

Dramatically Improving Economic Indicators

San Francisco Real Estate

January 2024 Report

□ In the last 2 months of 2023, the average, weekly, 30-year mortgage interest rate dropped from 7.79% to 6.61%. With the fall in inflation this past year, the Fed is widely expected to begin dropping its benchmark rate, probably in multiple steps, in 2024. The consensus

forecast among analysts is for further declines in mortgage interest rates.

Suggest a Brighter 2024 Housing Market

- □ After its end-of-year rally, the S&P Index was up 25% and the Nasdaq up 45% in 2023 (though it has ticked down in early 2024). This plays a major role in Bay Area household wealth.
- **O**n an annual basis, the 2023 median house sales price was down 13% from 2022, while on a quarterly basis, the Q4 price was down less than 1% year-over-year.

The 2023 market was characterized by high interest rates, financial market uncertainty, negative media "doom-loop" narratives (terribly overdone), social/economic issues pertaining to the downtown district, and a low supply of new listings in most neighborhoods – generally much lower for houses than for condos. Total sales volume plunged, while for many prospective sellers, the motivation to move was reduced by the mortgage lock-in effect. With interest rates falling, media coverage turning more positive, AI companies expanding in downtown, and economic conditions and consumer confidence rebounding, the direction is trending positive for San Francisco real estate.

Note: As often seen in recent years, the complex economic, political and social factors affecting interest rates, inflation, consumer confidence, and housing and financial markets can change quickly in unexpected ways. Forecasts and predictions are best COMPASS guesses based on the interpretation of recent economic data and trends.

"Inflation around the globe is slowing way faster than expected. If economists are right...next year [will see] inflation back to normal levels for the first time in three years." Wall Street Journal, 12/24/23, "For Much of the World, Inflation Will Be Normal in 2024 – Finally"

"Consumer sentiment...soared 14% in December [due to] substantial improvements in how consumers view the trajectory of inflation...All age, income, education, geographic, and political identification groups saw gains in sentiment...[2024] inflation expectations plunged from 4.5% last month to 3.1% this month." University of Michigan, Consumer Sentiment Index, December 2023

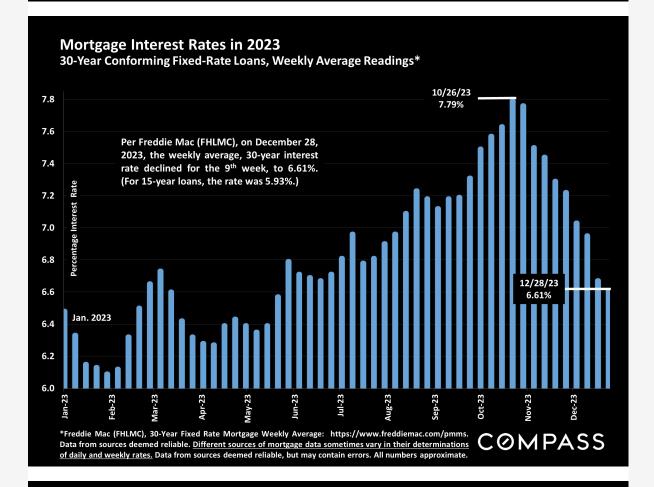
"Housing starts surged to a six-month high, sales of previously owned homes picked up from a 13year low and builder optimism boosted by increased interest from prospective buyers. Meanwhile, Americans' home-buying plans rose this month by the most in more than a year. The bounce back comes as mortgage rates have declined by...the biggest drop over a comparable period since 2009." Bloomberg News, 12/20/23

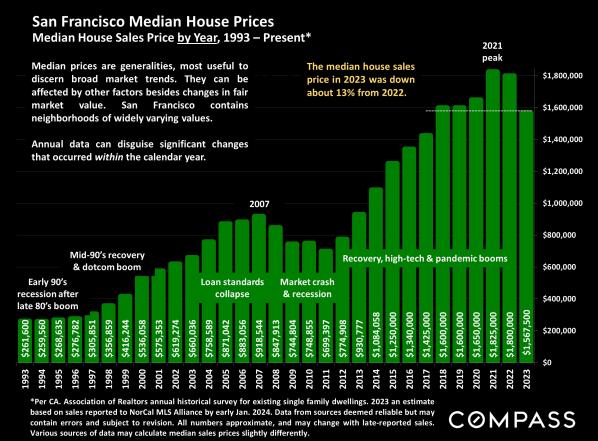
"The 30-year fixed-rate mortgage remained below 7%...after 17 consecutive weeks above. Lower rates are bringing potential homebuyers who were previously waiting on the sidelines back into the market...Heading into the new year, the economy remains on firm ground with solid growth, a tight labor market, decelerating inflation, and a nascent rebound in the housing market." Freddie Mac, 12/21/23 & 12/28/23

