

CLIMB REAL ESTATE GROUP

REAL ESTATE CONDO MARKET REVIEW

DISTRICT 9 | Q1 2012

CLIMB Real Estate Group prides itself on bringing clients the best coverage of ongoing trends in the San Francisco Real Estate Market. This year has seen a dramatic rebound from the lagging housing market of 2009-2011, with all around positive statistics (some the highest in recent memory). Outlined below are what we feel are the most essential points to take away and what we can expect the market to look like over the next year.



MARKET COMMENTARY

Signs for the San Francisco market remain highly positive: Percentage of listings accepting offers is at an all time high, monthly supply of inventory continues its downward trend (meaning higher demand for homes), and average days on market for new homes for non-distress properties is also seeing the lowest levels in years. All of these signs point to a hot market.

During the fourth quarter of 2011, new construction was incredibly hard to come by, with no new condos added to inventory. In the first quarter of 2012, however, several new developments have risen to meet the increasing demand for new homes:

Madrone's 329 new condos in South Beach, **One Rincon Hill's** upcoming Phase II release with 312 units, and **201 Folsom**, the followup to Tishman Speyer's popular Infinity Towers development, with an announced 671 units.



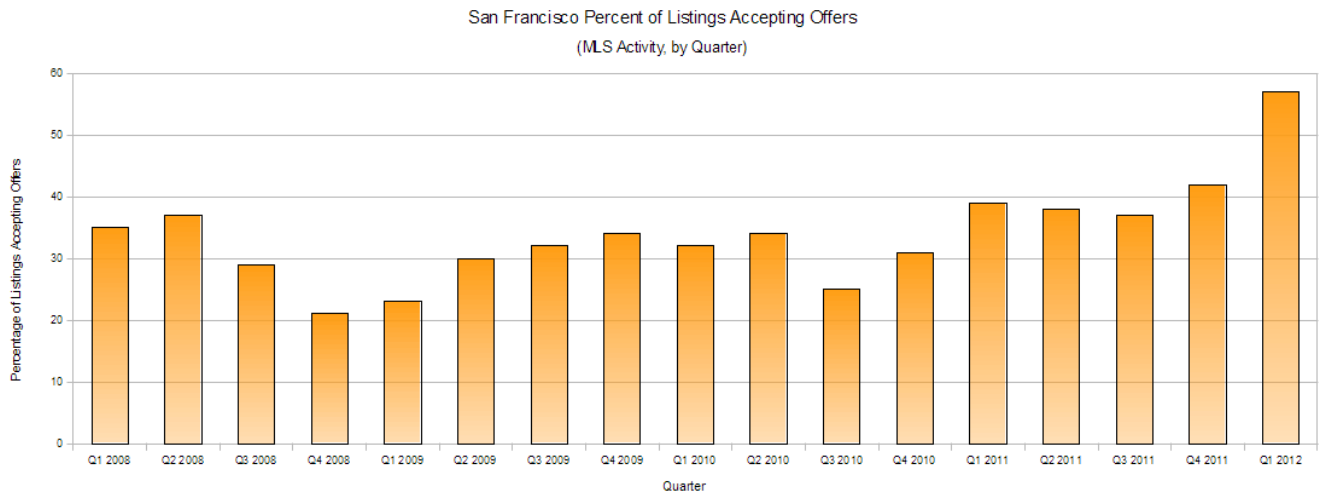
KEY INSIGHTS

Although we saw a decline in new construction sales in 2011 overall, the 30% reduction in new condos available for immediate move in would seem to be the main culprit. Plans for new projects are scarce, especially compared to the pre-recession era, but do expect an increase in the number of pre-construction sales this year, with the gradual introduction of new developments back into the market.

