

A monthly analysis of the San Francisco real estate market

# MarketFOCUS

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## Single-Family Homes

Median Sales Price:

↓\$677,500

Active For-Sale Inventory:

↑965

Days on Market:

↓51.8

## Condominiums

Median Sales Price:

↓\$599,000

Active For-Sale Inventory:

↑1,141

Days on Market:

↓64.1

## San Francisco Home Sales Back On the Rise

With San Francisco having the nation's second-largest increase in apartment rents last quarter, at 4.5 percent, and falling interest rates to purchase a home, renters who are looking at their housing expenses are coming to the conclusion that owning makes more financial sense than renting. This is evident from the influx of local home buyers in the city and an increase in the number of homes sold.

## Single-Family Homes

Even though the number of single-family homes for sale has decreased since September 2010 by 16.1 percent citywide, the number of single-family homes under contract this past month rose by 13.9 percent, while the number of homes sold also increased by 5.7 percent. For properties priced below \$700,000, the months of supply inventory dropped by 38.7 percent to a reading of 2.5 months. For properties priced between \$700,000 and \$1.2 million, the months of supply inventory fell by 26.9 percent, also to 2.5 months. Months of supply of less than three months normally indicates a seller's market where sellers have more negotiating leverage against buyers.

One area of the city which has continued to experience healthy sales activity is District 5, which includes perhaps some of the most diverse neighborhoods in all of San Francisco. Since September 2010, the number of homes under contract in the district has risen by 10.3 percent, while the number of homes sold has increased by 35.3 percent to a total of 23 properties. District 5 includes such neighborhoods as the historic Haight Ashbury, which until this day, still maintains its bohemian ambience from the mid-1960s, and the more clean-cut Noe Valley, whose typical sunny weather just adds to the wholesomeness of its predominately young family-oriented

community. Architectural styles in the central district are wide ranging, from Victorian and Edwardian homes to mid-century and more contemporary buildings.

Another part of the city which has seen an increase in sales activity are the southeastern neighborhoods in District 10 that begin just before San Francisco City College and end to the east, past Candlestick Park. Compared to this time last year, the number of homes under contract has spiked by 45.8 percent from 48 to 70 properties and the number of homes sold has remained high at 52 properties.

Neighborhoods in this area include the Excelsior and Outer Mission, which offer reasonably priced, mid-century homes in a suburban setting. Other parts, such as Visitacion Valley and Portola have some of the lowest median home prices in the city. Prospective home buyers, especially those who commute south to the Peninsula daily, may find just what they are looking for here.

## **Condominium Sales**

Although condominium sales throughout the city fell slightly by 6.8 percent in September, the number of condominiums under contract rose by 30.4 percent compared to September 2010. For condominiums priced between \$500,000 and \$900,000, the months of supply inventory contracted by 47.9 percent to a reading of 3.1 months. For luxury condominiums priced above \$900,000, the months of supply inventory also fell, by 41.5 percent to 4.7 months.

An area of the city which experienced healthy condominium sales activity is District 9, in the central-eastern part of the city, which is continually evolving from its former factory and warehouse landscape. Since September 2010, the number of condominiums under contract has increased by 39.2 percent, from 51 to 71 units and the number of closed sales has remained strong at 62 units. District 9 includes such neighborhoods as up-and-coming South Beach, home to AT&T Park and some of the most desirable condominiums in the city, and SOMA (South of Market), which is the location of the city's contemporary art scene, with the Museum of Modern Art, the Academy of Art College, and a number of small galleries all around.

Another region of the city which saw positive condominium sales activity is the central north area of District 6 which lies immediately west of downtown San Francisco. Compared to this time last year, the number of condominiums under contract has increased by 66.7 percent, from 15 to 25 units and the number of closed sales rounded out the month at 18 units. Neighborhoods in District 6 include the trendy and fashionable Hayes Valley, whose stylish condominiums attract young, successful professionals and the Western Addition, birthplace of San Francisco's famous Fillmore Jazz scene.

## **Outlook**

The State Employment Development Department (EDD) last month reported that the city's unemployment rate decreased from 9 percent in July to 8.8 percent in August (or 40,200 unemployed individuals in a workforce of 458,000). Mayor Ed Lee issued a statement following the EDD's findings, saying, "With our relentless focus on creating jobs across our city, from neighborhood small businesses to new technology startups, San Francisco's economy continues to move on the right track. And although we have among the lowest unemployment rates in California, it is still unacceptably high. Creating jobs for every neighborhood and putting San Franciscans back to work must continue to be our top priority."

The American Dream of home ownership is alive and well according to residential real estate web site

Trulia, which through a nationwide online survey conducted by Harris Interactive, found that 70 percent of Americans still regard home ownership as being part of their American Dream. The same poll, which was conducted in January of this year, also yielded 70 percent. But perhaps even more telling, the survey found that 80 percent of current home owners plan to buy another home in the future, with 57 percent of Americans saying that owning a home is one of the best long-term investments they can make.

And, according to the most recent Case-Shiller Home Price Index, a closely watched measure of the health of the nation's housing market, Bay Area homes last July increased in the "high tier" value range for the fifth consecutive month. The majority of homes in the city qualify as high tier, which is over \$601,000.