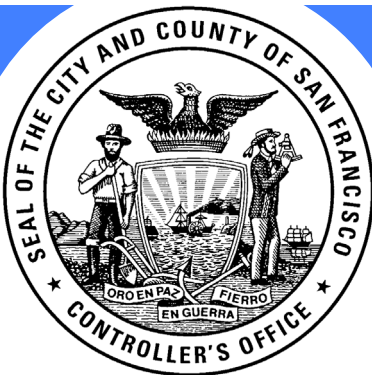


The Economic Context for Development in Post-COVID San Francisco



CITY & COUNTY OF SAN FRANCISCO

Office of the Controller

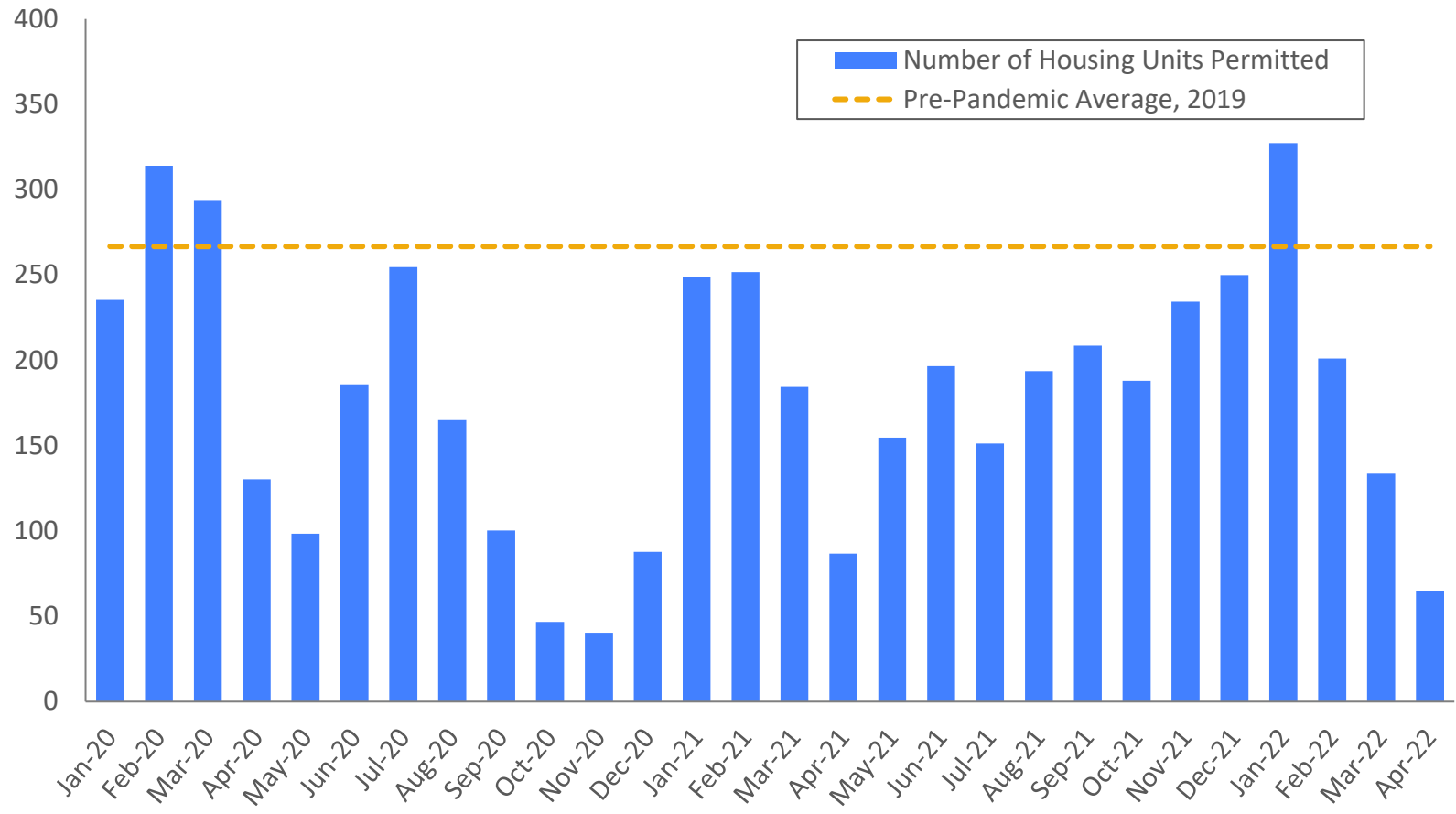
Ted Egan, Ph.D, Chief Economist

June 23, 2022

Building Permits Low for Most of the Past 2.5 Years

2

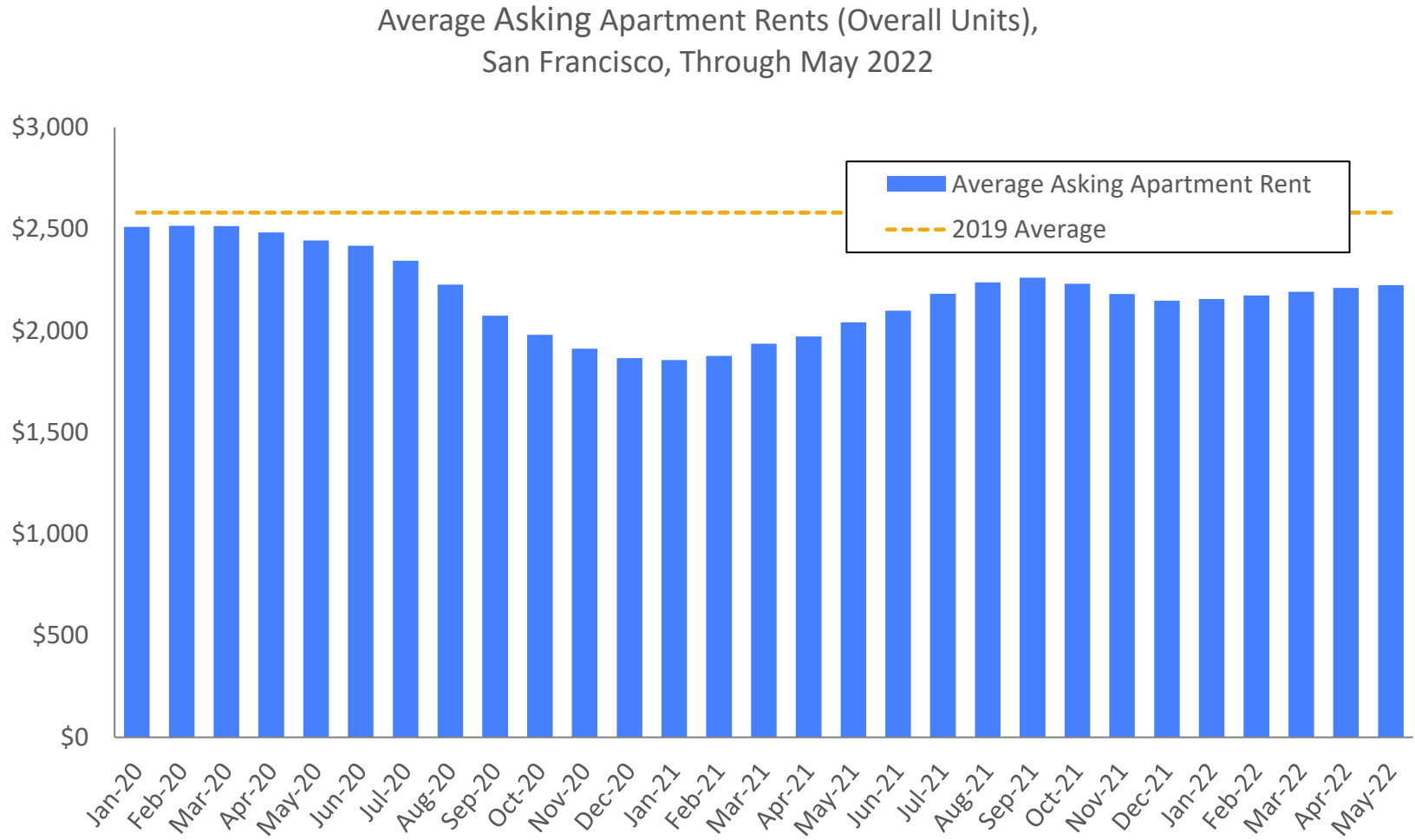
Number of Housing Units Permitted (3 Month Moving Average),
San Francisco, Through April 2022



