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San Francisco Real Estate

Heading into the 2019 Market February 2019 Report

As of early February, the government shutdown is over - at least for a little while - the stock market has recovered dramatically from its late 2018 plunge, and interest rates are well down from November highs. A good number of large, local, high-tech "unicorns" continue to plan IPOs in 2019. All these are positive economic indicators for the Bay Area real estate market - but indicators have proven to be quite volatile over the past 5 months and future movements are not to be taken for granted.

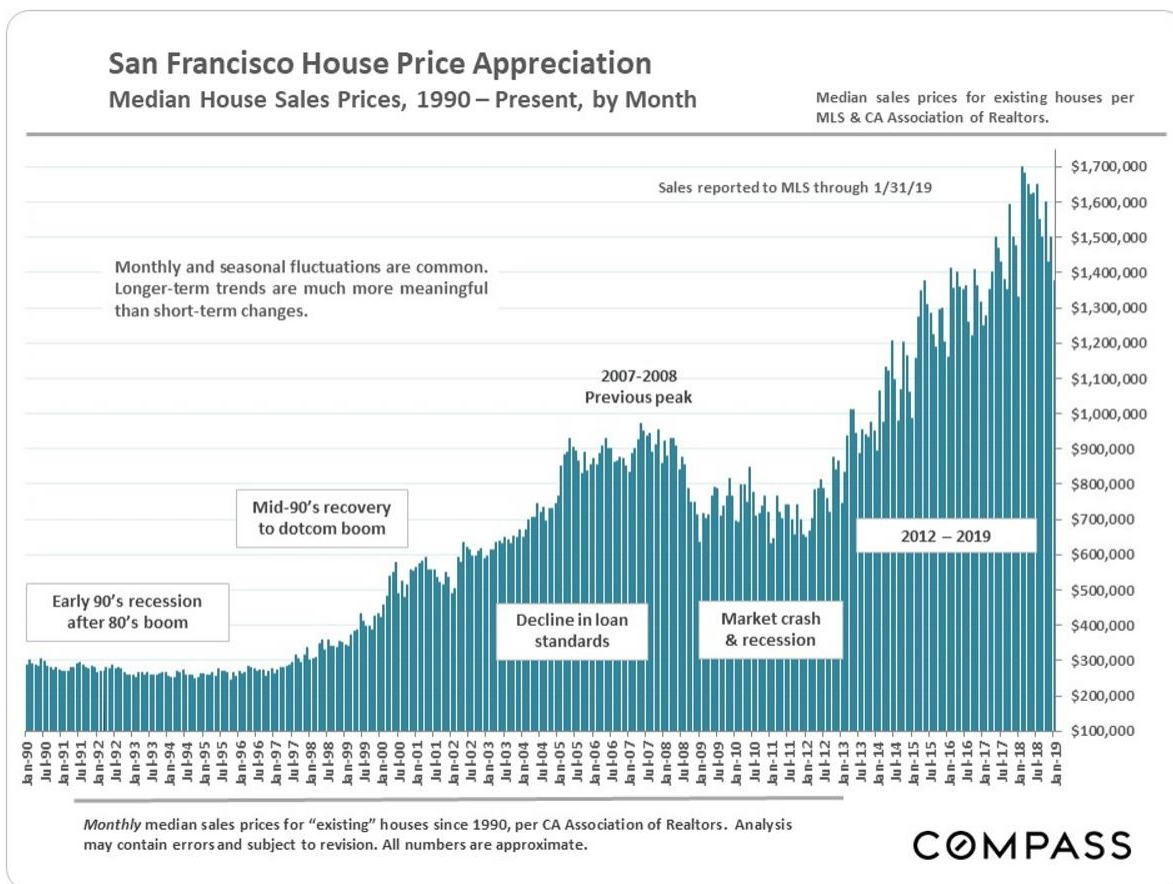
As detailed in our last report, there was considerable cooling in the market in the second half of 2018. The month of January typically has the fewest sales of the year, sales which mostly reflect activity during the December market doldrums: We don't consider its data to be a reliable indicator of conditions or trends. But activity is picking up, and the beginning of the spring sales season -

which in the Bay Area can start as early as February - will soon provide more direction as to where the market is heading.

San Francisco Home Value Trends

Median House Sales Prices by Month since 1990

Median sales prices often fluctuate by month and by season. It is not unusual for them to spike to new peaks during the spring selling season, and then decline and/or plateau afterward (until the next spring). So, the question is: What's going to happen in spring 2019?

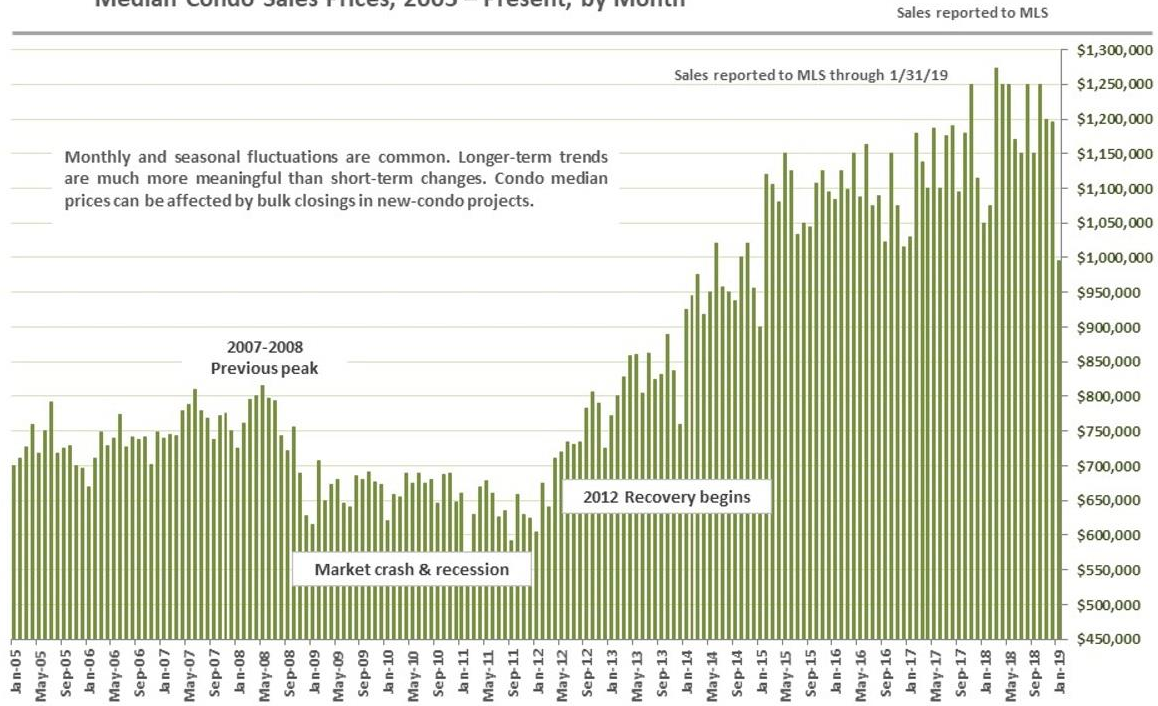


Median Condo Sales Prices by Month since 2005

Median condo sales prices, especially on a monthly basis, can be confused by new-project condo sales reported to MLS, which sometimes occur in quantity in a single month. Monthly fluctuations are common, and it is always the longer term trend that is most meaningful.

