

A monthly analysis of the San Francisco real estate market

MarketFOCUS

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Single-Family Homes

Median Sales Price:

↑\$785,000

Active For-Sale Inventory:

↓577

Days on Market:

↓39

Condominiums

Median Sales Price:

↓\$690,000

Active For-Sale Inventory:

↓728

Days on Market:

↓48

Despite Seasonal Fluctuation, San Francisco Housing Market Remains Positive

With many buyers and sellers away on vacation at this time of the year, the San Francisco housing market seems to be experiencing normal patterns of activity. But the limited supply of homes for sale is not deterring determined buyers from battling it out with each other for desirable properties, with multiple offers and all-cash offers becoming the norm. Adding to the competitive atmosphere could be the belief that real estate prices have bottomed and are headed upward, as well as the belief that the days of low interest rates are numbered, making this an ideal time to purchase. The belief that prices are headed upward seems to be supported by the evidence: Since last year, the median price for a single-family home in San Francisco has risen to \$785,000, a 6.1 percent increase.

Single-Family Home Sales

Compared to July of 2011, the inventory of single-family homes for sale in the city has declined by 42.6 percent, while the number of homes under contract has risen by 11.2 percent. By the end of last month, the total number of homes sold was 205 properties, a 1 percent increase from last year.

For homes that were priced below \$700,000, the months of supply inventory fell by 71.2 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 65.4 percent to 1.1 months. With such a limited supply of inventory, homes in San Francisco are selling in very little time.

One area of the city which has experienced an increase in sales activity is the northwestern corner, which includes such neighborhoods as the Richmond, Sea Cliff and Laurel Heights.

As of July 2011, the number of homes sold in this area increased by 20 percent to a total of 18 properties. Bordering Golden Gate Park, the Richmond offers homes that are more moderately priced and is filled with a number of mom-and-pop specialty shops and restaurants along the Geary Boulevard and Clement Street corridors, while Sea Cliff and Laurel Heights boast some of the most grandiose and picture-perfect homes in the city. The median price for a home here is \$1,242,050, which is up by 3.6 percent from 2011.

Another area of the city which has experienced healthy sales activity is the southeastern section, east of Interstate 280 and extending past Candlestick Park. Compared to one year ago, the number of homes under contract here has increased by 33.9 percent, while the number of homes sold has also increased by 2.1 percent to a total of 48 properties. The Outer Mission, the Excelsior, and Visitacion Valley are some of the ethnically diverse neighborhoods that make up this area, where the median home price is among the lowest in the city. Homebuyers seeking an easy commute to the Peninsula may find a diamond in the rough in these areas. The median price for a home here is \$493,000, which is up by 2.7 percent from last year.

Condominium Sales

Just as with single-family homes, the inventory of condominiums for sale in the city fell by 42.3 percent, while the number of condominiums under contract has increased by 36.1 percent. At the end of the month, the total number of condominiums sold was 266 units, a 12.7 rise from last year.

For condominiums that were priced between \$500,000 and \$900,000, the months of supply inventory contracted by 73.7 percent to a reading of 0.9. For luxury condominiums priced above \$900,000, the months of supply inventory also fell by 60.2 percent to 1.8 months.

One area which saw a strong increase in condominium sales activity is the South Beach and South of Market (SoMa) neighborhoods in the central-eastern portion of the city. Compared to this time last year, the number of condominiums under contract has risen by 49.2 percent, while the number of condominiums sold has increased by 29.5 percent to a total of 101 units. Home to AT&T Park, the up-and-coming South Beach area offers some of the city's most desirable and stylish condominiums, while SoMa has become a leading destination in San Francisco for new and trendy restaurants and nightclubs. The median price for a condominium here is around \$650,000, which is up by 16.7 percent from 2011.

Outlook

Nationally, the Wall Street Journal reports that "July's stronger-than-expected job gains sent stocks soaring and eased fears that the U.S. is veering into recession, but the broader picture remains one of an economy stuck in low gear. Nonfarm payrolls rose by a seasonally adjusted 163,000—the largest monthly gain since February. The politically salient jobless rate, derived from a separate survey, ticked up to 8.3 percent from 8.2 percent. Markets welcomed the news, powering the Dow Jones Industrial Average to its third-largest percentage gain of the year."

The consumer confidence index, which had declined in June, improved slightly in July. The index now stands at 65.9, up from a reading of 62.7 in June. Lynn Franco, director of the Conference Board Consumer Research Center, says that, "Despite this month's improvement in confidence, the overall index remains at historically low levels. Consumers' attitude regarding current conditions was little changed in July, but their short-term expectations, which had declined last month, bounced back.

However, while consumers expressed greater optimism about short-term business and employment prospects, they have grown more pessimistic about their earnings. Given the current economic environment—in particular the weak labor market—consumer confidence is not likely to gain any significant momentum in the coming months."

The San Francisco Chronicle recently reported that, "Distressed homeowners in California are seeing a trickle of extra assistance six months after the historic \$25 billion 'robo-signing' settlement with the Department of Justice was announced. The settlement, designed to give homeowners redress for banks' fraudulent foreclosure practices, provides more ways to keep people in their homes, most notably through reducing principal—something banks have fought fiercely until now—and easing refinances for underwater loans. It also requires banks to provide a single point of contact and bars them from dual tracking—pursuing foreclosures while homeowners seek loan modifications."