

Sales of new condos heating up

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SAN FRANCISCO — High-end condominiums built in The City during a recent development boom might finally sell out this year thanks to prices dropping below what they were two years ago.

Condos currently are selling for 10 to 20 percent less than they were two years ago, according to figures provided by Paul Zeger, president of Pacific Marketing Partners Associates, a company that helps sell condos in One Rincon and other towers. Zeger said he expects San Francisco's stock of new condos to run out within six months.

As sales move quickly, however, there are few developments being completed to replace inventory. Construction plans for scores of condo towers that were approved by The City before the late-2008 financial meltdown are on hold, including a second One Rincon tower and the 201 Folsom St. and 375-377 Fremont St. projects, all of which are located south of Market Street. Meanwhile, developers are still struggling to find partners to finance new projects.

There were 3,134 new condos available for sale in San Francisco at the end of 2007, according to an estimate by The Mark Co., a real estate firm. By the end of 2009, that number had fallen to 1,276.

Many of the sales are in higher-end projects in SoMa, such as One Rincon, The Infinity and Radiance at Mission Bay. The Infinity, in the Rincon Hill neighborhood, is selling at a rate of two units a week, according to company President Alan Mark, who works on its marketing efforts.

The first units were sold in early 2008 and sales improved "dramatically" during the past year, according to Mark. He said fewer than a dozen new condos remain for sale in the 650-unit building.

"There has been a continuing growth of baby boomers moving downtown," Mark said. "Even in difficult times during the dot-com crash, we saw baby boomers, whether from Silicon Valley or from The City, who wanted to live downtown for an easier lifestyle."

After that, prices might start firming up to the point where banks would start providing loans to begin new construction projects, according to Zeger, who predicted that will happen by 2012. It could take two years after construction activity resumes before new condos are ready for residents.



Lap of luxury: Much of the sales activity for new condos in The City is in higher-end projects in SoMa, such as The Infinity at 160 Folsom St. However, the supply is drying up. (Cindy Chew/The Examiner)

New-condo sales also help boost The City’s budget, according to Budget Analyst Harvey Rose.

“The more sales of real estate in San Francisco, the more annual property tax revenues and the more one-time real estate property transfer tax revenues are received by the City,” Rose said in an e-mail.

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Dwindling condo supply

	<u>New condos arrived on market</u>	<u>Total condos on market at end of year</u>
2007	1,988	3,975
2008	615	2,227
2009	689	1,276

Source: Estimates by The Mark Co.