San Francisco Condo Price Appreciation

Median Condo Sales Prices, 2005 – Present, by Month



Monthly median sales prices for sales reported to MLS. Analysis may contain errors and subject to revision. All numbers are approximate.

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Home Sales Breakdowns

Since the market recovery began in 2012, home sales at prices under \$1 million have dropped by 68%. This chart shows the migration of sales to higher price segments.

San Francisco Home Sales Trends

Sales by Price Segment in Selected Years

Sales reported to MLS



House, condo, co-op and TIC sales reported to MLS, per Infosparks. Not all sales are reported to MLS, especially many new-construction condos. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers are approximate.

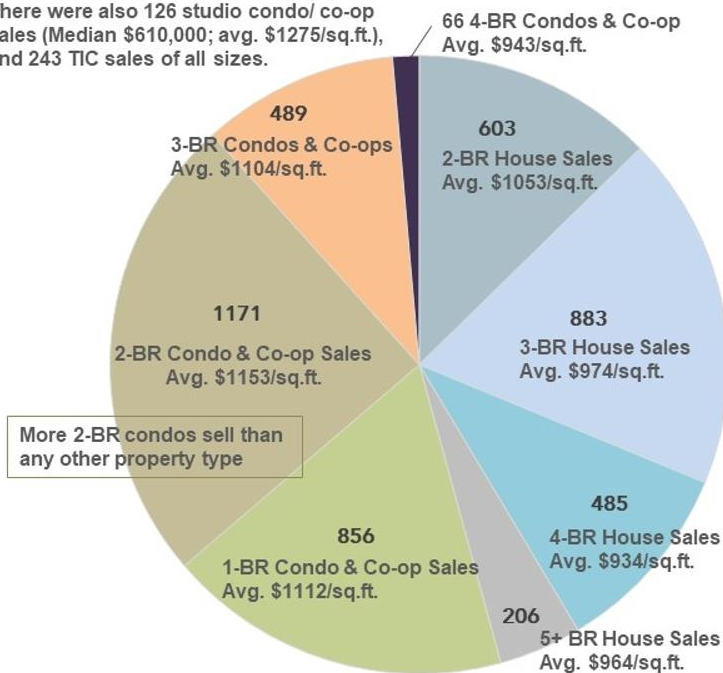
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Condos sales in San Francisco significantly outnumber house sales, and this trend will continue with the ongoing construction of new-condo projects. The most common property type for sales in the city was the 2-bedroom condo at a 2018 median sales price of \$1,375,000. The dominant house sale was of 3 bedrooms at a median sales price of \$1,560,000.

San Francisco Home Sales Breakdown 2018 Sales by Property Type & Bedroom Count

Sales reported to MLS

There were also 126 studio condo/ co-op sales (Median \$610,000; avg. \$1275/sq.ft.), and 243 TIC sales of all sizes.



Median Sales Prices

■ 2-BR Houses - \$1,274,000
■ 3-BR Houses - \$1,560,000
■ 4-BR Houses - \$2,200,000
■ 5+ BR Houses - \$2,700,000
■ 1-BR Condos - \$885,000
■ 2-BR Condos - \$1,375,000
■ 3-BR Condos - \$1,700,000
■ 4 BR Condos - \$2,071,000

"Condo" prices above include co-op sales as well. Below market rate (BMR) sales excluded.

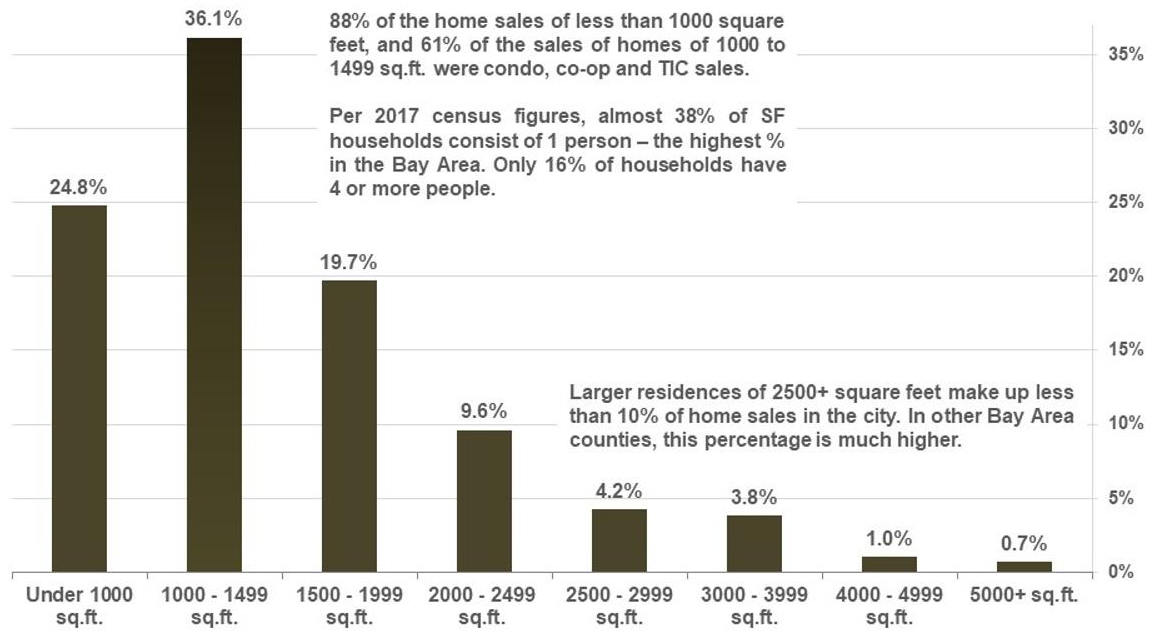
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Does not include new-project condo sales unreported to MLS. Based upon data sources deemed reliable, but may contain errors and subject to revision. All numbers should be considered approximate.

Compared to more suburban Bay Area counties, San Francisco is a city of relatively small, older homes occupied by relatively small households: Almost half of SF housing was built before WWII, 61% of homes are of less than 1500 square feet, and, per census data, 38% of SF households consist of a single person. SF also has the lowest percentage - 4.5% - of children under the age of 5 of any major city in the country.

San Francisco Home Sales Percentage of Sales by Square Footage

Using sales reporting home square footage to MLS in 2018



House, condo, co-op and TIC sales reported to MLS. Size figures are for "livable square footage" which does not include garages, storage, rooms built without permit, or outdoor spaces. Not all sales report square footage. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers are approximate.

