

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS

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Policy Analysis Report

To: Supervisor Dean Preston
From: Budget and Legislative Analyst's Office
Re: Residential Vacancies Update
Date: October 20, 2022



Summary of Requested Action

You requested that we update our analysis published January 31, 2022¹ of the number of vacant housing units in San Francisco, reasons for vacancies, and comparison to other cities based on 2021 American Community Survey vacant housing data issued in September 2022.

For further information about this report, contact Fred Brousseau, Director of Policy Analysis at the Budget and Legislative Analyst's Office.

Project staff: Fred Brousseau, Christina Malamut

High-housing costs have negative impacts on economic opportunity, health, income inequality, productivity, homelessness, and climate change as individuals who are unable to afford housing in high-wage and service-rich areas are pushed further away from these areas and the opportunities they provide.² While new housing supply can be a primary contributor to affordability, particularly if targeted and priced for low and moderate income households, large numbers of vacant units in cities with existing housing shortages can also impact affordability by further restricting supply. While a certain level of vacancy can be expected due to normal turnover of housing units, some units may be vacant due to owner preferences and actions that are inconsistent with policy goals of maximizing the City's housing stock for residents. Our January 2022 report described San Francisco's housing supply and demand trends, provided estimates of vacant residential units for 2019 from the U.S. Census Bureau's American

¹ "Residential Vacancies in San Francisco", Policy Analysis Report for Supervisor Dean Preston, Budget and Legislative Analyst. January 31, 2022.

² Jenny Schuetz (2020), *To improve housing affordability, we need better alignment of zoning, taxes, and subsidies*. Brookings Institution Big Ideas Brief. Pamela Blumenthal, J.R. McGinty, & R. Pendall (2016), *Strategies for Increasing Housing Supply in High-Cost Cities*. Urban Institute.

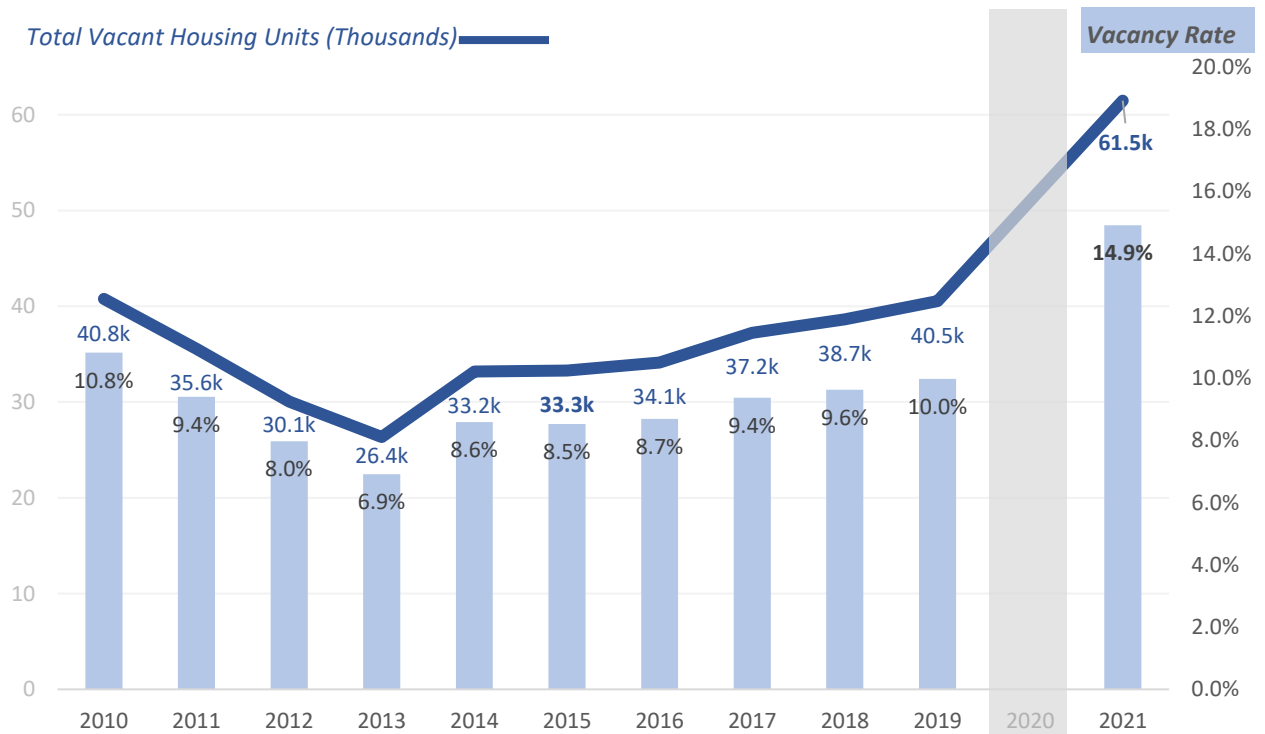
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Community Survey, and described policies implemented by other jurisdictions to reduce the number of vacant units. Updated estimates on vacant residential units based on 2021 American Community Survey (ACS) 1-year estimates are provided below.

