

Pinpoint Your Price

by ERIKA BURKE

“The people have spoken and they are offering an average of nearly 2.2% under the asking price. Price accordingly, folks.”

The final quarter of 2009 wrapped up with some positive figures. We transferred 108 multiunit properties for a total dollar volume of \$126,481,148, with an average of 84 days on market and a median sales price of \$1,216,165. It still takes some patience to sell in this market; 30% of the units stayed on the market for 120 days or more before selling. Traditionally, the final quarter can be the slowest, yet 2009's figures show a transfer of 13 more properties than the final quarter of 2008, plus a 14% gain in dollar volume and a 14% rise in median sales price, with about the same DOM. We have seen a steady rise in number of sales, dollar volume and median sales price during the last three quarters.

Notable Sales

The top dollar volume in the final quarter went to Coldwell Banker with \$44,667,283 and a 17.24% market share, followed by Zephyr Real Estate with an 11.47% market share, Pacific Union with 10.29%, Brown and Company with 5.53%, and a 4.94% market share for Vanguard Properties.

The award for the “Littlest Building That Could, Even Without Curb Appeal” goes to John McGarry for a 2-unit at 141-143

Granada Ave. Asking \$440,000, it sold for \$396,000 in only 34 days, despite its original condition and its position wedged between two other buildings.

The “Best-Looking Building” award goes to Mike Harrison of Vanguard Properties, who sold a classic stick Victorian 2-unit-plus, at 2441-2443 Franklin St. for \$2,250,000. The buyer was surely impressed by the stunning symmetrical lines for this standout beauty. Both units were vacant and the lower unit and extra rooms had been remodeled.

Every quarter needs a high-end sale to tip the averages, and this quarter Richard Sax and Maria Marchetti of Pacific Union brought a 3-unit view property (with two vacant units) to market at 2440-2444 Broadway Ave., which sold for \$6,950,000, after being reduced by \$2 million before final sale.

2 Units

There was good news in the 2-unit sector. The average median sales price of \$1,125,495 for a 2-unit building is up 12% from the prior quarter and down only 4% from the final quarter of 2008. The perception that the multiunit has lost value overall is incorrect. We actually transferred 23 more properties in

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2009's final quarter than we did during the same quarter in 2008. The dollar volume of \$79,910,135 was bolstered by 15% over the prior quarter. Though the DOM have increased by 25 to 105 days, the list vs. sales price has come down by 1%. The people have spoken and they are offering an average of nearly 2.2% under the asking price. Price accordingly, folks.

Twelve 2-unit properties transferred in the Richmond District. This is the high-performing district for this quarter. The Inner Sunset transferred eight, the Mission six, and Glen Park, the Haight, Corona and Dolores Heights transferred four each. Nearly 50% of the multiunits that did transfer sold for between \$1 million and \$1.8 million, while 8% sold for \$1.7 million to \$3 million, so the higher end is moving. The lowest sales were in Ingleside and Silver Terrace, while the highest were in Cow Hollow and Hayes Valley.

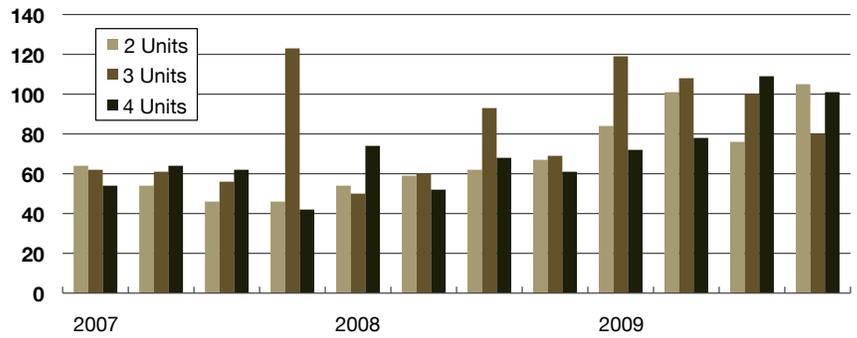
We are still seeing a slower moving market, which we can attribute to the contributing factors of more stringent lending guidelines, more second appraisals, inspection reports that reveal work that lenders may require to be completed before close of escrow and a general cautiousness by lenders. They are checking and rechecking the borrowers and the properties, along with their reports and inspections. Judging by the increases across the board, though, the buyers have spoken and they are purchasing just as vehemently as before, though they have to exert more patience and allow more time to close successful escrows.

3 Units

A lucky 21 3-unit properties transferred, which is 4 less than the prior quarter and 8 more than the last quarter of 2008. Three transferred in Hayes Valley and two each transferred in NoPa, Cow Hollow and Telegraph Hill. The minimum price of \$565,000 was in Ocean View, while the maximum was \$6,950,000 in Pacific Heights.

