

# San Francisco

## Quarterly Real Estate Report

### Q2 2014



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Properties for Sale | Neighborhood Data | Pacific Union Blog

## San Francisco: Q2 Results

One year ago the San Francisco real estate market was on fire, as the region came roaring back from the recession and housing downturn, yielding exceptionally strong sales in virtually every market and neighborhood and at all price points. Fast-forwarding to the second quarter of 2014 we saw largely the same story: Demand for San Francisco single-family homes and condominiums showed little sign of cooling.

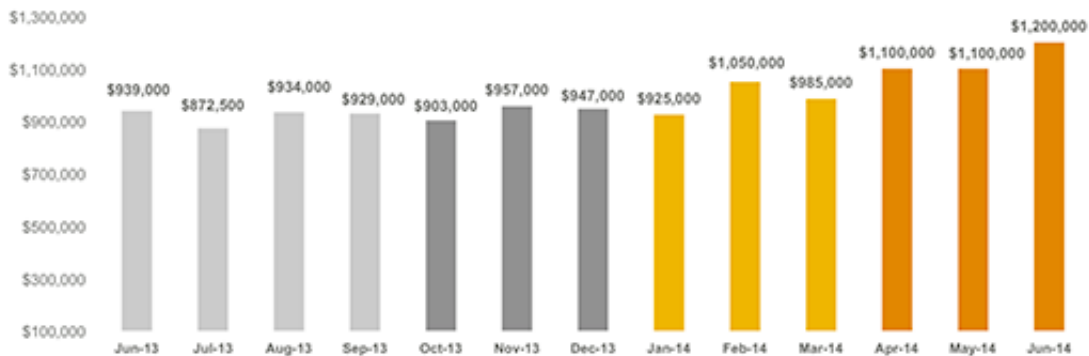
The supply of available homes rose modestly during the quarter, but aggressive bidding and multiple offers remained typical for almost all fairly priced properties. Median home prices continued to climb higher, with final prices routinely topping list prices by 10 percent or more – a welcome bonus for sellers. The Mission District remained particularly popular with buyers, thanks in part to its prime location, wealth of transportation options, and abundant supply of vintage housing.

**Looking Forward:** San Francisco's strong real estate market does not appear to be weakening. Home prices will likely continue to rise moderately, and we expect to see more properties gradually hit the market. As one of the nation's most popular relocation destinations due to a booming regional economy, San Francisco will continue to provide plenty of opportunities for both buyers and sellers.

## Median Sales Price

The median sales price represents the midpoint in the range of all prices paid. It indicates that half the prices paid were higher than this number, and half were lower. It is not the same measure as "average" sales price.

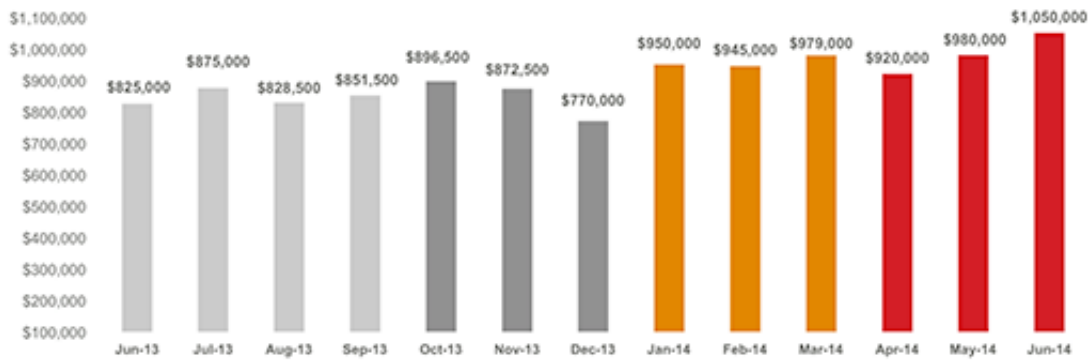
### Single-Family Homes – Median Sales Price



Source: Teradata, July 7, 2014. Median sales price for single-family homes in San Francisco.