A 52 percent increase in vacant units in San Francisco between 2019 and 2021

The total number of housing units in San Francisco increased by 5,870 units from 406,399 to 412,269 between 2019 and 2021, an increase of 1.4 percent, according to the Census Bureau’s American Community Survey 1-year estimates for those years. The number of vacant units in San Francisco increased significantly during the same time, from 40,548 in 2019 to 61,473 in 2021, an increase of 20,925 units or 51.6 percent. In 2021, 14.9 percent of all San Francisco housing units were vacant, up from 10 percent in 2019. Further, the number of vacant units is at its highest level since at least 2010, as shown in Exhibit 1 below.

Exhibit 1: Vacant Units in San Francisco County by Year, 2010 - 2021*



Source: US Census Bureau, American Community Survey (1-year estimates)

* We have not included data from the 2020 American Community Survey (released on Nov. 30, 2021) as the U.S. Census Bureau has labelled this data as “experimental” given concerns about data quality due to the impact of the COVID-19 pandemic on data collection and response rates.

A 142 percent increase in the number of vacant units For Rent since 2019

Not only has the number of vacant units increased, but the distribution of vacancy types according to ACS categories also changed during the two-year period. The biggest change numerically and in percentage terms was in the For Rent category, which increased from 7,241 units in 2019 to 17,514 units in 2021, an increase of 10,273 units or 141.9 percent. This increase likely reflects the decrease in the City’s population during the Covid-19 pandemic as some tenants gave up their rental units to move to other cities. The ACS reports a decline in the City’s population of 66,348 between 2019 and 2021, from 881,549 to 815,201.

The second biggest increase numerically in vacant residential units was in the Other Vacant category, which increased from 12,991 units in 2019 to 21,493 units in 2021, an increase of 8,502 units or 65.4 percent according to the ACS. This category has a mix of explanations for vacancies including units held vacant for personal or family reasons, units requiring or undergoing repair, corporate housing, units held for use by a caretaker or janitor, units subject to legal proceedings, units being kept vacant for a future sale, and other reasons.

Decreases in vacant units were reported in the 2021 ACS in the categories of For Sale Only and Sold, Not Occupied. These reductions, however, were more than offset by increases in the various other categories of vacant units. Exhibit 2 shows the 2021 figures by category compared to those reported for 2019.

Exhibit 2: Vacant Units by Reason in San Francisco County, 2019 and 2021

| ACS Vacant Unit Category | 2019 Estimate | | 2021 Estimate | | Change | |
|---|---------------|-------------|---------------|---------------|---------------|--------------|
| | # | % | # | % | # | % |
| For Rent | 7,241 | 17.9% | 17,514 | 28.5% | 10,273 | 141.9% |
| Rented, Not Occupied | 2,405 | 5.9% | 4,531 | 7.4% | 2,126 | 88.4% |
| For Sale Only | 1,307 | 3.2% | 851 | 1.4% | (456) | -34.9% |
| Sold, Not Occupied | 8,039 | 19.8% | 6,812 | 11.1% | (1,227) | -15.3% |
| Seasonal, Recreational, or Occasional Use | 8,565 | 21.1% | 10,272 | 16.7% | 1,707 | 19.9% |
| Other Vacant | 12,991 | 32.0% | 21,493 | 35.0% | 8,502 | 65.4% |
| Total | 40,548 | 100% | 61,473 | 100.0% | 20,925 | 51.6% |