Source: U.S. Department of Housing and Urban Development (HUD)

Apartment Rents Steady at 14% Below Normal

3

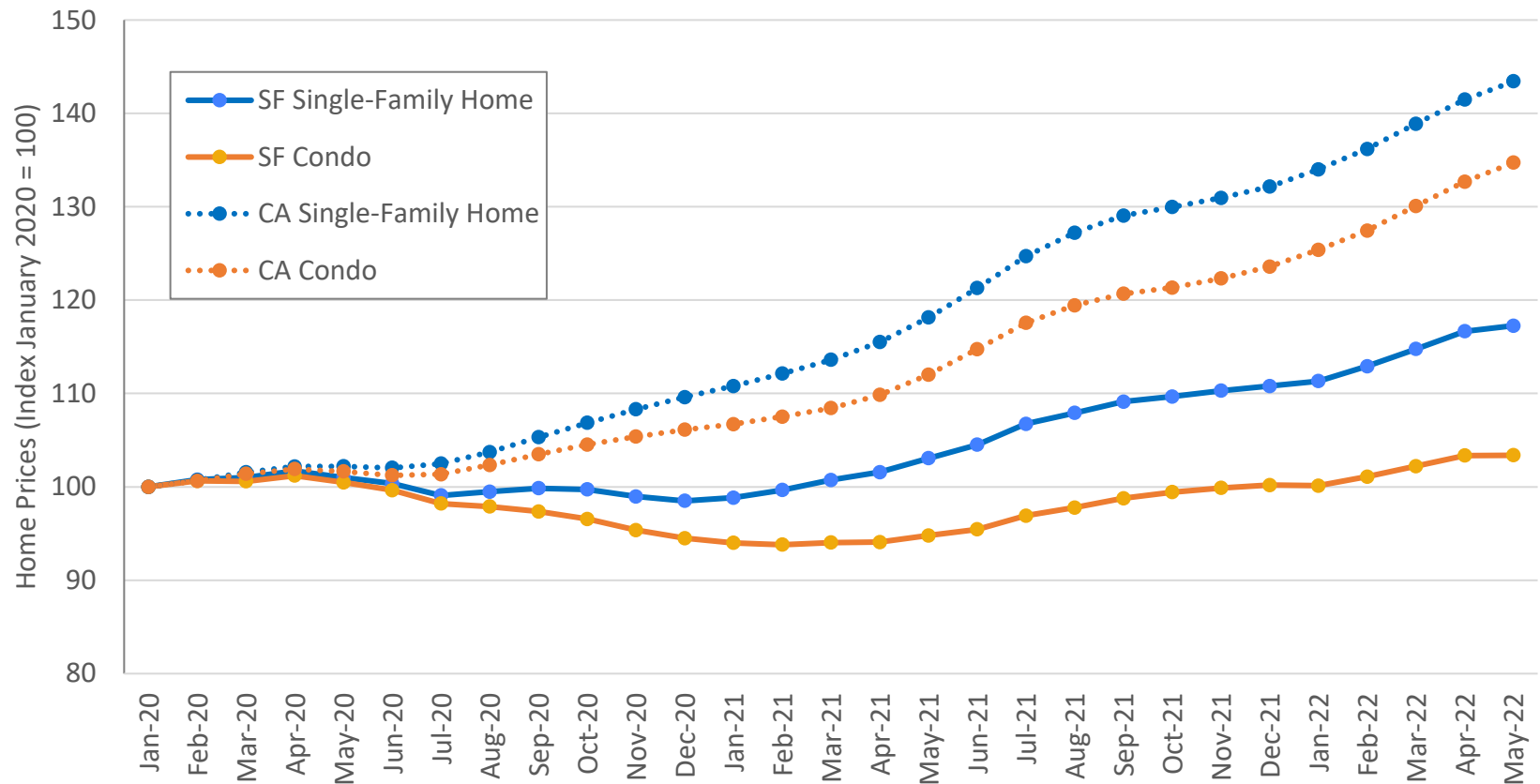


Source: Apartment List

SF Housing Prices Have Also Lagged the State

4

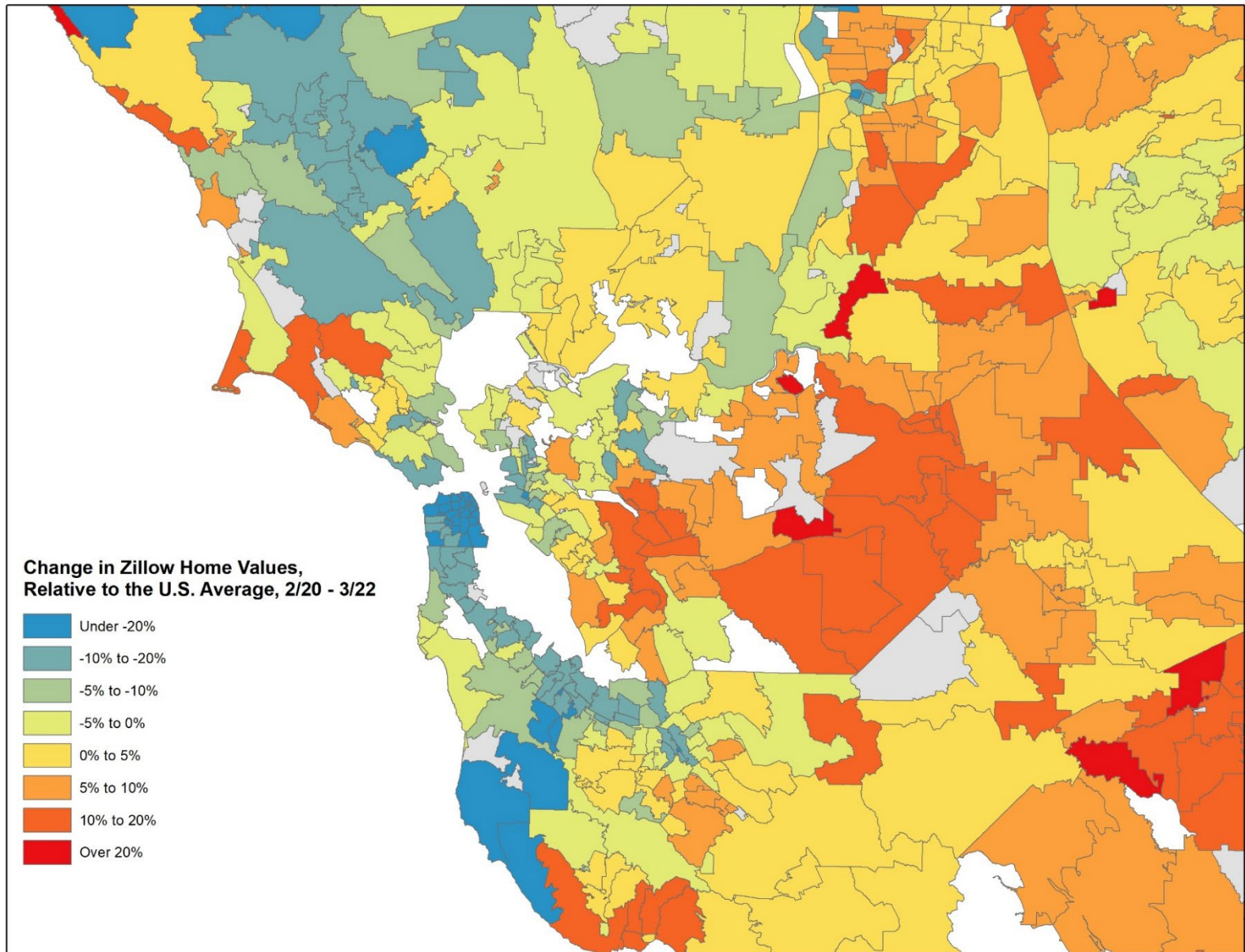
Condo and Single-Family Home Prices in San Francisco and California,
Through May



