

# THE BINNINGS TEAM

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## Q2 2009 SF REAL ESTATE REPORT

The first half of 2009 is officially history and we have some general observations about the real estate market. Three dramas are currently playing themselves out which can be discerned by dividing the market into three segments; the high end (luxury market), the middle, and the low end.

The luxury market held out longer than any other segment during the downturn, but has now made up for lost time and is experiencing drastic price reductions. It has not yet stabilized, and it could be some time before it hits bottom. The availability of reasonable jumbo loans has played significantly into the fate of the luxury market, making it tough for things to improve. In San Francisco, the luxury market includes homes priced at \$2M+.

The low end of the market has shown the most activity in 2009, and it is safe to say that it seems to be stabilizing. It was the first to react to the downturn, and will be the first to stabilize. Homes in San Francisco priced below \$750,000 generally fit into this segment.

The middle market is a mixed bag of tricks. There is a gradient of decreasing stabilization as you move from the \$750,000 price point up to \$2M.

Overall, sales activity in Q2 has picked up quite significantly from a dismal Q1, but is still down year over year. City-wide, prices are down year over year anywhere from 10% to 35%, depending on the neighborhood. Neighborhoods with high foreclosure rates (those south of I-280) have been hit harder than those in the northern parts of the City. Inventory levels also play a major factor in how specific neighborhoods are holding up. Those with a glut of inventory fell harder than those with tight inventory.

### Stemming from these observations, we have some of advice that you may find helpful:

The market is extremely price sensitive right now. If you are a seller, you will want to price your home realistically at the outset. Well priced, well located homes are selling quickly, at or near their asking prices, and in some instances, above asking with multiple offers. Sellers that are out of touch by pricing their homes too high will have little chance of selling in this market. Pricing a home at levels as recent as 12 months ago is way out of touch with the current state of affairs. A home that is priced too high will meet the fate of price drop after price drop as it sits on the market. And the longer a home is on the market the less interested buyers become in it. A home that sits on the market for too long risks becoming "stigmatized", meaning that buyers think there is something wrong with it even though it may be in perfect condition. Bottom line: Price right, be in touch with reality, face the truths of the current market, and don't select the listing agent that gives you the best price on your home. Select the one that is upfront with you about price and market conditions.

For buyers, things are a bit rosier. If you are buying into the slow-reacting luxury market, you may want to wait a while or submit low offers. For low and middle buyers, the timing is good as long as you intend to hold your property for the long term. Interest rates are low, and will continue to be for the short term. In the long term there is only one direction for them to go, so keep that in mind. Real estate may also be a successful hedge against looming inflation, which could become an issue in a few years. Tax credits and incentives are ripe for buyers through 2009. Prices are lower than they've been in recent history. Competition is also less, as the pool of qualified buyers is assuredly lower now than in the past. FHA loans can be a good option and only require 3.5% down, but be prepared for obstacles and a longer escrow.

Thanks for reading, and feel free to share this information with anyone you think may find it helpful. If you or a friend are thinking about buying or selling real estate in San Francisco or Marin, The Binnings Team can provide much more pointed advice. Contact us for details.

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