

From the San Francisco Business Times:

<https://www.bizjournals.com/sanfrancisco/news/2022/12/01/real-estate-bay-area-compass-sothebys-realtors-sf.html>

San Francisco home sales could slow in 2023, report states

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As the weather in the Bay Area has gotten chillier this autumn, so too has the temperature of the San Francisco real estate market.

The last month and a half of the year is traditionally quiet time for the city's real estate market with buyers and sellers focusing more on holidays and travel. And while several brokers have noted strong open house showings during the Thanksgiving weekend, many others are already setting their sights on 2023.

"The new year will be the next focus for real estate, nothing much will likely happen before then," said Sotheby's International Realty agent Gregg Lynn, who just represented the sellers in a \$19 million co-op sale of 2006 Washington St. He noted that in 2022, some neighborhoods experienced fewer buyers competing for limited properties on the market, enabling house hunters to find opportunity at lower prices than a year ago, while multiple offers on competitively priced properties remained the standard in other neighborhoods.



Meanwhile, Compass (NYSE: COMP) agent Dana Green said she doesn't think the 2023 real estate market "has revealed itself yet."

"The elephant in the room is sellers today have equity in their homes and mortgages with historically low interest rates. Unlike the last real estate market downturn in 2008, people don't have to sell their homes," Green said. "They can wait until the market improves or keep their homes and likely rent them with positive cash flow. We have no idea yet how this will impact future inventory levels or values in 2023."

A new report from Santa Clara-based Realtor.com looking at projected 2023 growth in home sales and home prices across the nation forecasted rising prices coupled with fewer sales for the Bay Area.

Flip through the gallery above to see the top U.S. metros for projected home sales growth in 2023, according to the report.

The report stated that the San Francisco-Oakland-Hayward metro area is projected to see a 13.3% decline in home sales next year coupled with a 3.3% increase in home prices. In the San Jose-Sunnyvale-Santa Clara metro area projections are even steeper with a 28.8% decline in home sales and 2.7% rise in home values.

Nationally, amid higher mortgage rates and inflation-squeezed budgets, homebuyers looking for affordability in 2023 will find that prices aren't coming down, according to the Realtor.com report, with the housing market beginning a gradual adjustment that could last through 2025.

"The Fed did exactly what it set out to do — the real estate market has slowed down quite considerably along with seasonality slow down," said Compass agent Butch Haze. "Real estate professionals are inherently optimistic by nature and see the glass half full again. ... This time we see opportunities for our buyers who have been waiting for a market reset or waiting for distressed properties. It is not fully realized yet but we are getting there."

Vanguard Properties co-owner Frank Nolan told me that it's been quieter than normal for this time of year and that the high-end

market is waiting on the sidelines and will likely be the first to move when there's confidence that inflation is subsiding. By contrast, Nolan said that stronger activity now lies in the midmarket range (\$1 million-\$3 million) with the market below \$1 million picking up.

"A lot of properties are being introduced to the rental market and will be reintroduced (to the sales market) next year," Nolan said, adding that several of his clients have secured adjustable interest rates in the 5% range, as opposed to offerings of 6.5% for a 30-year mortgage.

But the local market isn't completely bereft of high-end homes. The most expensive listing in San Francisco's residential market — 3450 Washington St. in Presidio Heights — recently came down from its \$45 million asking price to \$39.5 million. Another expensive property still on the market is a newly built \$20 million Russian Hill home at 2626 Larkin St.

Ted Andersen

Digital Editor

San Francisco Business Times

