

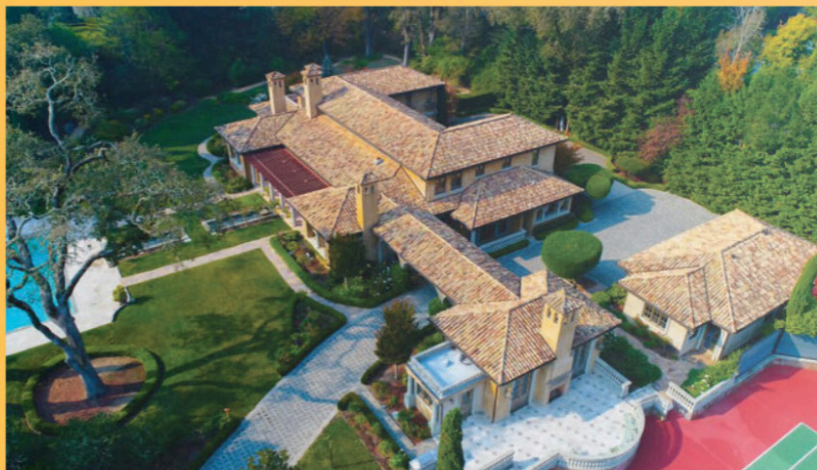


RESILIENT REAL ESTATE

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# No Comeback Required

*Bay Area real estate legends discuss how the high-end housing market has handled the coronavirus crisis so far, and where it's headed next.*



*"Residence as a resort" is the name of the game at the highest end of Bay Area real estate. Exhibit A: "Villa La Sosta" in Ross, which features a pool, spa, jogging path, tennis and bocce courts, and a casino room on almost two acres of meticulously groomed grounds.*



*It's safe to say that the East Bay hills are having a moment. With large, parklike backyards, great weather, stunning homes and easy access to the City, luxury buyers are flocking not only to Piedmont, but also to tony neighborhoods like Rockridge, Claremont and Crocker Highlands in Oakland.*

**T**he announcements came at a blistering pace: On March 5, San Francisco reported its first two coronavirus cases. Less than a week later, the NBA season was canceled, the World Health Organization declared a global pandemic, and travel to Europe was banned. Five days later, six Bay Area counties took the unprecedented step of collectively issuing a shelter-in-place order.

For a housing market that many believed had already seen its peak, this appeared to be a death knell.

Not so fast.

Over the ensuing three months, a new dynamic emerged within the premium real estate market from Pacific Heights to Piedmont. In perhaps the purest expression of supply and demand, inventory disappeared and prices kept climbing. Today, the premium Bay Area housing market is as tight as ever, driven by desirability factors that barely registered on buyers' radar just four months ago.

To get to the bottom of this crazy market, we convened a virtual event with seven of the region's most respected real estate professionals. The top questions on our mind: What the heck happened, and what's coming next?

**A lot of people anticipated some kind of market apocalypse back at the end of March, but so far, that doesn't seem to be coming to pass. Without getting into particulars, what can you tell us about the strength of the market?**

**Joel Goodrich:** Indeed, the market is doing very well. San Francisco is one of the world's core luxury markets, and we're more immune to downtrends — particularly areas such as Pacific Heights and Russian Hill. In just the last couple days we've written offers on behalf of buyers for \$11.5 and \$7 million. We're seeing quite a bit of activity.

**Helena Zaludova:** The market has some strength in it. I wouldn't say it's in all parts of San Francisco, but definitely on the north end. In Pacific Heights, we have seen some incredibly strong sales in the \$10 million to \$25 million range since March. The absorption rate is surprisingly good. The prime properties in prime locations are holding their value quite well.

**Gregg Lynn:** We have been through a convulsive period — four to five weeks of absolutely no activity — but then we rebounded around May 15 and it's been a rocket ship ever since.