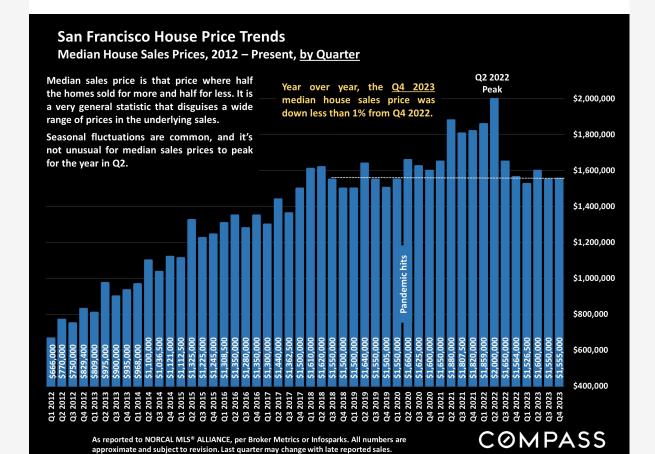
Since changes in economic indicators didn't begin to affect market psychology until early-mid November, right before the mid-winter holiday slowdown, and the homebuying process takes 30 to 60 days from loan qualification and offer acceptance to closed sale, significant effects of these changes on real estate market statistics will not begin to show up until January data comes in.

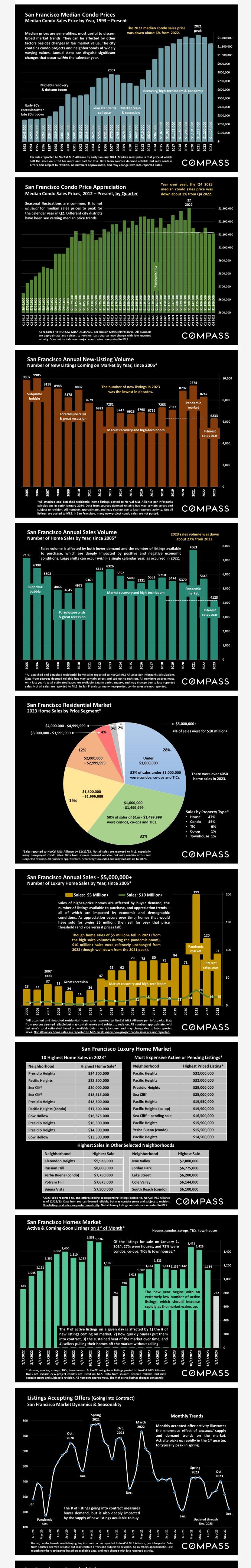
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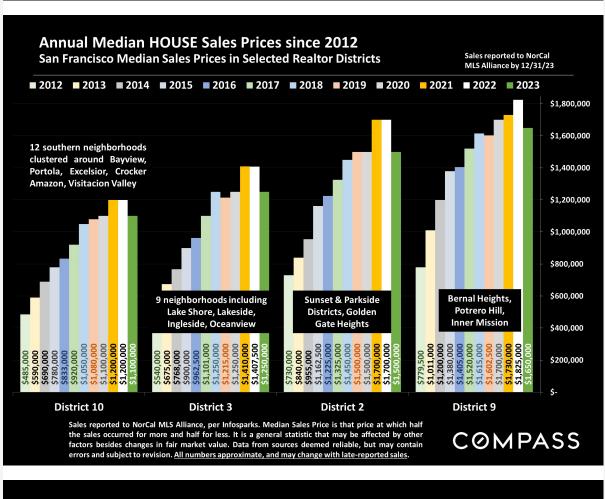