[Click to view larger chart](#)

### Condominiums – Median Sales Price



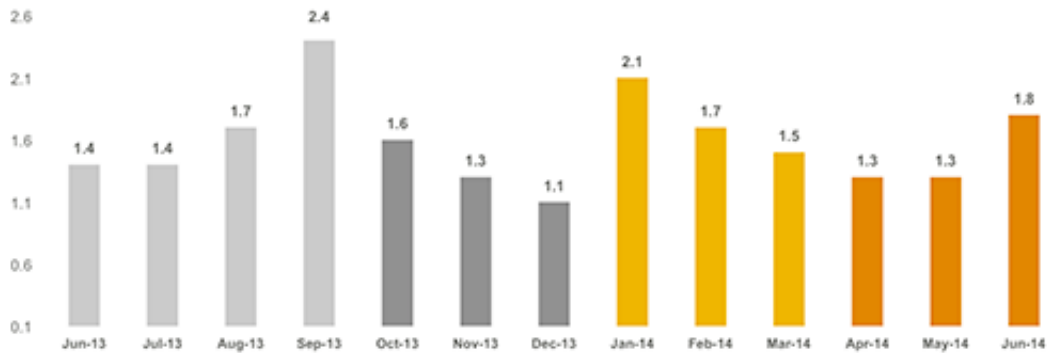
Source: Terradatum, July 7, 2014. Median sales price for condominiums in San Francisco.

[Click to view larger chart](#)

## Months' Supply of Inventory

The months' supply of inventory is a measure of how quickly the current supply of homes would be sold at the current sales rate, assuming no more homes came on the market. In general, an MSI below 4 is considered a seller's market; between 4 and 6 is a balanced market; and above 6 is a buyer's market.

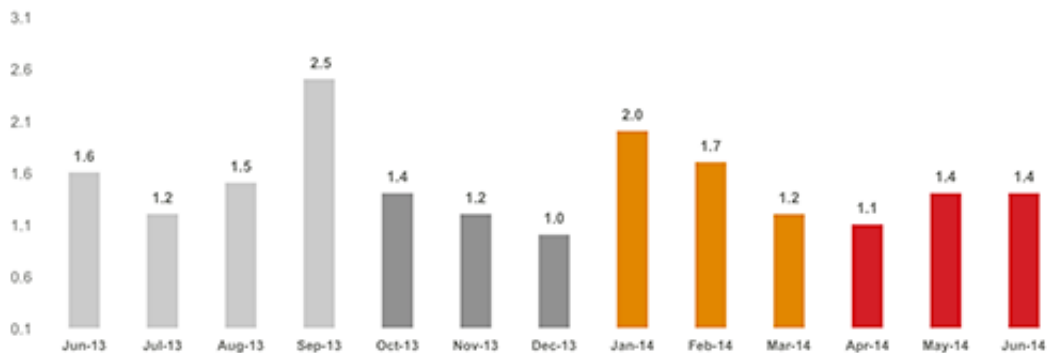
### Single-Family Homes – Months' Supply of Inventory



Source: Terradatum, July 7, 2014. Months' supply of inventory for single-family homes in San Francisco.

[Click to view larger chart](#)

### Condominiums – Months' Supply of Inventory



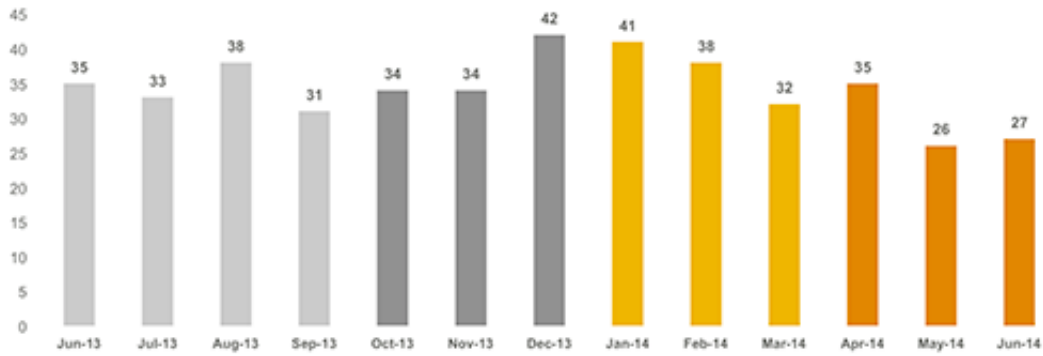
Source: Terradatum, July 7, 2014. Months' supply of inventory for condominiums in San Francisco.

[Click to view larger chart](#)

## Average Days on the Market

Average days on the market is a measure that indicates the pace of sales activity. It tracks, on average, the number of days a listing is active until it reaches "pending" status, meaning all contingencies have been removed and both parties are just waiting to close.

