



# *Harry's Take*

February 22, 2023

## **San Francisco Real Estate Bubble Is Among the Biggest: Burst Could Go to 80% This Time**

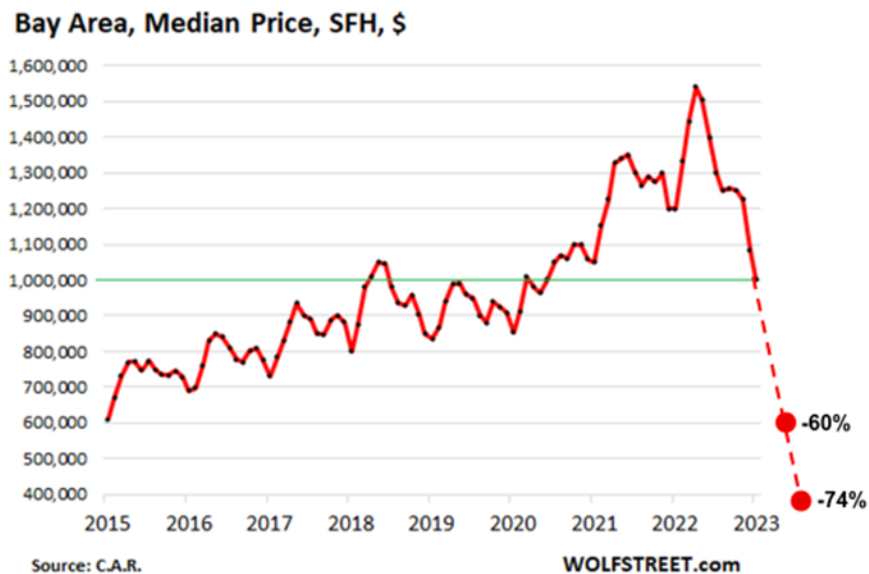
I lived in the beautiful San Francisco Bay area from 1980 into 2002. It has always been one of the greatest American cities in which to live. When I give my talks, people tend to come up to me and explain how their area is special and, therefore, real estate there is not likely to go down by as much as I've forecast, at 50% on average in this second housing bust, which is already underway.

What I have to remind people is that it is the "special" cities and neighborhoods that bubble up the most. And in past downturns, the reality has been this: the greater the bubble, the greater the burst. I am forecasting that the average house valuation could go down by about 50%. If that sounds too extreme, recall that the last crash was 34%, and this bubble is both bigger and will be the final bubble to burst for a long time. Hence, the downside should be higher than for the last bubble burst, which happened around 2012. And my best forecast is that home prices are likely to fall to the levels of 2012 in this second real estate crash, which has already started in many areas.

San Francisco is now an example of one of those special cities where real estate has bubbled more than average, but also is very likely to burst more than average this time. The late 2007 to early 2009 real estate crash was by 60%, with prices falling from near \$800,000 down to \$320,000. This time, prices start at \$1,550,000, and they could fall by as much as 80% if they go to

the 2012 average price, \$325,000. They have already fallen 36%, with more, clearly, to go. This chart shows that a fall to just \$600,000 would be 60% and to \$400,000 would be 74%.

### San Francisco Home Prices Now Down 36%, Could Fall as much as 80% (if to 2012 Prices)



Source: <https://wolfstreet.com/2023/02/17/san-francisco-bay-area-housing-market-crashes-prices-plunge-35-from-crazy-peak-where-is-demand-supposed-to-come-from/> [www.hsdent.com](http://www.hsdent.com)

Do you love that San Fran house enough to take a loss of 60% (at minimum) to possibly as high as 80%? And I am forecasting that housing will be slower to come back after this second and final crash... and it is unlikely to get back anywhere near these bubble highs even at the top of the next boom, into 2037 or so.

**For a reality check on your home... look up what it was worth in 2012. You likely will be shocked! Now is the time to sell if you are going to.**

Harry

Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com).

