and faltering demand in life science hubs. By contrast, pure **logistics/warehouse space** – often in areas like South San Francisco, Brisbane, and the Peninsula – has around **8.7% vacancy**. While that logistics vacancy rate has roughly doubled from ~4% in 2022, it remains far below the flex segment's oversupply. One bright spot is **specialized industrial** (e.g. manufacturing facilities), which remain scarce; this segment's vacancy is only about 5%. Over the past 12 months, **net absorption** of industrial space was approximately **-360,000 sq. ft.** (negative), indicating more space was vacated than leased overall. Drilling down, this net loss is entirely due to the warehouse sector: logistics properties saw a **-910,000 sq. ft.** occupancy loss, whereas the flex sector actually achieved a **+510,000 sq. ft.** net gain in the past year. That apparent positive in flex absorption is somewhat misleading – it reflects new projects delivered already pre-leased or occupied by owners (built-to-suits), rather than broad market demand surging. On the pricing front, San Francisco's industrial **rents** remain among the highest in the nation, with asking rents averaging about **\$28 per sq. ft.** (triple-net) citywide. However, **rent growth has stagnated** – rents are essentially flat (down ~0.1% YoY) in 2025, after years of steep increases during the e-commerce boom. Landlords have become more flexible on terms to fill space, especially in older or less specialized product. New supply is still coming online primarily in the **flex/life-science category**: roughly **2.6 million sq. ft.** of industrial (mostly lab) space is under construction in the metro, and speculative projects delivering this year are contributing to the higher vacancy. In contrast, **warehouse construction is minimal**, as developers have few available sites and are cautious given the demand slowdown.

**Demand Drivers & Headwinds:** The drivers for industrial demand are evolving. During 2020–2021, **e-commerce expansion and logistics** needs dominated, but that trend cooled as consumer behavior normalized and companies moderated their supply chain expansion plans. Now, some demand is coming from **new-economy users**: for instance, robotics and autonomous vehicle companies (like Zoox, which leased 190,000 sq. ft. in Foster City) have taken large spaces for testing and light manufacturing. This indicates San Francisco's industrial market is partly fueled by tech/R&D, not just traditional distribution. The **life sciences sector**, a major flex space driver, saw a funding slowdown in 2023, which hurt demand, but core biotech firms still view the Bay Area as a premier location – if financing rebounds, so will lab leasing. A promising sign is that mid-sized tenants have returned to the flex market; the average lease size in 2024 grew to over 10,000 sq. ft., up from under 7,000

sq. ft. in 2023, suggesting more commitment from growing biotech and tech hardware startups. Key **headwinds** include the overhang of new supply in the flex segment – several large lab buildings completed since 2022 remain only partially leased, and more are finishing construction soon. This means the flex vacancy could rise further before it gets better. Another headwind is **higher interest rates and economic uncertainty**, which make industrial tenants cautious about expansion and make it harder for developers to finance projects. Additionally, industrial users have options to move to lower-cost areas in the region (e.g., East Bay or farther down the Peninsula) if San Francisco rents don't adjust. Thus, competition within the broader Bay Area could limit how quickly SF's industrial vacancies tighten.

**Outlook and Resilience:** The industrial sector's outlook for the next year is one of **gradual stabilization**. Market players expect that the recent pickup in leasing, combined with a tapering off of new construction in late 2025, will help **halt the rise in vacancy**. Already, the fact that flex space absorption turned positive (after being deeply negative in 2022–23) shows the market's ability to absorb new inventory given time. The San Francisco industrial market has underlying strengths: it serves specialized niches (like life science R&D and last-mile urban logistics) and benefits from *limited land availability* which historically kept vacancies low. Those fundamentals should reassert themselves once the current glut is sorted out. In the interim, we may see some **adaptive reuse** here as well – for example, if certain new lab projects struggle to lease up, owners might reposition them or slow-roll further phases. But by and large, the expectation is that **demand will gradually catch up**. As consumer spending stabilizes and biotech funding potentially improves, absorption in both logistics and flex spaces should turn positive. Rents are likely to remain flat in the near term (making SF more competitive regionally), then could resume modest growth once vacancies start trending down again. In short, the industrial sector is in a *transition period* – not immune to headwinds, but poised to benefit from the Bay Area's innovative companies and the city's strategic location as a distribution hub for dense, affluent consumers. Look for a more balanced market by 2026, with vacancy rates leveling off and the excess space gradually being absorbed as the economy grows.

## New Leadership and Planning Policy Changes

Amid these market-specific dynamics, San Francisco's broader real estate environment is also being reshaped by **recent leadership changes and policy initiatives**. In June 2025, Mayor Daniel Lurie appointed **Sarah Dennis-Phillips** as the new Director of the San Francisco Planning Department – a move that signals a strong push for reform and revitalization in the city's development processes. **Sarah Dennis-Phillips** brings a unique blend of public- and private-sector experience: she previously worked within the Planning Department, served as a Senior Director at developer **Tishman Speyer**, and most recently led the **Office of Economic and Workforce Development (OEWD)** for two years. This background positions her to bridge the gap between City Hall bureaucracy and real-world development needs. Her appointment was part of Mayor Lurie's strategy to coordinate economic recovery – effectively a talent shuffle that also saw **Anne Taupier** promoted to lead OEWD and Planning official **Liz Watty** tasked with running the Mayor's new **"PermitSF"** initiative.