Source: Zillow

Relative Housing Price Changes Since February 2020

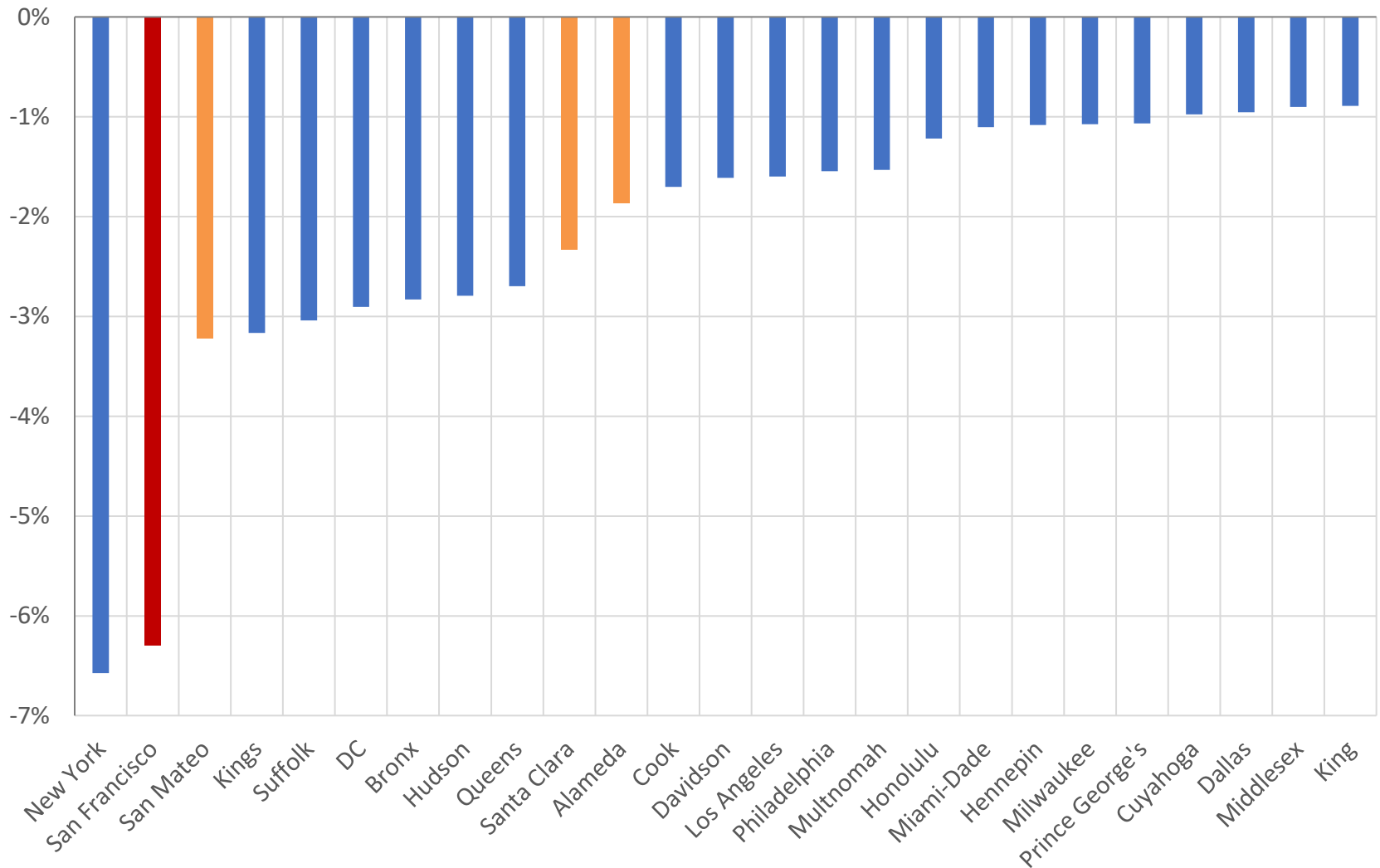
5



Why is This Happening? County Population, 2020-21

6

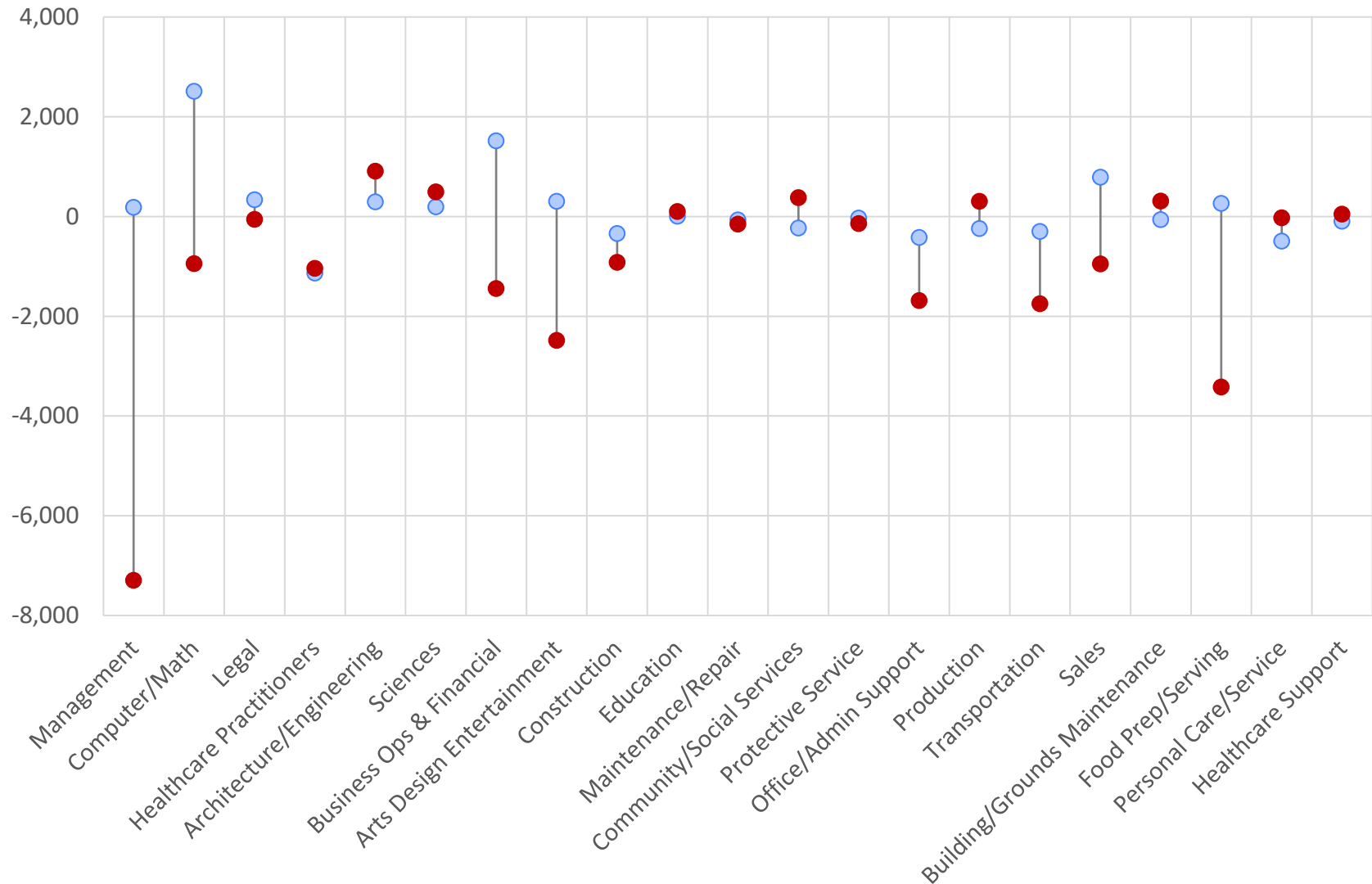
Counties with Largest Percentage Population Decline
(Among 100 Largest U.S. Counties), July 2020-July 2021



Net Migration by Occupation, Before and During COVID

7

