

MarketFOCUS

MAY 2012



Single-Family Homes

Median Sales Price:
↑\$764,000

Active For-Sale Inventory:
↓638

Days on Market:
↓39

Condominiums

Median Sales Price:
↑\$708,500

Active For-Sale Inventory:
↓830

Days on Market:
↑69

San Francisco Housing Market Accelerates

The spring home-buying season is well underway in San Francisco, as historically low interest rates and a limited supply of homes for sale have prompted nascent home buyers to pull the trigger. Cash transactions, competitive bidding and multiple offers are once again commonplace throughout the city.

Single-Family Home Sales

The city's inventory of single-family homes for sale dropped by 30.7 percent compared to April 2011. With a substantially lower inventory, the number of homes under contract rose by 12.6 percent compared to this time last year, while the number of homes sold increased by 10.7 percent.

For homes that were priced below \$700,000, the months of supply inventory fell by 61.4 percent to 1.3 months. For higher-priced homes between \$700,000 and \$1.2 million, the months of supply inventory also dropped, by 53.9 percent to 1.2 months. These exceedingly short time frames continue to place San Francisco high among cities in the nation where homes are selling the fastest.

One area of town which continues to experience high sales activity is the Central District. Since April of last year, the number of homes under contract in this point of the city has increased by 3 percent, but what is more noteworthy is that the number of homes sold has jumped by 51.9 percent, with 41 transactions closed. The Central District is home to a variety of neighborhoods, including the family-friendly Eureka and Noe Valleys, which are where many new affluent technology workers are competing to purchase homes. The median price for a home here is \$1,355,000.

Another area of the city which 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 surged by a whopping 76.5 percent, while the number of homes sold has also increased by 23.1 percent to a total of 48 transactions closed.

Homebuyers seeking an easy commute to the Peninsula and some of the best prices in the city are turning to neighborhoods in the southeastern section like the Outer Mission and Mission Terrace. The median price for a home here is \$477,500.

Condominium Sales

Just as with single-family homes, the inventory of condominiums for sale in the city dropped, by 38.9 percent compared to April 2011. Despite this, the number of condominiums under contract increased by 33.8 percent, while the number of condominiums sold rose by 15.6 percent.

For condominiums that were priced between \$500,000 and \$900,000, the months of supply inventory contracted by 68 percent to a reading of 1.2 months. For luxury condominiums priced above \$900,000, the months of supply inventory also fell by 30.2 percent to 2.2 months.

One area of the city which experienced a robust increase in condominium sales activity is in the central-eastern section. Since April of last year, the number of condominiums under contract here has jumped by 48.5 percent, while the number of condominiums sold has only dropped by a marginal 1.1 percent, rounding out the month with 86 units closed. Stylish and contemporary mid-rise condominiums line the streets of the neighborhoods here, including South Beach, whose close proximity to Caltrain and AT&T Park is ideal for commuters and baseball fans alike. The median price for a condominium in the central-eastern section is \$697,500.

Outlook

Nationally, there is strong evidence that the housing market is stabilizing, as all-time low borrowing costs and improving employment have helped fuel demand for a shrinking inventory of available homes. And, prices have bottomed out. The National Association of REALTORS® reported that prices for single-family homes improved in the first quarter of the year compared to last year for 74 of 146 metropolitan areas.

The consumer confidence index, which had declined slightly in March, remained virtually unchanged in April. The index now stands at 69.2, down slightly from a reading of 69.5 in March. Regarding the short-term outlook, Lynn Franco, director of the Conference Board Consumer Research Center, says that, "Overall, consumers are more upbeat about the state of the economy, but they remain cautiously optimistic."

According to the latest figures from the California Employment Development Department, the unemployment rate for the San Francisco Bay Area rose slightly this past March, from 8 percent to 8.1 percent, following a similar statewide trend. Between February and March of this year, leisure and hospitality were among the top industries with added job growth. In San Francisco, 38,200 people were out of work in March, while 432,600 had jobs.

Prospective home buyers still on the fence about purchasing should consider the current state of the rental market in the city, which continues to tighten with rising rents. Based on a recent article published in the San Francisco Chronicle, rental rates in the city rose by 15.8 percent compared to the same time last year, with an average rent of \$2,663 for all units. Studio apartments rose by 16.5 percent to an average of \$2,075, while one-bedroom, one-bathroom apartments also increased by 19.9 percent to an average of \$2,611.