**PermitSF and Permitting Reform:** One of the first big mandates for Dennis-Phillips is to advance **permitting reform**, a critical issue for San Francisco's real estate community. The newly launched **PermitSF** program is a City Hall initiative aimed at overhauling the notoriously slow and complex permitting process, with an initial focus on speeding up housing and small business permits. By placing a seasoned planner (Liz Watty) in charge of this initiative and having a Planning Director who understands the developer's perspective, the Lurie administration is prioritizing cutting red tape. This reform is expected to streamline approvals for projects, reducing timelines that have historically stretched for years. Dennis-Phillips has a reputation for pragmatism and is seen as an ally of builders in this effort – her dual experience in government and development means she's acutely aware of how permitting delays have hindered San Francisco's growth. A more efficient permit system (e.g. modernizing applications, eliminating duplicative reviews) should facilitate the construction and adaptive reuse projects needed for the city's recovery, from office-to-housing conversions to new affordable housing developments.

**Housing Targets and "Family Zoning":** Another priority for the new Planning Director is helping San Francisco meet its aggressive **housing production targets**. Under California's state mandate, San Francisco's Housing Element plan calls for enabling roughly **82,000 new homes by 2031** to address the housing shortage. Achieving this will require major zoning changes and proactive planning policies. In fact, earlier in 2025 the city unveiled a proposed rezoning dubbed the **"family zoning"** plan – a sweeping effort to upzone neighborhoods and allow more multi-family housing construction citywide. This plan aims to **legalize multi-unit homes in areas previously restricted to single-family usage**, encourage additions of in-law units or duplexes in existing homes, and modestly increase height limits along transit corridors (generally up to 6–8 stories in certain zones). The term "family zoning" reflects the goal of creating more housing opportunities for families within San Francisco, rather than forcing them to move out for lack of space. The stakes are high: if San Francisco fails to implement these zoning

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changes by the state's deadline (Jan 31, 2026), it could lose local control over approvals and forfeit significant state funding. With Dennis-Phillips at the helm, the Planning Department is expected to **drive these rezoning efforts forward** in coordination with elected officials. Her past role in OEWD also suggests she'll keep an eye on tying housing growth to economic development – for instance, ensuring new housing is planned near job centers and transit. The new Planning Director's support for the Housing Element objectives (such as simplifying the process to add units and pushing projects in high-resource neighborhoods) will be key to making San Francisco more affordable and hitting the production goals.

**Economic Revitalization and Recovery Coordination:** Beyond permits and housing, Sarah Dennis-Phillips' appointment is a cornerstone of Mayor Lurie's broader **economic recovery strategy** for San Francisco. City leaders recognize that reviving downtown and the overall economy requires a coordinated approach across agencies – planning, economic development, transportation, etc. Having Dennis-Phillips (with her economic development experience) lead Planning is meant to break down silos. This leadership change aligns with parallel efforts such as the formation of economic recovery task forces, investment in downtown safety, and incentives to fill vacant commercial spaces. For example, the city is pursuing policies to **convert underused office buildings to residential or other uses**, reduce commercial vacancies (through pop-ups or tax adjustments), and promote emerging industries like AI and life sciences. The Planning Department under Dennis-Phillips is expected to be more nimble and open to creative solutions – whether it's fast-tracking conversion projects or adjusting zoning to encourage new types of businesses. There is also an emphasis on a **"One Stop Shop"** approach (embodied by PermitSF) to make it easier for entrepreneurs to open restaurants/retail or for property owners to renovate buildings. All of these efforts are being coordinated to restore confidence among investors and employers. The new Planning Director's role in **advancing San Francisco's Housing Element and family-friendly zoning, while coordinating with OEWD on job growth initiatives**, signifies an integrated push to bring residents, workers, and visitors back. In summary, this leadership and policy refresh at City Hall aims to tackle long-standing structural issues – housing scarcity, slow permitting, and an overcentralized downtown economy – to set the stage for a more resilient urban recovery.

## Forward-Looking Commentary: What the Next 6–18 Months May Hold

San Francisco's real estate recovery in the coming 6 to 18 months will likely be **incremental and uneven**, but the convergence of market trends and proactive leadership gives reason for measured optimism. **Macro-economic factors** will play a significant role: if the Federal Reserve begins to ease interest rates in late 2025, lower financing costs could kick-start development projects (for example, some of those entitled housing units or even office-to-residential conversions might finally pencil out). A reduction in interest rates would also lower cap rates and potentially reinvigorate investment activity across asset classes, bringing more capital into San Francisco's property markets.

**The tech sector's trajectory – especially AI – is a wildcard** that leans positive for San Francisco. The city has quickly become a hub for AI companies, and their growth could be a boon to office absorption (as seen with recent AI-driven leases) and to housing demand as they hire workers. A mini tech boom centered on AI could help refill some of those empty office floors with new startups or labs and could support retail by increasing daytime foot traffic in certain areas. Moreover, **population trends** appear to be turning a corner. If San Francisco continues to see population *inflows* (even modest ones) due to revived urban appeal and job creation, that will uphold the strong fundamentals in multifamily and bolster consumer spending for retail. City initiatives to improve livability – safer streets, cleaner public spaces, more housing affordability – will be critical to sustaining this population recovery.

