

Is there a housing bubble and will it burst in San Francisco?

Report examines “bubble risk” in 20 global financial centers

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Home prices are rising nationally and at a still faster clip in the Bay Area. When will it end?

A report on housing “bubble risk” in 20 global financial markets finds that San Francisco is the most overvalued American city in the group. But while housing price growth in the city “has outpaced the U.S. as a whole by 260 percentage points over the last 40 years,” San Francisco still has only “limited bubble risk,” according to the report from UBS, the Swiss financial services company.

That’s because San Francisco is a “superstar” city buoyed by the growth of high-wealth households. Prices in San Francisco are up nearly 65 percent since 2011, UBS says, but its housing market is protected by “strong economic fundamentals amid the astonishing boom of tech companies.”

So where might the housing bubble pop?

Toronto tops UBS’s Global Real Estate Bubble Index for 2017. Also at risk of a housing bubble are Stockholm, Munich, Vancouver, Sydney, London and Hong Kong — though London and Hong Kong, also deemed “superstars,” are presumably at less risk than the others in that group.

Los Angeles, like San Francisco, is categorized as “overvalued” in the report, while New York and Boston are “fair-valued” and Chicago is “undervalued.”

And what could push bubbles toward bursting? Interest rates, for one thing. If they climb, investors could pull back.

And then there’s the general problem of affordability.

“The recovery in the U.S. housing market following the bursting of the housing bubble in 2007 has taken national home prices to new heights,” said Jonathan Woloshin, co-head of Americas Fundamental Research at UBS Wealth Management’s chief investment office.

A bit ominously, he added: “In our opinion, housing affordability is significantly more challenged than conventional wisdom posits.”

Richard Scheinin covers residential real estate for the Bay Area News Group. He has written for GQ and Rolling Stone and is the author of Field of Screams: The Dark Underside of America’s National Pastime (W.W. Norton), a history of baseball. During his 25-plus years based at The Mercury News, his work has been submitted for Pulitzer Prizes for reporting on religion, classical music and jazz. He shared in the Pulitzer Prize awarded to the Mercury News staff for coverage of the Loma Prieta earthquake. He has profiled hundreds of public figures, from Ike Turner to Tony La Russa.