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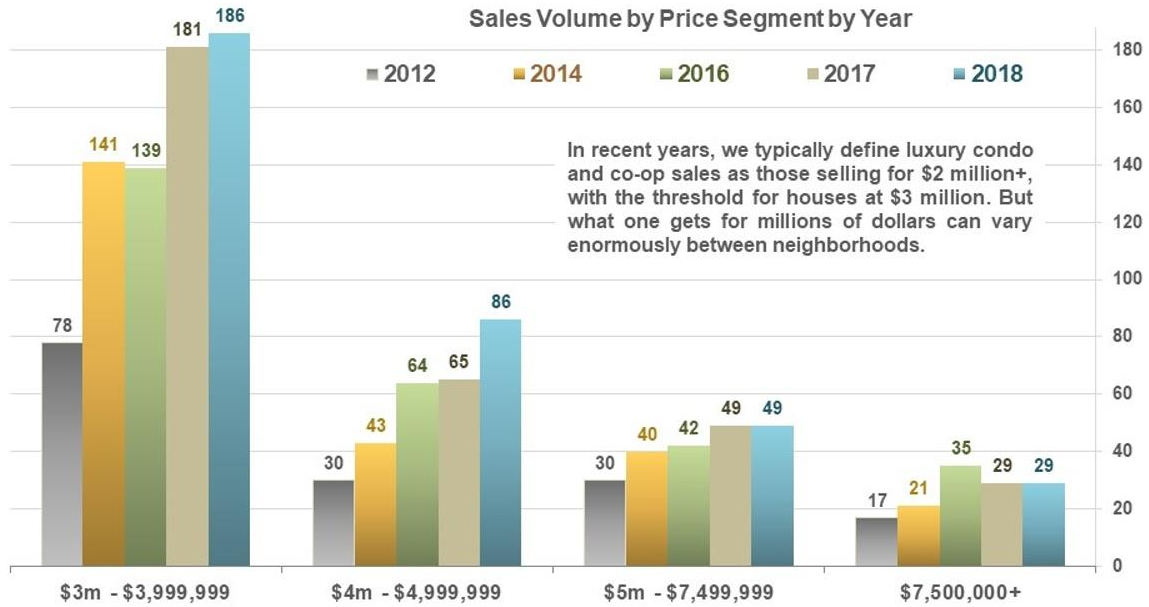
San Francisco Luxury Home Sales

While luxury home sales from \$3 million to \$4.99 million have steadily increased since 2012, home sales of \$5 million and above have, to a large degree, plateaued in recent years. [Sales reported to MLS]

San Francisco Higher-Price Home Sales

Sales by Price Segment in Selected Years, \$3 Million+

Sales reported to MLS



House, condo, co-op and TIC sales reported to MLS, per Infosparks. Many new-construction condo sales are not reported to MLS, as well as a fair percentage of the most expensive home resales. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers are approximate.

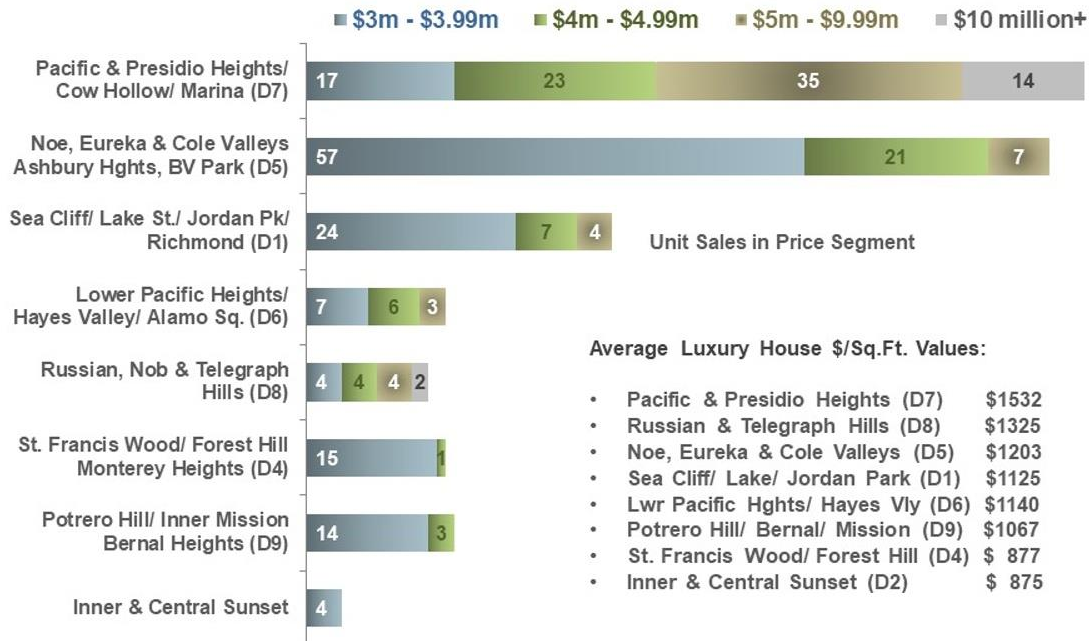
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Luxury House Sales by District

San Francisco Luxury House Market

Houses Selling for \$3,000,000+, Sales in 2018*

As reported to MLS



* Sales reported to MLS, except non-MLS sales of \$10m+ estimated. Not all sales are reported to MLS. Neighborhood groupings correspond to SF Realtor districts, which often include adjacent neighborhoods not listed. Data from sources deemed reliable but may contain errors and subject to revision. Outlier sales adjusted in dollar per square foot values, when identified. All numbers are approximate.

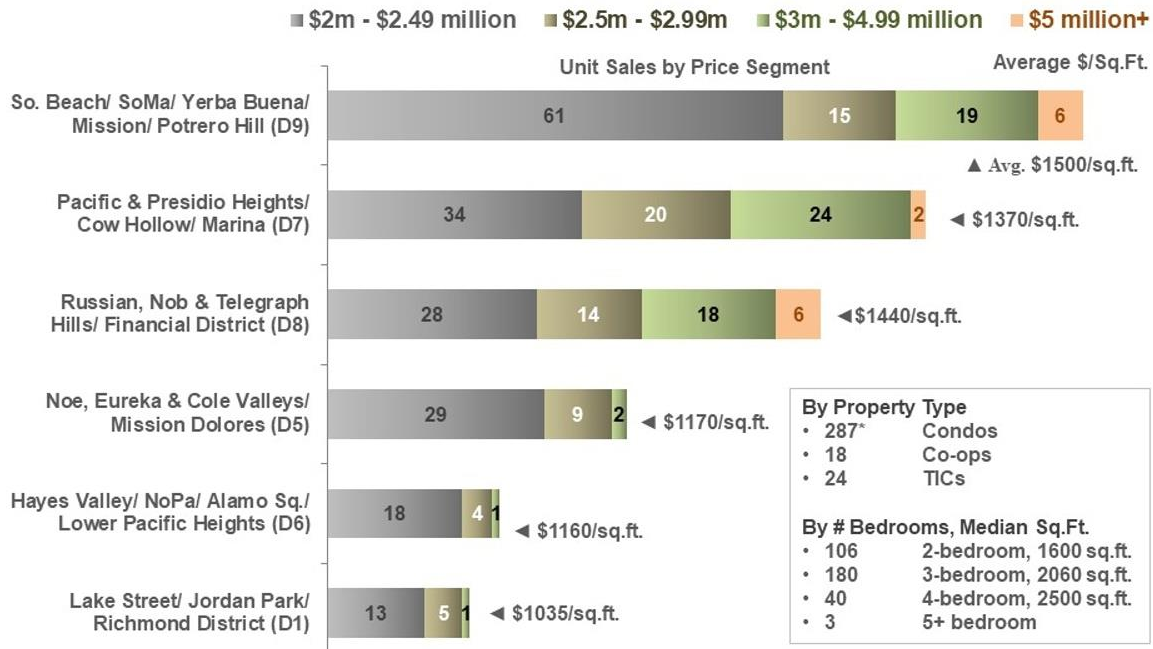
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Luxury Condo, Co-op & TIC Sales by District

San Francisco Luxury Condo Market

Condos, Co-ops & TICs, \$2 Million+, Sales in 2018*

Sales reported to MLS



* Sales reported to MLS only – many new luxury condo projects do not report all sales. Neighborhood groupings correspond to SF Realtor districts, which include other neighborhoods as well. Data from sources deemed reliable but may contain errors and subject to revision. All numbers are approximate.