By sector, we expect in the **Office** market a slow grind upward from the bottom. Over the next year, vacancy might **begin to edge down** from its peak as more sublease space is withdrawn or leased and as downsizing tapers off. We do not anticipate a rapid drop in office vacancy – the overhang is too large – but even a plateauing and slight decline would mark a turning point. Rents are likely to flatten and could even start rising gently by late 2025 if demand steadily improves. One transformative factor could be the success of **office-to-housing conversions**. City Hall is actively exploring incentives (such as fee waivers and expedited approval for conversions) to reduce downtown office vacancy by repurposing obsolete buildings. Should even a handful of big conversions move forward, they would not only soak up vacant space but also bring new residents (i.e. life and spending power) into downtown, creating a virtuous cycle for retail and street vitality.

For **Multifamily Residential**, the outlook remains quite strong. We foresee **continued low vacancies and rent growth in the mid-single digits** annually, supported by limited new deliveries. In fact, the rental market could tighten further in the next 12 months, given the high cost of homeownership keeping more people in the renter pool and the slow pace of construction. Only if a wave of new units comes online (or a

major economic downturn hits) would this trajectory change. The city's push to produce more housing – if permitting reform succeeds – likely won't materialize in completions until a couple of years out, so in the near term the supply side won't catch up. Thus, tenants will face a competitive market, and landlords should enjoy high occupancy. However, the longer-term effect of rezoning and policy changes is very much aimed at *moderating* this market by adding units: if San Francisco can truly permit and start building tens of thousands of new homes through the Housing Element efforts, that will be a game changer by the late 2020s.

In **Retail**, we expect a **gradual recovery** scenario. The next 6–18 months should see **vacancies in the retail sector slowly decline** as entrepreneurial tenants backfill smaller spaces and as improvements in public safety and tourism draw shoppers back. Key indicators to watch will be tourist numbers (cruise ship arrivals, convention bookings) and office occupancy rates – if those rise, downtown retailers will get a boost. The “boom” times of Union Square may not return soon, but we anticipate stabilization: the bleeding has stopped, and now absorption can only improve from its deeply negative levels of recent years. By 2026, rent growth could turn consistently positive again (perhaps in the 1–3% range annually), especially for well-located retail strips. One emerging trend to watch is **adaptive reuse of large retail spaces** – for instance, portions of vacant department store buildings might be converted to offices, entertainment venues, or even gyms and educational facilities, diversifying the tenant mix downtown. City economic officials are likely to support such creative re-use to avoid dead space.

Finally, **Industrial** property in San Francisco should find its footing as well. We expect the **flex submarket to remain under some pressure** into 2025 as new lab space delivers, but by 2026 the pipeline will ease and excess vacancies can start to be absorbed as biotech and hardware firms expand. The life science industry tends to be cyclical; if funding rebounds with a more favorable economy, demand for those shiny new labs will pick up quickly. For logistics warehouses, the Bay Area's consumption and trade will continue to grow, so we predict **warehouse vacancies will inch down** and perhaps return to the mid-single digits by late 2025. Rental rates for industrial uses might stay flat in the immediate term (helping fill space), then could rise again once the market equilibrium returns. It's worth noting that any **improvement in global supply chain stability and consumer spending** (for example, if inflation cools and consumer confidence rises) would directly translate

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**responsive** – a city starting to reinvent itself for a post-pandemic era while preserving the innovative spark that has long driven its success.

June 25, 2025, by a collective of authors at MMCG Invest, LLC, California feasibility study consultants

Sources: MMCG Database, photos by Michal Mohelsky

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# Why San Francisco Real Estate In 2025 Is A Good Investment

Are you considering buying San Francisco real estate in 2025 and beyond? Whether you're dreaming of owning a home in the city to raise a family or exploring investment opportunities, you've come to the right place. As someone who has lived in San Francisco since 2001 and owns multiple properties, I've navigated the city's unique housing market through various economic cycles.

In my view, 2025 is shaping up to be an excellent year to invest in San Francisco real estate, whether you're looking for a single-family home or a condo. Below, I'll break down eight reasons why buying property in San Francisco real estate in 2025 is a smart financial move.

## Reasons Why Buying San Francisco Real Estate In 2025 Is A Good Investment

These are my reasons after living in San Francisco since 2001 and owning San Francisco real estate since 2003. I also sold San Francisco real estate in 2017, a rental property, to simplify life after my son was born. I reinvested the proceeds in stocks, bonds, and [private real estate investments](#) for 100% passive income.

### 1. San Francisco Is the Hub of the Tech and AI Revolution

The tech industry continues to drive demand for San Francisco real estate in 2025, with the city leading the charge in artificial intelligence innovation.

Companies like OpenAI and Anthropic are expanding their presence here, and the global AI spending boom is funneling wealth into the region.

The NASDAQ surged 43% in 2023 and another 28.6% in 2024, creating massive amounts of wealth. Much of this wealth eventually flows into lifestyle upgrades, including San Francisco real estate. With AI companies rapidly scaling and preparing for IPOs, the resulting liquidity could significantly boost demand for San Francisco real estate in 2025.

Not only do you want to buy San Francisco real estate in 2025, but you also want to [invest in private artificial intelligence companies](#). Hedge and benefit from the growth of a new technology. You can do so through an open-ended venture product by [Fundrise](#).

