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San Francisco's Million-Dollar Homes Spur Condo Surge



Two condo towers by Tishman Speyer, at 201 Folsom Street, will change San Francisco's view vs. this 2009 photo. [View Enlarged Image](#)

Kimberly Boortz began searching for a San Francisco condo after seeing the heated demand for single-family homes there. House hunters 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 (GILD)** who relocated from Washington with a boyfriend with plans to buy a home and move in together. "We had huge sticker shock."

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 for sale has let condo developers step in and lure frustrated buyers.

Tech Workers

Tishman Speyer Properties' approximately 650 luxury units in two towers south of the financial district, and the first phase of **Lennar's (LEN)** Hunters Point project at a former naval shipyard with 480 studios and townhomes, were both set to break ground this week.



The projects add to 709 condos under way in the city in May, according to condo marketing firm Mark Co., the most since 2008.

"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% 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% on average for a 30-year fixed-rate jumbo on June 24, compared with 4.51% for a non-jumbo, according to **Bankrate (RATE)**.

San Francisco's housing market is benefiting from a broad-based economic boom that's spurred job growth in tech, health-care and hospitality industries. The jobless rate in the metropolitan area tumbled to 5% in May from 6.9% a year earlier.

Biggest Gains

The San Francisco area had the top gain in home prices among 20 U.S. cities in the S&P/Case-Shiller index in April. Single-family house prices jumped 24% from a year ago, vs. gains of 12% 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% from April and 32% 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% 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, in a separate index from the state Realtors.

Condo Prices

Condo projects account for as much as 80% of new home sales in the city, said Andrew LePage, senior analyst for San Diego-based research firm DataQuick. Other California cities have more land to build detached houses, he said by e-mail.

San Francisco condo prices set a record in each of the last three months, soaring 27% 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 groundbreakings for Tishman Speyer's 201 Folsom Street 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 soon to be demolished, is constructing homes that begin at \$440,000 for studios and go to \$810,000 for a three-bedroom.

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.

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% in the first quarter from a year ago to a record \$1,888 average in the metro area, according to RealFacts.

Compared with the previous peak, demand for San Francisco homes is "equally as intense, but there was more inventory last time," said Debra Christoffers, an agent at Zephyr Real Estate this week showing a four-bedroom in the Duboce Park neighborhood, listed for \$1.6 million. 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.

Boortz and her boyfriend, also 30 and relocating within his management-consulting firm, turned to condo projects with list prices that don't change to "eliminate the insanity" from house sales that turn into auctions, Boortz said.

That didn't dilute competition for a 63-unit development being built in the Hayes Valley neighborhood. 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% down and a 4% jumbo loan because other potential buyers are waiting for units on higher floors to become available, Boortz said.