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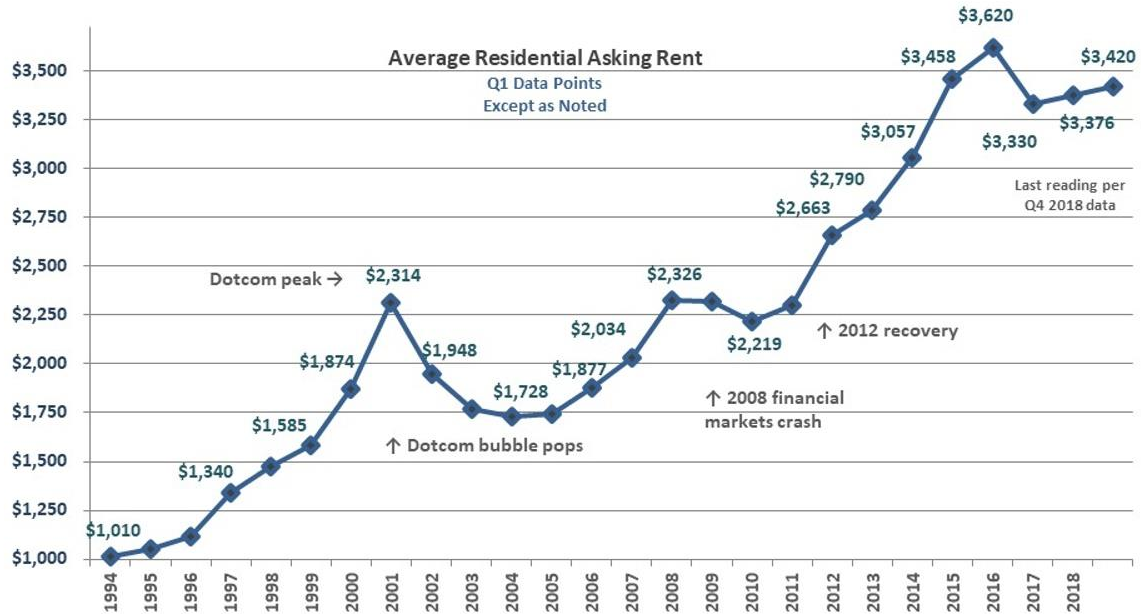
San Francisco Long-Term Rent Trends

Generally speaking, there should be a relatively close correlation between home prices and rents: They constitute the 2 main options for paying for one's housing. It is not an apples-to-apples comparison, because there are other issues at play, such as building equity, the ability to remodel and improve, certain tax advantages (though greatly diminished under new tax laws) and so on. If home prices continue to appreciate while rents plateau or decline, it can be a warning sign of an imbalance in the market - if it extends beyond the short term.

San Francisco Residential Rents - Estimated

Weighted Average Asking Rent, Q1 Data Points, 1994 - Present

Per RealFacts LLC &
Zillow Rent Index.



1st quarter data points except, as noted, for last reading per RealFacts LLC, for buildings with at least 50 units. 2017- onward estimated using adjusted Zillow Rent Index data for 5+ units. Data from sources deemed reliable but may contain errors and subject to revision. All numbers are approximate.

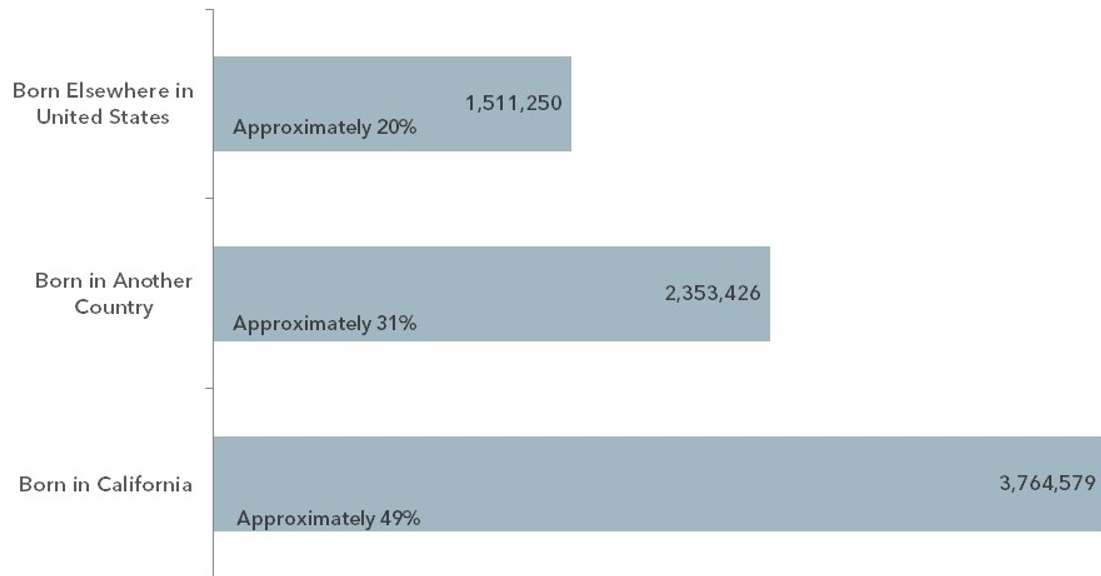
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Did Someone Say Multi-Cultural? Bay Area Demographic Snapshots

Before looking at the charts below, here is today's demographics quiz question: What 4 nationalities account for the origin of the highest numbers of Bay Area residents?

Place of Birth Bay Area Demographics

Per U.S. Census ACS
estimates, 2013-2017



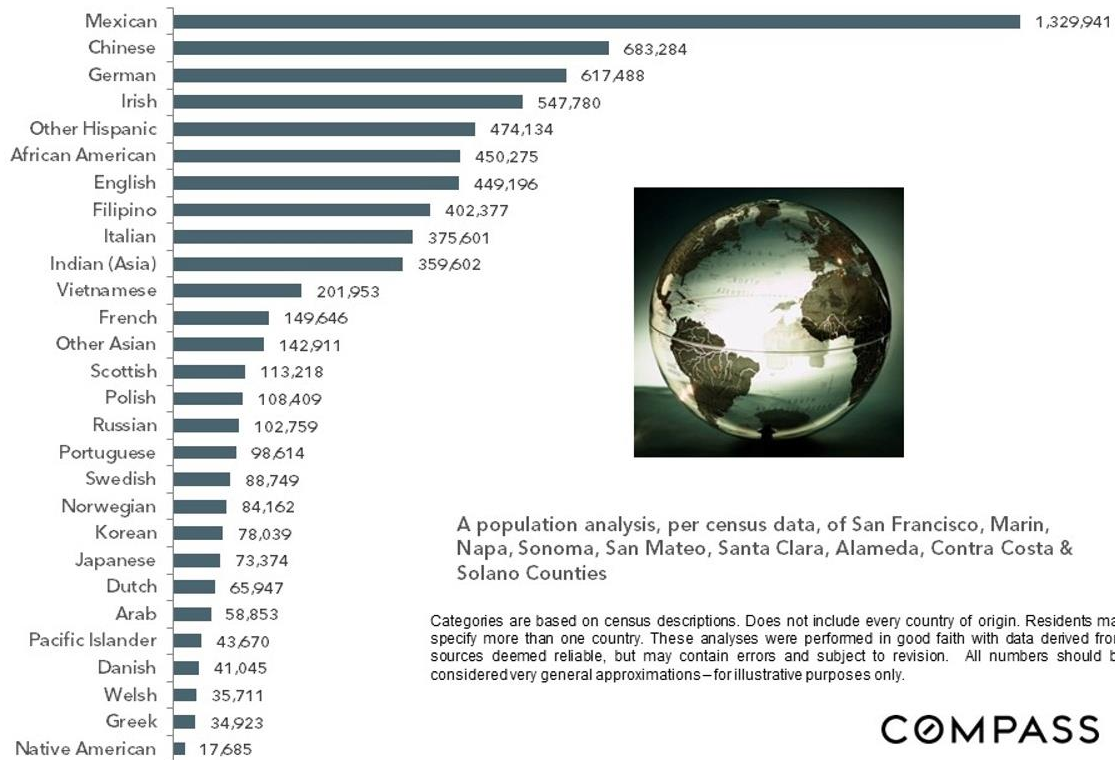
A population analysis, per census data, of San Francisco, Marin, Napa, Sonoma, San Mateo, Santa Clara, Alameda, Contra Costa & Solano Counties