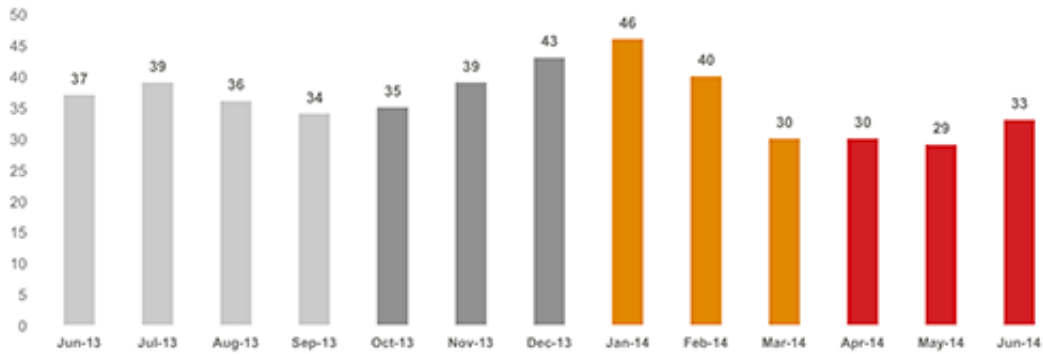
### Single-Family Homes – Average Days on the Market



Source: Teradata, July 7, 2014. Average days on market for single-family homes sold in San Francisco.

[Click to view larger chart](#)

**Condominiums – Average Days on the Market**



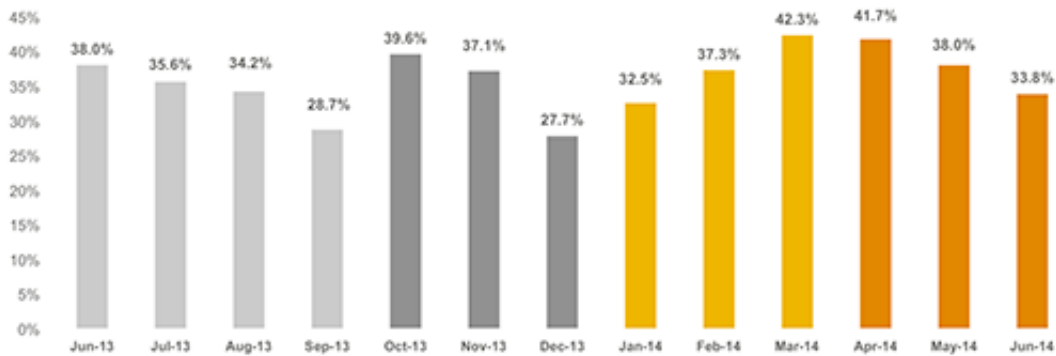
Source: Teradata, July 7, 2014. Average days on market for condominiums sold in San Francisco.

[Click to view larger chart](#)

**Percentage of Properties Under Contract**

Percentage of properties under contract is a forward-looking indicator of sales activity. It tracks expected home sales before the paperwork is completed and the sale actually closes.

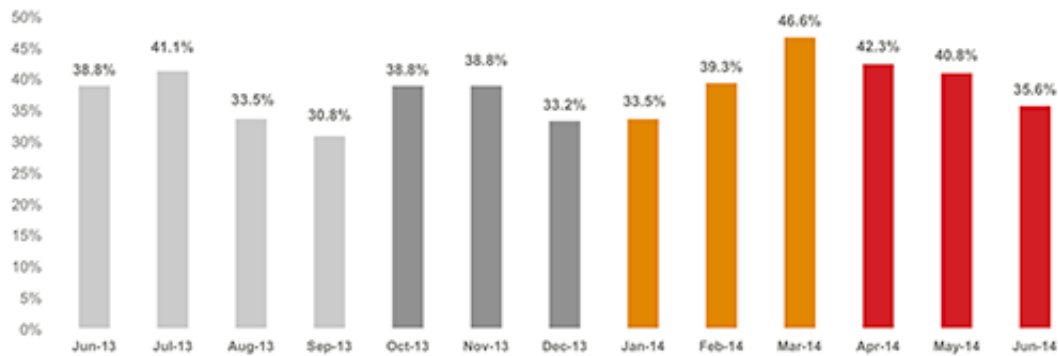
**Single-Family Homes – Percentage of Properties Under Contract**



Source: Teradata, July 7, 2014. Percentage of single-family homes under contract in San Francisco.