Annual Net Migration to San Francisco by Occupation,
Pre-Pandemic Average (Blue) and 2020 (Red)

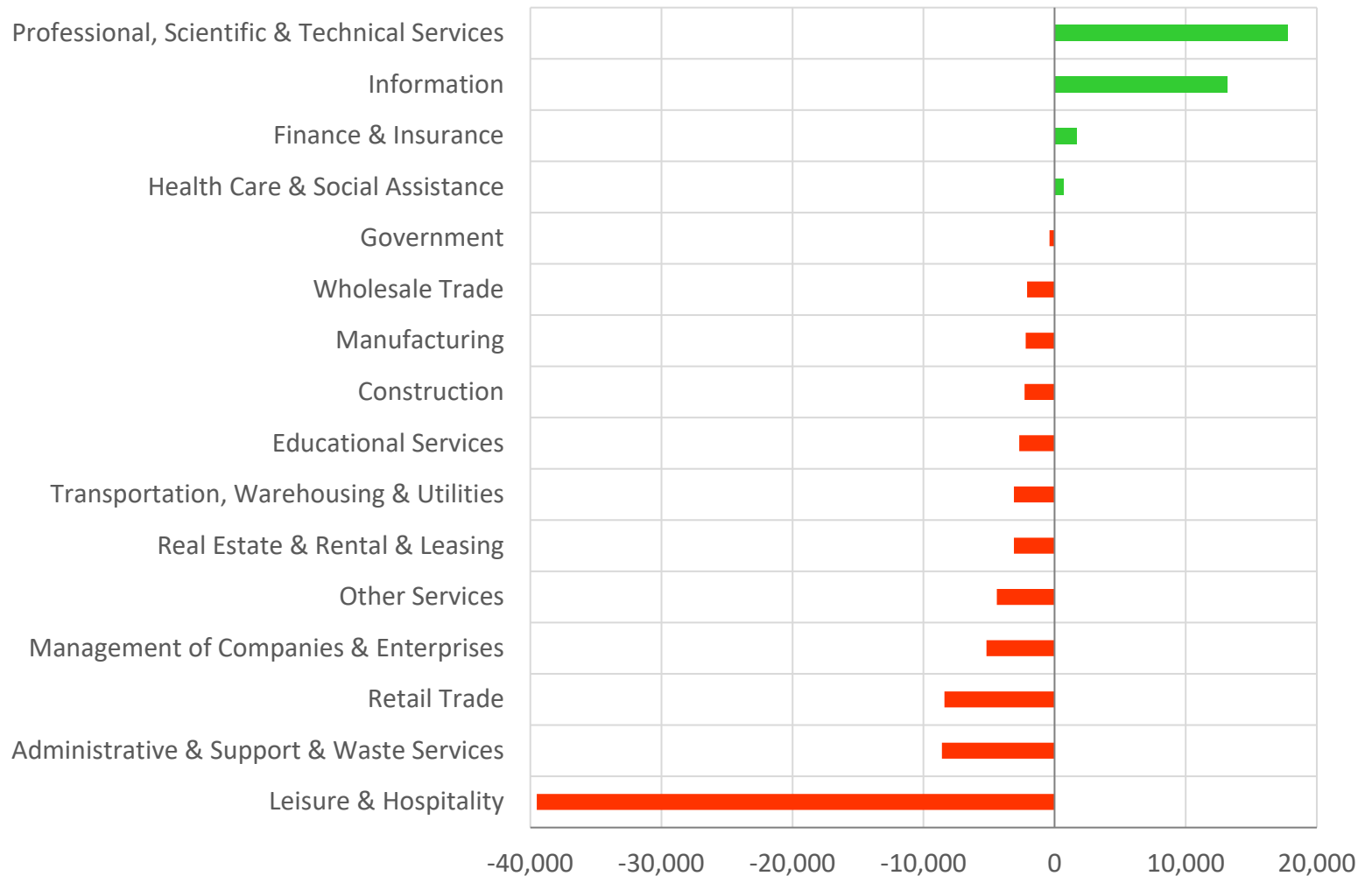


Source: U.S. Census, American Communities Survey / ipums.org. Occupations ranked by average wages (highest to the left)

Tech Has Led the Job Recovery in the SF Metro Division

8

Employment Change by Industry: San Francisco Metropolitan Division
February 2020 - March 2022

