

San Francisco Market Update: Q3 2009

The most interesting sale in 3Q was 943-953 Jackson, a 12-unit Nob Hill building that was more than 15,000 sq. ft. with only \$78,000 in annual income because of low rents from long term tenants. It sold for \$1,050,000 or \$69/sq. ft., perhaps telling us what the price of land is in Nob Hill.

One of the better buys in 3Q for smaller buildings was 708 Great Highway: two units with ocean views. Built in 1991, it has no rent control: sale price was \$1,103,000 (\$271/sq. ft.).

However, for buyers looking for “deals”, a warning: a significant highlight in 3Q in the 3-4 unit category is *rarity* meaning lack of supply in the supply/demand model. This will help support values.

1837-1841 Jefferson and 768-772 Green respectively sold for \$2,165,000 and \$4,320,900. Jefferson has attractive outdoor space and good updating. Green has very high end upgrades and spectacular views. As with many sellers who bought between 2005 and 2008, both sellers sold for less than for what they bought the properties. Jefferson's previous purchase price was \$2.46M in 2005; and Green's was \$4.6M in 2007.

However, at \$573/sq. ft. and \$800/sq. ft., these buildings are not cheap. Jefferson also sold quickly with only 20 days on market. That Green sold for over \$4M is impressive, being an Ellis Acted building and having a small buyer pool in that price range.

Two other buildings show that prices are not that soft north of California: 106-110 Pfeiffer is a dated triplex with deferred maintenance, two vacant units and one unit with a protected tenant, and no parking. Nevertheless it sold for \$1,300,000 (over \$400/sq. ft.). The triplex at 1365-1367 Bay St. also has dated units, with two vacant and one with a below market rate tenant, and parking. It sold for \$1,470,000 (\$490/sq. ft.), despite the busier location. Again, both sellers may have been disappointed with the selling prices, which were far less than original list prices but these prices don't reflect “deals”, but the fact that good locations are justifying a premium.

This is not a negative for buyers making longer term purchases: location is helping to retain value.

Other notable sales:

- 508 Cabrillo, 4 units with no parking, sold for \$1,285,000 (\$345/sq. ft.).
- 183 Chattanooga and 85-87 Chattanooga are two small 2-unit buildings with no parking. They respectively sold at \$938,000 (\$453/sq. ft.) and \$675,000 (\$519/sq. ft.).
- 472-474 Oak Street is a two unit bank owned property on a very busy street with no parking. This sold for \$890,000, which is a healthy \$355/sq. ft. and \$40,100 over list price despite the location and distressed circumstances. (Sale price was \$81,000 below the last sale in 2001, which was \$975,000.)

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508 Cabrillo sold for \$245,000 more than its 2005 sale price, illustrating the sometimes elusive upside when a seller renovates and succeeds in increasing rents within a few years. In contrast 85-87 Chattanooga sold for \$131,000 less than its 2005 sale price likely because the seller could not remove a protected tenant that originally came with the property. These prices are landing consistently and at minimum in the mid-\$300/sq. ft. However, the sales at Farrallones and South Van Ness below show a continued **soft market in Districts 3 and 9**. Some 3Q 2-4 unit sales in the Mission sold for less than \$250/sq. ft.

Bad news for sellers is in the mixed use category: the last four sales averaged less than \$188/sq. ft.

- 312-314 15th Avenue (4 units): \$197/sq. ft. or \$890,000.
- 1377-1379 9th Avenue (4 units): \$215/sq. ft. or \$1,050,000.
- 290 Farallones Street (2 units): \$176/sq. ft. or \$510,000.
- 330 South Van Ness (4 units): \$166/sq. ft. or \$709,000.

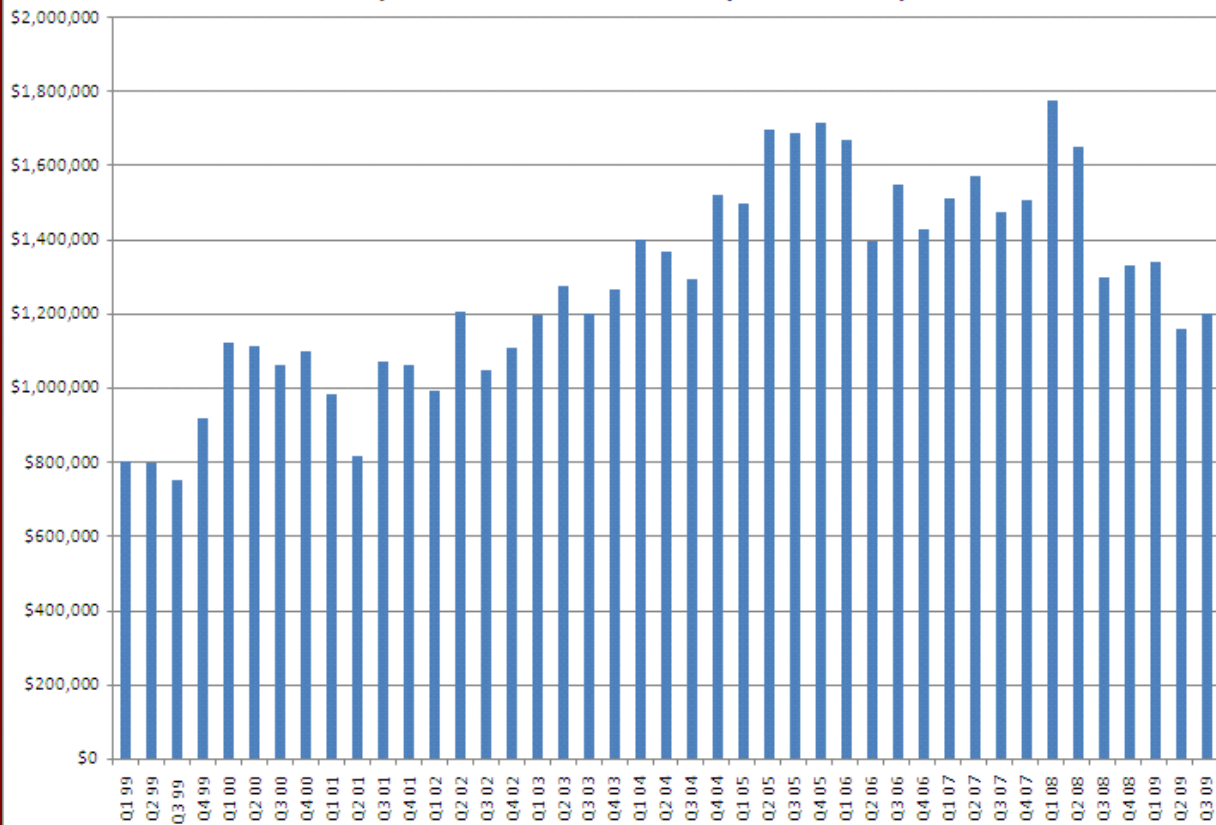
Four active mixed use buildings north of California Street are listed between \$509/sq. ft. and almost \$800/sq. ft. Three of those buildings have been on the market for more than a year and a half. Even at 2.5X the average mixed use sale price , i.e. \$188 X 2.5, prices would still be less than \$500/sq. ft.

The mixed-use market does not seem to be accepting the location premiums on those unsold buildings.

Below charts the quarterly median price of 3-4 unit buildings going back to 1999.
(Buildings with parking in Districts 1-8.)

More details and charts at www.quinnsolutions.com

Triplex Sales: Median Price (Districts 1-8)



Fourplex Sales: Median Price (Districts 1-8)

