

A monthly analysis of the San Francisco real estate market

MarketFOCUS

AUGUST 2011



Single-Family Homes

Median Sales Price:
↑\$753,000

Active For-Sale Inventory:
↓912

Days on Market:
↓47

Condominiums

Median Sales Price:
↓\$600,000

Active For-Sale Inventory:
↓1,134

Days on Market:
↓60

Despite Seasonal Summer Slowdown, SF Housing Market Continues to Show Strength as Pending Sales Rise

With many buyers, sellers, and agents away on vacation at this time of the year, the San Francisco housing market is experiencing normal patterns of slowing down, resulting in lower inventory and less activity throughout the city.

Regardless, there have been pockets of movement and market conditions are expected to pick up in late August and throughout September as many people return from their holiday. In addition, it is likely that more distressed properties will come onto the market as banks sort out and finalize their paperwork.

Single-Family Homes

Year-over-year, the number of single-family home sales under contract in July rose by 29.6 percent citywide. Since the start of 2011, it has soared by 73 percent throughout the city. For properties priced below \$700,000, the months of supply inventory dropped by 54.6 percent to a reading of 1.8 months. For properties priced between \$700,000 and \$1.2 million, the months of supply inventory fell by 22.6 percent to 2.5 months.

One area of the city which has seen a spike in home sales activity is the southwest neighborhoods of Lake Merced. Since July 2010, the number of pending sales has increased from 13 to 27 properties and the number of completed transactions has jumped by 28.6 percent to a total of 18 units sold. The landscape of Lake Merced offers an abundance of recreational activities for outdoors enthusiasts, from hiking, jogging, and biking to fishing and golfing. Real estate here ranges from upscale properties in the Pine Lake Park neighborhood to more mid-priced homes in Merced Heights. The presence of two colleges, San Francisco

State University and San Francisco City College, also add to the eclectic mix of its residents.

Another part of this city which has experienced continuing sales activity is the central district, which includes a variety of housing opportunities from the colorful Haight Ashbury and Castro neighborhoods to the more contemporary Noe Valley and Glen Park areas. The number of pending sales in this part of the city has leapt by 21.4 percent, with the number of completed transactions increasing by a healthy 25 percent since this time last year. Popular among residents and tourists alike, the central district boasts a wide range of architectural styles, from Victorian and Edwardian houses to mid-century and contemporary residences.

Condominium Sales

Although condominium sales throughout the city fell slightly by 5.3 percent, the number of condominiums under contract rose by 18.2 percent compared to July 2010, demonstrating a fairly strong market. For condominiums priced between \$500,000 and \$900,000, the months of supply inventory contracted by 35.8 percent to a reading of 3.2 months. For luxury condominiums priced above \$900,000, the months of supply inventory also descended, by 30.2 percent to 3.7 months.

The Western Addition neighborhoods, which are geographically located in the central north portion of the city, saw a pickup of condominium sales activity year-over-year. The number of pending sales increased by 28.6 percent, while the number of completed transactions closed at a respectable total of 19 units, an 11.8 percent improvement since July 2010. Mid-century condominiums can be found along the North of Panhandle and Lower Pacific Heights neighborhoods, whose roots are part of San Francisco's longstanding jazz scene history.

Although mostly commercial, the northeastern part of town is another area which experienced healthy condominium sales activity. The number of pending sales increased by 8.3 percent compared to this time last year, with 39 total units under contract. By the end of the month, the total number of sold condominiums hit 42, a 10.5 percent increase from July 2010. High-end luxury condominiums are mostly found downtown, in the midst of cable cars, skyscrapers, and world-class department stores.

Outlook

With the growth of more and more technology jobs and historically attractive interest rates, San Francisco REALTORS® can expect an increase in younger, first-time home buyers. A month ago, Realtor.com surveyed the real estate sales market nationwide to determine where homes were moving fastest. With a median age of inventory of 54 days, San Francisco ranked fourth in the nation.

The latest figures from the Bureau of Labor Statistics indicate that the local economy is getting better. According to the bureau, the San Francisco-Oakland-Fremont metropolitan unemployment rate fell to 9.3 percent (preliminary finding) in May 2011 from 10 percent in May of last year.

However, according to Bloomberg news, consumer and business sentiment cooled nationally in July, indicating that the economy is not gaining momentum as the second half of the year begins. Stocks fell as reports from the Commerce Department reported that household purchases (about 70 percent of the economy) rose by just 0.1 percent. And, as spending cuts are being negotiated in Congress, the

economy is likely to take another blow.

If members of Congress decide to substantially lower the current mortgage loan limits for FHA, Freddie Mac and Fannie Mae, hundreds of thousands of responsible and credit-worthy American families will be dramatically affected. According to the National Association of REALTORS®, "A 10 percent or 20 percent down payment requirement for the Qualified Mortgage Rule (QRM) means that even the most creditworthy and diligent first-time home buyer cannot qualify for the lowest rates and safest products in the market," adding that such a move will "be placing home ownership out of reach for millions of potential buyers and crippling an already fragile housing recovery."