## 2. New City Leadership Offers Renewed Optimism

The political landscape is critical for San Francisco real estate in 2025. With new leadership under Daniel Lurie, there's hope for addressing key challenges like crime, homelessness, and urban revitalization. A more stable, attractive city environment is likely to increase interest in San Francisco real estate among both local buyers and international investors.

## 3. Post-Pandemic Urban Recovery

As companies like Google, Amazon, and JP Morgan call [employees back to the office](#), urban living is experiencing a strong rebound. San Francisco's dining, entertainment, and cultural amenities are once again attracting professionals, which bodes well for San Francisco real estate in 2025.

## 4. Low Housing Inventory Fuels Competition

San Francisco is geographically constrained and has strict zoning laws, ensuring limited housing supply. This dynamic keeps San Francisco real estate a hot commodity. Add to that the pent-up demand from buyers who paused during the pandemic, and you have a recipe for competitive bidding wars.

## 5. Pricing Remains Attractive

Despite a strong rebound, many areas of San Francisco real estate remain priced below their early 2022 peaks. This offers buyers in San Francisco real

estate in 2025 an opportunity to purchase property at a relative discount before prices inevitably climb higher.

### How much a household needs to earn to afford the typical home in their local market, as calculated by Zillow

Zillow's analysis assumes a 10% down payment and uses the Zillow Home Value Index (ZHVI) to account for each market's "typical" home price.

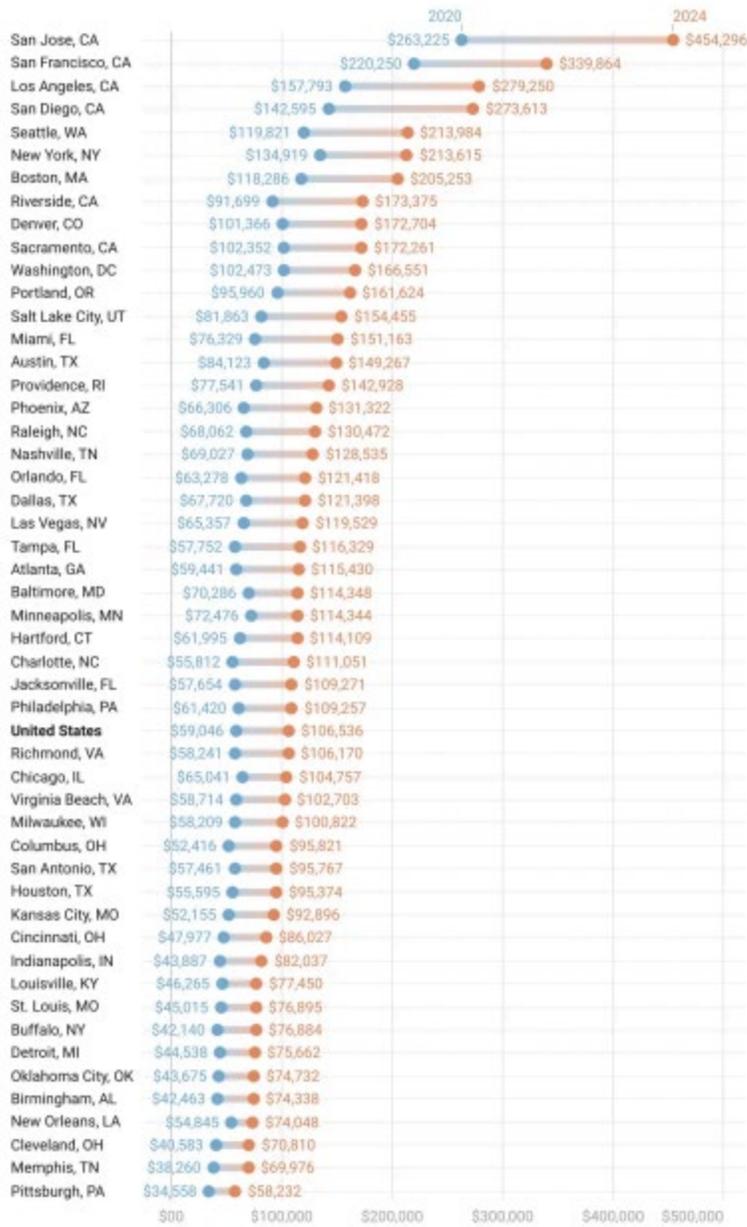


Chart shows the 50 largest metro area housing markets  
 Chart: Meghan Malas - Source: Zillow - Created with Datawrapper



San Francisco is much more attractive than San Jose, where prices used to be about the same

## 6. Tax Advantages for Homeowners

The tax benefits of owning property remain compelling, especially for high-income earners in the Bay Area. These incentives make San Francisco real estate in 2025 an even more attractive investment, particularly with the potential for policy changes that could further boost homeownership incentives.

## 7. Foreign Investment Is Back

San Francisco has always been a magnet for international buyers. Now, with travel restrictions lifted, global investors are returning to the U.S. market. This [resurgence of foreign capital](#) will play a significant role in boosting San Francisco real estate in 2025, as international buyers recognize the city's status as a global hub.

## 8. A Proven Long-Term Investment

Over time, San Francisco real estate has consistently appreciated, making it one of the most reliable long-term investments. With tech innovation, new leadership, and a recovering urban environment, San Francisco real estate in 2025 offers a strong opportunity for buyers to capitalize on future growth.

