

A monthly analysis of the San Francisco real estate market

# MarketFOCUS

JULY 2011



## Single-Family Homes

Median Sales Price:

↓\$746,000

Active For-Sale Inventory:

↓905

Days on Market:

↓52

## Condominiums

Median Sales Price:

↓\$615,000

Active For-Sale Inventory:

↓1,276

Days on Market:

↓63

## Inventory Drops, Yet Positive Sale Gains Help Keep Real Estate Market Moving Forward

San Francisco's housing market has tightened in recent months as the month's supply of single-family homes for sale in 8 of the 10 district neighborhoods has dropped year-over-year by 31.5 percent.

The decline in the city's inventory of homes for sale was accompanied by a 14.4 percent increase in the number of pending sales in June, often resulting in multiple offers and overbidding situations developing among home buyers.

The number of completed transactions has risen by 7.8 percent compared to this time last year, thanks to an abundance of all-cash buyers, a strengthening economy, and continuing low mortgage rates.

## Single-Family Homes

The majority of activity last month occurred within the segment of homes priced at less than \$700,000. The number of homes under contract in June climbed by 21 percent and the number of sold homes rose by a significant 34.9 percent.

Areas which have been the focus of activity are the Excelsior and Outer Mission neighborhoods in the southeastern part of the city. Since June 2010, the percentage of pending home sales has increased by 16.1 percent in those neighborhoods and, even more notably, the number of completed sales has risen by 37.5 percent. The Excelsior and Outer Mission offer reasonably priced, mid-century homes in a suburban location. Many neighborhood residents commute to work and both Interstate 280 and Highway 101, which feed Silicon Valley, are only a short drive away.

The Noe Valley and Mission Dolores neighborhoods in the geographical center of San Francisco are other areas seeing sales gains. The number of homes under contract in these neighborhood accelerated by a whopping 70 percent compared to this time last year, even as the month's supply of inventory dropped by 68 percent. By the end of the month, the number of sold homes reached 35 units, a 20.7 percent increase from June 2010. Noe Valley boasts an architecturally rich and diverse mix of properties, with a high concentration of locally owned, family-friendly shops. The Mission Dolores neighborhood is home to not only the oldest surviving structure in the city, Mission Dolores, but is also the location of eclectic restaurants and drinking establishments, making it ideal for young and hip professionals moving into the city.

## **Condominium Sales**

Although sales of condominiums have fallen throughout the city by 8.2 percent since June 2010, the number of pending sales in June increased by an impressive 23.9 percent, signaling an upsurge in future sales.

One area of the city which has experienced an increase in buying interest is the Hayes Valley, in the north-central part of the city. Since the demolition of part of the Central Freeway which terminated in Hayes Valley, the area has been revitalized, with both contemporary and trendy condominiums sprouting up throughout the neighborhood.

Other areas which have continued to see buying interest are the contiguous Marina and Pacific Heights neighborhoods in the northernmost part of the city. Compared to this time last year, the number of pending condominium sales improved by 10.5 percent, with the number of completed sales rising by 27.3 percent. Luxury condominiums with views that look out on the Golden Gate Bridge and the Marin Headlands easily make the Marina and Pacific Heights the best neighborhoods to experience quintessential San Francisco living.

## **Outlook**

San Francisco homebuyers are remaining particularly deliberate in their decision making and consequently, average properties are taking a slightly longer time to sell.

Nationally, the consumer confidence index plunged to a seven-month low in June, at a reading of 58.8, from continuing worries about high unemployment and stagnating wages. (A reading of 90 indicates a healthy economy.) Based on these factors, consumers are expected to continue monitoring their purchases and spending rather carefully, which accounts for 70 percent of the U.S.'s economic activity.

Based on an analysis by the California Association of REALTORS®, San Francisco County will be impacted the most among statewide counties if new conforming loan limits on mortgages backed by the Federal Housing Administration (FHA), Fannie Mae, and Freddie Mac are reduced by Congress beginning October 1, 2011. If this drop in conforming loan limits were to succeed, more than 14 percent of home sales in San Francisco County would be rendered ineligible.

And, mortgage availability could become a problem, again. Based on an analysis by the California Association of REALTORS®, San Francisco County will be impacted the most among statewide

counties if new conforming loan limits on mortgages backed by the Federal Housing Administration (FHA), Fannie Mae, and Freddie Mac are reduced by Congress beginning October 1, 2011. If this drop in conforming loan limits occurs, more than 14 percent of home sales in San Francisco County would be put out of reach of home buyers, according to the association.

But there is positive news on the jobs front. According to the latest release by the Bureau of Labor Statistics, the San Francisco-Oakland-Fremont metropolitan unemployment rate fell to 9.3 percent (preliminary finding) in May 2011, from 9.5 percent in May of last year. This is 2.4 percentage points lower than the statewide unemployment rate.

And, a recent San Francisco Chronicle article reports that despite an increasing national unemployment rate, certain cities are in fact hiring, with San Francisco winding up second on a list of top ten metropolitan areas adding jobs. It notes positive trends for the city in management, information technology, architecture, and engineering among other endeavors.