

# CLIMB REAL ESTATE GROUP

## REAL ESTATE CONDO MARKET REVIEW

DISTRICT 9 | Q2 2012

CLIMB Real Estate Group strives to bring clients the best quality information on trends in the San Francisco Real Estate Market. This quarter has seen continued signs of progress, with positive statistics across the board. 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.



### BREAKING NEWS

Quarter 2 in 2012 has shown continued strength, with statistics that are likely remain highly positive throughout the year. With limited inventory of homes, incredible buyer demand, and bottomed out interest rates, nearly every neighborhood in the city has become highly competitive – truly a sellers market. In quarter 1, we saw percentage of listings accepting offers at an all time high, monthly supply of inventory on a steep downward trend (meaning higher demand for homes), and average days on market for new homes at historically low levels. Homes entering the market place are likely to receive offers at levels far beyond what we saw at the same time last year. The percentage of listings accepting offers in the condominium market has risen close to 7% in one quarter, meaning more homes than ever are going into contract. Unless the supply of homes suddenly increases to meet the burgeoning demand, these indicators of strength are likely to proceed into next year.

New construction has remained rare this quarter, with a minimal amount of new condos released. Two new developments, 299 Valencia and Millwheel South (located in the Mission and the Dogpatch respectively) sold out in record time illustrating the high demand in District 9. However with only 20-30 units a piece, these rapid sales have done little to abate the appetite for entry and mid-level condos, besides for the lucky few who got early access. One Rincon Hill's upcoming Phase II release with 312 units is expected to break ground in August, and 201 Folsom, the followup to Tishman Speyer's Infinity Towers development, with 671 units, has an estimated start date of Q3 2012. Depending on pre-construction sales at these massive projects, its likely we'll see demand stay at a steady high point until the end of the year.



## KEY INSIGHTS

Average home prices have steadily risen this year, peaking this quarter at around \$920,000, which compared to an average of \$815,000 for 2011, has shown the classic price increase associated with high demand. Average home prices usually falls during the third and fourth quarter, so it will be interesting to see if demand is high enough to keep prices at their new levels until the end of the year.

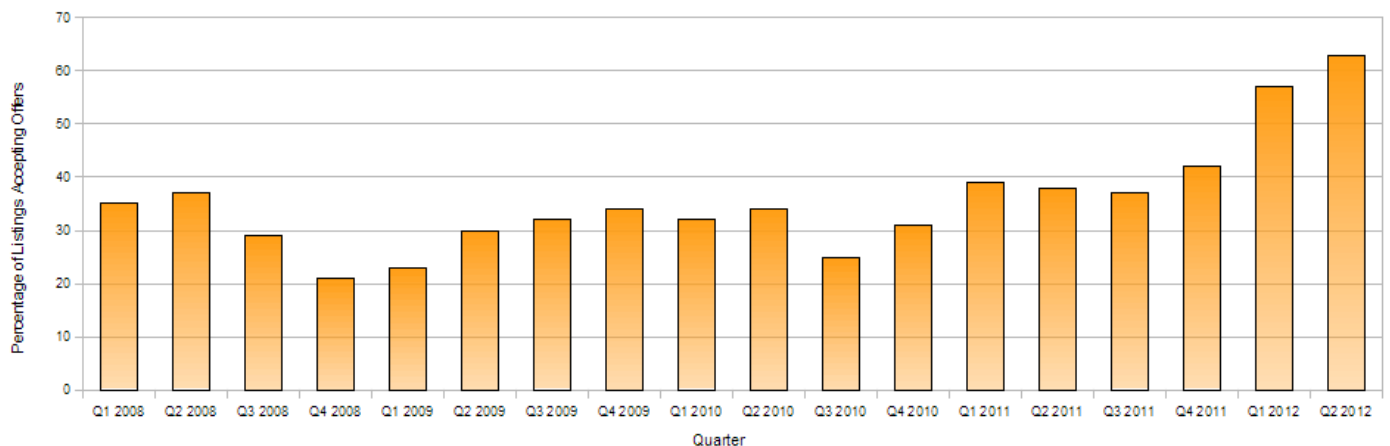
In the rental market, rent prices have skyrocketed as vacancy rates have hit historical lows. Even considering that San Francisco's renting market has always been highly competitive (with 70% of San Franciscans renting), the increased number of Bay Area residents that are out of their homes, and an influx of new affluent renters in the city brought here by tech and social media opportunities, has made rental properties a valuable commodity. As a result, rent prices are at an all time high, with an average of \$1,888 a month, up 5.9% from Q2 2011.