[Click to view larger chart](#)

**Condominiums – Percentage of Properties Under Contract**



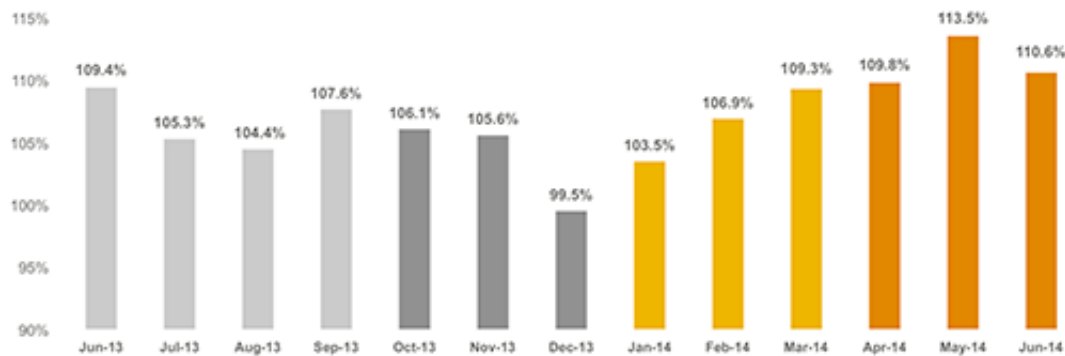
Source: Teradata, July 7, 2014. Percentage of condominiums under contract in San Francisco.

[Click to view larger chart](#)

## Sales Price as a Percentage of Original Price

Measuring the sales price as a percentage of the final list price, which may include price reductions from the original list price, determines the success of a seller in receiving the hoped-for sales amount. It also indicates the level of sales activity in a region.

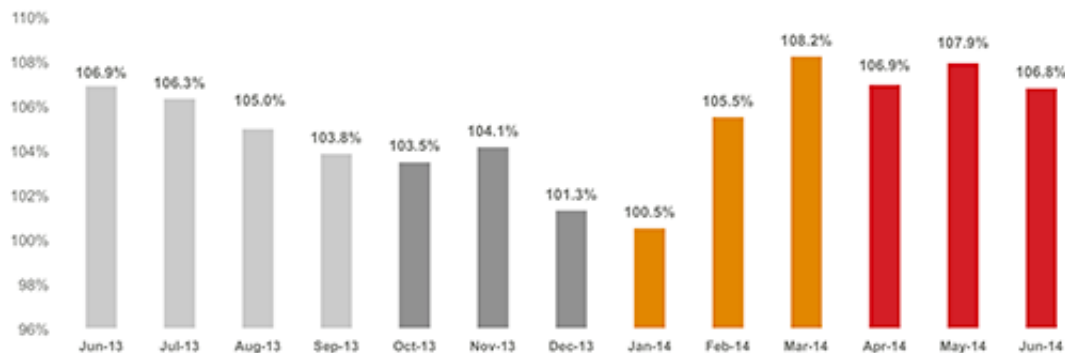
### Single-Family Homes – Sales Price as a Percentage of Original Price



Source: Teradata, July 7, 2014. Sales price as % of original price (including adjustments) for single-family homes under contract in San Francisco.

[Click to view larger chart](#)