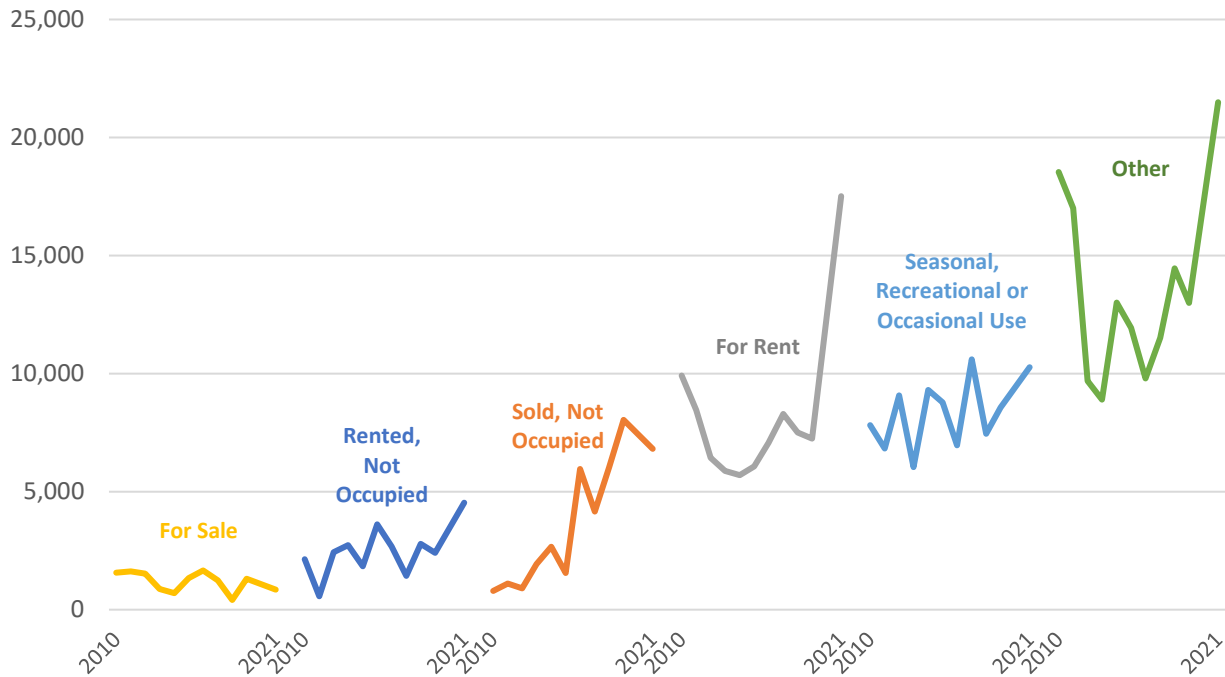
Source: US Census Bureau, American Community Survey (1-year estimates, Table B25004)

Units being held vacant for “Other” reasons continues to represent the single largest vacancy type, with 21,493 units, or 35 percent of all vacant units, unoccupied for this reason in 2021.

However, the number of vacant units that were For Rent (17,514 units, or 28.5 percent of vacant units) is at its highest level since at least 2010 and now represents the second largest vacancy type, followed by units vacant for seasonal, recreational, or occasional use (10,272 units, or 16.7 percent of vacant units). Exhibits 3 and 4 below show the trends in vacant unit types from 2010 to 2021.

Exhibit 3: San Francisco Vacant Units by Type of Vacancy, 2010 - 2021*

Number of Vacant Units by Type



Source: US Census Bureau, American Community Survey (1-year estimates)

* 2020 American Community Survey data excluded due to concerns about data quality.

