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S.F. real estate market sees rise in homes selling well above asking prices

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The number of new residential real estate listings in San Francisco is creeping up, a typical feature in the run-up to the spring selling season, but there is no sign yet that the fundamental imbalance between supply and demand will significantly change.

Bay Area real estate markets, so far, remain largely insulated from the threat of rising interest rates, inflation and market volatility based on the uncertainty surrounding Russia's invasion of Ukraine.

Compass Chief Market Analyst Patrick Carlisle said that while some buyers and sellers have been affected by declines in stock portfolios or have paused their plans awaiting more clarity in the international or economic environments, the prevailing dynamic remains one of very high buyer demand with an inadequate supply of homes for sale.



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An exterior view of 229 Judson Ave. in Sunnyside, which received 15 offers on February 18 and sold for about \$1.5 million after listing for \$1.095 million, Keller Williams San Francisco partner Jennifer Rosdail said.

"Depending on the specific market and market segment, some of the statistical measures of market heat have matched or exceeded all-time readings," he stated in his latest Bay Area report, released this week.

For February 2022 in the city, which saw 290 new units come on the market, the sales-price-to-list-price percentage was 121.6% — the highest since before the pandemic — indicating multiple offers on each listing. The median sales price of \$2,390,170 was also the highest for a month since last June.

Currently, the city has close to 1,000 active units now on the market compared to about 500 in early January, a welcome sign for potential buyers competing against multiple offers, especially for single-family homes.

"The inventory is starting to arrive and the buyers are ready for it after being told that interest rates are going to go up," Keller Williams San Francisco partner Jennifer Rosdail told me. "So, they're excited to grab something before they can't."

Rosdail told me the inventory has been slow to arrive but that it also feels more like a "normal year" compared to the past two, which featured sharper ups and downs. She said that while international turbulence has caused some of her clients to fret over the stock market and inflation, this uncertainty hasn't deterred them from buying homes in the city.

"A classic hedge against inflation has always been to hold real estate instead of cash," Rosdail said, noting that her most recent listing in the city got 15 offers and went for more than \$400,000 over asking.

"Last year it was very unusual to hear about a property selling for \$1 million over list. Now it's getting more common," Vanguard Properties co-owner Frank Nolan told me, noting that he's also seeing more buyers shopping around for different types — and lengths — of loan offerings than in the past.

According to a recent Redfin (Nasdaq: RDFN) analysis, six of the top 10 metros in the nation where homes are selling for six figures above list price are in California. The Los Angeles metro area led

the way, with 718 homes selling for at least \$100,000 over asking price, followed by Oakland with 580, San Jose at 490 and San Francisco with 335. In terms of home values, Redfin also found that San Francisco had 88.7% of homes worth at least \$1 million in February — the highest share among the 100 most populous U.S. metropolitan areas. San Jose was second with 85.9%.

"Almost all of our listings are jumping higher than we anticipated and the market is definitely stronger from even last year, when it was very strong," Kevin DeLeon, CEO of Palo Alto-based DeLeon Realty, told me over email. "A dearth of inventory and strong demand look likely for all of 2022 and this will result in further price appreciation."

On the Peninsula, DeLeon said San Mateo and Santa Clara counties have been reaching all-time highs for sales price to list price ratios this February and March, with San Francisco being close to, but not yet matching the previous highs in March or June of 2018.

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