## MARKET ANALYSIS

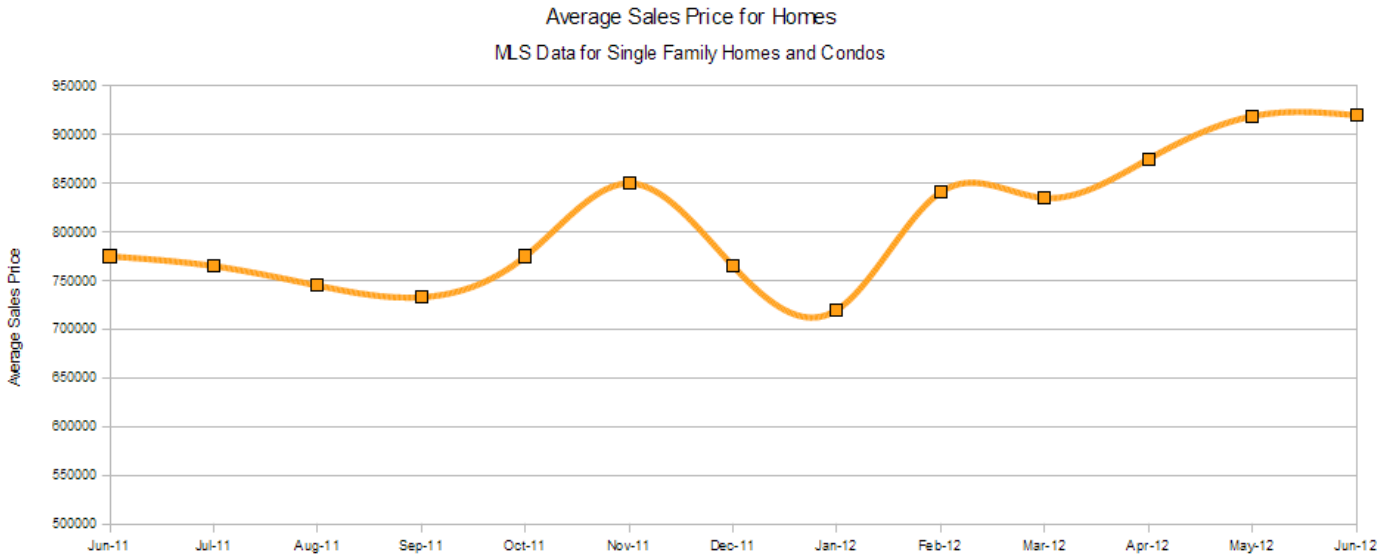
Quarter 1's percentage of listings accepting offers was at 57%, (an increase of 18% over Q1 2011), but quarter 2 has shown even further growth, clocking in at 63%. This factor, which indicates buyers' willingness to meet a seller's offered price, shows an unambiguous high demand for condominiums. In high demand areas like District 9, this means more buyers in the market are willing to pay whatever the listed price is to guarantee they get into a home.

San Francisco Percent of Listings Accepting Offers  
(MLS Activity, by Quarter)

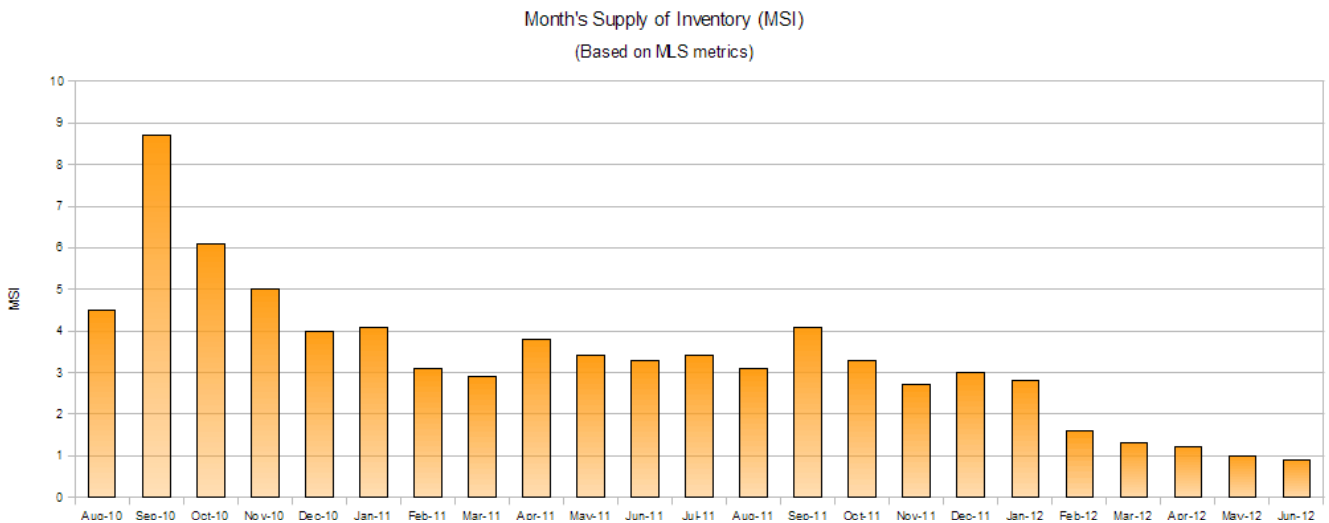


# MARKET ANALYSIS

Average home prices have steadily risen this year and now sit at \$920,000, which compared to an average of \$815,000 for 2011, has shown the classic price increase associated with high demand. The average price of homes hovered in the \$600,000-800,000 from 2008 to 2011, so without a sudden increase in supply, we can expect that the \$900,000 range will represent the new average price of homes for the next few quarters.



Month's supply of inventory gives analysts a snapshot of buyer demand, by looking at the time condos stay on the market. Sitting at 0.9, MSI has continued a downward trend, and has not been this low in years, reflecting a very high demand market. Higher demand for condominiums in District 9 simply means homes are on the market for lower and lower periods of time. Expect this to remain constant as a growing number of buyers compete over smaller amounts of viable homes.



## FINAL THOUGHTS

All signs in the San Francisco market point to prolonged prosperity. Additionally, the average rate for a 30-year mortgage is now at the lowest rate since 1971 (3.67 percent), meaning there is very little restricting prospective home buyers from pursuing whatever crops up in the market. New construction projects are expected to be announced en masse in the second half of 2012, as developers have cemented plans to meet the huge demand for condos. It's sure to be an exciting year for the market.

