

High-rises and high flyers: will luxury property lead a recovery in San Francisco?

The pandemic sparked an exodus and a sharp drop in rental prices, but
recently sales have increased

Patrick McGee



The Grand Penthouse in the Four Seasons Private Residences

... a recovery may already be taking hold, led by the upper tier. CAR data indicates home sales have come roaring back, jumping 40.2 per cent in December, while home prices finished the year 16.4 per cent higher. Data from Zillow suggests pending sales in the final week of 2020 had spiked 107 per cent for the Bay Area and 117 per cent for San Francisco alone.

In the first month of 2021, San Francisco home sales soared a “tremendous” 67 per cent from a year ago, according to Compass, a real estate group. It adds: “The market seems to be heating up much more quickly than typical.”

‘A story of two markets’

For Chris Glynn, senior economist at Zillow, the trend is clear: “The early narratives around ‘cities are dying’ is vastly overblown,” he says.

Spurred by basement-level interest rates, a soaring stock market and the biggest year for IPOs since the dotcom bubble, luxury property is leading a real estate recovery in San Francisco. CAR calls it “a story of two markets”.



The recovery has highlighted inequality: sales of homes priced under \$300,000 are down but jumped 85 per cent for those above \$2m.

Gregg Lynn, a luxury sky-rise realtor at Sotheby's, says the market turned on a dime the first weekend of November when the electoral college was called for Biden and Pfizer announced its Covid-19 vaccine was 90 per cent effective.

“Those two major question marks about the future — leadership of the country, unknowns about Covid — were resolved within 24 hours of each other,” he says. “That’s the day the energy about buying condominiums in San Francisco changed.”

While 2020 was defined by how a global pandemic swept across the world, destroying businesses and jobs and causing hordes of people to [flee cities for larger homes in rural areas](#) with more spacious “Zoom rooms”, the ultra-wealthy have been insulated and have often thrived.

Home sales in San Francisco

Property sales



“There’s never been so much wealth in the upper tier,” says Joel Goodrich, a luxury realtor in San Francisco at Coldwell Banker. “We had more \$10m and \$20m-plus sales in 2020 than we did in 2019 . . . I personally had the second best year ever in my real estate career.”

Goodrich says demand from international buyers has come to a standstill given the difficulties of sussing out premium property over a webcam. Filling the gap were buyers from across the US who view the impact of Covid-19 as temporary and see the less competitive buying environment as a rare opportunity.

“In the last couple of weeks alone, in the \$20m-\$30m range . . . we’ve seen buyers from New York, LA, Boston and Canada,” says Goodrich, who in 2017 brokered the \$17.8m sale of the Bel Air estate owned by Kim Kardashian and Kanye West. “Because in spite of everything, people still need a presence in San Francisco, Silicon Valley – we remain the tech capital of the world.”



The ‘Manhattanisation’ of San Francisco has caused critics to lament that the soul of San Francisco is being stripped in favour of skyscrapers

For some, the rebound feels like vindication. The San Francisco Chronicle recently [documented](#) the city’s “cycle of change, rebirth and bitching-on-the-way-out” from the end of the gold rush in the 1850s through the 1906 earthquake, the violent 1970s and the early 2000s dotcom bubble.

For others, it simply highlights a broader shift of inequality across California, where real estate trends are as K-shaped as the economy writ large.

CAR data indicate that while rents are down and the sale of homes priced less than \$300,000 are off by a fifth as of December, those priced above \$2m jumped 85 per cent. The higher the price bracket, the stronger the gains: for the top 5 per cent of homes prices ended the year up 26.5 per cent. The median price was up 16.8 per cent to a record-high \$718,000.

San Francisco's 'Manhattanisation'



A view from the Four Seasons Private Residences, where prices start at \$2m

Although “Manhattanisation” is a bit overstated — San Francisco has just 26 buildings taller than 150m, versus 290 in New York City — the influx of the affluent has transformed a subdued downtown into a vibrant hub with a sophisticated waterfront and a spate of museums, says Glenn Rescalvo, a native of San Francisco and lead architect for the Four Seasons project at 706 Mission Street.

The trend has drawn plenty of critics who lament that the soul of San Francisco is being stripped in favour of ultra-modern skyscrapers such as the [Mira tower](#), with its twisting bay windows. Over the decades voters have approved

initiatives to limit the height of downtown buildings, and in November a new “CEO tax” was passed to draw surcharges from executives who earn more than 100 times a company’s median wage.



Rescalvo says the city is right to encourage the boom. “We don’t just need affordable housing, we need middle-income housing and we need luxury housing,” he says. “We need to supply the whole food chain in order for everyone to have a place to live.”

His vision for the Four Seasons, he says, was to take the best qualities from San Francisco’s wealthier neighbourhoods and recreate them in a column.

“Imagine taking a Pacific Heights home and bringing it to downtown San Francisco, and then vertically stacking it,” he says. “It creates this much more intimate, luxurious, elegant, sophisticated environment.”

‘Covid is temporary’

While the residence is not physically connected to the nearby Four Seasons Hotel, management wants owners to feel like hotel guests with a bevy of

premium services. Maria Di Grande, of MDG Art Advisory, is available for curating art, while Napa Valley “tastemaker” Kerrin Laz — food emporium Dean & DeLuca’s wine director before going private — will help find the perfect pinot noir.

“This idea of experiences, or events you can attend that no one else can, that are one-of-a-kind and curated for one group — that’s all we do,” says Laz.

The gym features a range of upscale treadmills, rowing machines and free weights, plus the chance you could find yourself swinging kettlebells next to NBA All-Star Steph Curry, who purchased an \$8m home here last year.

Units start at \$2m; the most expensive is the two-storey Grand Penthouse, on sale for \$49m — a record condo listing for the city. The unit is unfinished, on the assumption that any buyer would want to customise every detail.

Sotheby’s Lynn says the pandemic presented opportunities for wealthy buyers thinking of the long-term. His clientele are saying, “I have to wear a mask in an elevator and touch shared surfaces, and I may not be able to use the amenities for a couple of months. I demand a discount.” And it has worked. Some condo buyers, he says, have been able to get 15-20 per cent reductions in some neighbourhoods.

“Covid is temporary. It’s changed the energy in the city for a year or 18 months,” he says. But the appeal of San Francisco isn’t going away. “The best apartments will be gone five years from now.”