Exhibit 4: Vacant Units by Reason in San Francisco, 2010-2021

| Reason for Vacancy | 2010 | 2015 | 2021 | Change 2015 - 2021 | |
|---|---------------|---------------|---------------|--------------------|--------------|
| | | | | # | % |
| Other vacant | 18,533 | 11,937 | 21,493 | 9,556 | 80.1% |
| Seasonal, recreational, or occasional use | 7,815 | 8,776 | 10,272 | 1,496 | 17.0% |
| For rent | 9,911 | 6,064 | 17,514 | 11,450 | 188.8% |
| Sold, not occupied | 794 | 1,547 | 6,812 | 5,265 | 340.3% |
| Rented, not occupied | 2,142 | 3,620 | 4,531 | 911 | 25.2% |
| For sale only | 1,570 | 1,338 | 851 | (487) | -36.4% |
| Grand Total | 40,765 | 33,282 | 61,473 | 28,191 | 84.7% |

Source: US Census Bureau, American Community Survey (1-year estimates)

Distribution of Vacancies Across San Francisco

In 2019, vacancies in San Francisco were concentrated primarily in the Downtown/Financial District, Mission Bay, Mission, and South of Market areas, as reported in our January 2022 report on residential vacancies. However, updated census tract level data was not available as of the writing of this report, so we could not provide updates on the distribution of vacancies across the City. Census tract level data will be available in December 2022 when 2022 ACS 5-year estimates are published.

At 14.9 percent, San Francisco had the highest residential vacancy rate in 2021 compared to selected cities

Compared to nine selected cities shown in Exhibit 5 below, San Francisco had the highest total vacancy rate in 2021 as reported in the ACS (14.9 percent), driven in part by a relatively higher share of housing units being held off the market as well as a higher share of housing units being offered for rent due to population declines. San Francisco's homeowner vacancy rate (0.6 percent) was the lowest of selected cities, but the City's rental vacancy rate of 7.5 percent was higher than the 6.3 percent median rate of selected cities. This indicates that the market for housing units for sale is tight compared to other cities, where housing placed on the market is quickly purchased. However, the market for housing units for rent is less tight compared to other cities, which reflects a change from 2019 when San Francisco's rental vacancy rate (3.0 percent) was below the median of comparison jurisdictions (4.6 percent). This change may be driven by a relatively larger decrease in population since 2019 in San Francisco compared to other cities, discussed below.

Exhibit 5: Vacancy Rates by Type and Vacant Units for Select Cities, 2021

| City | Vacancy Rate by Type | | | Housing Units by Type | |
|--------------------------|----------------------|----------------|-----------------------|-----------------------|----------------|
| | Homeowner Vacancy | Rental Vacancy | Total (All Vacancies) | Vacant Units | Total Units |
| Boston, MA | 1.1% | 6.1% | 11.4% | 35,084 | 307,025 |
| Chicago, IL | 1.1% | 6.7% | 10.4% | 132,654 | 1,272,191 |
| Houston, TX | 1.8% | 8.9% | 10.1% | 103,782 | 1,028,763 |
| Los Angeles, CA | 0.9% | 5.5% | 8.5% | 131,797 | 1,542,391 |
| New York, NY | 1.8% | 4.4% | 10.4% | 378,036 | 3,641,931 |
| Philadelphia, PA | 0.9% | 6.3% | 9.8% | 72,094 | 733,015 |
| San Diego, CA | 0.9% | 4.3% | 6.2% | 34,456 | 555,456 |
| Seattle, WA | 1.0% | 6.7% | 8.6% | 33,149 | 384,799 |
| Washington, D.C. | 1.9% | 8.0% | 10.6% | 37,917 | 357,482 |
| Median | 1.1% | 6.3% | 10.1% | | |
| San Francisco, CA | 0.6% | 7.5% | 14.9% | 61,473 | 412,269 |

Source: US Census Bureau, American Community Survey 2021 (1-year)

San Francisco’s share of housing units that are vacant exceeded the median of selected cities for all ACS categories shown below except for vacant units For Sale. San Francisco’s share of housing units that are vacant for seasonal, recreational, or occasional use (2.5 percent) was the highest of selected cities and 1.5 percentage points above the median (1.0 percent). While this category includes several situations, it also covers second or non-primary homes. At 5.2 percent, San Francisco’s share of housing units that are vacant for “Other” reasons was the second highest of selected cities (behind Chicago at 5.3 percent) and 2.2 percentage points above the median (3.0 percent) of selected cities. Exhibit 6 shows the 2021 figures by category for selected cities. Exhibit 7 shows comparisons of the number of vacant units between 2019 and 2021 for these cities.

