

A monthly analysis of the San Francisco real estate market

# MarketFOCUS

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## Single-Family Homes

Median Sales Price:

↑\$745,000

Active For-Sale Inventory:

↓957

Days on Market:

↓52.8

## Condominiums

Median Sales Price:

↑\$649,000

Active For-Sale Inventory:

↓1,114

Days on Market:

↓62.9

## San Francisco Housing Market Continues in Positive Direction

The month of October not only brought the allure of Indian summer to the city, but it also brought more homes under contract and a healthy number of home sales. The climbing rents in the city, falling interests rates, increasing employment in the high-tech and bio-tech industries in the city and the Bay Area, are all pointing towards a stronger San Francisco housing market.

### Single-Family Homes

Although the number of single-family home sales did fall marginally throughout the city by 7 percent compared to October 2010, the number of homes under contract this past month rose by a significant 31.8 percent. For properties that were priced below \$700,000, the months of supply inventory dropped by 56.6 percent to a reading of 1.8 months. For properties priced between \$700,000 and \$1.2 million, the months of supply inventory fell by 41.3 percent to 2 months. These strong readings typically indicate a seller's market, where sellers have more negotiating influence over buyers.

One part of the city which experienced a heightened jump in sales activity is District 4, located in the mid-western part of town, which many simply refer to as Twin Peaks West. Since October 2010, the number of homes under contract in this district has risen by 68.4 percent, while the number of homes sold has decreased marginally by 3.7 percent to a total of 26 properties. Twin Peaks West boasts the highest natural point in San Francisco, Mt. Davidson, and an array of neighborhoods such as the upscale residences of St. Francis Wood and Balboa Terrace, and the quaint, small town atmosphere of West Portal.

Another area of the city which has seen an increase in sales activity is District 2, in the far western side of town. Commonly referred to as the Sunset District, this area is bordered by Golden Gate Park and the Pacific Ocean. Compared to this time last year, the number of homes under contract has risen by 2.3 percent, remaining high at 44, while the number of homes sold has risen by 20.6 percent to 41 total properties. The neighborhoods in the Sunset District are predominately conservative and family-oriented communities, with good schools, family-owned businesses, and mid-century single-family homes.

## **Condominium Sales**

Even though condominium sales fell slightly citywide by 10.8 percent in October, the number of condominiums under contract rose by 24.3 percent compared to October 2010. For condominiums that were priced between \$500,000 and \$900,000, the months of supply inventory contracted by 49.1 percent to a reading of 2.8 months. For luxury condominiums priced above \$900,000, the months of supply inventory also fell, by 40.6 percent to 3.6 months.

One region of the city which experienced strong condominium sales activity is District 8, also known as Downtown San Francisco, in the northeastern part of town. Since October 2010, the number of condominiums under contract rose by 43.3 percent, while the number of closed sales also increased by 15.8 percent to 44 units. Both a major tourist attraction and a financial powerhouse, Downtown San Francisco offers some of the very finest luxury high-rise condominiums in the country.

## **Outlook**

Nationally, the consumer confidence index, which had improved slightly in September, declined in October. The index now stands at 39.8 (a reading of 90 indicates a healthy economy), down from 46.4 in September, as the result of growing concerns about business conditions, the labor market and income prospects.

Still, despite economic uncertainty, nearly eight out of 10 Americans believe buying a home makes good financial sense. This is according to a recent annual survey released by the National Association of Realtors®. The 2010 National Housing Pulse Survey measures how affordable housing issues affect consumers.

According to the U.S. Bureau of Labor Statistics, the preliminary unemployment rate in San Francisco-Oakland-Fremont areas for September 2011 declined to 9.2 percent. And, based on the State's Employment Development Department, the unemployment rate in San Francisco's metropolitan area is currently at 8.7 percent, the lowest in California.

Bloomberg News reports that tourism and technology firms in the city have bolstered a dining revival, with 200 eating, drinking, and food-related establishments being opened in the past two years.

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's low and middle tier homes took a slight fall in August, while homes in high tier remained flat at over \$608,109. The majority of homes in the city qualify as high tier, which is over \$601,000, such as properties in the aforementioned Twin Peaks West and Sunset Districts, where most homes sell in the \$700,000 to \$1.2 million range.

And, a new economic report from ABC7 News predicts a roaring comeback for California's housing market over the next six years. The same panel of UCLA economists who earlier warned the California housing bubble was going to burst is now predicting homes prices are ready to rebound. The UCLA Anderson Forecast anticipates an 11.5 percent price jump next year. The forecast calls for another 10 percent increase in 2013 and a median price of nearly \$440,000 by 2017 that would represent a 52 ½ percent increase over today's prices.

With the year coming to end, projected 2011 sales have been about the same as 2010. Coupled with the uptick in pending sales and improvement in the economy, we can all look forward to a robust 2012.