

Rents rise in S.F., Oakland, San Jose

Carolyn Said – San Francisco Chronicle Updated 4:58 p.m., Thursday, October 18, 2012



Apartment rents in the Bay Area's three biggest cities continue to rise, with Oakland seeing a huge surge, probably fueled by renters priced out of San Francisco crossing the bay.

"Oakland is the less expensive alternative to San Francisco," said [Sarah Bridge](#), president of RealFacts, a Novato company that collects information on rents at large, professionally managed apartment complexes. "It's an urban core and offers some of the same amenities on a small scale, and is still about \$800 (a month) less expensive than San Francisco. It's a spillover from the growth occurring in San Francisco."

The average asking rent at buildings with at least 50 units in Oakland hit \$1,925 in the third quarter, up 19 percent from the same time last year, RealFacts said. That figure averages rents for units ranging from studios to three bedrooms, but the trend is just as pronounced for each size. One-bedroom [apartments](#), for instance, were asking \$1,761, a 20.1 percent increase from a year ago, RealFacts said.

San Francisco's already sky-high rents continued climbing, with a new average asking of \$2,768 at big complexes, up 7.6 percent from a year ago. San Jose saw a 9.6 percent increase to an average of \$1,845, RealFacts said.

Apartment hunters on both sides of the bay are reeling from sticker shock.

Matt and [Jennifer Renner](#) are moving back to the Bay Area after a few years living in Brooklyn and Boulder, Colo. They're seeking a two-bedroom in Oakland for about \$1,900, despite both having stable employment, good credit and excellent references, the pickings are slim.

"In the four years we've been gone, it's staggering how much the rents have gone up," Matt Renner said. "We considered looking at San Francisco, but the rental market there was crazy, comparable to Manhattan."

Big increases in 4 years

In 2008 when they were last here, it was a different story, he said. "I was in a three-bedroom, really nice house in the Lower Haight for \$3,000 a month," Renner said. "My wife had a nice one-bedroom in a safe neighborhood in Oakland for \$875 a month. Now that's almost doubled."

In San Francisco, what passes for good news is that the trajectory for rent hikes appears to be slowing, which might mean the market is close to saturation.

"It's not as if San Francisco is going to experience a rent drop, but I think it's gone as far as it can go," Bridge said. She said she thinks San Francisco is following a pattern set by East Coast cities such as New York and Washington, which saw rapid price appreciation and now appear to have maxed out the increases.

"It's not a demand issue; there would be more people willing to rent an apartment (in San Francisco). It's affordability," she said. "There aren't that many high-paying jobs that (landlords) can just keep raising the rents to ridiculous levels."

People who are apartment-hunting in San Francisco continue to report that it's a blood sport.

'Massive changes in wealth'

Bo Lu, co-founder and CEO of FutureAdvisor, which offers online financial advice, is moving his seven-person Seattle startup to San Francisco to be closer to the talent pool and the startup community.

He and his girlfriend, [Marlo Struve](#), hired real-estate agent [Wendy Willbanks](#), who runs an "apartment concierge" company called She Moves You, to help them look. After four intensive days of touring more than a dozen units, they signed a lease on a two-bedroom in the Castro for \$3,200 a month, including parking.

"The cost was enormous in both time and money," he said. His theory about the escalating rents takes a macroeconomic view of the tech boom.

"Many startups like mine are replacing humans with computers," he said. "Whenever you take an industry that used to employ tens of thousands and instead employ a few hundred engineers, you end up with massive changes in wealth. Engineers are being paid a lot, so they are bidding up these insane prices."

Willbanks, who sees plenty of units in her capacity as an apartment scout, said the rent increases are astounding.

"It's just insane; \$3,000 a month is a mortgage payment," she said. "Some of the square footages (for that) are horrendous. These places are 600 to 900 square feet, and they're charging three grand a month."

Target for investors

The escalating rents make Bay Area cities increasingly attractive targets for large-scale [real estate](#) investors.

Ivanhoé Cambridge, the real estate subsidiary of a major institutional fund manager in Quebec, has spent more than \$600 million in the past year buying apartment complexes from Cupertino to San Jose, totaling 2,300 units. It plans to build a high-end, 648-apartment complex in San Jose in partnership with Shea Properties, breaking ground in the spring with occupancy in about 2 1/2 years.

"We like the dynamic of the employment base. We like the fact that there are natural barriers to entry in the area," said [Sylvain Fortier](#), president of the residential division. "We like the combination of more tenants in an environment where new supply may not meet demand. We are seeing market increases on rents that are (already) fairly substantial. That will not continue forever, obviously."

Managing expectations

Lu, the Seattle entrepreneur who is moving his company here, said he knows his employees will confront similar challenges when they house-hunt.

"When I get back, I will tell my team to manage their expectations," he said. "In Seattle you can get a 700- or 800-square-foot place with parking in a nice neighborhood with a view of the water for \$1,000 a month. They should budget time, be patient and expect prices that we've never seen before, even though we live in a metropolitan area. This is an order of magnitude beyond what I've ever seen."

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