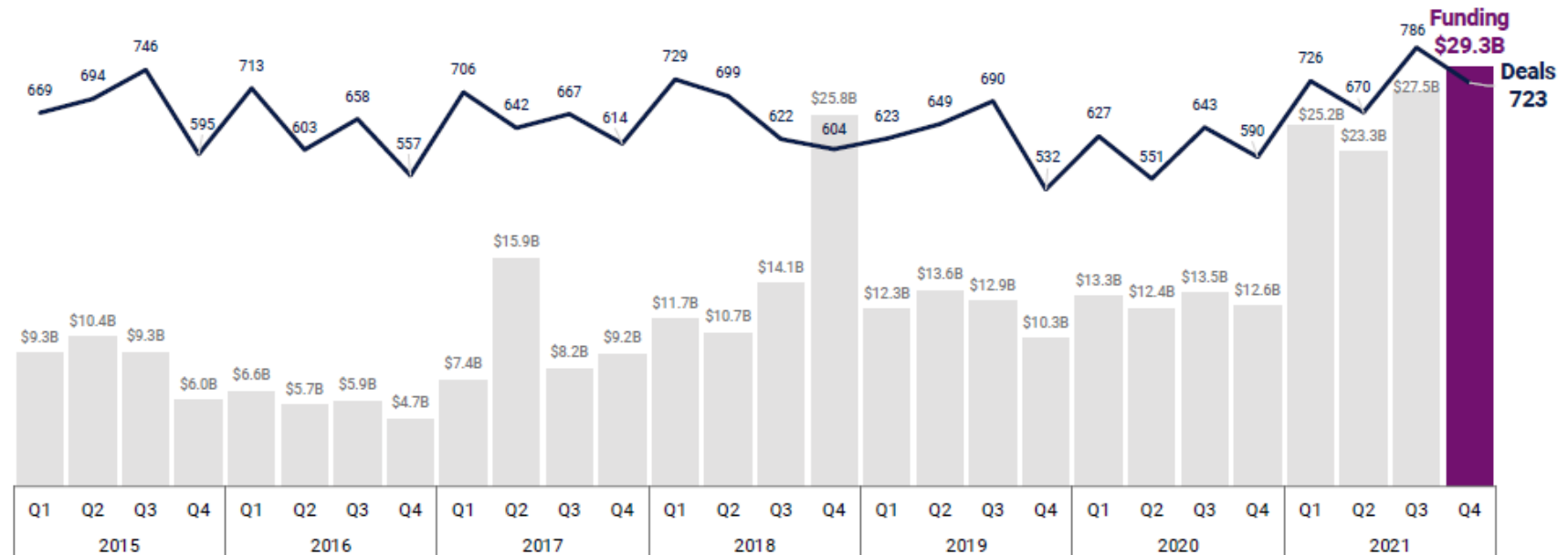


2021 Was a Record Year for Local Venture Capital

9

STATE OF VENTURE | US | SILICON VALLEY

Silicon Valley funding reaches quarterly record total of \$29.3B in Q4'21



CBINSIGHTS

141

But the Bay Area Lags Other Regions in Return-to-Office

10

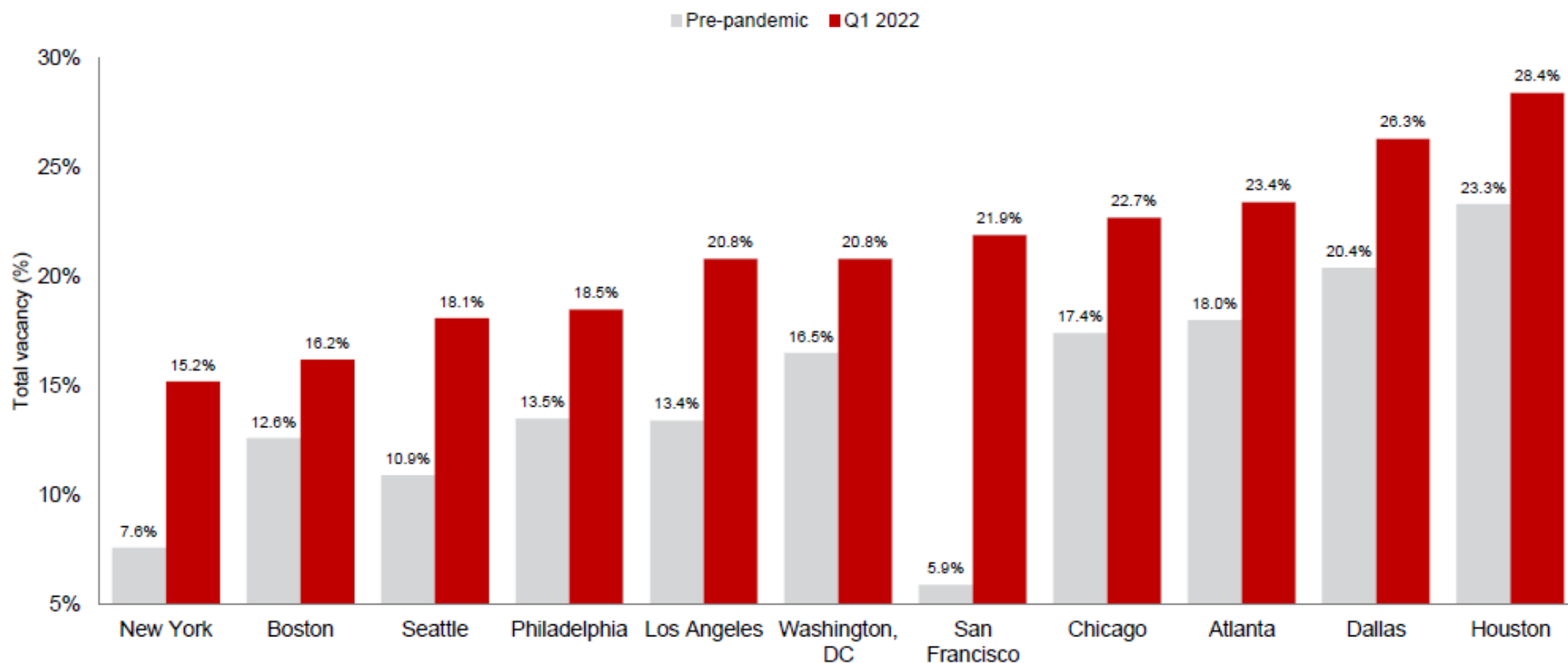
OCCUPANCY OVER TIME - MARCH 4, 2020 TO JUNE 15, 2022



And the Office Market Looks Distressed

11

San Francisco realized the largest net jump in office vacancy amongst major markets.