*This recently completed Nantucket-inspired Belvedere residence showcases the type of opportunities that await weary city dwellers looking for a (dramatic) change of scenery. As luxury buyers reassess their priorities, Marin County beckons with a range of attractive options.*

**What's the hottest neighborhood in your market and the number one feature buyers are looking for in that neighborhood?**

**Gregg Lynn:** Pacific Heights, outdoor space.

**Tracy McLaughlin:** Flats of Ross, pool.

**Helena Zaludova:** Cole Valley, outdoor space.

**Rachel Swann:** Noe Valley, outdoor space.

**Joel Goodrich:** Pacific Heights, quality of life.

**Michael Dreyfus:** Woodside, acreage — as much as you can get.

**DJ Grubb:** Rockridge (Oakland), walking to coffee.

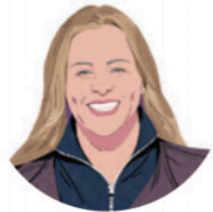


## OUR PANELISTS



**Joel Goodrich**  
Coldwell Banker Global Luxury

One of the San Francisco Bay Area's most prominent luxury real estate agents for nearly three decades, Goodrich has sold some of the Bay Area's most iconic properties, including the historic 35,000-square-foot Tobin Clark Estate in Hillsborough. Goodrich's properties have been featured in the *Wall Street Journal*, *Forbes*, *CNBC* and *Bravo TV*.



**Rachel Swann**  
Compass

A top 1 percent producing agent, Swann brings more than a decade of real estate experience to her new role at Compass. She's the former managing partner of The Agency's first San Francisco office; before that, Swann founded The Swann Group, a partner group of agents at Vanguard Properties.



**DJ Crubb**  
The Grubb Co. (East Bay)

Crubb is a Bay Area native and president of The Grubb Company, which was founded in 1967 by his uncle, John M. Crubb, and his father, Donald J. Crubb. During his 32 years of real estate sales and management, he has developed a keen appreciation for his clientele and an intimate relationship with the high-end East Bay residential marketplace.



### For those of you focused outside of San Francisco, is the COVID-19 crisis changing the profile or volume of buyers entering your markets?

**Tracy McLaughlin:** Yes, absolutely. I can see a very dramatic shift that happened almost overnight. The profile of the buyer is the same, over and over: two or three children, had briefly considered leaving San Francisco maybe three to five years out on the horizon, and then they made the decision — almost immediately and without any preparation — to come over here [to Marin County]. They're buying up the inventory that provides resortlike indoor/outdoor living with pools and such, almost in a panic. It's been very interesting to watch. It's a tight market, and it's very competitive right now.

**DJ Grubb:** I've been poaching a lot of San Francisco brokers who are now jumping the bridge because they're finding that their consumer wants to come over to the Oakland/Piedmont/Berkeley communities. We are selling luxury real estate over here for under \$1,000 a foot. My real estate is not expensive compared to other luxury markets in the Bay Area, especially in Piedmont, on the high end. It's the family formation. I think they've been pent up in San Francisco, in their condominium and/or flat. And they're saying, "Let's get out."

**Michael Dreyfus:** Some things turned on their heads immediately. Our traditional walking markets like Palo Alto and Atherton have always been stronger than those west of 280, like Portola Valley and Woodside. That just got completely reversed. People came looking for acreage like I've never seen before. Woodside got wiped out. I mean, there were homes that had been sitting on the market for over two years — over \$10 million — and it literally sold out. We're seeing people from all over the country that have ties to the Valley through business and are making a decision to live here full time, at least for now. And there's a lot of talk about schools. They're thinking about schools that can handle social distancing. And maybe, in their minds, the suburban schools give a better opportunity for that.

### The COVID crisis has really upended life as we know it and fundamentally altered people's feelings about what's important. I'm curious how that's translating to home buying. What are the new "dynamics of desirability" for properties?

**Joel Goodrich:** What we're finding is that single-family homes are much more in demand than the high-rise condominiums and co-ops. We have some great buildings in San Francisco that have always been in huge demand — who doesn't want to be in a building with great services, great amenities, great use? But right now, people want their own space. We've seen a trend toward the urbanization of real estate over the last few years where people want to be close to everything. Now, we're seeing a little bit of a shift out, but I don't think it's going to be permanent.