Exhibit 6: Vacancy Rates by Reason for Select Cities, 2021

| City | For rent | For sale only | Rented, not occupied | Sold, not occupied | Seasonal, recreational, or occasional use | Other vacant | Total vacant |
|----------------------|-------------|---------------|----------------------|--------------------|---|--------------|--------------|
| Boston, MA | 3.8% | 0.3% | 0.9% | 1.7% | 2.0% | 2.6% | 11.4% |
| Chicago, IL | 3.5% | 0.5% | 0.3% | 0.2% | 0.7% | 5.3% | 10.4% |
| Houston, TX | 5.1% | 0.7% | 0.5% | 0.3% | 0.4% | 3.0% | 10.1% |
| Los Angeles, CA | 3.4% | 0.3% | 0.6% | 0.3% | 1.0% | 2.9% | 8.5% |
| New York, NY | 2.8% | 0.6% | 0.9% | 0.6% | 2.0% | 3.5% | 10.4% |
| Philadelphia, PA | 2.9% | 0.4% | 0.8% | 0.6% | 0.5% | 4.6% | 9.8% |
| San Diego, CA | 2.2% | 0.4% | 0.4% | 0.3% | 1.5% | 1.4% | 6.2% |
| Seattle, WA | 3.6% | 0.4% | 1.2% | 0.2% | 1.1% | 2.1% | 8.6% |
| Washington, D.C. | 4.6% | 0.8% | 0.6% | 0.8% | 0.7% | 3.0% | 10.6% |
| Median | 3.5% | 0.4% | 0.6% | 0.3% | 1.0% | 3.0% | 10.1% |
| San Francisco | 4.2% | 0.2% | 1.1% | 1.7% | 2.5% | 5.2% | 14.9% |

Source: US Census Bureau, American Community Survey 2021 (1-year)

Exhibit 7: Vacant Units for Select Cities: 2019 vs. 2021

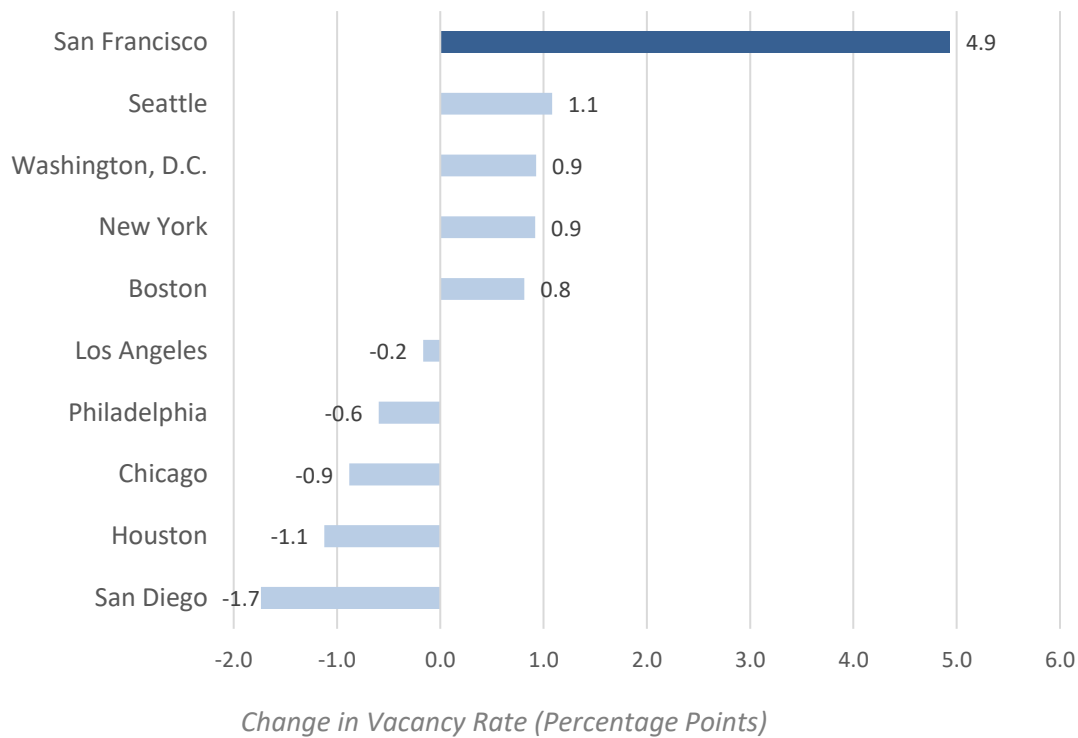
| City | 2019 | 2021 | Change | % Change |
|-----------------------------|---------------|---------------|---------------|--------------|
| Boston, MA | 32,238 | 35,084 | 2,846 | 8.8% |
| Chicago, IL | 137,733 | 132,654 | (5,079) | -3.7% |
| Houston, TX | 110,654 | 103,782 | (6,872) | -6.2% |
| Los Angeles, CA | 133,464 | 131,797 | (1,667) | -1.2% |
| New York, NY (all boroughs) | 335,568 | 378,036 | 42,468 | 12.7% |
| New York (Manhattan) | 124,727 | 179,034 | 54,307 | 43.5% |
| Philadelphia, PA | 72,148 | 72,094 | (54) | -0.1% |
| San Diego, CA | 44,205 | 34,456 | (9,749) | -22.1% |
| Seattle, WA | 28,023 | 33,149 | 5,126 | 18.3% |
| Washington, D.C. | 31,244 | 37,917 | 6,673 | 21.4% |
| San Francisco | 40,548 | 61,473 | 20,925 | 51.6% |

