Economic and Fiscal Challenges Facing San Francisco: February 2023
Solid Job Growth in December With 4,400 New Jobs

Total Industry Employment and Civilian Labor Force, San Francisco Metropolitan Division, January 2020-December 2022

Source: EDD, SF Metro Division includes San Francisco and San Mateo counties.
Unemployment Rate Down to Near-Record Low of 2.0%

Monthly Unemployment Rate and Employed Residents, San Francisco, Through December 2022
Tech Has Led Job Recovery; Rest of Economy Down 30K

Tech and All Other Employment in San Francisco/San Mateo Counties, 2019-2022

Source: EDD
Large Exodus Across the Workforce from 2019-2021

Percent Change in Population by Occupation, 2019-2021:
City of San Francisco and the San Francisco MSA

<table>
<thead>
<tr>
<th>Occupation</th>
<th>SF Change</th>
<th>SF MSA Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management, business, financial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer, engineering, science</td>
<td></td>
<td></td>
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<tr>
<td>Social service, legal, educational</td>
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<td></td>
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<tr>
<td>Arts, design, entertainment, sports, media</td>
<td></td>
<td></td>
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<tr>
<td>Healthcare practitioners</td>
<td></td>
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<tr>
<td>Healthcare support</td>
<td></td>
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<tr>
<td>Protective service</td>
<td></td>
<td></td>
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<tr>
<td>Food preparation and serving</td>
<td></td>
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<tr>
<td>Building and maintenance</td>
<td></td>
<td></td>
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<tr>
<td>Personal care and service</td>
<td></td>
<td></td>
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<tr>
<td>Sales and related</td>
<td></td>
<td></td>
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<tr>
<td>Office and administrative support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td></td>
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<tr>
<td>Production, transportation, material moving</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, American Communities Survey. SF MSA is San Francisco, Alameda, Contra Costa, San Mateo, and Marin counties.
Since 2021, SF Restaurant Wage Growth Outpacing Others

Year-Over-Year Change in Quarterly Average Wages for Stable Employees in San Francisco: Restaurant Industries and All Industries, 2018-2021
And Those Who “Work-From-Work” Are Driving More

Percentage of San Francisco Commuters Who Take Mother Vehicles to Work, 2019 & 2021, Selected Occupational Groups

- Management
- Computer/Math
- Office/Administrative
- Production/Transportation/Repair
- Food services
- Health practitioners
- Other science and engineering
- Retail sales
- Arts and media
- Educational

Source: JLL
Office Vacancy Rising Everywhere – Especially in SF

Market Vacancy Comparison

Source: JLL
San Francisco Housing Prices and Asking Rents, Relative to the US:
January 2020 - December 2022

Sources: Zillow, Apartment List
A Weak Local Recovery for Hospitality

Monthly Hotel Revenue vs Same Month in 2019: Selected Cities, Through November 2022

Source: STR
Downtown Commerce is Still Down >25% After Inflation

Change in Inflation-Adjusted Taxable Sales by Zipcode, 2019Q2 - 2022Q2

Source: HDL
Forecast Revenue Loss from Office Property Tax, Under 3 Office Market Scenarios, 2021-2028

Source: Controller's Office
Housing Prices Sluggish in SF, Booming Further Away

Change in Relative Housing Values in Northern California, December 2019-December 2022

Zillow Housing Value Change, Relative to U.S. Average
- < 35% less
- 15-35% less
- 0-15% less
- 0-15% more
- 15-35% more
- > 35% more

Source: HDL
### Property Tax Effects of a Weak Housing Market

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2024</th>
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<th>2026</th>
<th>2027</th>
<th>2028</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single family forecast</strong></td>
<td>-8%</td>
<td>-3%</td>
<td>1%</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Condo forecast</strong></td>
<td>-9%</td>
<td>-3%</td>
<td>1%</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
</tr>
</tbody>
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Zillow Single-Family Index (2000=100)

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<tr>
<th>2023</th>
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Zillow Condo Index (2000=100)

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<td>218</td>
<td>212</td>
<td>214</td>
<td>220</td>
<td>229</td>
<td>241</td>
</tr>
</tbody>
</table>

- **Single Family: % AV below market**
  - 0.9%
  - 2.0%
  - 2.2%
  - 2.0%
  - 1.6%
  - 0.9%

- **Condo: % AV below market**
  - 8.2%
  - 11.3%
  - 11.9%
  - 11.3%
  - 10.1%
  - 8.3%

- **Single Family loss**
  - $6.3
  - $13.9
  - $15.3
  - $13.9
  - $11.0
  - $6.6

- **Condo loss**
  - $36.8
  - $50.4
  - $53.0
  - $50.4
  - $45.2
  - $37.3

- **Total Loss**
  - $43.1
  - $64.2
  - $68.3
  - $64.3
  - $56.2
  - $43.9
Two Possible Paths Forward if WFH Becomes Permanent

- On one level, San Francisco’s economic troubles are a consequence of reduced office demand, and reduced willingness to pay for housing located near offices. That’s the direct impact of work-from-home.

- If work-from-home becomes permanent, one path forward would be a “gentle” adjustment, with falling rents and housing prices inducing fresh demand, leading to increased occupancy and a recovering population. This would eventually bring economic activity something back to something close to normal, although property prices may remain depressed.

- There is another, more dangerous path – a downward spiral, where an extended period of vacancy makes downtown less attractive. Risk are not extremely likely – but they are numerous.
  - Out-migration of tech talent => weakening competitive advantage.
  - Transit’s fiscal cliff => limited service or unsupportable costs makes downtown uncompetitive
  - Taxes and revenue => revenue shortfalls lead to higher taxes, also hurting competitiveness
  - Downtown quality of life => limited amenities, worries about safety keep people away.