# Where to Buy San Francisco Real Estate in 2025

When it comes to San Francisco real estate in 2025 and beyond, the [west side of the city stands out](#) as a hidden gem. With significant investments in infrastructure, schools, and commercial development, neighborhoods like Golden Gate Heights, Forest Hill, and the Outer Sunset are poised for substantial growth.

**Golden Gate Heights**, in particular, offers breathtaking ocean views and remains undervalued compared to other global cities. If you're looking for the best bang for your buck in San Francisco real estate in 2025, this area deserves your attention.

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In every other major city in the world, single-family homes or condos with water or ocean views trade at huge premiums (50% – 200%). Here in San Francisco, you can still find relatively affordable ocean view homes. But they are increasingly getting discovered. An ocean view home with a deck or multiple decks is the most attractive type of San Francisco property.

Other incredible neighborhoods in San Francisco include Forest Hill, St. Francis Wood, and West Portal. These three neighborhoods have wonderful homes on nicer lots. In Forest Hill, you might even find the rare home with a view and a large lot. But this type of [ideal home to raise a family](#) are harder to come by.

## Final Thoughts On Investing In San Francisco Real Estate

Buying San Francisco real estate in 2025 could be one of the smartest financial decisions you make. Whether you're drawn by the city's tech-driven economy, its cultural vibrancy, or its reputation as a long-term investment haven, the opportunities are vast.

Remember, real estate is a long game. If you can [buy responsibly](#) and hold your property for at least five years, the likelihood of achieving significant returns is high.

But at the end of the day, you should buy a home to enjoy. It's one of the best things money and stock market returns can buy. Enjoy your home and the wonderful city of San Francisco!

## Diversify Into High-Quality Private Real Estate

I also suggest diversifying into private real estate—an investment that combines the income stability of bonds with greater upside potential. Consider [Fundrise](#), a platform that allows you to 100% passively invest in residential and industrial real estate.

With over \$3 billion in private real estate assets under management, Fundrise focuses on properties in the Sunbelt region, where valuations are lower, and yields tend to be higher.

REAL ESTATE

## San Francisco was written off as dead. Now, real estate investors are flocking back.

By [Daniel Geiger](#) [+ Follow](#)



Sean Pavone/Shutterstock

Jun 24, 2025, 2:01 AM PT

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San Francisco offices are filling up, which is good news for owners of apartment buildings.

Large investors looking to capitalize on a rebound are lining up to buy multifamily properties.

Rents remain below pre-pandemic highs but are ticking higher.

The clouds hanging over San Francisco since the pandemic appear to be finally lifting — leading to predictions of a real estate rebound.

Following years of emptying office buildings and vacated storefronts, Fog City is buzzing again, thanks to return-to-office mandates at Amazon, Google, Salesforce, and more. This is good news for the city's apartment buildings — and now some professional investors are taking notice.

"San Francisco had become an unsavory city, but we believe we're starting to see a real recovery and we think it's a good time to buy," said Tom Shapiro, the president and founder of GTIS, a New York City based real estate investment firm with \$4.7 billion of assets under management.

Shapiro is predicting rents will grow between 4% and 6% this year and next. Property values, meanwhile, have declined 30% to 50% from their pre-pandemic highs, creating an attractive buying opportunity.

Asking rents in San Francisco were about \$3,500 a month in the first quarter of 2020 and fell 25% by the end of the year as a result of the dislocation caused by the pandemic, according to estimates from the residential brokerage firm Compass. Average rents are now about \$3,200 a month, closing in on pre-pandemic levels, including a 6.4% year-over-year jump in the first quarter, the Compass data showed.

Shapiro is also seeing growing competition in the space, including a nearly \$100 million apartment property in the city that he said he is vying with three other bidders to purchase.

"There's more people interested," Shapiro said. "It's not a secret like it was a year ago."

Tom Shapiro, president and founder of GTIS, a New York City based real estate investment firm GTIS

## Dealmaking is back

About \$363 million of individual multifamily real estate assets were sold in San Francisco in the first quarter of 2025, according to data from MSCI, triple the dollar volume during the same period last year and the year prior. MSCI's analysis omitted large, multi-property deals, such as Brookfield's acquisition of a portfolio of more than 70 apartments buildings in the city in early 2024, because they can artificially inflate the data.

Eli Edwards, the US head of real estate equity investments at Fortress Investment Group, said it has acquired 13 rental buildings in San Francisco in the past two years. The firm is currently under contract to acquire two more rental buildings in the city and has offers out for several more rental properties. Edwards said he is looking to double the number of apartments in the firm's portfolio there this year.

Edwards, who lived in the city's Russian Hill neighborhood until recently, urged Fortress to become an early investor in the city's turnaround because he felt that negative perceptions were overblown and that much of the homelessness and disorder associated with the city were focused in only a handful of areas, including its Financial District and the Tenderloin, a nearby neighborhood.

Edwards said the firm has signed over 20 leases in the last year with rents "about 10% above" what the firm had expected to fetch when the units were vacated.

"The Fortress DNA is, find a situation where the perception of risk is higher than the actual risk," Edwards said. "That was San Francisco."

Philip Saglimbeni, a senior managing director at Institutional Property Advisors, a commercial real estate sales firm, said he and his team recently found a buyer for Presidio Landmark, a 161-unit luxury rental building controlled by Brookfield through a long-term ground lease. Saglimbeni said the buyer was offering "north of a hundred million" dollars for the property, which is located in the Presidio, a national park south of the Golden Gate Bridge.

