

# MarketFOCUS

JULY 2012



## Single-Family Homes

Median Sales Price:

↑\$800,000

Active For-Sale Inventory:

↓582

Days on Market:

↓38

## Condominiums

Median Sales Price:

↑\$722,000

Active For-Sale Inventory:

↓824

Days on Market:

↑51

## Limited Inventory of Homes Stirs San Francisco Housing Market

The fundamental law of supply and demand is one that can be found operating in the current San Francisco housing market. With a limited inventory of homes for sale in the city, sellers are encountering a wave of all-cash buyers, multiple offers and competitive bidding wars. The median price for a single-family home has now reached \$800,000, which is the same level it hit when it last peaked exactly two years ago in June of 2010.

### Single-Family Home Sales

Since June of 2011, the inventory of single-family homes for sale in the city has fallen by 40.2 percent, while the number of homes under contract has risen by 1.4 percent. At the end of last month, the total number of homes sold was 255 properties, a 3.4 percent decline from last year. Nonetheless, at month's end, 6 out of the 10 residential San Francisco districts experienced increases in the total number of homes sold.

For homes that were priced below \$700,000, the months of supply inventory fell by 72.6 percent to a reading of 0.9. For higher-priced homes between \$700,000 and \$1.2 million, the months of supply inventory also dropped, by 50.1 percent to 1.3 months. These exceptionally short time frames further illustrate the effects of a limited supply of inventory in San Francisco's fast-paced real estate market.

One area of the city which has experienced an increase in sales activity is the southwestern section, known as Lake Merced. As of June 2011, the number of homes sold in this area increased by 71.4 percent to a total of 24 properties sold. Real estate in this area is generally more affordable, compared to other parts of the city, yet there are neighborhoods such as Pine Lake Park and

Merced Manor which offer larger and more upscale homes. The neighborhoods around Lake Merced offer an array of recreational activities for outdoors enthusiasts and people looking to stay or get into shape. The median price for a home here is \$597,500, which is up by 10.6 percent from 2011.

Another area of the city which has experienced healthy sales activity is the central-eastern section, widely known as South of Market, or SOMA for short. Compared to this time last year, the number of homes sold in this area increased by 40 percent to a total of 21 properties. The central-eastern section is not limited to the confines of SOMA's commercial and condominium corridor, but also extends to such neighborhoods as Bernal Heights and Potrero Hill, which both offer more laid-back, cozy and family-friendly communities. Bernal Heights and Potrero Hill are ideal for home buyers who want to be close to the city but also yearn for amenities such as a small garden or yard. The median price for a home in this location is \$835,000, up by .6 percent from 2011.

## **Condominium Sales**

While the inventory of condominiums for sale in the city also dropped in the same manner as single-family homes, the number of condominiums under contract increased by 34.9 percent, while the number of condominiums sold rose by an encouraging 37.6 percent. By the end of the month, 8 out of the 10 San Francisco residential districts experienced increases in the total number of condominiums sold.

One area which saw a robust increase in condominium sales activity is the Marina and Pacific Heights neighborhoods in the northernmost section of the city. Compared to one year ago, the number of condominiums under contract has risen by 85 percent, while the number of condominiums sold has increased by 35.7 percent to a total of 38 units. Successful professionals, both young and old, who prefer to live in what many consider to be "old San Francisco," will find satisfaction in the Marina and Pacific Heights neighborhoods, where luxury condominiums reside next to posh shopping destinations and unique restaurants. The median price for a condominium here is around \$1,802,500, which is up by 32.1 percent from 2011.

## **Outlook**

A new survey published by Fannie Mae reports that confidence in the U.S. housing market is increasing among Americans at the same time that most believe the country's economy is on the wrong track. The survey found that 48 percent of respondents believe that home prices will stay the same over the next year, while 35 percent of respondents believe that home prices will rise. Respondents who said they believe mortgage rates will rise in the next year decreased from 41 percent in May to 37 percent in June.

The consumer confidence index, which had declined slightly in May, fell further in June. The index now stands at 62, down from a reading of 64.4 in May. Lynn Franco, director of the Conference Board Consumer Research Center, says that, "Consumers were somewhat more positive about current conditions, but slightly more pessimistic about the short-term outlook. Income expectations, which had improved last month, declined in June. If this trend continues, spending may be restrained in the short-term. The improvement in the Present Situation Index, coupled with a moderate softening in consumer expectations, suggests there will be little change in the pace of economic activity in the near-term."

Governor Jerry Brown recently signed into law legislation aimed at increasing protections for California home owners facing the possibility of foreclosure. As reported in The Sacramento Bee, "The legislation seeks to curb 'dual tracking' by prohibiting lenders from starting the foreclosure process while a loan

modification is being negotiated, expands notice requirements as part of the foreclosure process and requires large institutions to give borrowers a single point of contact for dealing with their loan issues. It also gives borrowers opportunities to go to court if they are wrongly foreclosed upon and the bank does not correct its mistakes.”

The San Francisco Chronicle reports that, “Since early 2010, San Francisco's number of tech sector workers according to an analysis of State Employment Development Department data, said Colin Yasukochi, director of a commercial real estate firm.” The article goes on to report that, “In the same time frame, 150 tech firms have added a number of such enterprises to 1,850.”