### Condominiums – Sales Price as a Percentage of Original Price

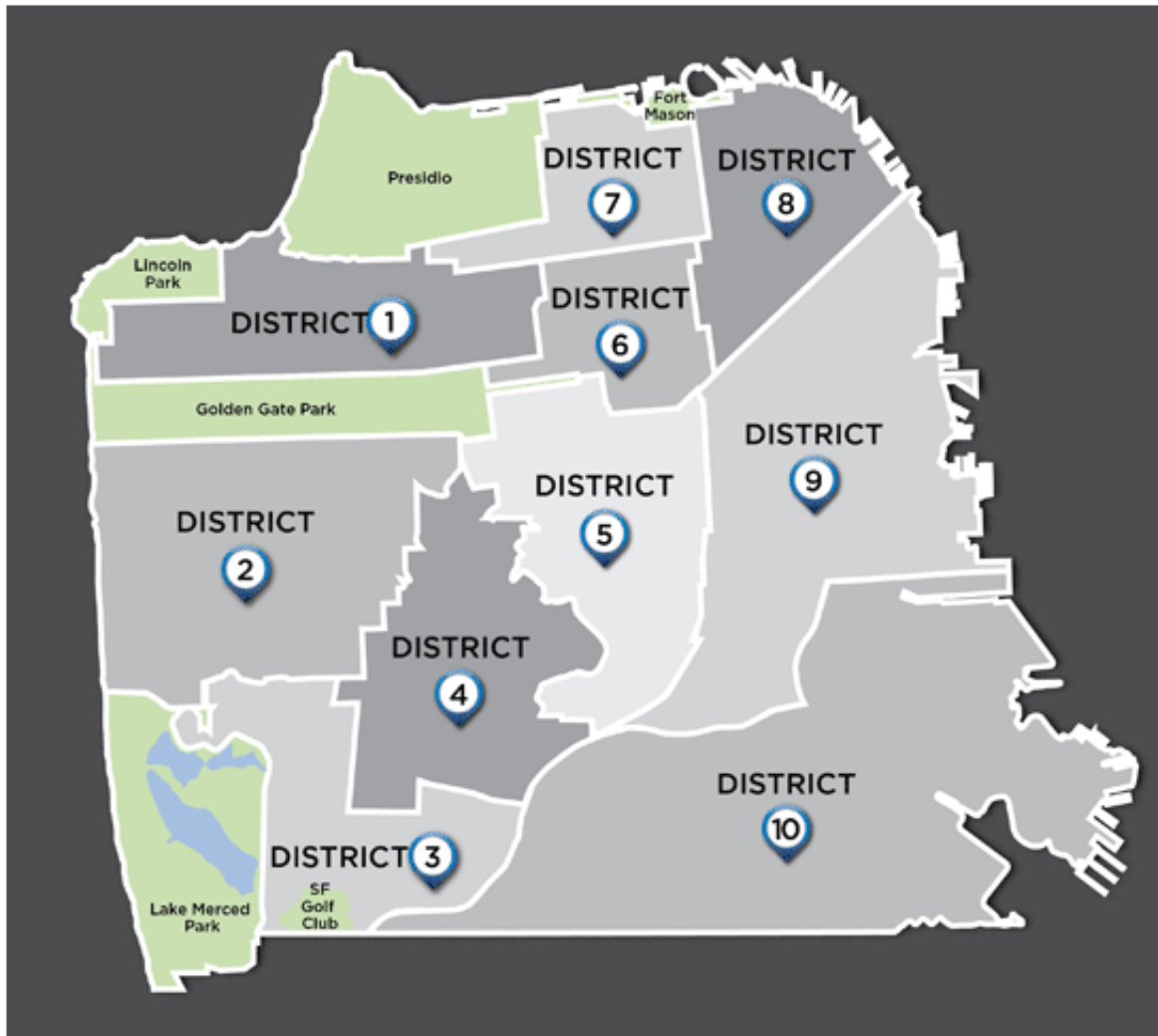


Source: Teradata, July 7, 2014. Sales price as % of original price (including adjustments) for condominiums under contract in San Francisco.

[Click to view larger chart](#)

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## Delving into San Francisco's Districts



San Francisco is defined by 10 separate districts, each of which encompasses several neighborhoods.

- District 1: Inner Richmond, Central Richmond, Outer Richmond, Jordan Park/Laurel Heights, Lake, Lone Mountain, Sea Cliff.
- District 2: Outer Sunset, Central Sunset, Inner Sunset, Outer Parkside, Parkside, Inner Parkside, Golden Gate Heights.
- District 3: Pine Lake Park, Merced Manor, Lake Shore, Lakeside, Stonestown, Merced Heights, Ingleside, Ingleside Heights, Oceanview.
- District 4: Balboa Terrace, Diamond Heights, Forest Hill, Forest Hill Extension, Forest Knolls, Ingleside Terrace, Midtown Terrace, Miraloma Park, Monterey Heights, Mount Davidson Manor, Sherwood Forest, St. Francis Wood, Sunnyside, West Portal, Westwood Highlands, Westwood Park.
- District 5: Buena Vista/Ashbury Heights, Clarendon Heights, Cole Valley/Parnassus Heights, Corona Heights, Duboce Triangle, Eureka Valley/Dolores Heights, Glen Park, Haight-Ashbury, Mission Dolores, Noe Valley, Twin Peaks.
- District 6: Alamo Square, Anza Vista, Hayes Valley, Lower Pacific Heights, North Panhandle, Western Addition.
- District 7: Cow Hollow, Marina, Pacific Heights, Presidio Heights.
- District 8: Downtown, Financial District/Barbary Coast, Nob Hill, North Beach, North Waterfront, Russian Hill, Telegraph Hill, Tenderloin, Van Ness/Civic Center.
- District 9: Bernal Heights, Central Waterfront/Dogpatch, Inner Mission, Mission Bay, Potrero Hill, South Beach, South of Market, Yerba Buena.
- District 10: Bayview, Bayview Heights, Candlestick Point, Crocker Amazon, Excelsior, Hunters Point, Little Hollywood, Outer Mission, Mission Terrace, Portola, Silver Terrace, Visitacion Valley.

