



Why Is Real Estate Still So Expensive In The Bay Area?

Over the past few years, real estate prices in most areas of the country have dropped. However, some locations, such as the San Francisco Bay Area, have been able to retain their property value. In addition, reports from recent months have indicated that the real estate market as a whole is beginning to make a recovery.

Reasons for Higher Prices

In spite of the economic downturn, property in the Bay Area has held its value for several reasons. First of all, because San Francisco lies on a peninsula, the amount of land available is limited, thus making each acre more valuable. In addition, state and local governments impose strict urban growth boundaries and land controls, which also contribute to the lack of housing elasticity in the area.

Likewise, the Bay Area has many appealing amenities to offer its residents, which also keeps property values in higher ranges. San Francisco is very densely populated, and the competition for property can drive up prices even when values across the nation are falling.

Finally, because the type of people who tend to live in the Bay Area have been able to maintain a healthy amount of income even during the recession, there has been no real reason for property values to fall. The high average income in the area, as well as the growth in the number of high-income families in the area, allows more San Francisco residents to afford housing with high prices.

Signs of a Market Recovery

According to Standard & Poor's report on home prices, average prices in July increased by 1.2 percent from a year earlier. In August, home prices rose by 9.5 percent from the previous year, according to the National Association of Realtors. Average home prices are still approximately 30 percent lower than they were, but because real estate prices in San Francisco never actually fell much, the recovering market threatens to increase them even more.

Buying Bay Area Real Estate

When the recession began, many people hoped that the property values in San Francisco would fall enough to allow for high return investments on area real estate. However, even though prices in the area have remained higher than prices in other parts of the country, Bay Area real estate remains appealing to buyers for many different reasons. San Francisco itself is extremely large and diverse, so most buyers will be able to find at least one property that meets their needs. Many buyers have even been able to find excellent investment opportunities within the Bay Area that promise to earn a significant profit when the market recovers fully.

San Francisco may be immune to the recession, but that does not mean that buyers cannot find good deals in the region. In fact, because of the resilience of Bay Area real estate values, buying property in San Francisco is a safer investment than purchasing property in other locations. An individual who buys a home in the area is likely to not only retain the value of his original purchase, but also to enjoy an increase in value and a handsome profit if he ever decides to sell the property. Property values everywhere are beginning to increase, so the best time to buy real estate in the Bay Area is right now.