

Three story lines in Q1 2011: (a) there is a continued preference for southeast locations in the city; (b) several sellers dramatically dropped their asking price in order to sell; and (c) 5+ units have strengthened in price in specific locations.

Demographic Shift: The average sizes of two bedroom condos that sold in the Mission, Noe Valley and South Beach/Yerba Buena in Q1 2011 were respectively 1,321 sq. ft., 1,214 sq. ft. and 1,133 sq. ft.. Median sale prices were respectively \$750K, \$795K and \$835K.

In sharp contrast are the sale prices of houses in the western Avenues. In Parkside and Central Sunset, the Q1 2011 median sale price of a 1,200-1,400 sq. ft. house with parking was \$653,500 – almost \$200K less than a smaller condo in South Beach.

The population is geographically moving southeast—along with businesses— and higher single family residence prices are reflected in those neighborhoods.

Here is the discrepancy and value play: Two vacant duplexes sold in Central Sunset/Parkside in Q1 2011: 1415-1417 28th Avenue (2,350 sq. ft.) sold for \$875K; 1807-1809 26th Ave. (2,922 sq. ft.) sold for \$985,000.

Compare this with the two vacant duplex sales in the Mission in Q1 2011: 1204-1206 Treat (2,620 sq. ft.) sold for \$828K; 1410-1412 15th St. (2,868 sq. ft.) sold for \$839K. Unlike the Avenues where condos are not very popular and rents are lower, Mission condos are popular and rents are higher. Watch for smaller multi-units in the Mission that might make sense

Sellers' Lessons: Anecdotally, there are still sellers – homeowners and investors – who want to sell, but are holding onto their properties in hopes that prices will recover. Several sales in Q1 2011 suggest a different reality.

- 6465-6469 California was a bank owned triplex **listed for \$985K** in May 2010. The bank rejected two offers over \$900K. After 7 months and three price drops, it **sold for \$803K**.
- 62-64 Pixley: In 2007, this vacant duplex that needed updating was listed at \$1,485,000; it was relisted in 2008 for \$1,525,000. The sellers then remodeled the property and **re-listed at \$1,628,000** in 2010. Although in better shape, the list price had to drop two more times to \$1,448,000 (below the 2007 price) and eventually **sold for \$1,340,000**.
- 35-37 Tacoma is an unusual 5 units that included a pool, with an attractive mix of 1X3BD/2BA, 2X2BD/2BA and 2X1BD/1BA and 5 parking spots. In November 2008, it was **listed for \$1.899M** and dropped several times to \$1.459M. A foreclosure occurred during the process. In Q1 2011, it eventually **sold for \$1.2M**.

Stronger Multi-family Pricing: The Marina District led in pricing for larger buildings in Q1 2011 with three sales: 3124 Octavia is a 12 unit building with annual gross income of about \$210K; sale price was \$2.95M; the gross rent multiplier was 13.98. 175 Alhambra is a 12 unit building with gross annual income of about \$250K; sale price was \$3.325M; GRM was 13.19. 3201 Gough is a 15 unit building with gross annual income of about \$349K; sale price was \$4.8M; GRM was 13.74.

These sales involved 3 different sellers, 3 different buyers, and 6 brokerages, meaning that each party was represented independently and the buildings were not from the same portfolio or being bought for one portfolio – a stronger indication of fair market values. With multiples of over 13 and cap rates of 4.5% or less, this is a surprising vote of confidence for multi-family properties in this part of town.

3147 Sacramento is a 5 unit building with gross annual rents of \$100,500. Listed at \$1.395M, it sold for \$1.55M and 15.42X gross after receiving 16 offers. Despite being a 1972 building, this is a confidence vote for Pacific Heights.

Q1 Notable Sales

- 343-345 Austin: Located on a short, quiet street in Lower Pac Heights, this is a charming duplex with several upgrades and a nicely built in-law space that could be an attractive addition to one of the legal units. With Lower Pac Heights condos selling for over \$700,000, this is an ideal condo conversion investment at \$1,050,000.
- 2442 Great Highway: Very little is attractive under \$1.2M for income property. Except for this: 4X 2BD/1BA units, with two units directly facing the ocean. Annual gross rents were about \$88K. With a sale price of \$1.06M and an 11.96 GRM for a **fourplex**, this was a sleeper for a small investor.
- 3834-3842 Sacramento St.: With 8 units including a large, spacious owner's unit and beautiful garden, this is a rare building that is attractively priced for both owner occupiers and income investors. Gross annual income was about \$185K. Sale price was \$2.15M. Although there was some deferred maintenance, the multiple was only 11.49X gross in *Presidio Heights*.
- 435 Locust St.: This was another 8 units located in Presidio Heights, where very few larger multi-units come on the market. With \$175K in annual gross income, it sold for \$2.115M or 12.08X gross.
- 1246 Bush St.: This is another attractive income property in Downtown. In contrast to the >13X gross in some Q1 2011 sales, this property sold at a 10.56 multiple with \$260K in gross annual income. Other pluses are an elevator, on-site laundry, and electric heaters. List price was \$2.518M; sale price was \$2.75M. It was in contract within two weeks and the sale quickly closed two weeks thereafter.

Charts at www.quinnsolutions.com