## San Francisco Snapshot: SFH, Q2 2014 vs. Q2 2013

	Sales Volume			Homes Sold			Avg. Days on Market			Median Price		
	Q2 '13	Q2 '14	% change	Q2 '13	Q2 '14	% change	Q2 '13	Q2 '14	% change	Q2 '13	Q2 '14	% change
District 1	\$ 120,202,000	\$ 102,975,175	-14%	70	56	-20%	38	20	-47%	\$ 1,431,500	\$ 1,602,500	12%
District 2	\$ 110,912,382	\$ 122,156,648	10%	124	107	-14%	25	28	12%	\$ 845,445	\$ 1,000,000	18%
District 3	\$ 43,280,000	\$ 38,505,000	-11%	55	41	-25%	37	26	-30%	\$ 720,000	\$ 836,500	16%
District 4	\$ 111,217,537	\$ 106,062,750	-5%	89	73	-18%	35	28	-20%	\$ 1,146,000	\$ 1,375,000	20%
District 5	\$ 191,832,276	\$ 183,319,608	-4%	112	86	-23%	32	20	-38%	\$ 1,567,500	\$ 1,942,500	24%
District 6	\$ 23,642,125	\$ 26,537,240	12%	11	11	0%	34	21	-38%	\$ 2,250,000	\$ 2,725,000	21%
District 7	\$ 193,415,000	\$ 156,513,300	-19%	47	34	-28%	32	45	41%	\$ 3,200,000	\$ 3,700,000	16%
District 8	\$ 28,310,000	\$ 34,901,250	23%	8	8	0%	28	86	207%	\$ 2,562,500	\$ 3,191,000	25%
District 9	\$ 97,383,124	\$ 65,256,875	-33%	87	54	-38%	36	27	-25%	\$ 1,030,000	\$ 1,170,000	14%
District 10	\$ 82,863,975	\$ 98,995,932	19%	143	139	-3%	39	35	-10%	\$ 580,000	\$ 692,000	19%

Source: Trulia.com, July 7, 2014. Data is for single-family homes in San Francisco districts.

[Click to view larger chart](#)

## San Francisco Snapshot: Condos, Q2 2014 vs. Q2 2013

	Sales Volume			Homes Sold			Avg. Days on Market			Median Price		
	Q2 '13	Q2 '14	% change	Q2 '13	Q2 '14	% change	Q2 '13	Q2 '14	% change	Q2 '13	Q2 '14	% change
District 1	\$ 30,482,475	\$ 40,125,500	32%	32	34	6%	31	32	3%	\$ 873,500	\$ 1,004,000	15%
District 2	\$ 8,835,000	\$ 17,250,888	95%	12	16	33%	45	28	-38%	\$ 716,000	\$ 927,500	30%
District 3	\$ 3,687,000	\$ 6,238,000	69%	9	10	11%	45	27	-40%	\$ 421,000	\$ 549,500	31%
District 4	\$ 10,139,000	\$ 10,418,125	3%	19	17	-11%	64	23	-64%	\$ 460,000	\$ 575,000	25%
District 5	\$ 119,915,548	\$ 125,252,262	4%	116	107	-8%	33	23	-30%	\$ 999,000	\$ 1,150,000	15%
District 6	\$ 74,471,601	\$ 66,670,671	-10%	85	64	-25%	39	30	-23%	\$ 825,000	\$ 999,000	21%
District 7	\$ 128,623,760	\$ 130,806,514	2%	101	87	-14%	47	26	-45%	\$ 1,259,000	\$ 1,301,000	3%
District 8	\$ 140,843,889	\$ 137,325,269	-2%	130	115	-12%	38	42	11%	\$ 865,000	\$ 920,000	6%
District 9	\$ 229,227,402	\$ 315,051,153	37%	230	278	21%	32	30	-6%	\$ 827,500	\$ 920,500	11%
District 10	\$ 10,498,857	\$ 5,026,869	-52%	26	10	-62%	97	59	-39%	\$ 412,000	\$ 541,500	31%

Source: Trulia.com, July 7, 2014. Data is for condominiums in San Francisco districts.