These analyses were performed in good faith with data derived from sources deemed reliable, but they may contain errors and are subject to revision. All numbers should be considered very general approximations.

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Ancestry, Ethnicity, Country of Origin Bay Area Demographics

Per U.S. Census, 2017
5-Year ACS estimates



Neighborhood Appreciation Trends - Selected Districts

There are 70-odd SF neighborhoods in 10 Realtor districts, so we can't cover all of them here - but if you would like information on one not included, please let us know. We track prices and trends in all of them.

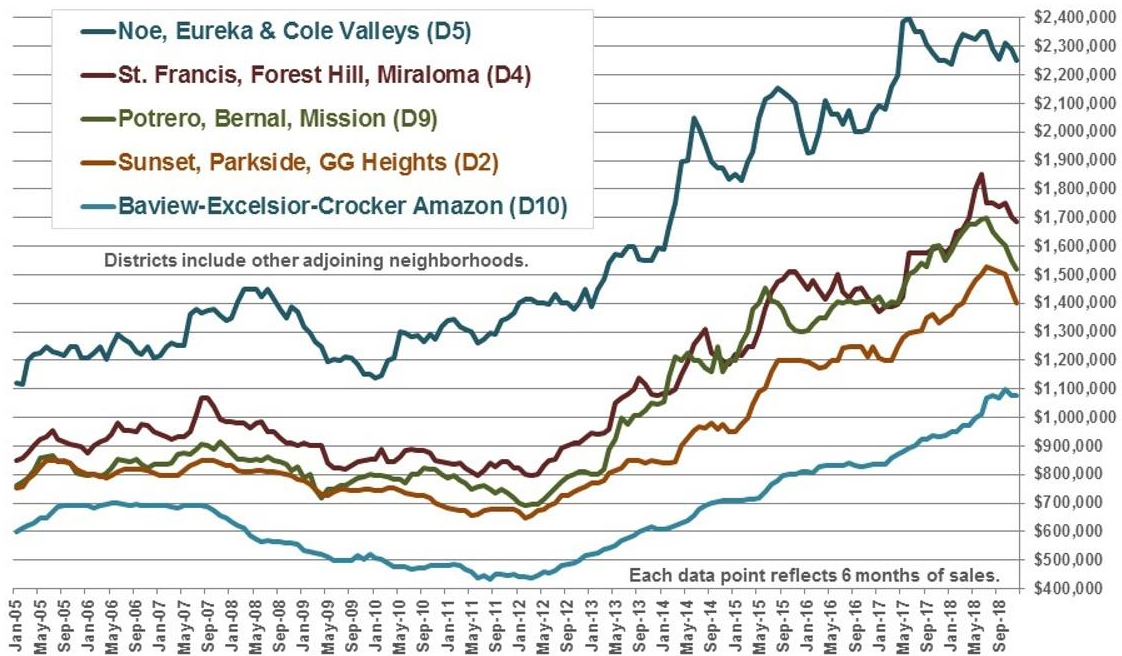
Realtor District 7 is the most expensive house district in SF - consisting of Pacific & Presidio Heights, Cow Hollow & Marina - but we didn't include it on the first chart, because its median house sales price is so much higher - over \$4.7 million in 2018 - that the trend lines of the other districts would be flattened.

Median House Sales Price Trends

5 San Francisco Districts – Appreciation Trends

Median HOUSE Sales Prices since 2005, 6-Month Rolling Figures

Sales reported to
MLS per Infosparks.



Updated through 2018. Median sales price is that price at which half the sales occurred for more and half for less. It is a very general statistic often affected by factors other than changes in fair market value. Short term fluctuations are less important than longer-term trends. Data from sources deemed reliable, but may contain errors and subject to revision.

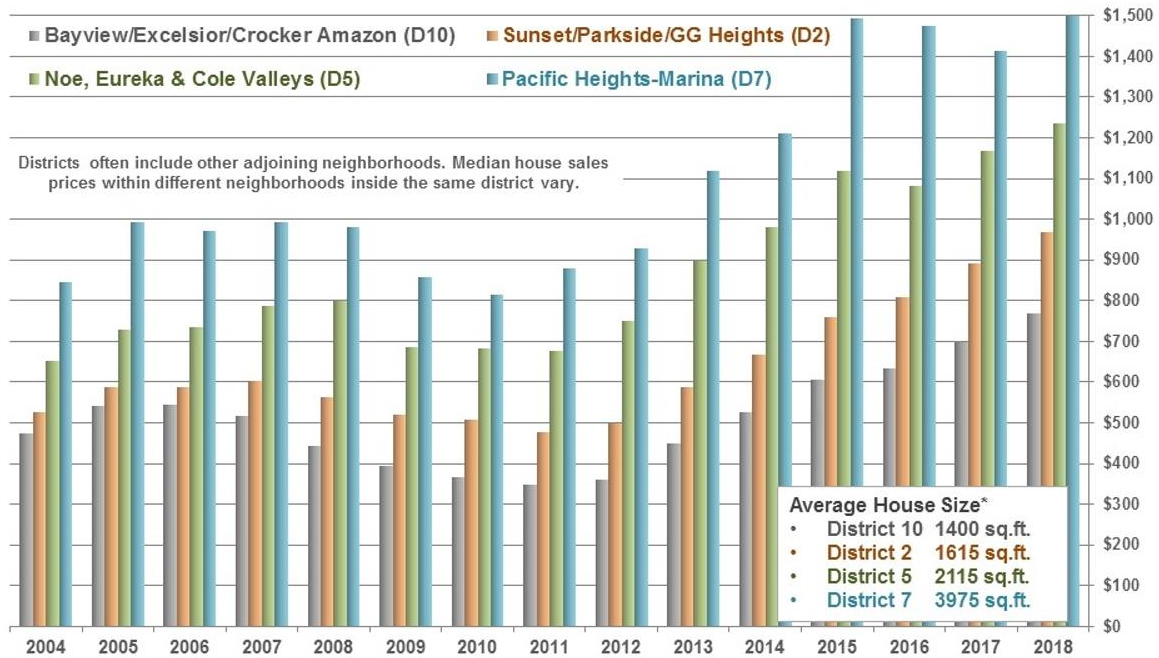
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Average House Dollar per Square Foot Trends

4 San Francisco Districts – House Values

Average Dollar per Square Foot Trends since 2004

Sales reported to
MLS per Infosparks.



