From the San Francisco Business Times:
https://www.bizjournals.com/sanfrancisco/news/2022/07/08
/s-f-ouse-hunters-begin-to-thin-out.html

Price reductions in S.F. home sales soar more than 100% year-over-year

Jul 8, 2022, 2:01pm PDT **Updated: Jul 11, 2022, 10:01am PDT**

The housing market is slowing down in San Francisco, with new June data revealing a 3% drop in year-over-year appreciation levels as well as an increase in inventory, a drop in listings going into contract and a huge leap in price reductions.

OPEN HOMES PHOTOGRAPHY

Despite the dwindling pools of home buyers in the city, big properties are still coming to market like this luxury condo at 1940 Broadway #8, which is now listed by Lisa Wolfe of Compass for $9.87 million. Comparing this June to last June, the number of listing accepting offers was down 32%, with houses down about 26% and condos down roughly 36%, according to Compass.

The median house sales price in the city fell more than 5% to $1.89 million in June after sitting at just over $2 million in May, according to newly released data from Compass (NYSE: COMP), but the biggest change comes in the total number of price reductions, which jumped from 156 in June 2021 to 316 in June 2022, an increase of 102%.

Compass Chief Market Analyst Patrick Carlisle told me that some dramatic changes have recently shown up in markets across the Bay Area. He noted in his July report, released Thursday, that the severe economic headwinds of recent months have finally caught up with year-over-year, median home price appreciation rates in the region — as well as affecting many other major market indicators.

"It's probable, though not yet certain, that one of the longest, most dramatic real estate market upcycles in history — oddly enough, supercharged by a deadly, worldwide pandemic — peaked this past spring," Carlisle said. Median home prices in the city hit their highest levels ever back in April at $2.05 million.

The supply of active listings on the market is also climbing rapidly, not because of a surge in new listings, but because demand has declined, as seen in the large drop in listings going into contract, Carlisle noted.

Moreover, buyer pools have thinned out, Vanguard Properties co-owner Frank Nolan told me. He said multiple offers have become an exception rather than the norm and that pricing and expectations have also changed after a season of rampant over-bidding. "We are seeing properties priced based on comparable sales and with the expectation that they sell near the list price," Nolan said.

Broker Jennifer Rosdail of Keller Williams San Francisco told me that she foresees a bump in sales activity before the next federal interest rate hike, which is set to take place at the end of the month. She told me she feels strongly that this month, house hunters who haven't yet secured a home are going to realize rates go up again on July 29 and and start actively writing offers before it goes into effect.

"There's a lot of the sitting inventory and they're going to realize they have a lot of choices," she said.

She told me she's also recently seen buyers reach for adjustable-rate mortgages (ARMs) — especially those buyers who know they don't want to keep the house long term — something she saw none of during the pandemic when interest rates were at historic lows.

"People are starting to go for ARMs again — five- to seven-year

ARMs — because of the interest rates being lower on them," she said.

On the condo side of sales, Compass Development Marketing Group Senior Director for the West Krysen Heathwood told me sales volume is down and prices are staying steady for now.

“In San Francisco’s condo market there are many qualified buyers looking to purchase now realizing that while interest rates have risen, they are still historically low, and there are fewer buyers vying for the same home," Heathwood said, also noting that agents are "seeing some buyers who are sitting in the 'waiting room' to see what happens next.”

Comparing this June to last June, the number of listing accepting offers was down 32%, with houses down about 26% and condos down roughly 36%, according to Compass. In May 2022, that same figure was down 22% compared to May 2021, with houses down 19% and condos down 24%.

On Friday, Seattle-based Redfin (Nasdaq: RDFN) released a new report based on May real estate data that reveals San Francisco, Oakland and San Jose are among the fastest-cooling housing markets in the U.S. as mortgage rates remain above 5% and the stock market stands on shaky ground.

Ted Andersen
Digital Editor
San Francisco Business Times