

A monthly analysis of the San Francisco real estate market

MarketFOCUS

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Single-Family Homes

Median Sales Price:

↑\$721,940

Active For-Sale Inventory:

↑656

Days on Market:

↓44.1

Condominiums

Median Sales Price:

↓\$631,000

Active For-Sale Inventory:

↓845

Days on Market:

↓51.3

As Inventory Remains Low and Unchanged, San Francisco Homes Sell Even Faster

Just as last month, many new home sellers continue to have confidence that the market is on an upswing and that housing prices will soon accelerate. As a result, the vast majority of them have decided to hold off on listing their properties for sale, keeping the city's inventory low. Making matters worse, the flow of distressed properties from the banks has lessened, making it more difficult for buyers to find properties even though interest rates have remained low. The congruence of all these economic factors occurring at the same time is resulting in the current seller's market, where sellers have more leveraging power over buyers who are competing against a limited pool of properties.

Single-Family Home Sales

While the city's inventory of single-family homes for sale dropped by 29.4 percent compared to March 2011, it did not exceed February's level this year. Still, despite the low inventory, the number of homes under contract continued to improve by as much as 19.9 percent compared to this time last year, while the number of homes sold fell by only a slight margin of 2.8 percent.

For homes that were priced below \$700,000, the months of supply inventory fell by 65 percent to one month. For higher-priced homes between \$700,000 and \$1.2 million, the months of supply inventory fell by 56.1 percent to also one month. It comes as no surprise that a number of real estate web sites currently rank San Francisco high among the nation of cities where homes sell the fastest.

One region of the city which continues to experience healthy sales activity is the area in the mid-western part of town, known as Twin Peaks West. Since March 2011, the number of homes

under contract here has risen by 14.7 percent. Twin Peaks West has a total of 16 neighborhoods, with Mt. Davidson, the highest natural point in San Francisco, at its center. With its elegantly landscaped streets and a variety of architectural styles, including Craftsman bungalows, Mediterranean, and Mid-century, homes here are very desirable. The median price for a home in Twin Peaks West is about \$837,500.

Another section of town which experienced positive sales activity is the Central District. Since March of last year, the number of homes under contract here has jumped by 35.7 percent, while the number of homes sold has only dropped by 5.9 percent to a total of 32 properties. The Central District's location in the midpoint of the city provides it with ample shelter from San Francisco's world famous fog and is often one of the city's sunnier regions. From the vibrant neighborhoods of Haight Asbury and the Castro, to the more contemporary and family-friendly Noe Valley, to the posh and upscale Clarendon Heights, the Central District will suit just about any home buyer's requirements. The median price for a home here is around \$1,457,500.

Condominium Sales

In the same fashion as single-family homes, the inventory of condominiums for sale in the city has dropped by 35.9 percent compared to March 2011. In spite of this, the number of condominiums under contract rose by 24.2 percent, while the number of condominiums sold fell just marginally by 4.5 percent.

For condominiums that were priced between \$500,000 and \$900,000, the months of supply inventory contracted by 66.5 percent to a reading of 1 month. For luxury condominiums priced above \$900,000, the months of supply inventory also tightened, by 49.6 percent to 1.4 months.

One part of the city which experienced notable condominium sales activity is the central-north section of town, which includes such neighborhoods as the Western Addition and Hayes Valley. Compared to March 2011, the number of condominiums under contract increased by 28 percent, while the number of condominiums sold jumped by 50 percent to a total of 24 units. Full of charm, the Western Addition is home to the city's historic Fillmore Jazz scene, while the recently revitalized Hayes Valley offers a number of fashionable boutiques, which go part and parcel with its burgeoning and stylish condominium market. The median price for a condominium in the central-north section is about \$662,500.

Another area which saw a robust increase in condominium sales activity is the Marina and Pacific Heights neighborhoods in the northernmost part of the town. Since March of last year, the number of condominiums under contract has doubled, up 23 units to a total of 46. Successful professionals and young entrepreneurs who yearn to live in what many consider to be "old San Francisco," will find solace in the picturesque streets of the Marina and Pacific Heights, where luxury condominiums sit adjacent to upscale shops and trendy restaurants and bars. The median price for a condominium here is around \$967,500.

Outlook

A recently published USA Today article reports that, "Buyers from mainland China and Hong Kong are snapping up luxury homes, often paying cash, in major U.S. cities such as New York, Los Angeles and San Francisco." The article goes on to explain how, "China has more money to invest than ever. Mainland China now has 960,000 millionaires — defined as individuals with residences, private businesses and investable assets of more than 10 million yuan or \$1.5 million, according to the Hurun

Report, a Shanghai publisher of magazines for China's wealthy. Nearly half of those millionaires are considering moving or getting permission to reside overseas. Their top country of choice? The USA.”

According to a March 2012 national housing survey conducted by Fannie Mae, 48 percent of 1,000 respondents expect rental prices to increase and 33 percent of them expect home prices to go up over the next 12 months, suggesting that Americans are beginning to consider 2012 a good year to purchase a home. About 73 percent of those interviewed said buying a home today is a good idea, up from 70 percent in February. Also, the survey revealed that consumers are more confident about their own finances, with 44 percent believing their financial situations will get better in the near future.

Preliminary unemployment rates from the California Employment Development Department shows the San Francisco-San Mateo-Redwood City areas at 7.6 percent in February, remaining unchanged from January. This compares with an unadjusted unemployment rate of 11.4 percent for California and 8.7 percent for the nation during the same period. The unemployment rate was 6.6 percent in Marin County, 8.0 percent in San Francisco County, and 7.3 percent in San Mateo County.

Bloomberg News reports that, “Demand from technology and energy- industry tenants led the U.S. office market to its fifth straight quarterly gain in net occupancy, with San Francisco leading the country in rent growth.” And added, “Occupancy and rents are increasing as the U.S. economy slowly recovers from the recession and the office market rebounds after three years of net losses in leased space. San Francisco’s average office rent rose 6.8 percent during the past year.”