

Housing Market Profile

Pacific • HUD Region IX



San Francisco-San Mateo-Redwood City, California

The San Francisco-San Mateo-Redwood City metropolitan division encompasses the two counties of Marin and San Mateo and the city-county of San Francisco (hereafter called the city of San Francisco). The metropolitan division is located on two peninsulas that are connected by the Golden Gate Bridge at the opening of the San Francisco Bay. As of April 1, 2010, the population of the area is estimated at 1,820,000, reflecting a 0.8-percent growth from the estimated population a year earlier, which is slightly slower than the 1.1-percent annual increase in the preceding 2 years. The University of California, San Francisco (UCSF), a medical research school, is the leading employer in the area, with 23,100 faculty and staff and a \$1.8 billion impact on the greater San Francisco Bay Area economy.

After nearly 4 years of economic expansion, the metropolitan area began to lose jobs in the first quarter of 2009, 1 year after job losses began in the rest of California. In the 12 months ending March 2010, nonfarm employment decreased sharply by 57,000 jobs across all sectors to average 931,500, a 5.8-percent loss compared with nonfarm employment during the previous 12-month period. About 55 percent of total losses occurred in the professional and business services, construction, and trade sectors, with declines of 13,500, 8,950, and 8,100, or 6, 21, and 7 percent, respectively. Declines in construction employment resulted from recent decreases in new office production. Companies that announced the largest number of layoffs in 2009 included Macy's West Central headquarters with 1,500 layoffs, United Airlines with 1,200, and JP Morgan Chase Bank with 530. In the 12 months ending March 2010, the average unemployment rate rose to 9.2 percent compared with 5.9 percent in the previous 12-month period.

Upcoming public sector activity will contribute to job growth in the construction sector this year. UCSF will begin site work in May for a new 289-bed hospital. Completion of the \$1.6 billion UCSF Medical Center at Mission Bay is anticipated for 2014. In the city of San Francisco, the Transbay Terminal will become the \$1.2 billion Transbay Transit Center, the terminus for the proposed high-speed train that would link the San Francisco Bay Area with Los Angeles. Work will begin this autumn and is expected to end in 2017. The tourism industry is also significant, notably in the city of San

Francisco, where 15.4 million visitors spent \$7.8 billion in 2009, according to the San Francisco Convention & Visitors Bureau. The San Francisco Port Authority is also beginning extensive work along the waterfront. One of the largest developments is the \$175 million project to relocate the Exploratorium museum to the newly refurbished Piers 15 and 17. Construction is scheduled to begin in the spring of 2010 and to be completed by April 2012.

The sales housing market in the metropolitan division is slightly soft. According to MDA DataQuick®, the volume of new and existing home sales totaled 14,850 in the 12 months ending March 2010, which represents an 11-percent increase compared with the decade-low sales volume recorded in the previous 12-month period. San Mateo County and the city of San Francisco accounted for 43 and 39 percent of total sales, respectively. For the 12 months ending March 2010, the median sales price was \$647,300 in the city of San Francisco, \$635,300 in Marin County, and \$571,000 in San Mateo County. For the entire metropolitan division, the median sales price was \$612,100, a 7-percent decrease from the median price recorded for the 12 months ending March 2009 and 23 percent below the peak of \$798,400 attained during the 12 months ending November 2007.

Since the tightening of credit standards began in August 2007, jumbo mortgages, which previously constituted the vast majority of all loans in the area, became more difficult to obtain. In 2008, the conforming loan limit in the area was increased to \$729,750 from \$417,000, preventing a deeper decline in sales activity. Sales prices, however, continued to decrease as a result of weakening employment conditions and increasing foreclosure activity. According to Lender Processing Services Mortgage Performance data, 4.1 percent of total loans were at least 90 days delinquent, in foreclosure, or were Real Estate Owned in January 2010, up from 2.3 percent in January 2009. Although foreclosure activity has increased, the metropolitan division has the lowest incidence level in the greater San Francisco Bay Area and is far below the 11.7-percent foreclosure rate for the entire state.

Single-family home construction, as measured by the number of building permits issued, continued to decrease for the second consecutive year in response to softer conditions. During the 12 months ending February 2010, 410 single-family permits were issued, a 17-percent decline from the number issued during the



previous 12-month period, based on preliminary data. The number of permits averaged about 1,500 single-family homes every year from 1994 through 2007. About 65 percent of new single-family home construction was in San Mateo County, 30 percent in Marin County, and 5 percent in the city of San Francisco.

Sales of new homes, including new townhomes and new condominiums, are a minor part of the residential sales market, constituting only 10 percent of all home sales in 2009. According to Hanley Wood, LLC, nearly 1,400 new homes were sold during 2009, a 7-percent decrease compared with the number sold during 2008. From 2008 to 2009, the median sales price of new homes declined by 7 percent to \$677,800. At the end of December 2009, 650 units were either available for sale or under construction, down 16 percent from December 2008. Nearly 70 percent of the new homes sold were in the city of San Francisco, where the for-sale inventory is primarily in highrise and midrise condominium developments.

Multifamily construction, as measured by the number of units permitted, has declined sharply since 2009. During the 12 months ending February 2010, permits for 630 multifamily units were issued, a 72-percent decrease from the number issued in the previous 12-month period, based on preliminary data. According to the McGraw-Hill Construction Pipeline database, construction of 8,700 multifamily units, one-half of which are

townhomes and condominiums, is currently being deferred until market conditions improve.

The rental housing market in the San Francisco-San Mateo-Redwood City metropolitan division is slightly soft, with an overall vacancy rate of 5.3 percent. Rising unemployment has diminished demand, especially for market-rate rental units. According to MPF Research, the apartment rental vacancy rate was 5.5 percent in the fourth quarter of 2009, up from 4.6 percent in the fourth quarter of 2008. In the fourth quarter of 2009, the average rent was nearly \$1,850, a 5-percent decrease from the average rent recorded in the fourth quarter of 2008. In the fourth quarter of 2009, average apartment rents were approximately \$1,550 for a one-bedroom unit, \$2,175 for a two-bedroom unit, and \$2,475 for a three-bedroom unit. Six apartment projects with about 380 income-restricted units are scheduled for completion in 2010. Hunters View, a public-private venture in the city of San Francisco, broke ground in April 2010 and is one of the largest multifamily projects under construction. The \$250 million three-phase project will replace about 270 public housing units and add 80 affordable rental units for low-income households. The 110-unit first phase will be ready for initial occupancy in 2012. The Hunters View development will also include 200 to 450 units for sale, 20 percent of which will be available to low-income households. Construction of the for-sale units is anticipated to begin in 2011.