Source: US Census Bureau, American Community Survey, 2019 and 2021 (1-year)

San Francisco’s total residential vacancy rate increased by more than selected cities over the two-year period, likely due to the City’s relatively larger population decline over the period. San Francisco’s total residential vacancy rate increased by 4.9 percentage points over the two-year period (from 10.0 percent in 2019 to 14.9 percent in 2021) compared to a median 0.2 percentage

point decline for comparison cities. Vacancy rates declined over the period in five of the nine comparison cities (San Diego, Houston, Chicago, Philadelphia, and Los Angeles) and increased in the remaining four cities by less than in San Francisco. San Francisco also had the highest population decline (7.5 percent) over the two-year period compared to selected cities, which had a median population decline of 2.6 percent. Two of the nine comparison cities (New York and Chicago) had population increases over the period, and the remaining seven cities had population decreases that were smaller than San Francisco's.

Exhibit 7: Change in Total Vacancy Rate from 2019 to 2021



Source: US Census Bureau, American Community Survey 2021 (1-year)

In our January 2022 report, we identified policy interventions that might help reduce the number of vacant units in San Francisco. Chief among those was a tax on vacant units as had been adopted in Vancouver, British Columbia, Oakland, and Washington, D.C. Based primarily on the experience in Vancouver and Oakland and using the 2019 ACS residential vacancy numbers, we estimated the number of units that would pay such a tax if adopted in San Francisco and the number of units that might return to occupancy.

We have not replicated our earlier estimates with the 2021 Census data because of the change in the composition of vacant units between 2019 and 2021 that we observe in the ACS data for San Francisco. For our prior estimates, we concluded that there were enough similarities between San Francisco and Vancouver and Oakland that we could apply their experience with a

residential vacancy tax to San Francisco. We conclude that those were reasonable assumptions at that time but, now, with the impact of the Covid-19 pandemic on San Francisco's rental market and vacant units, we would want to assess the impact of the pandemic on housing supply in both Vancouver and Oakland before using them as bases for updating our estimates. Further, since it had not yet been crafted, our January 2022 estimates did not incorporate the provisions of the proposed residential vacancy tax initiative on the San Francisco ballot for November 2022.

All other things being equal, the larger number of vacant units reported by the Census Bureau for 2021 in San Francisco should mean some additional property owners of additional units paying a residential vacancy tax or returning their units to occupancy compared to our estimates based on the 2019 Census data. We do not conclude that the change would be proportional to the total change in vacant units, however. Estimating the extent of that increase requires an analysis of changes in the composition of residential vacancies between 2019 and 2021 in San Francisco and the comparison cities.