[Click to view larger chart](#)

## San Francisco Price Range Snapshot: SFH, Q2 2014 vs. Q2 2013

	Sales Volume			Homes Sold			Avg. Days on Market			Median Price		
	Q2 '13	Q2 '14	% change	Q2 '13	Q2 '14	% change	Q2 '13	Q2 '14	% change	Q2 '13	Q2 '14	% change
Under \$1 million	\$ 274,051,568	\$ 189,426,030	-31%	386	251	-35%	35	34	-3%	\$ 723,500	\$ 750,000	4%
\$1 million - \$3 million	\$ 510,311,731	\$ 485,258,173	-5%	318	302	-5%	32	23	-28%	\$ 1,450,000	\$ 1,467,500	1%
Over \$3 million	\$ 218,695,100	\$ 260,539,575	19%	42	56	33%	35	40	14%	\$ 3,900,000	\$ 3,690,000	-5%

Source: Trulia.com, July 7, 2014. Data is for single-family homes in San Francisco County.

[Click to view larger chart](#)

### San Francisco Price Range Snapshot: Condos, Q2 2014 vs. Q2 2013

	Sales Volume			Homes Sold			Avg. Days on Market			Median Price		
	Q2 '13	Q2 '14	% change	Q2 '13	Q2 '14	% change	Q2 '13	Q2 '14	% change	Q2 '13	Q2 '14	% change
Under \$1 million	\$ 322,759,806	\$ 277,948,911	-14%	473	384	-19%	40	34	-15%	\$ 710,000	\$ 751,250	6%
\$1 million - \$2 million	\$ 333,758,726	\$ 393,505,564	18%	251	289	15%	35	25	-29%	\$ 1,300,000	\$ 1,316,000	1%
Over \$2 million	\$ 100,206,000	\$ 182,710,796	82%	36	65	81%	66	35	-47%	\$ 2,442,500	\$ 2,500,000	2%

Source: Zillow.com, July 7, 2014. Data is for condominiums in San Francisco County.

[Click to view larger chart](#)

## Three Reasons Why This Housing Cycle Is Not a Bubble

Bay Area real estate values, fundamentals, and “noise” continue to be hot topics at social gatherings and client meetings. Does this cycle resemble the dot-com era bubble? Can the pace and valuations we are seeing continue?

While supply and demand are very basic and scalable market dynamics, I do believe it is important to separate the pace of sales from valuations. In terms of sales volume, the market’s current pace still displays somewhat of a “slingshot” effect from constrained demand as a result of the 2008 equities-market meltdown. Buyers sought safety on the sidelines for three or four years, but in the last 24 months, demand has been ferocious.

Although we anticipate Bay Area sales volume will experience year-over-year growth of less than 5 percent by 2016 and 2017, slowing demand will not relax pricing.

The following three fundamentals are currently driving Bay Area real estate markets:

- Supply constraints:** Our region has limited land available for new housing development.
- Exceptional job growth:** Northern California enjoys the hottest employment market in the U.S., with intellectually challenging, highly sought-after, and lucrative jobs. (See our feature story below for more on our region’s economic outlook.)
- Population growth:** The chart below illustrates that population growth across our nine-county region has exceeded new housing supply by an average of nearly 200 percent in four years.

#### Bay Area Population Growth Versus Housing-Supply Growth: 2010-2014

County	Population Growth: 2010-2014	Housing Growth: 2010-2014	Type
Alameda	4.2%	1.3%	Undersupply
Contra Costa	3.6%	1.4%	Undersupply
Marin	1.4%	0.4%	Undersupply
Napa	2.0%	0.7%	Undersupply
San Francisco	3.9%	1.3%	Undersupply
San Mateo	3.7%	0.9%	Undersupply
Santa Clara	4.9%	2.0%	Undersupply
Solano	2.6%	1.3%	Undersupply
Sonoma	1.4%	1.0%	Balanced

Source: California Department of Finance

[Click to view larger chart](#)

Each of the market dynamics listed above generally has very positive impacts on residential real estate. I doubt there is another major U.S. market that is experiencing and enjoying the combination of all three of these factors.

On a global stage, the Bay Area trails New York City, London, Hong Kong, and Beijing on a dollar-per-square-foot valuation perspective. Over the next five years, look for our region’s real estate prices to meet the aforementioned international markets.

A few years ago I attended a Bay Area real estate conference where Leslie Appleton-Young, vice president and chief economist of the California Association of Realtors, spoke. When asked about the best time to invest in California real estate, Leslie replied, “I’ve been answering that question for 30 years, and my answer has always been ;five years ago.”

If I am not mistaken, Warren Buffet said, “Buy all the real estate you can,” in a 2009 television interview. I suspect we will all feel the same way in 2019 when we look back at today’s market.