San Francisco – Speed of Sale Average Days on Market, Annual Readings by Year, since 2005* 90 85 83 Condo Sales House Sales 80 This statistic is an indicator of the strength of buyer demand vs. the supply of homes for sale, measuring -70 for homes sold - the average time between a listing 69 63 coming on market and offer acceptance. The market 62 typically sees substantial seasonal variations in this 59 60 63 metric, which do not appear in this annual trend chart. 58 50 48 50 **Great recession** 40 30 20 Market recovery & high-tech/IPO boom Pandemic market 10 0 2009 2010 2006 2007 2008 2011 2012 2013 2019 2020 2021 2022 2023 2005 2015 2016 2017 2018 2014 *Average cumulative days on market: Sales reported to NorCal MLS Alliance per Infosparks calculations. Data from sources deemed reliable but may contain errors and subject to revision. All numbers approximate, and may change due to late-reported sales. Not all sales COMPASS

are reported to MLS.

San Francisco: Overbidding & Underbidding Sales Price to List Price Percentage, Annual Readings, since 2005* 100% = an average sales price \underline{at} the original asking 📕 House Sales 🛛 🔳 Condo Sales price; 104% = an average sales price 4% <u>above</u> asking; 115% 115% 98% = an average sales price 2% <u>below</u> asking. 115% 114% 114% 115% Houses typically see much higher 112% 112% overbidding percentages than condos, 111% Pandemic which sold, on average, slightly below 109% 109% 110% market 08% asking price in 2023. 107% 107% 106% 106% 105% 105% 105% 105% 104% 04% 103% 103% 102% 102% 102% 100% 100% 100% --98% 98% 98% 98% 97% Market recovery and high-tech/IPO boom 96% 95% 94% 95% **Foreclosure crisis** & great recession 90% 85% 2013 2021 2008 2010 2011 2012 2014 2015 2016 2017 2018 2019 2020 2022 2023 2006 2007 2009 2005 *The ratio of sales price to the original list price: sales reported to NorCal MLS Alliance per Infosparks calculations. Data from sources deemed reliable but may contain errors and subject to revision. Percentages rounded. All numbers approximate, and may change due to late-reported sales. Not all sales are reported to MLS. COMPASS



Annual Median HOUSE Sales Prices since 2012 Sales reported to NorCal MLS Alliance by 12/31/23 San Francisco Median Sales Prices in Selected Realtor Districts ■ 2012 ■ 2013 ■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ 2020 ■ 2021 ■ 2022 ■ 2023 \$5,000,000 Some districts – such as Districts 1 & 4 – contain neighborhoods of very widely varying values. District 7's low number of sales renders its median price more liable to anomalous fluctuation. \$4,500,000 \$4,000,000

Inner, Central & Outer

Noe, Eureka & Cole Valleys; Ashbury,

Corona & Clarendon

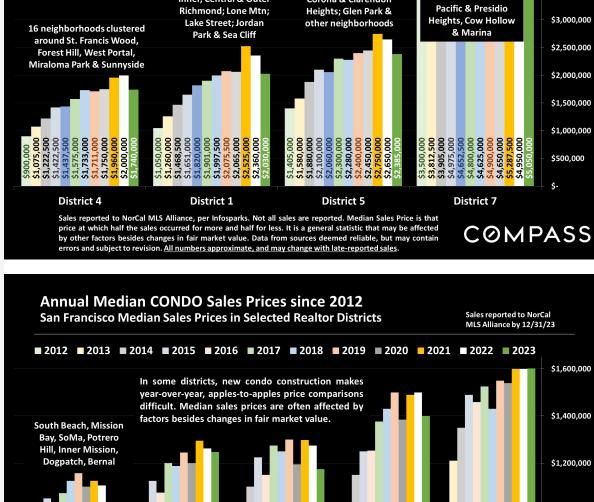
\$3,500,000

\$1,000,000

\$800,000

\$600,000

\$400,000



Hayes Valley, NoPa, Pacific & Presidio Russian, Nob & Noe, Eureka & Cole Telegraph Hills; Valleys; Corona Alamo Square, Lwr Heights, Cow Heights, Mission Hollow & Marina Pacific Heights & North Beach; & Western Addition **Financial District Dolores & others** 200 0000000 51,125, 51,200, 51,200, 51,295, 51,295, 51,295, 51,262, 2225 250 250 195 **District 6** District 5 District 7 District 9 **District 8 North** Sales reported to NorCal MLS Alliance, per Infosparks. Many new-project condo sales are not reported. Median Sales Price is that price at which half the sales occurred for more and half for less. It is a general statistic that may be affected by other factors besides changes in fair market value. Data from sources deemed reliable, but may contain errors and subject to revision. <u>All numbers approximate, and may change with late-reported sales</u>. COMPASS