He declined to disclose the purchaser's identity, saying the agreement was still being finalized, but said it was an "investment advisory shop."

A spokeswoman for Brookfield declined to comment.

## **New inventory is scarce**

The city's anemic pipeline of new housing, which could raise rents even higher, adds to its appeal among investors, who believe the city's scarcity of apartments will inflate rents.

A report by the San Francisco Planning Department that was released in April stated that 1,597 units of new housing were added in the city in 2024, 56% below the yearly average over the last decade. 1,024 units were permitted for construction during the year, 67% below the 10-year annual average.

"It's a massive imbalance and it will be perpetual," Saglimbeni said, describing the discrepancy between the demand for housing and new supply in San Francisco. "That's what investors see and that's why they gravitate to regions like this."

The city's beleaguered office market has also begun to improve, offering another potential boost to the apartment market's recovery by luring in more workers who may want to rent apartments.

Office attendance in San Francisco recently reached about 43% of its pre-pandemic levels, according to employee swipe data from Kastle System, far above its record low of about 8% in 2020. 1.7 million square feet of space was leased in San Francisco during the first quarter, the most activity since 2019, according to data from the real estate services firm Cushman & Wakefield.

Early last year, Brookfield paid more than \$600 million to acquire distressed loans tied to more than 2,000 apartments spread across more than 70 buildings in San Francisco and took ownership of the properties.

"When we made that investment, people weren't going to the office, people weren't going downtown," said Mike Greene, a managing director at Brookfield who oversees its residential investments in the western US. "And that's dramatically changed."

Greene said that the 75 buildings in the portfolio now have a 95% occupancy rate, up from 67% when Brookfield took ownership.

"We feel pretty good about that," Greene said.



Commercial Real Estate Cycles

Union Square Development

Local Investment Activity

AI Sector Demand

Distressed Property Opportunities

Office Space Investment

Flight to Quality Retail

San Francisco Commercial Real Estate

Market Recovery Indicators

Downtown Recovery Patterns

# San Francisco Commercial Real Estate Shows Signs of Recovery as Opportunistic Capital Deploys



Written by:  
Steve Marcinuk

Date:  
01 Sep 2025

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The San Francisco commercial real estate market appears to have reached an inflection point, with industry professionals reporting increased transaction activity and renewed investor confidence after years of pandemic-driven challenges. Market participants are describing a shift from distressed conditions to opportunistic buying, signaling what many believe marks the beginning of a recovery cycle.

Cameron Baird, Senior Vice President at [Kidder Mathews](#), has witnessed this change firsthand through his two decades in San Francisco commercial real estate. Having recently joined the firm from Avison Young, Baird brings extensive market knowledge spanning multiple economic cycles.

"We've definitely skipped off the bottom," Baird observes. "Since January, we've seen increased momentum. We're seeing people that are all of a sudden opportunistic. They don't want to miss the rising tide, and are hopping on their surfboard to try to ride the wave up."

## A Different Kind of Market Correction

Unlike previous downturns that primarily involved pricing corrections, the pandemic-era adjustment has been more complex due to fundamental changes in how people work. The widespread adoption of remote work technology has created lasting impacts on office demand patterns.



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or Teams. Now it's old hat. Everyone has it on their phones."

This technological shift has slowed the return-to-office timeline compared to previous recovery cycles. However, recent data suggests momentum is building. Downtown restaurant clients report sales volumes approaching pre-pandemic levels, while office leasing activity has picked up in recent months.

## Geographic Variations Within the Market

Recovery patterns vary across San Francisco's submarkets. While the Financial District and Union Square continue to face challenges, other areas have already returned to pre-pandemic performance levels.

"Fisherman's Wharf has retailers doing pre-pandemic numbers, and they have been for a year," Baird notes. "Other parts of the city, and certainly the suburbs and the overall Bay Area, have already recovered. It's just these core areas like the Financial District and Union Square that are still figuring everything out."

The office sector has benefited from what Baird describes as a "flight to quality," where tenants have been able to upgrade their locations due to increased availability and competitive pricing. "Tenants have been able to trade up from Class B to Class A space, or Class C to Class B space with better amenities, at almost the same economics or better."

## Investment Activity Accelerates

The deployment of previously sidelined capital has become increasingly evident. Large office properties are trading at significant discounts to replacement cost, attracting both local and institutional buyers.

"You're talking about big office projects trading from \$200 to \$400 per foot, well below replacement cost," Baird explains. "Some of these deals are getting \$36 rents on as-is deals. Larger funds with cash can buy something at a really low basis, sit on it for five years, and probably double their money."

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"The distress is not so distressed anymore," Baird observes. "Every one of the large towers going for discounted prices has multiple offers. It's not like there's one buyer, there's multiple rounds, and everybody's aggressively competing."

## Local Knowledge Advantage

Much of the current investment activity involves local players leveraging their market expertise to move quickly on opportunities. Family offices and regional investors are particularly active, often able to deploy capital faster than institutional players.

"There's a lot of local players that are really dipping in because they know this market," Baird says. "Those folks are taking advantage of their market knowledge and awareness of what's happening, being here to deploy capital faster than institutional capital that's not local."

