

ON THE BLOCK

S.F. luxury market takes a hit as tech buyers and foreign investors pull back

By **Emily Landes** on July 6, 2016 at 4:00 AM

46



IMAGE 1 OF 34

1902 Beaux Arts facade

It looks like the full-steam-ahead San Francisco market is finally slowing down, with overall inventory rising to levels not seen since 2012, when the market was still recovering from the financial meltdown of 2008, **according to Redfin data**. The segment of the market taking the hardest hit seems to be the luxury market, where the typical buyers (namely tech and foreign investors) are taking a step back, said Redfin agent **Miriam Westberg**, who specializes in high-end sales.

Inventory Up

According to Westberg, “uncertainty in the market” has led to a notable increase in inventory, with high-end sellers who had been considering putting their homes on the market later in the year pushing their listings to come on sooner. Redfin data shows that while inventory in all of San Francisco was up 52% in May 2016 over the same time last year, inventory in Pacific Heights, for example, is up over 100% during the same time period, with condo inventory in the neighborhood up over 140%.

If you think all those buyers are headed south, think again. The inventory in South Beach is up 130% in the same time period. Westberg says that the new construction condo market in SOMA and South Beach has actually “been hit the hardest” due to less liquidity and fewer eager buyers in the tech industry.

Foreign investors are also retreating. “I’ve personally seen a slow down as foreign investors aren’t benefitting from low interest rates, so would rather wait and see if prices plateau, or perhaps drop,” she says.

Prices Down

And prices have come down—a bit. The median sale price for a single-family home in the Marina was \$2,785,000 in May 2016. One year ago, it was over \$3 million, a nearly 24% drop. The median sale price in Seacliff is down about 12% year over year. In Pacific Heights, it’s nearly 28%.

Prices would likely come down further if high-end sellers felt the same pressures as their lower-end counterparts. But Westberg says luxury sellers also have the luxury of waiting out the market. “In my experience, high-end sellers are more motivated to wait for the right buyer who will pay their price and value the home in the same way,” she explains.

She added that she had one particular high-end buyer whose strategy was to offer below list price on homes that had been sitting for more than 30 days in the hopes of finding a motivated seller. But, she said, “instead of engaging, sellers pulled their properties from the market.”

That being said, there have been some pretty notable price drops, like the Pacific Heights manse in the gallery above, which saw a **\$3-million price cut** (from \$28 to \$25 million) just last month. But until more sellers follow that

lead, Westberg says the stalemate between high-end buyers and sellers is likely to continue.

“Luxury buyers are expecting a bit of a correction in pricing due to overall market conditions, but sellers aren’t quite there yet,” she says. “I’ve seen a bit of a gap between sellers’ expectations and what buyers are ready and willing to offer.”

Emily Landes is a writer and editor who is obsessed with all things real estate.

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