Bay Area Median House Values by County 2nd Half 2023 Sales: By Bedroom/Bath Count*

	4 Bed	room, 3 Bath H	ouses	5+ Bedroom, 4+ Bath Houses, 3000+ sq.ft.			
County In alphabetical order	Median Sales Price	Median Square Footage	Median Dollar per Square Foot	Median Sales Price	Median Sq.Ft./ Median Lot Size	Median Dollar per Square Foo	
Alameda County	\$1,600,000	2226 sq.ft.	\$713/sq.ft.	\$2,675,000	3825 sq.ft. .24 acre lot	\$679/sq.ft.	
Contra Costa	\$1,060,000	2341 sq.ft.	\$472/sq.ft.	\$2,262,500	3800 sq.ft. .30 acre lot	\$579/sq.ft.	
Marin County	\$2,000,000	2405 sq.ft.	\$750/sq.ft.	\$3,700,000	4162 sq.ft. .55 acre lot	\$956/sq.ft.	
Monterey County	\$1,000,000	2213 sq.ft.	\$453/sq.ft.	\$5,000,000	4579 sq.ft. 1 acre lot	\$928/sq.ft.	
Napa County	\$1,207,500	2215 sq.ft.	\$511/sq.ft.	\$3,091,000	4242 sq.ft. 1.3 acre lot	\$672/sq.ft.	
San Francisco	\$1,900,000	2162 sq.ft.	\$870/sq.ft.	\$4,600,000	4242 sq.ft. .09 acre lot	\$1080/sq.ft.	
San Mateo County	\$2,418,000	2385 sq.ft.	\$1006/sq.ft.	\$6,200,000	4460 sq.ft. .50 acre lot	\$1375/sq.ft.	
Santa Clara County	\$2,050,000	2187 sq.ft.	\$933/sq.ft.	\$4,299,000	3872 sq.ft. .32 acre lot	\$1037/sq.ft.	
Santa Cruz County	\$1,567,500	2388 sq.ft.	\$657/sq.ft.	\$2,325,000	3757 sq.ft. .54 acre lot	\$643/sq.ft.	
Solano County	\$700,000	2203 sq.ft.	\$314/sq.ft.	\$967,500	3722 sq.ft. .23 acre lot	\$275/sq.ft.	
Sonoma County	\$965,000	2238 sq.ft.	\$436/sq.ft.	\$2,240,000	3942 sq.ft. 1.4 acre lot	\$568/sq.ft.	

Bay Area Median House Values by County

	2 Bedr	oom, 1-2 Bath	Houses	3 Bedroom, 2- 2½ Bath Houses			
County In alphabetical order	Median Sales Price	Median Square Footage	Median Dollar per Square Foot	Median Sales Price	Median Square Footage	Median Dolla per Square Foo	
Alameda County	\$850,000	1049 sq.ft.	\$818/sq.ft.	\$1,200,000	1484 sq.ft.	\$792/sq.ft.	
Contra Costa	\$635,000	1026 sq.ft.	\$613/sq.ft.	\$763,000	1571 sq.ft.	\$514/sq.ft.	
Marin County	\$1,350,000	1166 sq.ft.	\$1105/sq.ft.	\$1,446,500	1723 sq.ft.	\$847/sq.ft.	
Monterey County	\$795,000	1076 sq.ft.	\$729/sq.ft.	\$850,000	1613 sq.ft.	\$528/sq.ft.	
Napa County	\$799,000	1249 sq.ft.	\$700/sq.ft.	\$850,000	1568 sq.ft.	\$598/sq.ft.	
San Francisco	\$1,242,500	1220 sq.ft.	\$1052/sq.ft.	\$1,600,000	1674 sq.ft.	\$956/sq.ft.	
San Mateo County	\$1,337,000	1050 sq.ft.	\$1230/sq.ft.	\$1,746,000	1570 sq.ft.	\$1116/sq.ft.	
Santa Clara County	\$1,242,500	1070 sq.ft.	\$1107/sq.ft.	\$1,625,000	1482 sq.ft.	\$1107/sq.ft.	
Santa Cruz County	\$862,500	1039 sq.ft.	\$775/sq.ft.	\$1,280,000	1584 sq.ft.	\$761/sq.ft.	
Solano County	\$459,000	1255 sq.ft.	\$358/sq.ft.	\$565,000	1548 sq.ft.	\$378/sq.ft.	
Sonoma County	\$702,500	1212 sg.ft.	\$587/sq.ft.	\$805,000	1626 sq.ft.	\$512/sq.ft.	