A notable example is designer Jonathan Ive's campus development in Jackson Square, where aggressive acquisition pricing of \$1,800 per square foot reflects strategic assembly goals rather than individual building valuations.

## The Union Square Question Mark

One significant uncertainty remains the fate of the Westfield San Francisco Centre, the large mall adjacent to Union Square. The property's future direction will likely influence broader Union Square recovery patterns.

"Nobody really has a good plan," Baird acknowledges. "There's been ideas like soccer stadiums, student housing, or college campus use, but it's an extremely expensive investment. You're talking about a huge, million-square-foot project."

The challenge lies in the property's scale and cost basis. "You can't just scrape it, you're throwing good money after bad. Your land basis becomes negative instead of zero. You have to figure out how to recook this."

## AI Sector Driving Demand



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shift.

"There's a lot of AI activity in the city. Obviously, everybody's seen the headlines on these large footprints that some of these AI tenants are chasing," Baird notes. "In the old days, big companies like Salesforce would pre-lease buildings a year out. We're not there yet, but there's certainly a shift in momentum."

## Quality Commands Premium

Despite overall market softness, premium properties continue to achieve strong rental rates. Class A spaces with desirable features like water views are setting new benchmarks.

"Quality space is commanding premium rents," Baird explains. "Some projects in the TransAmerica building are getting \$200 rents on smaller floor plates. This is the tone and momentum that quality space is achieving."

## Political and Messaging Shifts

The change in city administration has contributed to improved market sentiment. New policies focused on business-friendly approaches have helped counter negative perceptions that persisted beyond actual market conditions.

"For a long time, San Francisco's biggest problem was a PR problem," Baird reflects. "When you talk to people going downtown for work in the last year and a half, downtown's busy. Since the administration changed, getting the messaging out that San Francisco's open for business has made a difference."

## Looking Forward

For investors considering San Francisco opportunities, Baird sees current conditions as favorable for strategic deployment. "For folks that are maybe hesitant about San Francisco, I don't think you need to worry. We're an international city, and San Francisco is always going to return."



## **Job boom returns to Bay Area and California as hiring surges in May**

*South Bay powers Bay Area jobs upswing*

By George Avalos | Bay Area News Group | PUBLISHED: June 21, 2024 at 9:55 a.m. UPDATED: June 21, 2024 at 4:17 p.m.

Led by a hiring surge in the South Bay, the Bay Area powered to big job gains in May, banishing — at least for now — the ominous specter of a weak labor market and job losses that haunted the region earlier this year.

The nine-county region added 7,000 jobs in May, the most in a month since December 2023 when the area produced a gain of 11,200 positions, the state's labor agency reported Friday.

The Bay Area's upswing in hiring during May occurred despite massive job cuts in the region's tech industry, primarily in the San Francisco metro area.

The South Bay muscled up to produce a gain of 3,300 jobs, nearly half of all the hiring in the Bay

Area during May, according to the state Employment Development Department.

The East Bay added 2,100 jobs.

The San Francisco-San Mateo region added 1,000 positions, the EDD reported.

California added 43,700 jobs in May and also reached a record-high number of nonfarm payroll jobs that topped 18 million.

Both the California and the Bay Area numbers were adjusted for seasonal volatility.

"The California and Bay Area labor market firmed in May following a string of disappointing job reports, rekindling expectations for a soft landing for the Bay Area economy following two years now of higher interest rates and rapid inflation," said Scott Anderson, chief U.S. Economist for BMO Capital Markets.

The statewide unemployment rate was 5.2% in May, an improvement from 5.3% in April.

The improvement marked the first time in nearly two years that the statewide jobless rate decreased. In August 2022, the statewide unemployment rate reached a record-low level of 3.8%. Until the improvement in May, it had worsened steadily.

"The labor market performance was good enough to calm some nerves in Sacramento and raise the odds that the Bay Area expansion will continue to muddle through in the months ahead," Anderson said.

Here is how some key industries fared in the Bay Area during May, according to seasonally adjusted numbers that Beacon Economics derived from the EDD official report:

— Tech companies slashed employment by a net 2,100 jobs. They cut 2,200 jobs in the San Francisco-San Mateo region and another 400 in the South Bay. The tech industry, however, added 600 jobs in the East Bay.

— Hotels and restaurants added 1,300 jobs in the Bay Area. Hotels and restaurants gained 800 jobs in San Francisco-San Mateo and 400 in the South Bay.

— Financial services firms added 1,700 jobs in the Bay Area, driven primarily by an increase of 1,000 in the San Francisco metro area and 600 in the East Bay. This sector includes banks and other financial firms, insurance companies and real estate firms.

— Health care firms increased employment by 1,200 positions in the Bay Area in May. The South Bay added 1,000 health care jobs last month, the Beacon estimate showed.

"In the Bay Area, the volatile tech and information sectors are still negative, with growth concentrated in hospitality, health care and government," said Jeffrey Michael, executive director of the Stockton-based Center for Business and Policy Research at the University of the Pacific.

It's become clear that the Bay Area's post-coronavirus recovery has begun to lag behind California as a whole.

The state's total of 18.03 million payroll jobs in May was 1.2% higher than the jobs it had in February 2020, the final month before government-mandated business lockdowns went into effect to combat the spread of the coronavirus.

Yet the Bay Area and its three major urban centers all remain below their pre-COVID job heights.

