

Housing Market Profile

Pacific • HUD Region IX



San Francisco-San Mateo-Redwood City, California

Located in the western part of the San Francisco Bay Area, the San Francisco-San Mateo-Redwood City metropolitan area includes Marin, San Francisco, and San Mateo Counties. The population of the metropolitan area was an estimated 1.82 million as of January 1, 2013, reflecting an average annual increase of 16,900, or 0.9 percent, since the 2010 Census. Nearly one-half of the population gains since 2010 were the result of net in-migration, which has averaged 9,700 people annually after reaching a low of 3,450 people in 2009. Net in-migration increased to 10,000 people during 2012 because of the strengthening economy.

Economic conditions in the metropolitan area have improved since February 2011. Nonfarm payrolls increased by 29,900 jobs, or 3.2 percent, to average 978,000 jobs during 2012 compared with the number of jobs recorded a year earlier. By comparison, payrolls increased 1.7 percent during 2011 after declining 1.3 percent during 2010. With expansions of technology companies such as Twitter, Inc., and Salesforce.com, Inc., the professional and business services sector posted the largest increase of any sector in the metropolitan area during 2012: 13,400 jobs, or 6.6 percent. The leisure and hospitality sector gained 5,100 jobs, or 4.0 percent, in response to increasing tourism. San Francisco International Airport recorded a 9-percent gain in the number of passengers in 2012 compared with the number of passengers in 2011. The education and health services sector posted a gain of 3,700 jobs, or 3.4 percent. Despite the robust growth in nonfarm payrolls, several sectors contracted, led by the government sector, with a decline of 1,300 jobs, or 0.9 percent. The average unemployment rate during 2012 was 7.1 percent, down from 8.2 percent in 2011.

The home sales market in the San Francisco-San Mateo-Redwood City metropolitan area remained slightly soft, with an estimated 1.4-percent vacancy rate, although the rate improved compared with the 1.7-percent vacancy rate in 2010. According to CoreLogic, Inc., existing home sales increased 18 percent, to 18,250 homes sold during the 12 months ending November 2012 compared with the 1-percent increase recorded during the 12 months ending November 2011. Foreclosure activity continued, but at a lesser rate, because of improved employment conditions. According to LPS Applied Analytics, as of

December 2012, 2.4 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 3.6 percent in December 2011 and 4.1 percent in December 2010. According to CoreLogic, Inc., short sales and REO homes comprised 20 percent of all existing homes sold during the 12 months ending November 2012, down from 25 percent in the preceding 12-month period. The average sales price of a short sale home declined 5 percent, to \$461,400, but the average sales price of an REO home increased 6 percent, to \$488,400. The average sales price of a regular resale increased 3 percent, to \$918,700, during the same period. New home sales totaled 800 during the 12 months ending November 2012, up 39 percent from the 580 homes sold during the previous 12 months. The average sales price of a new home increased 9 percent, to \$933,800. The large gain in average sales price was because of improving employment conditions and a shift in inventory composition to more expensive new homes, primarily in San Francisco County. New home sales comprised 4.1 percent of total home sales during the 12 months ending November 2012 compared with 3.6 percent of total home sales in the preceding 12-month period and 7.1 percent of total home sales during the 12 months ending November 2010.

In response to the recent improvement in sales activity, builders increased construction of new homes during 2012. Based on preliminary data, permits were issued for 470 single-family homes, up 20 percent from the number issued in 2011. By comparison, an average of 370 single-family homes were permitted annually from 2009 through 2011. Condominiums, which comprise approximately 15 percent of all owner-occupied housing stock in the metropolitan area according to the 2011 American Housing Survey (AHS), are an alternative to single-family housing because of the high cost of land. During the past year, nearly 20 percent of multifamily units permitted in the metropolitan area were condominium units. Based on preliminary data, during 2012, 3,950 multifamily units were permitted, 45 percent more than the number permitted in 2011. After averaging 2,950 annually from 2004 through 2008, the number of units permitted declined sharply in 2009, averaging 730 units annually from 2009 through 2010. During the past year, approximately 83 percent of multifamily units permitted in the metropolitan area were in San Francisco County. Development activity is currently concentrated in the South of Market Area (SOMA) of San Francisco County, where approximately 800 condominium units are under construction. The largest condominium projects include the second



tower of One Rincon Hill, which will include 299 units after the tower's completion in the early fall of 2014, and Radiance at Mission Bay, which will consist of 329 units after completion in early 2013.

Rental housing market conditions in the San Francisco-San Mateo-Redwood City metropolitan area are balanced, with an estimated 4.3-percent vacancy rate. The rental market tightened from the 5.2-percent vacancy rate recorded in 2010 because the recent robust job growth led to an increase in net in-migration. The 2011 AHS indicated that 87 percent of households that moved into the metropolitan area in the past 12 months chose to rent, although 80 percent of these movers previously owned their homes. The apartment market is significantly tighter than the overall rental market. According to MPF Research, the apartment rental vacancy rate

was 4.1 percent in the fourth quarter of 2012, up from 3.4 percent in the fourth quarter of 2011. Average rents increased 10 percent, to \$2,375 in the fourth quarter of 2012 from \$2,175 in the fourth quarter of 2011. The average rents by number of bedrooms in the metropolitan area were \$2,125 for a one-bedroom unit, \$2,700 for a two-bedroom unit, and \$3,000 for a three-bedroom unit. Because of the tightening apartment market, developers currently are building 1,425 apartment units in SOMA and 1,150 units in the mid-Market Street neighborhood. The latter area is benefiting from the recent relocation of the Twitter, Inc. headquarters to mid-Market Street, which San Francisco County officials have been trying to improve for several decades. The largest project under construction in the mid-Market Street neighborhood is 10th & Market Residences, a 720-unit complex that is anticipated to be complete in the summer of 2014.