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By Dan Levy

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Increase in house prices lift condos

Kimberly Boortz began searching for a San Francisco condominium after seeing the heated demand for single-family homes in the city. Potential buyers would "elbow their way around" showings, and only all-cash offers or bids well over the asking price would come out on top, she said.

"There is insane competition in every part of this market," said Boortz, 30, a government-affairs manager at drugmaker Gilead Sciences who relocated from Washington with her boyfriend with plans to buy a home and move in together. "We had huge sticker shock. Friends warned us, but I thought naively it wouldn't happen to us."

She and her boyfriend ultimately sought out a 63-unit development being built in Hayes Valley. The couple stood in a long line on the first day its sales center opened, and they consider themselves lucky to have won with an offer for a \$1.1 million two-bedroom on the ground floor.

After setting a record in May, San Francisco's median house price is poised to surpass \$1 million this year, the California Association of Realtors estimates.

That kind of price, and the limited supply of houses available for sale, has allowed condo developers to step in and lure frustrated buyers such as Boortz.

Market growing

Tishman Speyer Properties' approximately 650 luxury units in two towers south of the Financial District, and the first phase of Lennar's Hunters Point project at the city's former naval shipyard with 480 studios and town homes, were both scheduled to break ground Thursday. The projects will add to 709 condos that were under way in the city at the end of May, according to Mark Co., a San Francisco firm specializing in condo marketing. That total is the most since 2008.

"There's an improved economy, consumer confidence and extreme lack of inventory, and people want to buy," said Alan Mark, president of Mark.

Buyers have been making down payments of 35 percent in a market awash in wealth from tech workers and overseas investors, Mark said.

Banks are offering loans exceeding \$625,000 that are too big for government backing, known as jumbo mortgages, at interest rates only marginally above those for conforming loans. Lenders were charging 4.67 percent on average for a 30-year fixed-rate jumbo Monday, compared with 4.51 percent for a non-jumbo, according to Bankrate.

Economic boom

San Francisco's housing market is benefiting from a broad-based economic boom that's spurred job growth in the technology, health care and hospitality industries. The jobless rate in the metropolitan area tumbled to 5 percent last month from 6.9 percent a year earlier, state labor data show.

The median price for a single-family home sold in San Francisco was \$947,260 in May, up 2.7 percent from April and 32 percent from a year earlier, according to the state Realtors group. It topped the \$932,350 record set in 2007. Surpassing \$1 million "certainly looks like it's going to happen," said Leslie Appleton-Young, chief economist for the group.

"San Francisco is attractive to foreign investors, and you've got low rates, low inventory and the Silicon Valley economy," she said.

There were 1,420 house and condo listings last month in San Francisco, down 12 percent from May 2012, data from the San Francisco Association of Realtors show. The inventory of single-family homes represented a supply of 2.9 months, down from 3.7 months, according to a separate index from the state Realtors.

Condo prices

Condo projects account for as much as 80 percent of new home sales in the city, said Andrew LePage, senior analyst for San Diego research firm DataQuick. San Francisco condo prices set a record in each of the past three months, soaring 27 percent in May from a year earlier to a median \$881,020, according to the state Realtors. The peak in the previous cycle was \$811,170 in March 2008.

The surge in prices is coinciding with groundbreaking for Tishman Speyer's 201 Folsom St. and Lennar's Hunters Point, the largest new condo projects in the city. Lennar, building in the shadow of the Candlestick Park baseball and football stadium that's soon to be demolished, is constructing homes that begin at \$440,000 for studios and rise to \$810,000 for a three bedroom, according to the Miami company.

High-end units in Tishman Speyer's two towers haven't been priced, said Mark, hired to run sales for the project, called Lumina. Amenities will include concierge services, a 75-foot lap pool and fitness center, lounge, screening room and spa-like facilities, according to New York-based developer's website.

While condo development is surging, projects comprise less than a fifth of the 4,200 rental apartments under construction in the city, San Francisco Planning Department data show. Apartment rents rose 7.6 percent in the first quarter from a year earlier to a record \$1,888 average in the metro area, according to property data firm RealFacts.

Dan Levy is a Bloomberg writer. E-mail: dlevy13@bloomberg.net

<http://www.sfchronicle.com/realestate/article/Increase-in-house-prices-lift-condos-4624476.php>