Bay Area Median Condo & Townhouse Values by County 2nd Half 2023 Sales: By Property Type & Bedroom/Bath Count*

may change with late reported sales. Not all sales are reported to MLS.

		room, 2 Bath C			m, 2-3 Bath To	
County	Median Sales	Median Square	Median Dollar	Median Sales	Median Square	Median Dollar
In alphabetical order	Price	Footage	per Square Foot	Price	Footage	per Square Foot
Alameda County	\$666,000	1080 sq.ft.	\$604/sq.ft.	\$925,000	1508 sq.ft.	\$631/sq.ft.
Contra Costa	\$600,000	1130 sq.ft.	\$529/sq.ft.	\$853,000	1539 sq.ft.	\$560/sq.ft.
Marin County	\$760,000	1152 sq.ft.	\$644/sq.ft.	\$929,000	1585 sq.ft.	\$577/sq.ft.
Monterey County	\$830,000	1175 sq.ft.	\$640/sq.ft.	Too few sales		
Napa County	\$765,000	1154 sq.ft.	\$653/sq.ft.	Too few sales		
San Francisco	\$1,245,000	1194 sq.ft.	\$1053/sq.ft.	Too few sales		
San Mateo County	\$892,500	1148 sq.ft.	\$775/sq.ft.	\$1,400,000	1611 sq.ft.	\$913/sq.ft.
Santa Clara County	\$825,000	1150 sq.ft.	\$722/sq.ft.	\$1,292,500	1555 sq.ft.	\$809/sq.ft.
Santa Cruz County	\$750,000	1089 sq.ft.	\$745/sq.ft.	\$940,000	1459 sq.ft.	\$659/sq.ft.
Solano County	\$385,000	989 sq.ft.	\$371/sq.ft.	Too few sales		
Sonoma County	\$440,000	1041 sq.ft.	\$427/sq.ft.	\$621,000	1333 sq.ft.	\$402/sq.ft.
submarkets of widel Data from sources de	y varying values. Mee eemed reliable, but n	dian values fluctuate f	through mid-December or reasons besides chan subject to revision. Nu o MIS	ges in fair market valu		1PASS



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Statistics are generalities, essentially summaries of widely disparate data generated by dozens, hundreds or thousands of unique, individual sales occurring within different time periods. They are best seen not as precise measurements, but as broad, comparative indicators, with reasonable margins of error. Anomalous fluctuations in statistics are not uncommon, especially in smaller, expensive market segments. Last period data should be considered estimates that may change with late-reported data. Different analytics programs sometimes define statistics - such as "active listings," "days on market," and "months supply of inventory" - differently: what is most meaningful are not specific calculations but the trends they illustrate. Most listing and sales data derives from the local or regional multi-listing service (MLS) of the area specified in the data. "Homes" signifies real-property, single-household housing units: houses, condos, co-ops, townhouses, duets and TICs (but not mobile homes), as applicable to each market. City/town names refer specifically to the named cities and towns, or their MLS areas, unless otherwise delineated. Multicounty metro areas will be specified as such. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers to be considered approximate.

Many aspects of value cannot be adequately reflected in median and average statistics: curb appeal, age, condition, amenities, views, lot size, quality of outdoor space, "bonus" rooms, additional parking, quality of location within the neighborhood, and so on. How any of these statistics apply to any particular home is unknown without a specific comparative market analysis.

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