Source: JLL Research

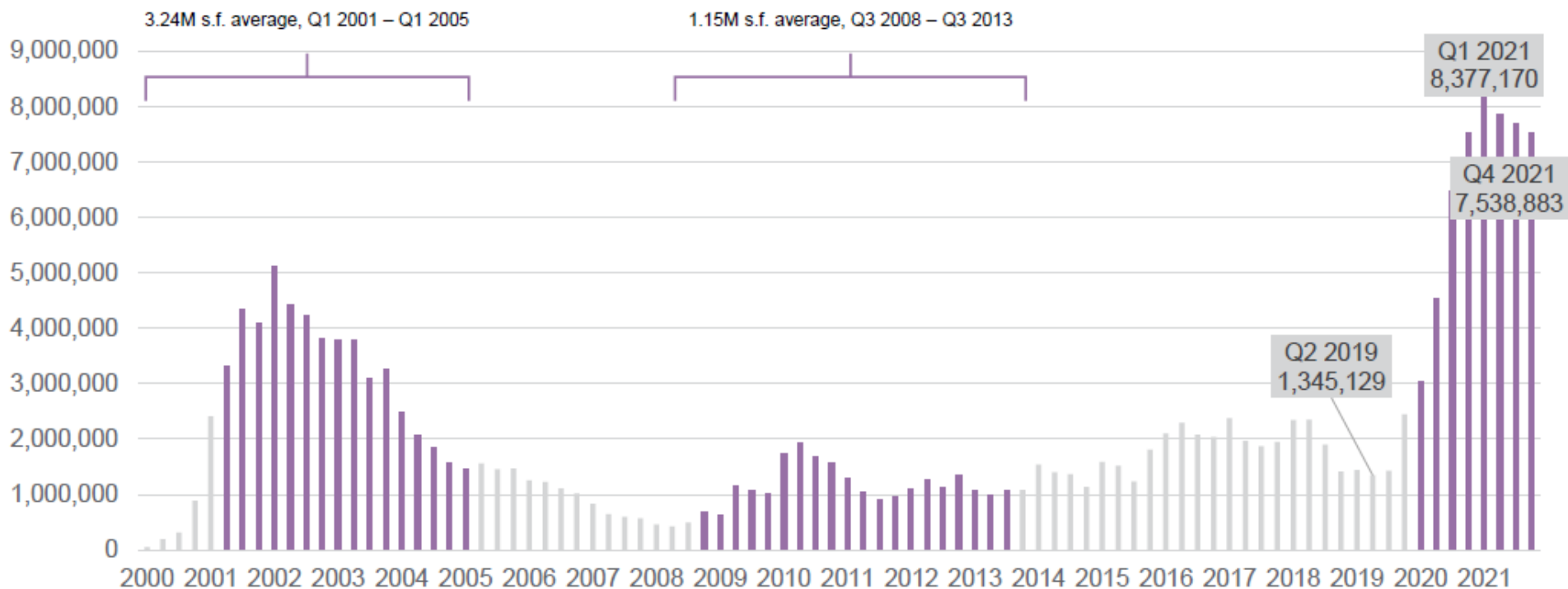
12

Source: JLL

2 Years of Record High Sub-Lease Space

12

Sublease availability has continued to plateau with some spaces having their leases expire and becoming direct.