**Helena Zaludova:** The buyers I'm working with are absolutely reconsidering the urban aspects of where they live. I found a set of buyers who were considering a home on Laguna and Green and it just felt too urban. They made a complete shift into District 4, which is Forest Hill and St. Francis Wood. I think this is an almost seismic shift in how people want to live within the City. These neighborhoods that have been a little bit quieter, a little bit away from the hustle and bustle, are seeing the highest level of activity. Within the home, luxury buyers are now looking to solve for everything. A room to work from home. A gym area to work out.

**Gregg Lynn:** We were on an important showing yesterday with an important client, and one of the kids says, "Daddy, where will I do my Zoom call?" Understanding the need for light in Zoom calls, this is something that I could not have fathomed just 90 days ago. The requirements are changing. We're also seeing a surge right now in families that are not ready for single-family homes, and they're looking at low-rise condominium buildings in blue-chip neighborhoods.



*The new calculus of pandemic living has sparked frenzied interest in luxury properties that offer showstopping indoor/outdoor living amenities, like Valhalla in Sausalito.*



*The market is as hot as ever for elegantly appointed single-family homes in San Francisco's top neighborhoods, like this five-bedroom stunner in Ashbury Heights.*

**Tracy McLaughlin:** What I'm finding is that people want to unpack their suitcases, put their clothes away, and go right back on their devices. We're living in an era, right now, [with] very little tolerance for fixers. It doesn't matter if it's an A1 location. I see people paying high prices in B-, or even C-grade locations, to move in and feel good right away. Anything with indoor/outdoor living, a pool, and finishes that feel and look really chic to people. Nobody wants to spend three years of their lives going through approvals, unpredictable construction costs, delays and neighbor objections.

**DJ Grubb:** It's almost as though our vocabulary has changed. We're speaking of home cooking, family, pet friendly, reconnecting, celebrating, walking. The compound is very important. Experience the garden, fresh air, comfort, safety, peace. We've had a fundamental shift in what the consumer wants because they're going to live in the entire space.

## How have agents had to change and adapt to this new environment, and how are buyers and sellers alike responding?

**Rachel Swann:** The ability to work from anywhere has been a big push for most of the clients I work with. They're like, "If we can work anywhere, we're ready to just get out of here and try somewhere different for a while, and we can always come back to San Francisco." We're also seeing more serious buyers these days with proof of funds and pre-approval; far fewer looky-loos.

**Michael Dreyfus:** The "home as a resort" is what we're seeing. I've never had so many requests for pools in my life! I'm actually getting bids to put in pools before we put the house on the market, because I know it's coming — it's something people want. Movie theaters were almost dead because TV screens are so good that it seems silly to have this whole room devoted to a theater. They're back now. All of a sudden, everybody wants one. Bigger gyms are a big deal. And, of course, the home office.

We almost buried the McMansion, and now it's back. Everybody was going to the tiny home, and now it's just gone right back the other way. "Give me space. Give me a place I can have my friends over and we can be outside."



**Helena Zaludova**  
Compass

In 2019 alone, Zaludova closed over \$100 million in sales and became one of the highest-ranking San Francisco real estate agents. Most of the properties she listed sold for over asking, and 71 percent of her buyers' offers were accepted the first time her team made a bid on their behalf.



**Gregg Lynn**  
Sotheby's International Realty

Ranked in 2019 as one of the top two agents in the City by the San Francisco Association of Realtors, Lynn has represented clients in transactions totaling more than \$1.5 billion. Partnering with the creative teams responsible for marketing the world's most prized artworks at the Sotheby's Auction House, Lynn works with his clients to curate each home, presenting it to the global market and enabling it to sell at the highest possible price.



**Tracy McLaughlin**  
The Agency (Marin)

McLaughlin has a remarkable real estate success story. In 2019, after nearly 15 years of standing out as the no. 1 producer in residential sales in Marin County, she was recruited by award-winning entrepreneur and real estate trailblazer **Mauricio Umansky** to lead the Marin County offices for his state-of-the-art luxury real estate brokerage, The Agency.