Average dollar per square foot is based on interior livable square footage, and does not include garages, attics, rooms built without permit, or outdoor spaces. It is a very general statistic and square footage can be measured in different ways. Data from sources deemed reliable, but may contain errors and subject to revision. * 2012-2016 sales

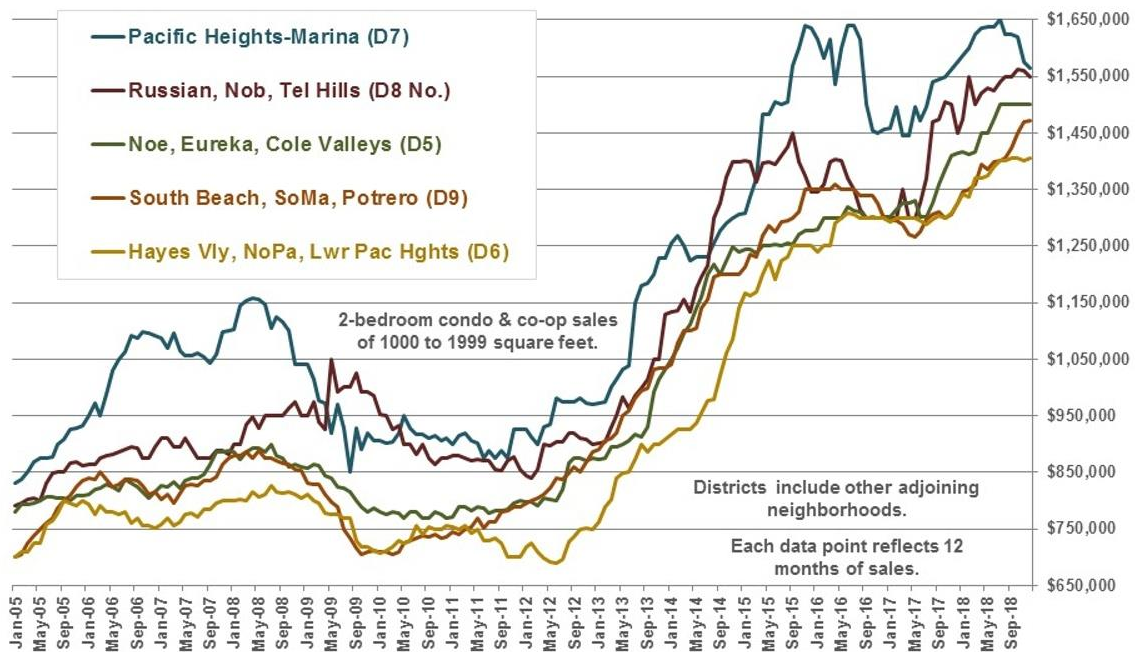
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Median 2-Bedroom Condo Sale Price Trends

5 San Francisco Districts – Appreciation Trends

Median 2-BR CONDO & CO-OP Sales Prices since 2005

Sales reported to MLS per
Infosparks, 12-month rolling figures



Updated through 2018. 2-bedroom condo and co-op sales of 1000-1999 square feet.
Median sales price is that price at which half the sales occurred for more and half for less. Data from sources deemed reliable, but may contain errors and subject to revision.

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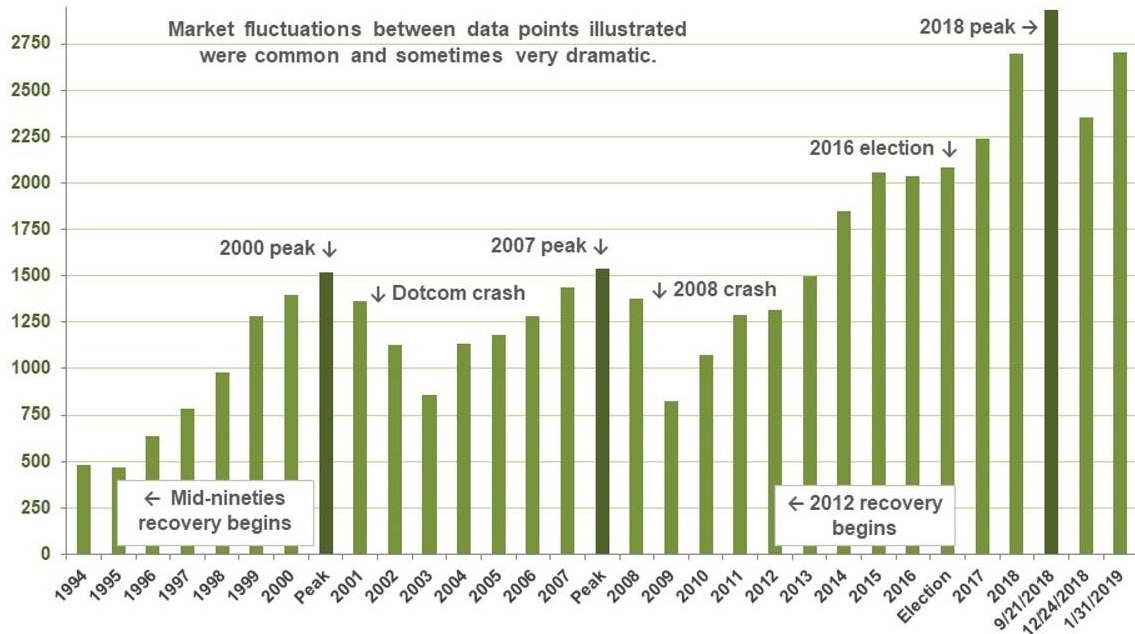
Stock Prices & Interest Rates

As seen in the first chart below, the changes in the S&P 500 Index have been dramatic since the 2016 election, seeing an enormous jump to its most recent peak in September 2018 before entering a period of substantial volatility. Ups and downs and major volatility in financial markets - and their effects on household wealth - can play a large role in local real estate markets, especially in the higher price segments.

S&P 500 Stock Index, January 1994 – January 31, 2019

January Opening Values Except as Specified

Per Yahoo Finance as of 1/30/19



An approximate illustration only. January opening value data points except as noted. Data from sources deemed reliable but may contain errors and subject to revision. Financial markets can be prone to significant volatility even on a short-term basis.

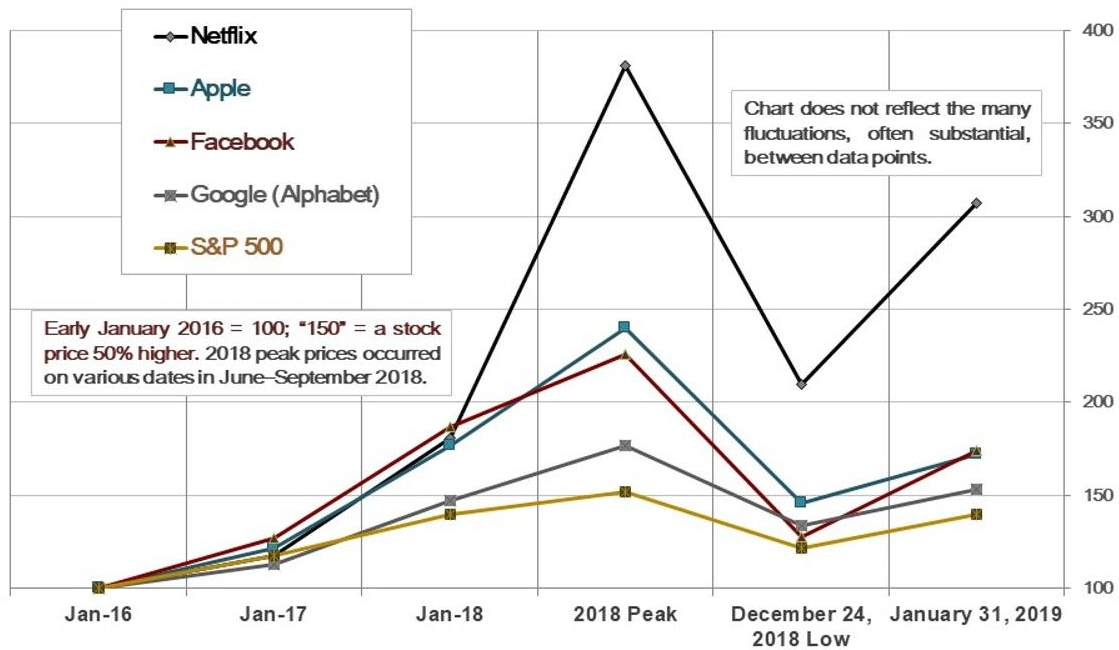
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As illustrated in this next chart, the movements in the S&P 500 have been distinctly modest compared to the stock price changes of some of our local high-tech giants. It has been a wild, queasy ride for investors and stock-owning employees - and for many home buyers.

