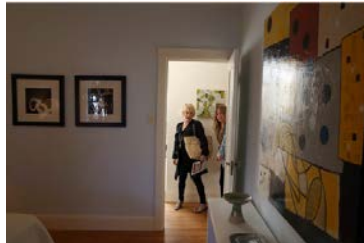


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San Francisco's Million Dollar Homes Spur Condo Surge



People look around a property for sale during an open house day in San Francisco, California. Photographer: Justin Sullivan/Getty Images

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 Inc. (GILD) 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."

San Francisco's median house price is poised to surpass \$1 million this year after setting a record in May, the California Association of Realtors estimates. The county is the only one in the state with values to set a new high, said Leslie Appleton-Young, chief economist for the group. A limited supply of houses available for sale has allowed condo developers to step in and lure frustrated buyers such as Boortz.

Tishman Speyer Properties LP's 655 luxury units in two towers south of the financial district, and the first phase of Lennar Corp. (LEN)'s Hunters Point project at a former naval shipyard with 480 studios and townhomes, are both scheduled to break ground today, according to the companies. 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-based firm specializing in condo marketing, the most since 2008.

Tech Workers

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



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 on June 24, compared with 4.51 percent for a non-jumbo, according to Bankrate Inc. ([RATE](#))

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.

Biggest Gains

The San Francisco area had the biggest gain in home prices among 20 U.S. cities in the S&P/Case-Shiller index, according to data released yesterday. Single-family house prices in April jumped 24 percent from a year earlier, compared with gains of 12 percent of the broader gauge, which was still the biggest advance in more than seven years.

The median price for a single-family home sold in the city 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 Los Angeles-based Appleton-Young.

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

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-based research firm DataQuick Inc. Other California cities have more land to build detached houses, he said in an e-mail.

San Francisco condo prices set a record in each of the last 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 \$814,170 in March 2008.

Groundbreakings were held today for Tishman Speyer's Lumina towers on Folsom Street and Lennar's first residential cluster at Hunters Point, the largest new condo projects in the city. Mayor Edwin Lee spoke at both events, calling China Vanke's majority equity position in the Tishman high-rise "a sign of international investor confidence in the city."

Lennar (LEN), 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-based company.

Lap Pool

High-end units in Tishman Speyer's Lumina haven't been priced, said Mark, hired to run sales for the project. 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 LLC.

Compared with the previous peak, demand for San Francisco homes is "equally as intense, but there was more inventory last time," Debra Christoffers, an agent at Zephyr Real Estate showing a four-bedroom in the Duboce Park neighborhood listed for \$1.6 million, said in an interview at the property this week. A buyer she represented made losing offers on 10 different homes, including a Mission District condo listed for \$979,000 that sold for \$250,000 more than that price, she said.

Aggressive Behavior

Boortz and her boyfriend, also 30 and relocating within his management-consulting firm, began their San Francisco property search in February. They became discouraged by the aggressive behavior at house showings and sales as much as 25 percent above asking, said Boortz, who will work at Gilead (GILD)'s Foster City, California, headquarters, 22 miles (35 kilometers) south of San Francisco.

"We were intimidated," she said. "People were waiving inspections to make offers more attractive. I'd never do that."

They turned to condo projects with list prices that don't change to "eliminate the insanity" from house sales that turn into auctions, Boortz said. More than half of city homes purchased in the first quarter, or 585 of 1,153 properties, sold for at least 5 percent over list prices, and 117 went for 20 percent or more, according to the San Francisco Association of Realtors, citing closed sales data compiled from its multiple-listings service.

Prevailing Offer

Fixed-price projects didn't dilute competition for a 63-unit development being built in the Hayes Valley neighborhood, Boortz said. 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.

They prevailed with 20 percent down and a 4 percent jumbo loan because other potential buyers are waiting for units on higher floors to become available, Boortz said. The building, which won't be completed until October, has a roof garden and landscaped courtyard, and units with oak floors, Bosch appliances, Kohler tubs and other high-end finishes.

"We ended up taking something that wasn't our first choice," said Boortz. "We really wanted to be on higher floor, but if we waited we'd get priced out."

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