**Michael Dreyfus**  
Golden Gate Sotheby's (Peninsula)

Dreyfus has had more than 25 years of success in residential real estate. He is one of the leading sales agents in the Silicon Valley/Peninsula area and has regular appearances on the *Wall Street Journal*/REAL Trend's list of America's Top 250 Agents. His recent sales have included some of the highest sales recorded in Palo Alto, Woodside and Atherton.



**While we've been dealing with the pandemic crisis, another has continued unabated, particularly in San Francisco: the homelessness crisis. What can you tell us about the issue as it impacts both your San Francisco sellers and your buyers?**

**Helena Zaludova:** Prior to [shelter in place], I did a fair amount of travel and business in other parts of the country, especially in the South. And I've noticed that San Francisco does have a bad rap on homelessness. This is not something to ignore. Oracle World and other conferences are gone because downtown was not feeling so great. It's certainly a topic and something that the City will need to deal with.

**Tracy McLaughlin:** I personally believe that the homeless issue in San Francisco is as much a blight on the City as COVID-19. Clients are coming out here [to Marin] saying, "I've been pushed this far by homelessness for years; it seems like almost an unsolvable problem in San Francisco. And this has tipped me over to finally make a decision to leave a place I never thought that I would leave."

**Michael Dreyfus:** I don't feel like it's a driver for us. I can tell you, anecdotally, it's sometimes affecting clients that I send to Gregg in their decision to buy there or not.

**Gregg Lynn:** I want to echo what Michael has said. We focus on the second-home market South of Market, and Russian Hill, Pacific Heights, condominium and co-op. Between 2018 and 2019, about a 12-month period, that's when the media noticed the homelessness issue in San Francisco. That's when the big stories came out in *The Wall Street Journal* and *The New York Times*. And that's when there was a big acknowledgment that "Hey, there's a big problem here." We lost about 80 percent of our buyers from the Peninsula, Marin and the East Bay that were looking for second homes here. And they haven't come back yet. So, yes — COVID has been a horrible situation to deal with. But a lot of our second-home buyers, which are the strength of our apartment, co-op and condominium market, disappeared a long time ago.



*"Within the home, luxury buyers are now looking to solve for everything," says Helena Zaludova, from working to working out.*

*Can't fly to Cabo? House hunters at the high end are increasingly looking for a resort in their own backyard.*

**One piece of coronavirus guidance that's really crystallizing is the safety of outdoor interactions versus indoor interactions. Are big, parklike outdoor spaces really driving valuations in a substantial way?**

**DJ Grubb:** Well, I think if you go back 30 years, we had the visual garden, right? We no longer have the visual garden; we have the garden "experience" in which we're building outdoor rooms in the garden space. If you look at the format of, what are the public rooms in the home? Well, there's the living room, dining room, and it may just now be the outdoor room as a public space for the property. So, yes, it's a definite trend, definitely important.

**Michael Dreyfus:** I've been thinking about our weather a lot lately and I think it's going to start to be a big driver. I think a lot of people are coming DJ's way [to the East Bay].

**Rachel Swann:** Just on a more urban level as well, I mean, what we're seeing in Noe Valley is the City doing slow streets, where they're blocking through traffic on certain streets. So, on Sanchez, between 23rd and 30th, there's no through traffic. You're seeing people who are biking, walking up and down the street, playing ball. We're seeing a little bit of a change there.

**Widespread work-from-home has certainly changed the game in terms of what people want, but are you seeing a lot of clients who are leaving the Bay Area entirely?**

**Gregg Lynn:** I do. And we have, for some time. The coronavirus has sped up decisions for people that may have been three to four years away but are happening now.

**Michael Dreyfus:** Different people are going to do different things. If you're a hedge fund guy and you have a staff of four people, you're going to Hawaii and you're working from there. But culture is a big deal. My daughter is probably going to move farther away, but I don't think she's going away. I think she's going to come into the office once a week. She's still going to touch that place, but she's not going to do it as often. And it's going to give her the ability to move farther out. Driving across a bridge one day a week is a lot different than five.