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House sales, prices hit records in August

Demand, low interest restore competition for hot properties

Richard Paoli, Chronicle Real Estate Editor

▪ [chart attached](#)

Home sales are enjoying a long, hot summer -- Bay Area buyers bought properties in record numbers in August, a real estate data service reported. The median home price also reached a new high for the region: \$447,000.

Home buyers, eager to cash in on low mortgage rates, sent home sales to a 15-year high in the Bay Area. Residential real estate sales could stay brisk for the rest of the year, according to some experts, as long as interest rates and increases in home prices remain low.

More than 12,400 new and resale single-family homes and condominiums were recorded sold during August in the nine-county Bay Area, said the report, released Monday by DataQuick Information Services. The figure represents an 8.6 percent jump over July sales and is a record high since 1988, when the service started keeping records.

"I was watching interest rates pretty closely, and that influenced my buying a home," said Mary Lou Accurso, whose bid was one of 45 offers made on a single-family home in San Francisco's Ingleside District.

Accurso, a registered nurse, finally offered the seller \$75,000 over the \$399,000 asking price for the two-bedroom, one-bath home on Lakeside Avenue. "I really wanted this house and, all through the process, had to check with my lender to make sure I was still qualified."

And while interest rates continue to drift at historic lows, other factors also could be driving home buyers, according to Tim Murray, the new president of Pacific Union, a Bay Area-based real estate brokerage.

"Part of the strong sales numbers is a disenchantment with the stock market," Murray said. "Buying a home has the attraction of shelter, tax benefits, and no other investment vehicle offers the appreciation."

The increase in the Bay Area median home price since August 2002 was 7.2 percent, and, while the stock market appreciated overall by 25 percent during the same 12 months, the hard hit sustained by technology stocks may have helped some people decide to buy a home, according to Michael Sklarz, chief valuation officer at

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San Francisco Chronicle

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Fidelity National Information Solutions in Honolulu.

"Some of those tech stocks dropped 90 to 95 percent of their value from what they were two years ago," he said. Real estate, from that perspective, he added, would seem to offer better growth.

MULTIPLE BIDS RETURN

The low mortgage rates and continued demand for homes in some of the Bay Area -- San Francisco, San Mateo and Marin counties, for example -- have brought back multiple bidding. "It means 10 to 15 buyers competing," Murray said.

Mortgage interest rates reported last Friday dipped slightly lower for the second week in a row. The average 30-year fixed mortgage rate was 6.01 percent last week; the 15-year rate was 5.30 percent; and the rate for one-year adjustable-rate mortgage was down to 3.81 percent.

The lowest mortgage rates this year were in mid-June, according to Freddie Mac, when the average 30-year rate was 5.21 percent.

"A lot of potential buyers who were in wait-and-see mode decided to jump in as it became clear that mortgage interest rates had bottomed out early this summer," said Marshall Prentice, DataQuick president. Also, he said, "As refinance activity dropped, lenders and escrow companies were able to catch up on processing paperwork, adding to the number of August closings."

"While the current rate around 6 percent is historically low," Sklarz noted, "I don't think the Bay Area market will slow until interest rates go up another point or two to 7 or 8 percent."

In the Bay Area counties, 12,488 new and resale houses were sold last month, compared with 11,501 in July, an 8.6 percent increase. Over that past 12 months, there has been a 29.6 percent increase since the 9,639 sales for August 2002.

SALES SURPASS PEAK

Last month's sales count was the highest for any month in DataQuick's statistics, which go back to 1988; the previous peak was in June 1999, when there were 12,125 reported sales.

Only Napa County registered a drop, with last month's sales at 187, down 4.1 percent from the 195 sales in August 2002. County officials attributed the drop to a slight decline in the number of homes built this year in the new communities ringing Vallejo compared with last year.

Surprisingly, the biggest jumps in sales numbers were San Mateo and Santa Clara counties, places where unemployment had increased as high-tech companies failed or trimmed workers.

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"The people still working in these cities," Murray noted, "are secure in their jobs. And the low interest rates are prompting them to buy."

Statewide, according to DataQuick, home sales also have increased during the summer and so have prices. The statewide median home prices for last month was \$325,000, up 20.4 percent compared with August 2002.

DataQuick also tracks other real estate related information and found the median monthly mortgage in the Bay Area was \$2,092 in August. A year ago it was \$1,966. The peak was in May 2000 at \$2,124.

Other indicators that might show a real estate market in distress are absent, according to John Karevoll, DataQuick's senior analyst.

"Foreclosure rates have remained low," he said. "This is not a bubble market."

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BAY AREA HOME SALES

House and condominium sales in the Bay Area in August soared to their highest level in more than 15 years, rising almost 30 percent compared with the same month last year and 8.6 percent over July sales. Median prices reached new peaks as well..

COUNTY	Number of Homes sold		
	Aug. '02	Aug. '03	Pct. chg.
Alameda	2,046	2,682	31.1%
Contra Costa	1,930	2,532	31.2
Marin	387	462	19.4
Napa	195	187	-4.1

San Francisco	602	631	4.8
San Mateo	681	1,074	57.7
Santa Clara	2,086	3,044	45.9
Solano	839	916	9.2
Sonoma	873	960	10.0
Bay Area	9,639	12,488	29.6.
Median Price			

(in thousands of dollars)

COUNTY	Aug. '02	Aug. '03	Pct. chg.
Alameda	410	420	2.4%
Contra Costa	347	399	15.0
Marin	590	627	6.3
Napa	363	437	20.4
San Francisco	549	556	1.3
San Mateo	545	566	3.9
Santa Clara	464	476	2.6
Solano	280	315	12.5
Sonoma	348	388	11.5
Bay Area	417	447	7.2

Source: DataQuick Information Systems