If the big unicorn IPOs go forward as expected, and the market greets them enthusiastically, that could play a substantial role in demand as thousands of employees suddenly feel considerably more affluent.

Bay Area FANG Stock Price Movements

January 2016 – January 2017 – January 2018 – 2018 Peak – 2018 Low – January 31, 2019



Data from sources deemed reliable but may contain errors and subject to revision. All numbers should be considered approximate, used for general illustrative purposes only. Stock prices can fluctuate dramatically even on a very short-term basis – as they have been doing recently.

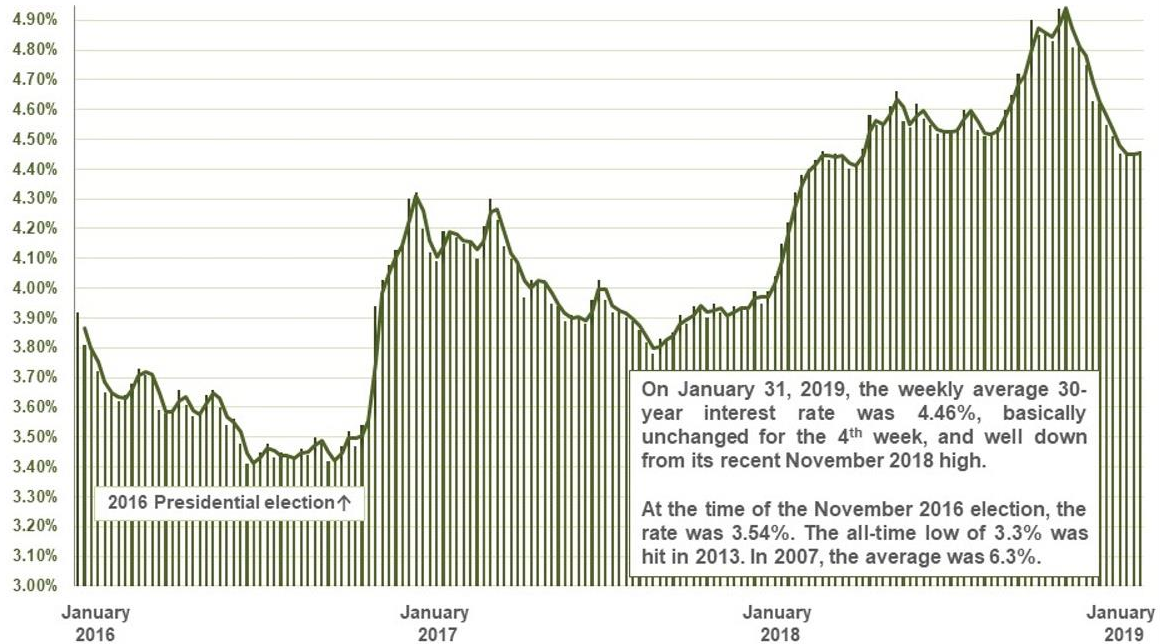
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Interest rates appeared to be headed relentlessly higher, but instead dropped sharply since the latest November 2018 high point. Substantial declines in interest rates can spark renewed buyer motivation to purchase.

Mortgage Interest Rate Trends in 2016 – 2019

30-Year Conforming Loans, Weekly Readings
January 7, 2016 – January 31, 2019

Rates as published
by the FHLMC.



Interest rates may fluctuate suddenly and dramatically. Data from sources deemed reliable but not guaranteed. Anyone interested in residential home loans should consult with a qualified mortgage professional and their accountant.

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Market Indicators by Property Type & Price Segment

The next 4 charts divide first the house market and then the condo, co-op and TIC market by price segment, for trends in average days on market and months supply of inventory. For both of those indicators, lower readings signify stronger demand as compared to the supply of listings available to purchase. Generally speaking, demand has been stronger for houses than condos, and for lower price segments than for higher. The ultra-luxury condo and co-op market in particular - prices of \$3m+ - is seeing high readings in these statistics. Certainly part of the issue is the new luxury condo projects coming on market and swelling supply.

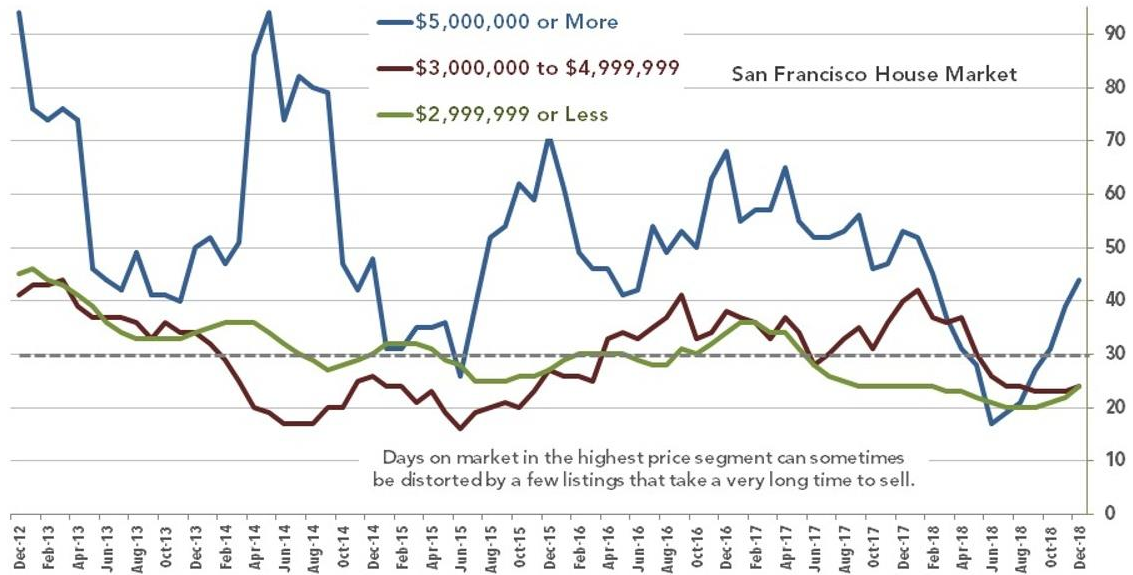
House Market Stats by Price Segment

Average Days on Market since 2012

San Francisco HOUSE Market Dynamics by Price Segment

Rolling 6-month MLS
data, per Infosparks

The lower the average days on market, the quicker buyers are putting listings into contract.
Under 30 - 35 days would typically be considered to signify a high demand market.



