

International buyers back in Bay Area markets

Agents say lack of inventory keeps trickle from becoming a flow

BY EMILY LANDES | APRIL 18, 2022



After two years of near-total silence, there is a whisper of international interest in the Bay Area, local agents say.

Whether it becomes something to shout about depends on some of the same challenges facing domestic buyers, starting with tight inventory and competition among local and offshore buyers for coveted turnkey properties.

International buyers made up 4.6% of all home purchases in California in 2021, according to the California Association of Realtors. That's a clear rebound from 2020's record low of 1.8%—which reflected the most severe restrictions of the pandemic— and the highest percentage since 2014, when foreign buyers made up about 6% of the market.

The CAR attributes the recent uptick to a combination of factors, including investor interest in the state's booming housing market and societal changes that have made buyers more comfortable buying homes site unseen.

Chinese buyers continued to make up the largest portion of the state's international market in 2021, at about one-third of all international transactions. Buyers from India were the next-largest group at 17% and Mexico was third at 13%.

Before the pandemic, Herman Chan of Golden Gate Sotheby's would routinely close year-end deals with Hong Kong buyers who flew in for the holidays looking to "snap up property" during the winter sales doldrums. After the severe lockdowns of 2020, several of his intrepid Hong Kong buyers made their way

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back to the Bay this past winter, even knowing that they would have to endure a 21-day quarantine upon their return. They all left empty handed, the former National Luxury Chair for the Asian Real Estate Association of America reported.

“They really wanted to buy,” he said. “All cash, too.”

One Hong Kong couple was hoping to find a pied a terre in Albany to be near their daughter, who had gone to UC Berkeley and now lives in the tiny East Bay city with her husband and young child. When they arrived, there was only one single-family home for sale in the city limits. They expanded their search to Berkeley—which Chan calls “the land of deferred maintenance”—but the homes needed too much work. With COVID surging in Hong Kong, he’s not sure when they’ll be able to come back and try again.

The same dynamics are on display in San Francisco, where international buyers join locals in the hunt for a limited number of turnkey properties, according to Joel Goodrich of Coldwell Banker. That’s a shift from what Goodrich had seen in the past, when international buyers were often open to a fixer they could make their own. After a wearying last two years and skyrocketing construction costs, homes in need of even cosmetic fixes are off the table, he said.

“Psychologically, buyers want to open the door, move in and enjoy,” he said.

Some still have their hearts set on the cache of Pacific Heights, which Goodrich calls “one of the core luxury markets of the world.” Others are happy to refocus on the low-maintenance, updated finishes and more-likely availability of a new-build SoMa condo.

Goodrich also used to see a brisk business in parents purchasing properties for their children to live in while they were in the area for college. He recalled one international family that bought a Pacific Heights mansion for their two college-age children.

“What a nice dorm,” he said.

Parent buyers were nonexistent when schools were virtual, he said, but have started trickling back now that area universities have reopened.

Also back are business buyers, who are the core segment of the international scene in San Francisco, Goodrich said. After two years of Zoom calls, more and more business is being done

in person again and buyers feel they “need a presence to have access to talent here,” he said.

San Francisco is thought of internationally as a “business town,” he added, which is part of the reason most of the foreign interest comes from Asia. Russian and Middle Eastern clients looking for a “playground” were hot on the city 10 to twenty years ago, he said, but now set their sights on Los Angeles.

Michael Dreyfus of Golden Gate Sotheby’s said a return to work and in-person meetings are also on the minds of Peninsula buyers, both international and otherwise.

Before the pandemic, more than half his business was either mainland Chinese buyers who wanted access to Silicon Valley resources or those relocating from another area in the U.S. for a new job.

“International buyers are still kind of a rumor,” he said. “But the relocation trend is real.”

In either case, there is not a lot to choose from; mid-Peninsula inventory is down 50 percent from one year ago, he said. Very few properties have been updated to the degree that buyers from near and far seem to be craving now.

Local buyers will have even more competition in 2022, all the agents agreed, as more companies are expecting everyone from executive to entry level workers to be back in the office at least a few days a week.

“You can live a little bit farther from work,” Dreyfus said. “But you can’t live in another state.”

International buyers also often come with all cash offers that are tough for local buyers who need financing to beat. Plus, buyers from overseas tend to be wealthy, meaning they don’t see San Francisco as unaffordable, especially in comparison with other luxury destinations like London, Singapore and Monaco, said San Francisco agent Goodrich.

With stock market gains, the tremendous appreciation in some crypto currencies and rising home values, the Bay Area feels like a pretty safe bet to plant the money many foreign buyers have accumulated in the last few years—if they can manage to navigate the ultra competitive market.

“The money that’s out there has to find a home,” Goodrich said. “No pun intended.”

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