

A monthly analysis of the San Francisco real estate market

# MarketFOCUS

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## Single-Family Homes

Median Sales Price:

↑\$655,000

Active For-Sale Inventory:

↓517

Days on Market:

↓56.3

## Condominiums

Median Sales Price:

↓\$605,000

Active For-Sale Inventory:

↓671

Days on Market:

↓69

## Pockets of Movement in the San Francisco Housing Market, Despite Lessening Inventory

The nice spring-like weather we have been experiencing has had some positive effects on the home buying public, as it has brought more buyers into the market. And with interest rates continuing to stand at a 60-year low, this has made homes more affordable and led to a wave of refinances that has increased disposable income for property owners. But despite these encouraging trends, the city's inventory has tightened.

### Single-Family Homes

As inventory levels dropped in January by 32.9 percent, compared to January 2011, the number of homes under contract rose by 8.7 percent. But the low inventory seemed to also contribute to fewer completed sales, which is fairly normal market behavior for this time of year.

For homes that were priced below \$700,000, the months of supply inventory fell by 47.3 percent to 1.6 months. For higher priced homes between \$700,000 and \$1.2 million, the months of supply inventory fell by 38.9 percent to 2.4 months. These short time frames continue to indicate a seller's market, where sellers have more leveraging power over buyers who are competing against a limited pool of properties.

Still, even with low inventory numbers, there were areas of the city that experienced healthy sales gains. One such area, District 10, rests in the southeastern most part of town. Compared to this time last year, the number of homes under contract has only dropped by a mere 3.8 percent. And, while the number of homes sold has fallen by 39.6 percent, District 10 saw the most homes sold of any other district in the city this past month, with 32 properties. Portola, Excelsior, and Visitacion Valley are just some

of the ethnically rich neighborhoods that make up this area, whose median home prices are among the lowest in the city. A diamond in the rough is just what you may find in this suburban community forged from an industrial past of warehouses and factories.

Another area of the city which has maintained positive real estate activity, despite the drop in citywide inventory, is District 5, also known as the Central District. Compared to January 2011, the number of homes under contract rose by 25 percent, while the number of homes sold was 12.4 percent of the total number of homes sold in the entire city, at 8 properties. The Central District's natural charm and various points of interest, including Mission Dolores, the Haight-Ashbury, and Buena Vista Park, offers something unique and intriguing for just about every home buyer who would like to call San Francisco their home.

## **Condominium Sales**

As with single-family homes, the number of condominiums for sale throughout the city has also contracted, by 39.1 percent since January 2011. The number of condominiums under contract has remained relatively the same, only dropping by 0.6 percent, while the number of condominiums sold has fallen by 19.9 percent, to a total of 113 units by the end of the month. For condominiums that were priced between \$500,000 and \$900,000, the months of supply inventory tightened by 34.2 percent to a reading of 2.1 months. For luxury condominiums priced above \$900,000, the months of supply inventory also decreased, by 33.8 percent to 4.1 months.

One region of the city which experienced a strong increase in condominium sales activity is District 8, or as it is more commonly referred to as, Downtown San Francisco. Compared to this time last year, the number of condominiums under contract rose by 19.2 percent, while the number of condominiums sold also increased by 8.3 percent to 26 units. At the heart of the Financial District, and as a main tourist attraction of the city, Downtown San Francisco features some of the finest and most luxurious high-rise and mid-rise condominiums in the country. Condominium buyers who yearn to be in the hustle and bustle of it all will find this section of town ideal and with no comparison.

## **Outlook**

Nationally, the consumer confidence index, which had increased in December, has retreated this past month. The index now stands at 61.1, down from 64.8 in December. Regarding the short-term outlook, Lynn Franco, director of the Conference Board Consumer Research Center, says that, "Consumers are more upbeat about employment, but less optimistic about business conditions and their income prospects. Recent increases in gasoline prices may have consumers feeling a little less confident this month."

The most recent data from the State Employment Development Department shows that the local job outlook continues to improve, as San Francisco's unemployment rate fell to 7.6 percent in December 2011, down from 7.8 percent in November 2011, making it the third lowest in the state. Mayor Ed Lee's office said that this steady increase in job growth ranks San Francisco in the top 10 percent of the country by the U.S. Bureau of Labor Statistics.

According to a new report from RealFacts, a company that analyzes rental data, Bay Area cities topped the nation for rising apartment rental prices in 2011, with average rental prices in San Francisco increasing by 10.4 percent. The boom in the commercial, as well as the residential market, is largely

attributed to the influx of young, well-paid technology workers migrating to the city. REALTORS® can explain to them about the benefits of owning a home versus the cost of renting.

With the spring selling season soon to get started, San Francisco should begin to see a greater inventory of homes hitting the real estate market in the coming weeks.