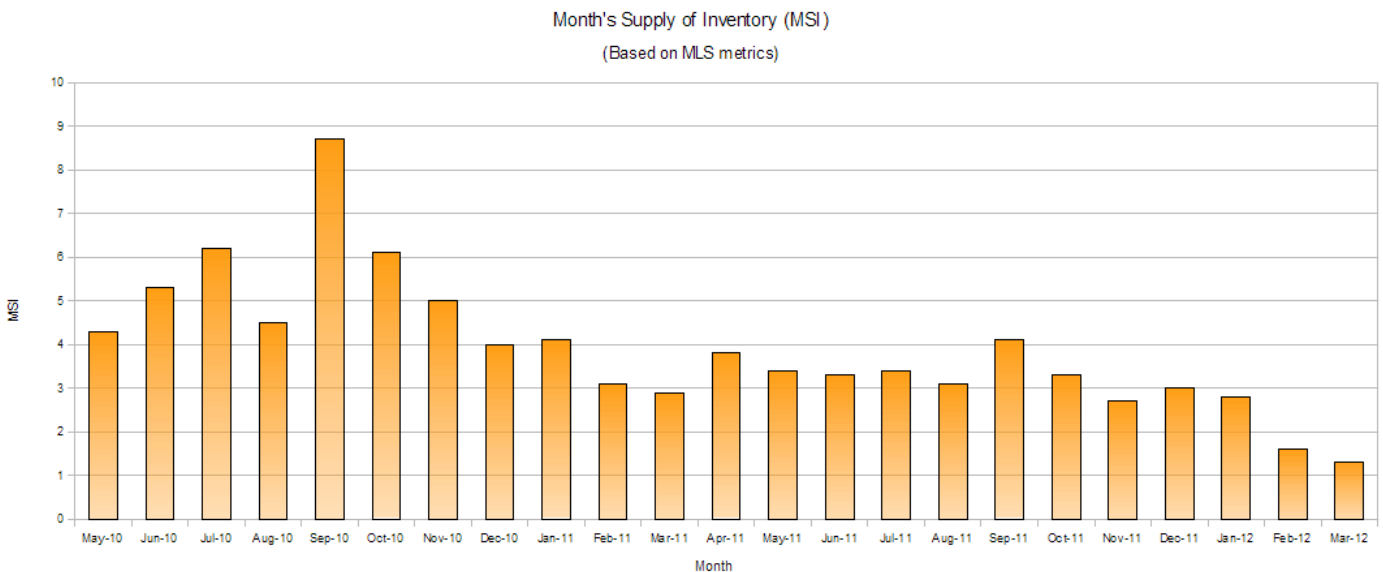
Another piece of breaking news has been the alarming increase in competition in the resale market with rent prices rocketing to the highest levels seen since 2001. Rent prices for two bedroom units have reached approximately \$1,900 a month on average (prices not seen since the Dot-Com era boom), and with so little new inventory, resale has seen a 12% marked increase in Q1 2012. Prices on resold homes have remained consistent with 2011 so far, but with more buyers on the market, don't expect this to last.

DATA ANALYSIS

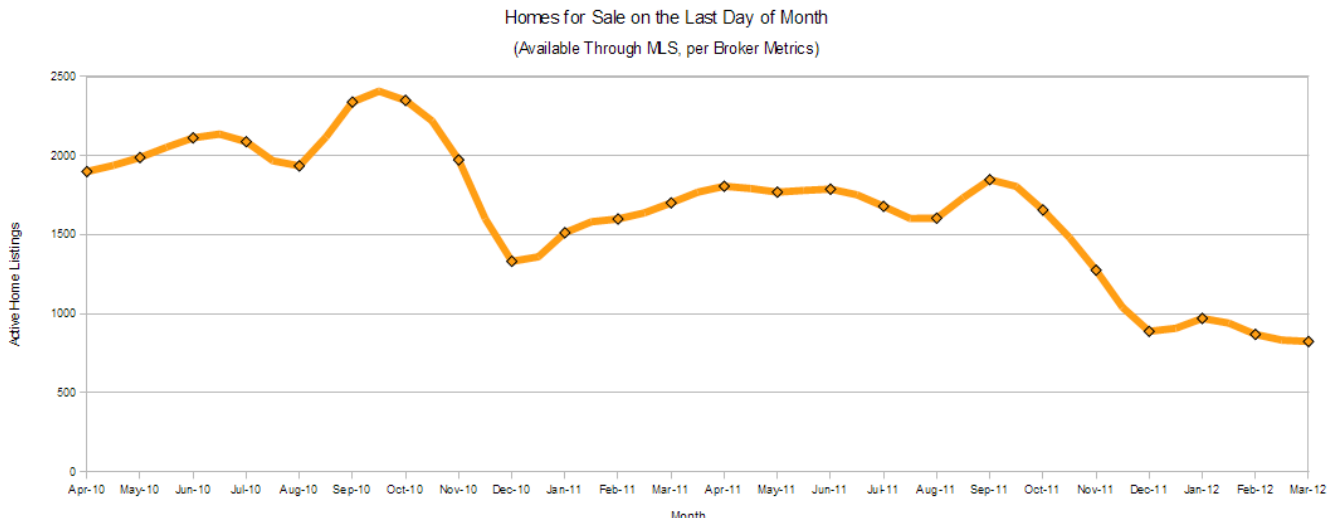
San Francisco is currently seeing the highest percentage of listings accepting offers since 2008, at 57%, (an increase of 18% over Q1 2011). This factor, which illustrates buyers willingness to meet a sellers offered price, can be attributed to the limited supply but also to the new labor force entering the city, spurred on by social media and tech growth in the Bay Area. Homes are being snatched up at market rate across the city, but especially in high demand areas like District 9.



Number of homes for sale on the last day of the month is a clear indicator of rapidity of sales. At an historic low of only 825 units for sale at the end of March 2012, compared to 1702 units in 2011, and 1918 units in 2010, this measurement indicates an incredibly strong market for resale. The lack of new construction projects in Q1 is the main cause here.



Month's supply of inventory gives analysts a snapshot of buyer demand, by looking at the time condos stay on the market. At 1.3, MSI has not been this low in years, reflecting a strengthening market. No big changes should be expected for MSI in the coming quarters with no major increase to supply of condos expected.



FINAL THOUGHTS

With a dramatic recovery in the District 9 market on our hands, it will be interesting to see how developers react in the next quarter. Resale should continue to be competitive with little sign of demand letting up. Also, expect more news on new construction projects (like the rumored Mission Rock, and 1415 Mission Development) as the year progresses. Please contact us with any comments or questions or to learn more about how to make the market work for you and turn a profit on your real estate investments this year.