

A monthly analysis of the San Francisco real estate market

MarketFOCUS

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Single-Family Homes

Median Sales Price:

↓ \$707,000

Active For-Sale Inventory:

↓ 887

Days on Market:

↓ 51.5

Condominiums

Median Sales Price:

↑ \$640,000

Active For-Sale Inventory:

↓ 1,076

Days on Market:

↑ 72.6

Pending Sales Continue to Improve As Summer Comes to a Close

Typically the slowest month in real estate, August witnessed a decrease in the months supply inventory, with fewer and fewer sellers putting their properties on the market.

Regardless, San Francisco's continued desirability did offer some pockets of movement and activity, even during this slow period in the year.

Single-Family Homes

Although closed sales of single-family homes has dropped 14.8 percent throughout the city since August of last year, the number of homes under contract has increased by 40.1 percent, presaging better sales numbers to come. Since January 2011, homes under contract have increased by 59.6 percent, with sales also increasing by 9.5 percent. Year-over-year, for properties priced below \$700,000, the months of supply inventory fell by 55.7 percent to a reading of 2 months, while for properties priced between \$700,000 and \$1.2 million, the months of supply inventory fell to 1.9 months.

One area of the city which has experienced an increase in sales activity is the central west neighborhoods of the Sunset district. Since August of last year, the number of homes under contract rose by 18.9 percent, while the number of completed transactions grew by 5.3 percent for a total of 40 sold properties. The Sunset, which is predominately residential, offers a small town quality and feel, which complements its conservative and family-oriented character. Homes in the Sunset are mostly mid-century and offer similar floor plans, thanks to well-known developer Henry Doelger, who in the 50s, is said to have been able to construct two houses in a single day.

Another part of the city which has experienced healthy sales activity is the central-eastern neighborhoods of Bernal Heights and Potrero Hill. Since August 2010, the number of homes under contract has grown by 160 percent, while the number of completed transactions increased by 5.6 percent to a total of 19 sold properties. Bernal Heights offers a somewhat progressive neighborhood feel, with quirky shops, restaurants, and annual traditions such as a soapbox derby and neighborhood-wide garage sale. Potrero Hill, with two surrounding freeways and large strips of industrial land at its feet, is relatively cut off from the city, yet still manages to maintain a laid-back and sunny disposition. Both neighborhoods possess an eclectic mix of architecture, which includes row houses, cottages, and Victorian bungalows.

Condominium Sales

Sales of condominiums shot upward throughout the city, rebounding from this time last year by 5.5 percent. Condominiums under contract also increased by 25.7 percent, beating out last year's numbers, as well. For condominiums priced between \$500,000 and \$900,000, the months of supply inventory declined by 42.9 percent to a reading of 2.4 months. For luxury condominiums priced above \$900,000, the months of supply inventory also contracted, by 26.8 percent to 4.7 months.

The northeastern section of the city, which includes downtown San Francisco, continues to witness strong condominium sales activity. Compared to the same time last year, the number of pending sales has increased by a substantial 78.8 percent, with 59 total units under contract. At the end of the month, the total number of sold condominiums hit 37, a 42.3 percent increase from August 2010. High-rise condominiums can be found in the bustling downtown area, while other luxurious condominiums are located in elegant and historical Russian Hill, as well as North Beach, also known as San Francisco's "Little Italy."

Outlook

Beginning on October 1, Fannie Mae and Freddie Mac will cut the size of loans they purchase from lenders. This will force many future borrowers into more expensive and harder-to-get jumbo loans. According to USA Today, the Fannie Mae and Freddie Mac conforming loan limits were raised in 2008 in some high-cost housing markets to stimulate the economy. In many areas such as San Francisco, the limits rose to \$729,750, and next month they will fall to \$625,500.

The reduction in the conforming loan limit will hurt buyers shopping in the \$800,000 and \$1.2 million neighborhood the most, and so a slowdown in that segment of the market is expected. On the other hand, this change has been well publicized and some lenders, even as early as August, have already changed their underwriting guidelines to reflect this new reality. A positive change was that buyers in this segment rushed to purchase property, which in turn, helped to increase sales numbers in the last couple of months.

The Consumer Confidence Index®, which improved slightly in July, worsened in August to a reading of 44.5 (a reading of 90 indicates a healthy economy), in reaction to pessimism about the job market and political wrangling over the debt ceiling. Of note, the decline in confidence in August was underway before the S&P credit downgrade of the U.S. down one notch to AA. Still, based on these factors, consumers are expected to continue being very vigilant about what they purchase, and spending rather cautiously.