Here is what this news organization's analysis of the EDD report shows regarding the Bay Area's post-coronavirus employment recovery. The numbers compare the May 2024 numbers with February 2020 levels:

- The Bay Area is 1.3% below the February 2020 level, or a jobs deficit of 53,300.
- The South Bay is 0.2% beneath the pre-COVID figure, or a shortfall of 1,800 positions.
- The East Bay is 0.3% below, or a gap of 3,200 jobs.
- The San Francisco-San Mateo region is 3.7% under the pre-coronavirus total, which is a jaw-dropping deficit of 44,300 jobs.

Over the most recent 12 months that ended in May, the East Bay's job totals have risen 0.9%, while the South Bay and the Bay Area are up 0.5%.

In sharp contrast, San Francisco-San Mateo's job totals are down 0.5% during the one-year period.

The San Francisco-San Mateo metro area, Michael said, is "the only one of California's 29 metro areas that has lost jobs over the past 12 months."

Over the first five months of 2024, the San Francisco metro area lost 6,400 jobs. Until the gains in May, the San Francisco region had lost jobs every month this year.

The Bay Area's hefty hiring in May of a net total of 7,000 workers provided a hopeful counterpoint to the dreary trends for the region during the first four months of the year.

From January through April, the Bay Area had lost 600 jobs. But May's upswing means the Bay Area has gained 6,400 jobs over 2024's first five months.

During that same five-month period, the East Bay gained 3,600 jobs.

The South Bay, however, is the primary driver of the Bay Area job market so far in 2024. During the first five months of the year, the South Bay added 7,500 jobs and lost jobs in only one month, February,

The various trends suggest the South Bay retains its top-notch status as a jobs engine, despite the tech sector's well-known boom-and-bust cycles, according to Russell Hancock, president of Joint

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## Strong Demand for Multifamily to Continue into 2024

Meanwhile deliveries are roaring ahead with the year expected to surge 51.1%.

By **Barbara Ballinger** | September 13, 2023

Demand continues to remain solid for the multifamily asset class as absorption in this year's first half surged to 98,429 units with an increase of 83,449 units in the second quarter of 2023, according to a new report by Newmark. This number almost quadruples absorption from last year's first half, and demand is expected to accelerate in the second half of 2023 and beyond to the first half of 2024.

So far supply – set to reach a 50-year high this year – is keeping pace. Already in this year's first half, 198,806 units were delivered, a record, and total deliveries for the entire year are projected to surge 51.1% year-over-year. Deliveries are also expected to increase in the second half through 2024.

In the four quarters ended in the 2Q of this year, the median market saw inventory growth by 2%. Ten out of 150 markets experienced growth above 5%. But over the next four quarters, change is coming with this measurement set to grow by 3.2%, including in 28 markets with inventory growth of 5% or more. As most markets reflected more new deliveries and with that expected to continue, some markets may be slower to absorb new inventory. But even if that turns out to be true, absorption in 40 of the top 50 markets is still expected to outpace the 2018-2022 annual average.

Meanwhile, for the first time in three quarters, multifamily had positive effective rent growth quarter-over-quarter in the second quarter of this year. Midwestern markets made up six of the top 10 markets for greatest YoY effective rent growth. However, rent growth continued to slow YoY.

Worth noting is that multifamily expenses increased a significant 8.3% Y-o-Y, mostly due to a 28.6% rise in insurance costs, which along with management and other expenses put a strain on landlords. Also, on the to-be-watched list is how price dislocation and the higher interest rate environment hinder the investment sales market, evidenced by the 71.8% YoY decline to \$28.2 billion in quarterly sales volume.

# Cities With the Most and Least Expensive Apartment Rents



New York City tops the list as the most expensive U.S. city to rent a one-bedroom apartment—\$3,260—while Wichita, Kansas ranks as the state with the least expensive on-bedroom rent—\$650, [according to a report](#) by Zumper, a renters assistance organization.

## Cities With Most Expensive Rents

Ranking	City	Monthly Price for One Bedroom
1	New York City	\$3,260
2	San Francisco	\$2,910
3	Boston	\$2,660
4	Miami	\$2,500
5	San Jose, California	\$2,420
6	Los Angeles	\$2,300
7	San Diego	\$2,280
8	Washington, D.C.	\$2,230
9	Oakland, California	\$2,070
10	Santa Ana, California	\$1,950

After a year of substantial rent growth, Miami passed San Jose to become the fourth most-expensive rental market, the report says. The shift in the rankings shows how quickly rent has increased in Miami and how slow rent growth in the San Francisco Bay Area continues to be.

### Cities With Least Expensive Rents

Ranking	City	Monthly Price for One Bedroom
1	Wichita, Kansas	\$650
2	Akron, Ohio	\$680
3	Lubbock, Texas	\$690
4	Shreveport, Louisiana	\$730
5	Lexington, Kentucky	\$800
6	El Paso, Texas	\$810
7	Laredo, Texas	\$810
8	Baton Rouge, Louisiana	\$820
9	Oklahoma City, Oklahoma	\$830
10	Tucson, Arizona	\$840

Rent in 2022 is rising faster than in 2021, according to the report. In March, the average one-bedroom rent nationally rose to an all-time high of \$1,400, which represents a growth of 2.5% for the calendar year so far. This is higher than the 1.9% rise experienced over the same period last year.