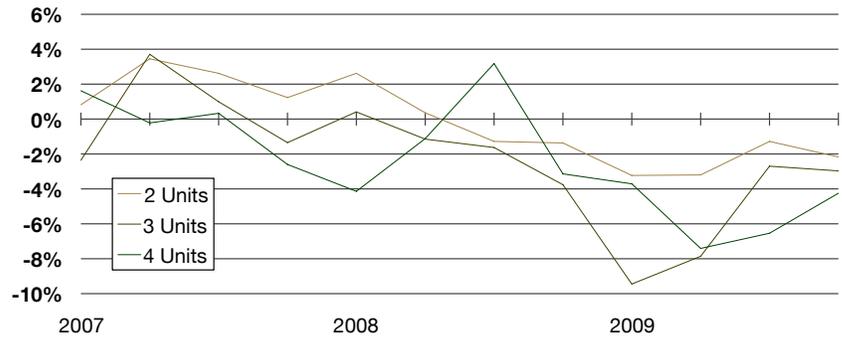
The 3-unit property stayed on the market an average of 80 days and 29% of the 3-unit properties sold were between \$1 million

Days on the Market



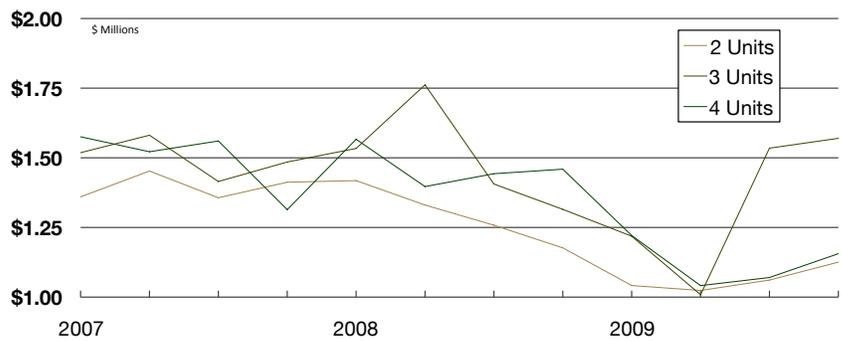
Source: SF MLS

List vs. Price



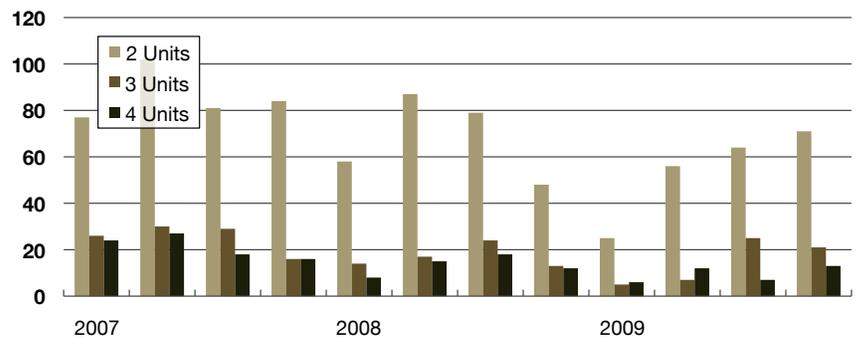
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Sales Price



Source: SF MLS

Transactions



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and \$1.75 million. The average sales price for a 3-unit has continued to rise this year, with a dip during the second quarter, but finishing with an average sales price \$1,570,000, which is around the numbers we saw during the first half of 2008 before the market's downturn. The total volume in this sector was \$32,970,000, nearly double last year's final quarter.

Many of the transfers showed vacant units or focused on the properties for their income potential. Some had been remodeled and there were a few fixers. Three-units keep showing up as one of the steadier investment sectors. Many of the San Francisco 3-units have ample footprints, making these a spacious choice for the owner/user.

4 Units

Thirteen 4-unit properties transferred, six more than the prior quarter, with an average sales price that has risen to \$1,155,840, a gain of 15% over the prior quarter. This average sales price is more commensurate with 2008 prices. Average DOM is 101 days, a whopping 40 days more than this year last time. Buyers are offering an average of 4.25% under the asking price for a total dollar volume of \$15,126,013.

It seems the 4-unit building has been the slowest to recover through the downturn. Though we are seeing volume as far as number of transfers, the average sales price is still down nearly 11% from last year. Judging from the final-quarter sales over the last five years, it looks like we can now accept volume of transfers in the teens. This property sector is not being converted to TICs or condos as it once was.

The Big Picture

Overall, it seems we are seeing real recovery in 2-, 3- and 4-unit sales in terms of average sales price, number of transactions and even volume. Buyers are still looking for a value, and are, on average, underbidding for property, so remember to build that into your fair market value. This is still the time for negotiation and no time to overestimate your properties' value. It doesn't seem that

the lower-end properties are moving with the demand that one might assume during a market fraught with short sales and bank-owned sales. The multiunit properties have seen only one or two of these during the final quarter.

It's important to reiterate that we are also not seeing multiunits transferred as willingly for their conversion possibilities, but rather as investment property and owner/user property. In all, 71 2-unit properties, 21 3-unit properties and 13 4-unit properties sold. The average price of a unit in the 2-unit sector is \$562,747, where a 3-unit is \$523,333 and a 4-unit is \$288,961. The prices per unit in multiunits are vying for attention with some of the single-family home prices that have slid into the \$500,000s for the first time in many years. This may still be a good time to use some equity to expand your San Francisco income property portfolio and pick up a distressed property, an underperforming property with vacancies, or a lower end sale where you can add value by improving the tenant profiles, the property itself or both.

The outlook is bright as we move further into 2010. I myself have made a change and joined Vanguard Properties where I can continue to bring San Franciscans my real-estate opinions and expertise. This is a wonderful time to strategize on how you can maximize your portfolio and watch property volume and values rise, as I believe they will this year.

Erika Burke, GRI, Realtor, ABR, CRS, e-Pro, GREEN of Vanguard Properties specializes in residential, multi-unit and mixed use, land, development property and fixers in San Francisco. She can be contacted at 415-279-1135 or at Erika@ErikaBurkeSF.com.

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