Sincerely,



Mark A. McLaughlin, CEO, Pacific Union

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## Bay Area Job, Population Growth Will Continue to Fuel Housing Demand

The Bay Area's tech-industry-driven economy continues to add extremely desirable and high-paying jobs, attracting talented workers from around the nation and globe. But even though our region's phenomenal economic growth likely will begin to slow over the next couple of years, intense demand for housing is almost certainly here to stay thanks to a pronounced lack of available homes.

"We're getting closer to full employment," says Stephen Levy, director and senior economist of Palo Alto-based Center for Continuing Study of the California Economy. "And what that means is that as we near full employment, that's going to bring in people, which will add to the housing demand."

[May statistics](#) from the California Employment Development Department show that each one of our Bay Area counties boasts an unemployment rate lower than the statewide average of 7.6 percent. Job growth remains particularly strong in Marin, Napa, San Francisco, and San Mateo counties, all of which have unemployment rates of less than 5 percent.

Levy believes that the Bay Area's unemployment rate will never return to dot-com-era lows, when it hovered in the 2 to 3 percent range in San Francisco and Silicon Valley. However, he forecasts that even though job growth will level off over the next two years, the Bay Area will continue to outperform the rest of the country.

### Population Growth Outpacing New Housing in Key Markets

Since the U.S. began to emerge from the Great Recession in 2010, the Bay Area's population rate has jumped sizably, according to California Department of Finance data. Over the past four years, the number of residents in San Francisco and San Mateo counties has grown by nearly 4 percent while increasing by almost 5 percent in Santa Clara County.

But none of those counties has built enough new housing units to keep up with the expanding populace. Since 2010, new housing has grown by just 2 percent in Santa Clara County, 1.3 percent in San Francisco, and 0.9 percent in San Mateo County.

"Peninsula prices and rents will continue to outpace the state and national average unless we see a dramatic increase in supply, and even then it would be snapped up pretty quickly," Levy says.

### Economic Climate Much More Stable Than in Dot-Com Days

As was the case in the dot-com boom and subsequent bust, the tech industry remains the primary driver of Bay Area employment growth. However, Levy believes that our current economy is far less frenetic than it was 15 years ago.

"I think it's quite different," he says. "These are real companies, and they have customers, profits, and burgeoning sales. The dot-com era was more about business plans."

Still, technology companies aren't the only businesses fueling Bay Area job growth. Other industries, including hospitality, health care, and construction, are seeing employment upticks, Levy says. However, he cautions that

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Technology companies continue to fuel Bay Area job growth.



tremendous growth in the Internet sector could eventually slow expansion in other industries, including brick-and-mortar retail and financial services.

While the Bay Area's economic outlook appears solid for the foreseeable future, the housing shortage may eventually impede growth, as workers could become wary of relocating to an area where finding a home is so difficult. Therefore, new construction remains a crucial factor in keeping our region's economy moving upward and onward.

"I think [our economy] will always grow, but absolutely, housing poses a constraint to our growth over the long term," Levy says. "The lack of housing could take some of the bloom off of the rose and limit some of the growth that might otherwise be there."

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## Bay Area 10-Year Overview

Here's a look at home sales in the Bay Area's real estate markets in the second quarter of 2014, with a glance back at the 10 preceding second quarters.

Bay Area: 10-Year Overview of Q2 Homes Sold											
REGION	Q2 '04	Q2 '05	Q2 '06	Q2 '07	Q2 '08	Q2 '09	Q2 '10	Q2 '11	Q2 '12	Q2 '13	Q2 '14
CONTRA COSTA COUNTY	3,702	3,475	2,779	2,026	2,542	3,518	3,273	3,141	3,403	2,977	2,799
EAST BAY	881	892	814	749	613	556	681	676	810	823	781
MARIN COUNTY	912	799	665	684	494	440	574	555	680	786	764
NAPA COUNTY	476	434	317	279	247	307	336	356	419	374	350
SAN FRANCISCO (SFH)	817	785	746	600	655	557	674	685	726	746	609
SAN FRANCISCO (CONDOS)	747	720	589	645	533	370	565	578	737	760	738
SILICON VALLEY	1,046	869	806	793	621	533	617	738	781	770	724
SONOMA COUNTY	1,893	1,791	1,245	1,001	1,143	1,282	1,249	1,175	1,484	1,458	1,268
SONOMA VALLEY	199	197	125	113	97	123	136	121	176	174	160
TAHOE/TRUCKEE (SFH)	336	272	215	183	160	151	200	210	268	291	268
TAHOE/TRUCKEE (CONDOS)	104	116	73	82	35	28	62	82	88	71	75

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[Click here to see specific 10-year data on key cities in the Bay Area.](#)





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