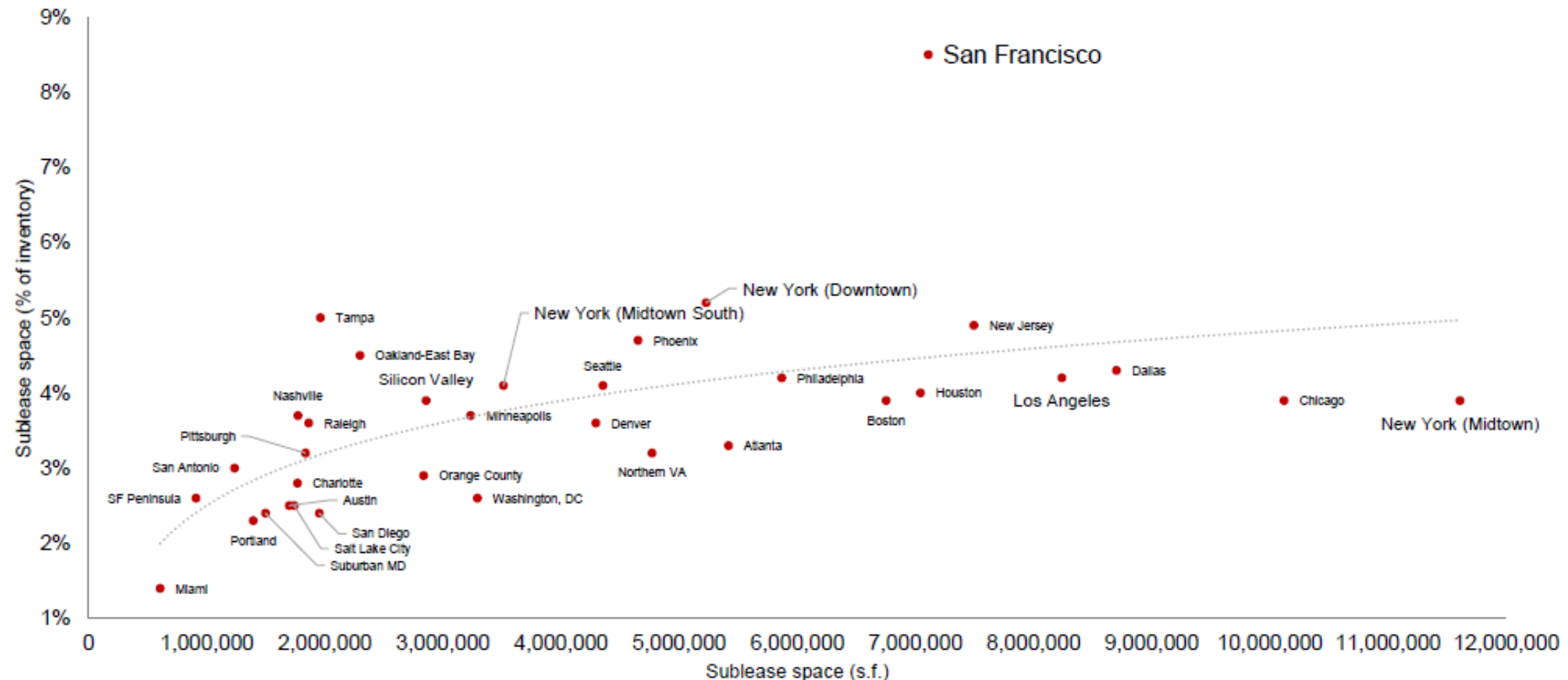


San Francisco Sublease Space In Context

13

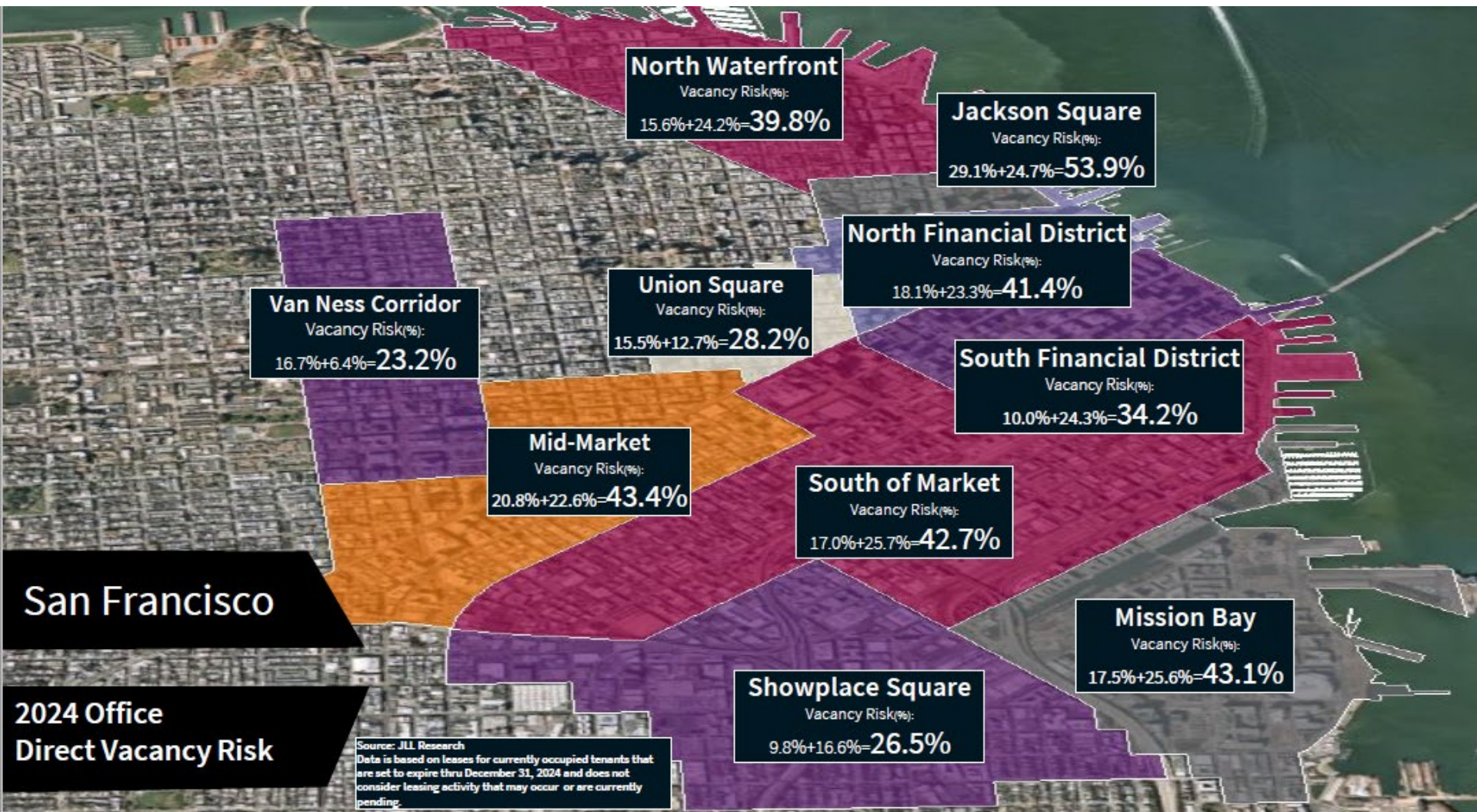


San Francisco remains an outlier in the amount of sublease space available.



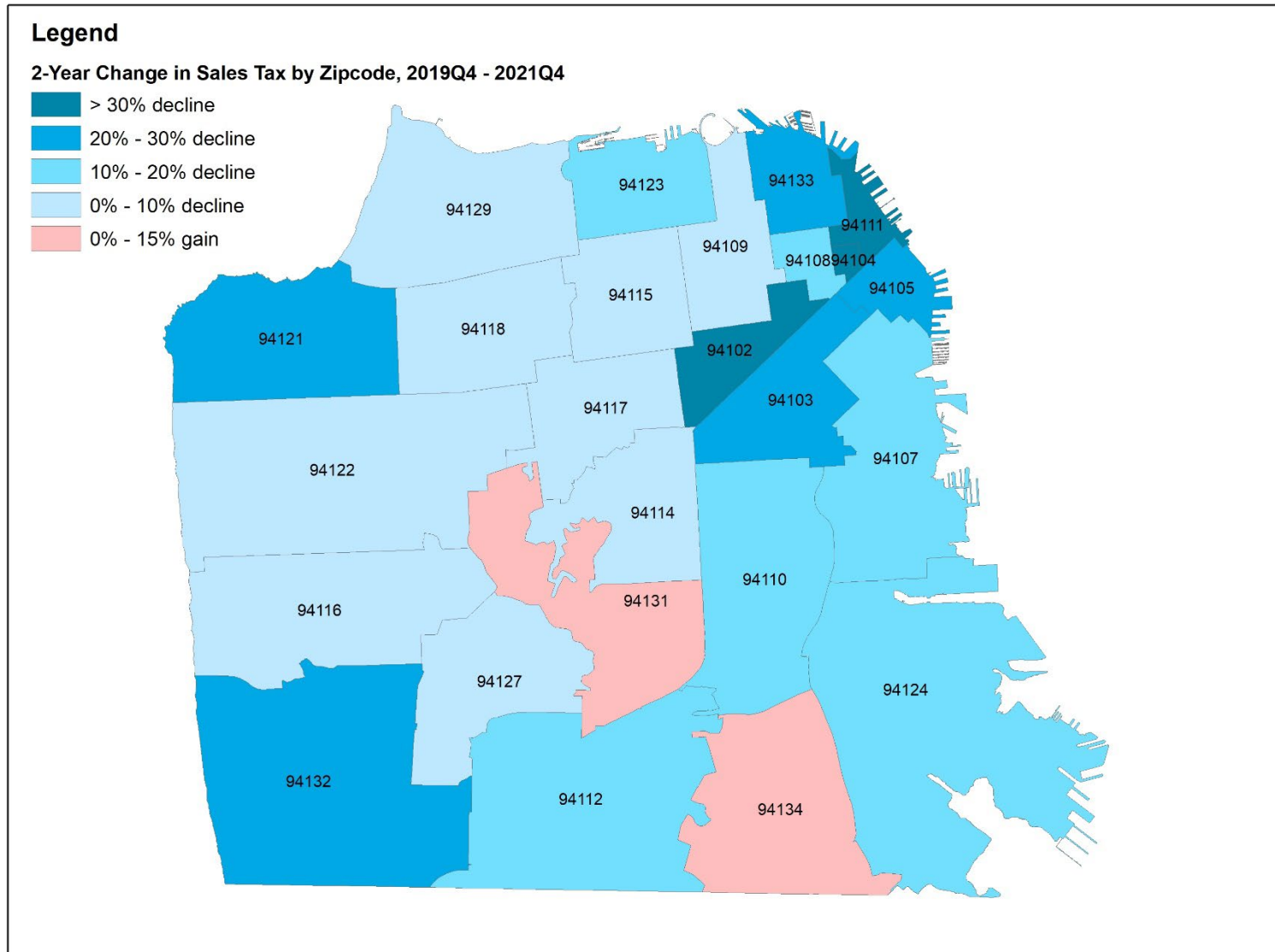
"Vacancy Risk" Ranges from 35%-50% in Some Areas

