

Market Focus

A monthly analysis of the San Francisco real estate market

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The San Francisco single-family median sales price rose 3.0% between June 2009 and July 2009, the **fourth consecutive month of median home price appreciation** (Figure 1). Prices were still 7.5% lower compared to a year ago. **Through July, single-family homes sales have increased each month since January.** In July, a total of 238 units were sold, while the number of active single-family homes on the market edged downward to 644 units.

While July is a traditionally slower month for home sales, momentum continues to build in the San Francisco housing market as **pending single-family home sales activity reached the highest level in more than a year.** Sales activity at the low-end of the market remains robust, while activity in higher-priced districts also gained traction in recent months, although after considerable reductions from previous sale prices. As the rate of home sales at the high-end of the market slowly increased through July 2009, the single-family median sales price increased by more than 29% to \$785,000 from January 2009. The dramatic increase in the median price is primarily the result of the increase in high-end sales, but the overall market continues to strengthen as mortgage rates remain low. Although the San Francisco housing market has shown improvement through the first-half of this year, for-sale inventory levels remain high, particularly in the condominium market, while job losses will continue to be a substantial headwind for the market. With sellers putting homes on the market at discounts from the peak pricing, opportunities for well-capitalized buyers abound.

Rising Pending Sales Should Translate to Continued Sales Activity in Coming Months

One of the positive trends is the rise in pending sales activity in recent months. A barometer for future sales activity, the time lag between a sales contract and a closed deal is typically 30-45 days. However, as a result of tight lending standards and a more stringent loan underwriting and appraisal process, the lag times between contracts and closings are somewhat longer in this current market and the contract cancellation rate is somewhat higher. Approximately 253 single-family housing units went into contract in July 2009, with approximately a third of these under contract units in the Southeast District, which includes the neighborhoods of Bayview, Hunter's



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Point, and Outer Mission (Table 1). Using the units currently under contract as a gauge for single family homes sales activity in the coming months, we can expect this increase in home sales activity to continue.

Condo sales activity improves while median prices trend downward

The inventory of for-sale condominium units remains elevated, with more than 1,000 units on the market as of July 2009. With the condominium market still in flux, the median sales price declined by 2.4% from the previous month and 20% from the same month last year, declining to \$619,655 in July 2009. Sales activity at the upper-end of the market has shown some improvement, though at the cost of pricey concession packages and multiple rounds of price cuts. A total of 64 condo units were sold in the Central East District, which encompasses the neighborhoods of South Beach, Mission Bay, Potrero Hill, and Bernal Heights, with an additional 64 units going into contract in July 2009. Luxury condo developments such as The Infinity, Arterra, and Radiance have seen a rise in closed sales activity. As developers have cut prices, sales activity will continue to improve, allowing the inventory of condominium units on the market to thin out by next year. The severe overbuilding combined with heavy speculation in the condominium market during the boom may result in an extended correction period for the condominium market relative to the single-family housing market.

Because of lower prices, pending condominium sales maintained a healthy pace in July 2009 with 221 units going into contract (Figure 2). Close to half of all pending condominium sales are located in the Central and Central East Districts, which include neighborhoods such as Mission, Noe Valley, South Beach, Mission Bay, and Potrero Hill. As developers of recently completed projects continue to use concessions and deep discounts to move units, sales activity will benefit from the continued reduction in prices.

Data is as of the 10th of the month.

Figure 1. Median Sales Price for Single Family Homes and Condos

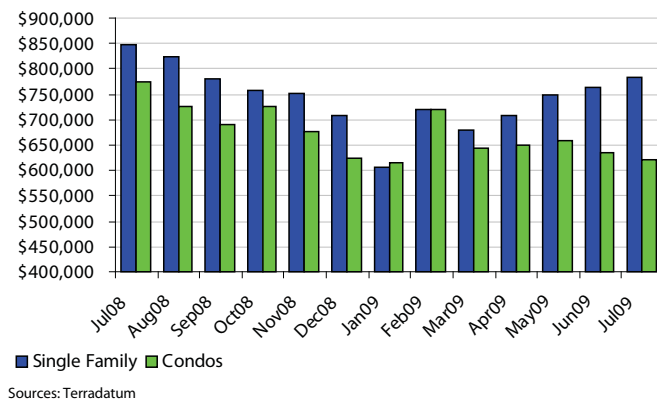


Figure 2. Single Family and Condo Units Under Contract

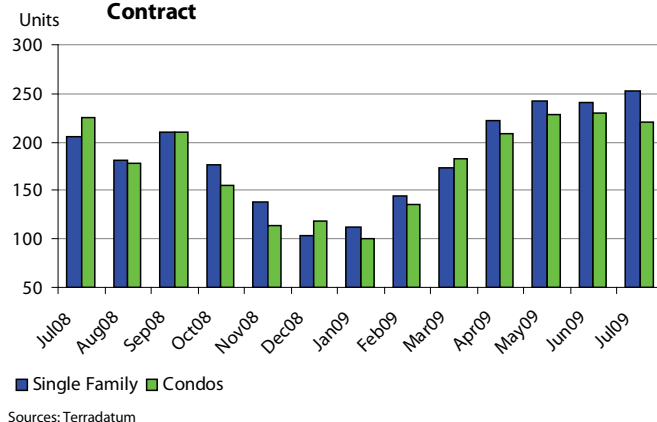


Table 1. Single-Family Housing Market

District	Median Sale Price	Homes Sold	Pending Sales
Northwest (Richmond/ Presidio Heights)	\$1,075,000	16	15
Central West (Sunset/Inner Sunset/Parkside)	\$762,000	43	48
Southwest (Oceanview/Ingleside/Lake Merced/Balboa Terrace /Forrest Hill)	\$639,000	17	15
Twin Peaks West (Twin Peaks/Sunnyside/Diamond Heights)	\$839,000	20	31
Central (Mission/Noe Valley/Castro/Glen Park/Upper Market)	\$1,220,000	50	30
Central North (Western Addition/Hayes Valley/Haight-Ashbury)	\$1,920,000	2	4
North (Marina/ Cow Hollow/ Pacific Heights)	\$5,235,000	9	6
Northeast (Downtown/Nob Hill/ Russian Hill/ Financial District/North Beach/ Chinatown)	n/a	0	2
Central East (South Beach/ Potrero Hill/ Bernal Heights/ Mission Bay)	\$815,000	25	21
Southeast (Bayview-Hunters Point/ Visitation Valley/Portola/Excelsior/Crocker-Amazon)	\$524,750	56	81

