

San Francisco Market Update: Q3 2008

The market update for 10+ units in the next two quarters will be more interesting to report on than the quieter Q3 2008. Currently, a few sellers are beginning to adjust price expectations. Let's see what happens when adjustments translate into sale prices.

Q3's most noteworthy news was in the duplex market.

The market has recognized a premium for vacant duplexes because of the potential for faster condo conversion. In the past, the premium translated to near condo prices: if condos in a two-unit building could sell for \$900,000 each, in some areas the market was paying close to \$1,800,000 for a similar vacant duplex that had not yet converted into condos.

Is the party over?

In Q3 2007, when the August interest rate jump began the market turmoil, the median sale price for duplexes (with parking) in Districts 1-8 was \$1,330,000. This looked like a decline from Q2 2007's median price of \$1,425,000. The median price then rose and stayed steady in Q4 2007 and Q1 2008 at \$1,450,000.

However Q2 2008 and Q3 2008 median prices suggest the decline or flattening in duplex prices, especially outside Russian/Nob Hill and Pacific Heights.

This development should offer some very attractive property values for **house** buyers.

One example is in District 1 where the median price in Q3 2008 for a two bedroom house in the Richmond was \$875,000 at 1,575 sq ft (\$556/sq ft) and \$1,270,000 at 1,325 sq ft (\$918/sq ft) in Lake District.

Compare this with two Q3 2008 duplex sales where a house buyer would get two units.

522-524 22nd Avenue, two 2BD/1sunroom/1.5BA/pkg/ units with a 1600 sq ft owner's unit, and \$1,700 rent in the second unit. Sale price \$1,050,000. Richmond. I particularly like this property because of the rental income, and yet the rented unit causes the property to be sold at a discount.

182-184 17th Avenue, two 2BD/1BA units, 3 car pkg, a renovated owner's unit, with the second unit delivered vacant upon closing. Lake District. Sale price was \$1,304,000. No square footage information available.

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