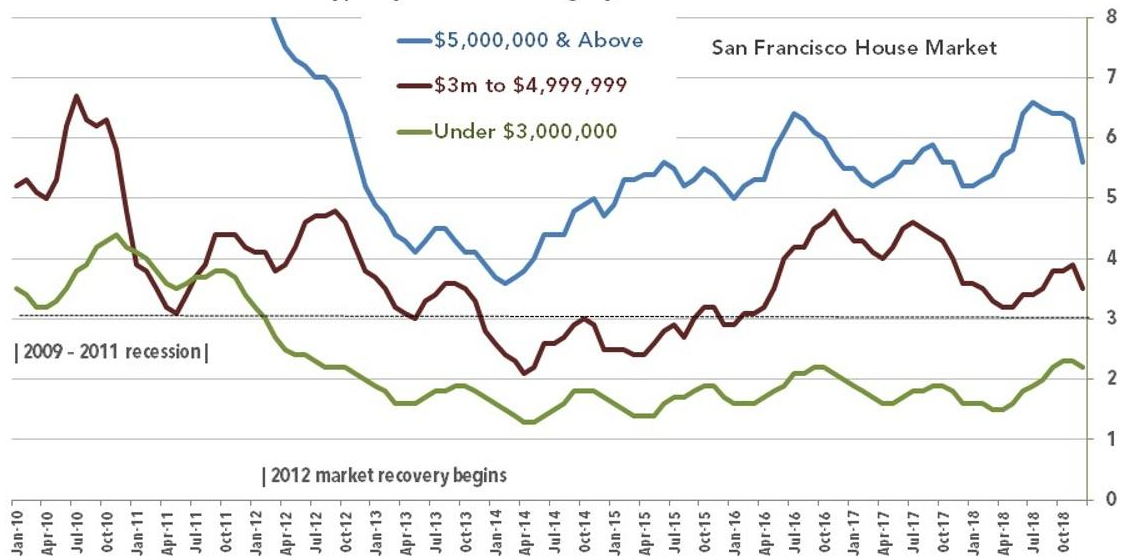
Data from sources deemed reliable, but may contain errors and subject to revision.
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Months Supply of Inventory (MSI) since 2010 San Francisco HOUSE Market Dynamics by Price Segment

Rolling 6-month MLS
data, per Infosparks

The lower the MSI, the stronger the buyer demand as compared to the supply of listings.
Under 3 months is typically considered to signify a seller's market in San Francisco.



Months Supply of Inventory (MSI) calculates how long it would take to sell the inventory of homes for sale on the last day of month, per the last 12 months of offer-acceptance activity. Data from sources deemed reliable, but may contain errors and is subject to revision. All numbers should be considered approximate.

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Condo, Co-op & TIC Market Stats by Price Segment

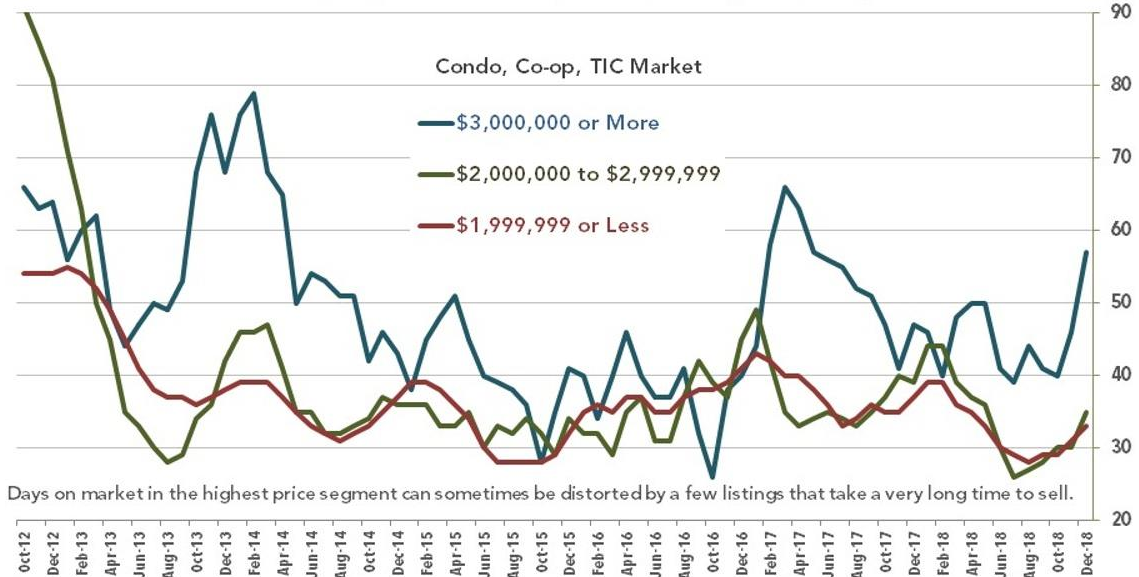
The ultra-luxury segment here - priced \$3 million and above - is seeing distinctly higher months supply of inventory and days on market readings, reflecting appreciably softer supply and demand dynamics.

Average Days on Market since 2012

San Francisco CONDO, CO-OP & TIC Market Dynamics by Price Segment

Rolling 6-month MLS
data, per Infosparks

The lower the average days on market, the quicker buyers are putting listings into contract.



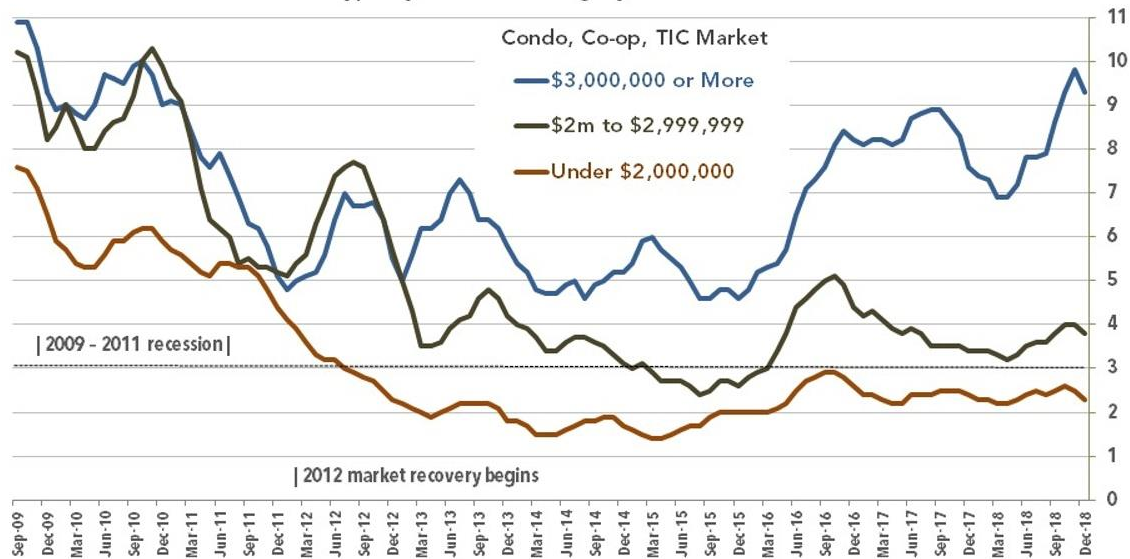
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