14



Sales Tax Has Been Very Weak, Especially Downtown

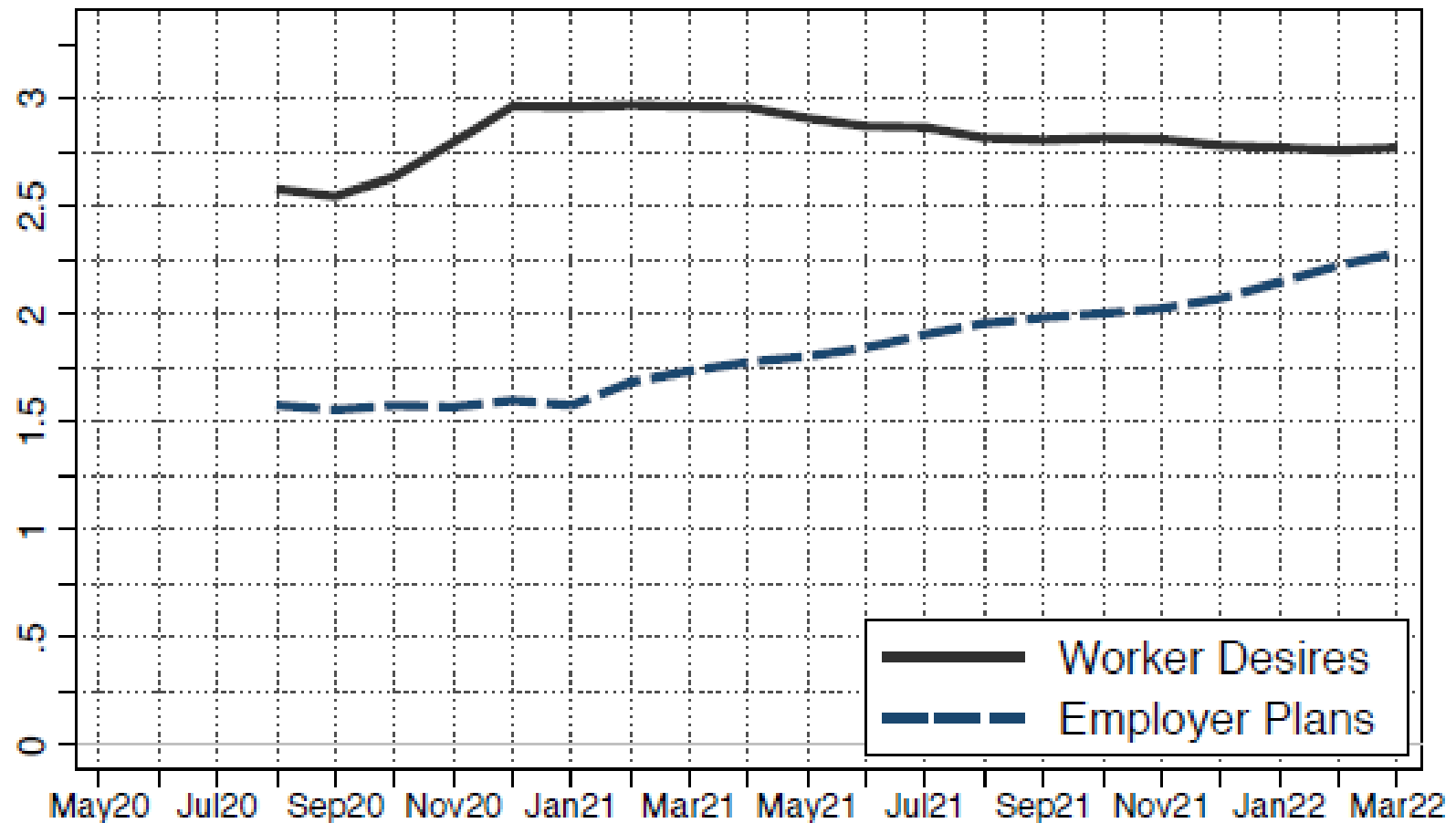
15



Why Is This Happening? WFH Uncertainty Diminishing

16

Average Days per Week Working From Home
After the Pandemic Ends: Workers Able to WFH

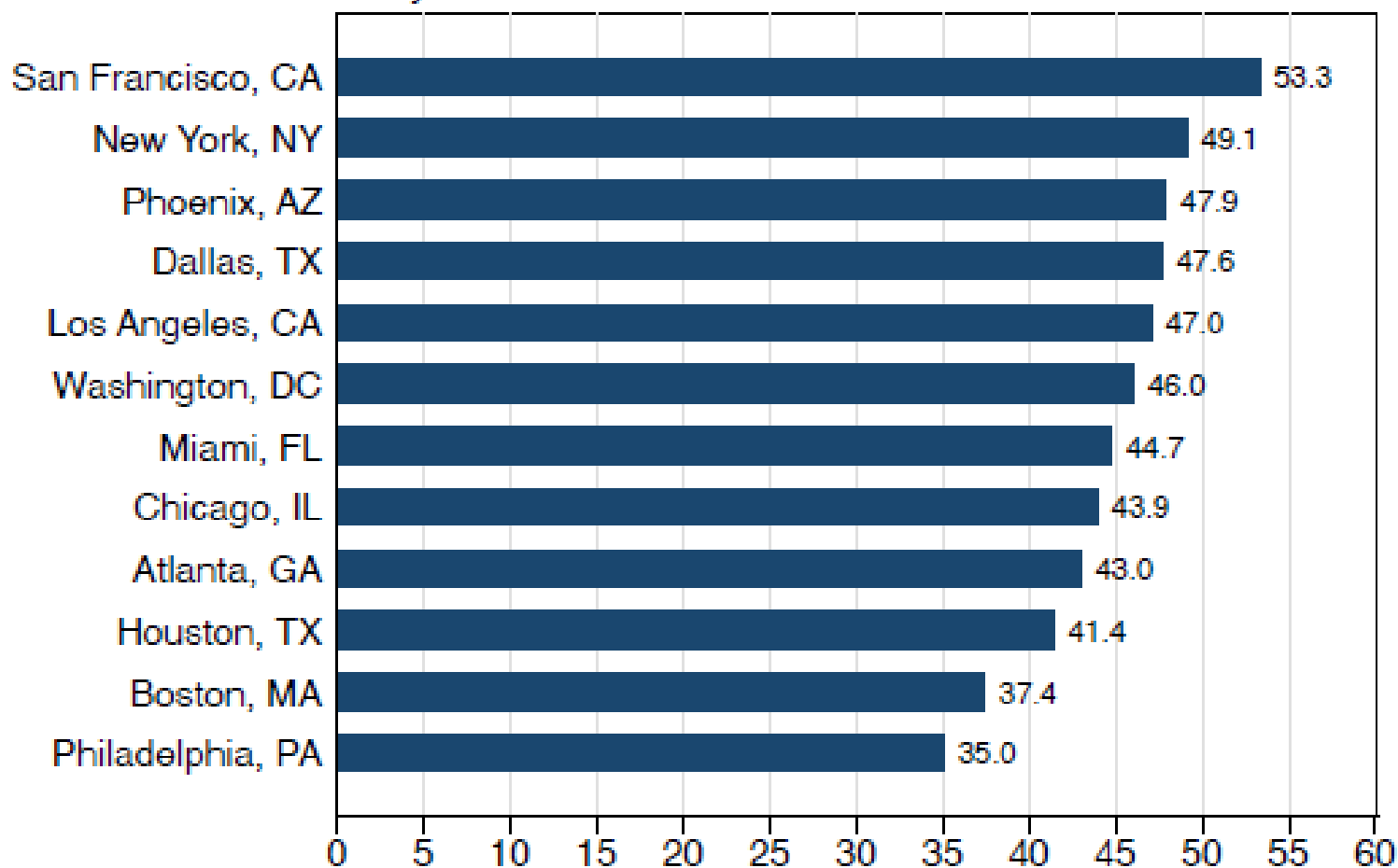


Sample: Workers able to work from home

San Francisco Expected to Lead This Trend

17

Reduction of person days on business premises (percent) by MSA of Current Residence



- With full employment despite a reduced population, growth is peaking. Macroeconomic issues will likely make further economic recovery challenging for the city.
- Rising interest rates means the housing market may also be reaching a peak. A further cooling of development can be expected in the months ahead.
- While San Francisco office workers are returning to the office somewhat less than workers in other areas, the reaction of office tenants here has been more dramatic than in other places.
- This reduction in office demand has had significant spillover effects on other parts of the local economy.
 - Housing – falling prices and rents, due to less need to live near downtown jobs.
 - Leisure & Hospitality – major declines in conventions and transient business tourism
 - Downtown retail and restaurants – fewer customers and reduced revenues.