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PICKING UP STEAM

After tagging along on Zephyr's tour of homes, it appears that reports of the S.F. market's demise have been greatly exaggerated

Heather Boerner, Special to The Chronicle
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On a recent Wednesday morning, Jackie Cuneo entered her office meeting with a heightened sense of anticipation -- in a good way.

She, along with about 140 other Zephyr Real Estate agents and brokers, crowded into a large conference room and politely sat for announcements of real estate forums, reminders to use the company intranet and an announcement from an agent soliciting donations for an upcoming charity marathon. All buzzed by quickly, and Cuneo, a Bay Area native, sat easily, sipping her morning coffee.

Then the show really began.

"Anybody work this week?" deadpanned company co-founder and owner Bill Drypolcher from the podium, cocking an eyebrow.

The meeting came alive. Hands shot up. Sales manager Don Saunders slipped between tables to hand people the microphone to announce their sales for the week. Cheers broke out and agents muttered amongst themselves. Nearby, a staff member kept a running tally of the results. A smile spread across Cuneo's face. It was her turn.

She introduced herself and made her announcement in a very businesslike way: She represented a buyer in the joint purchase of a tenancy-in-common on Casselli Avenue in San Francisco's Castro district. "It received eight offers," she rattled off. "It went five ways over."

A "way" is \$50,000. The property sold for \$250,000 over asking.

The cheers and applause were louder and more raucous for Cuneo's announcement than for any other of the day, and Cuneo, who is friendly but a bit shy when speaking in public, laughed.

Never mind the gloom and doom stories in the newspaper and on TV. Forget about a leaking bubble. In this room you could feel it: The market was back.

If indeed the Bay Area's real estate market is made up of microclimates, as some have suggested, then it's always sunny in the Castro. Zephyr's flagship office is located there, perched at the fork between 17th and Market streets, just down the street from the giant rainbow flag.

Founded in 1978 by Drypolcher and three partners, Zephyr has grown to include six offices with a total of more than 250 agents. This month, Zephyr is opening an office on California Street in Pacific Heights. Zephyr sells lofts, single-family homes and other properties in the city's midrange, with an average sale price of \$875,000.

The Castro is one of the most desirable neighborhoods in San Francisco. It's full of renovated homes, like the upper unit of the Casselli Avenue property, with chef's kitchens and skylights to show off all that stone and stainless steel. It's located within walking distance of three gyms, two grocery stores, a hardware store, and a boutique that sells only exotic door knobs and cabinet pulls. These are homes that sell for a pretty penny no matter the real estate climate.



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In these microclimates, the agents are the weather vanes. They can tell you with complete accuracy what's happening where they stand, though they don't always have a sense of what's happening to the overall market. That is, until they attend functions like Zephyr's weekly meet-and-greet with colleagues.

Every agent will give you a different time period for when the market cooled. For Cuneo, the fog rolled in in September and hunkered down until the beginning of the year. She recalls one property she sold -- it languished on the market for 90 days before finally selling for \$629,000. In January, the unit next door sold empty and in less time for more money.

There were still multiple offers -- Drypolcher reported that even amid last year's slump, a third of their properties sold with multiple offers -- but they weren't as common and they didn't elicit the frenzy of offers that is seen now. Houses came on the market and were pulled off again after price reductions and lack of interest. The Casselli property, a two-flat building, had been on the market for several days last year when it was pulled off again. And then, voila -- the new year arrives, Casselli goes back on the market, and suddenly there's a bidding war and tons of offers.

Stories like this ripple through the meeting. Take a property a few blocks from Casselli Avenue, on Ord Street. Peter Goss represented the seller on that property when it went on the market this year. But it wasn't the first time the house had been on the market. In September, the owners listed the house for sale -- and waited. They waited 92 days and lowered the price by \$46,000 before eventually deciding that perhaps it wasn't the time to sell.

"Oh, it's a tremendous change," Goss said. "This property on Ord, it was listed last year for \$1.795 million before the price was lowered to \$1.749 million and then taken off the market. This year, we listed it for \$1.695 million -- a little lower -- but the offer we received was for \$1.85 million. So again, this is more than asking price of last year."

The house sold in five days.

Why the change? Goss gives some of the credit to Zephyr's selling techniques: The agency is a believer in staging properties. Almost every house on a recent tour of Zephyr listings had been staged with paintings, bedspreads and large, leaning mirrors agents have seen dozens of times before.

But what Goss really sees is a shift in the market. From where he stood, the market cooled in the summer and into the fall of 2006 but rebounded in December. Goss says he remembers clearly the moment the market came back:

"The event that caught my attention was that I presented an offer for a three-bedroom, three-bath condo in the Corona Heights neighborhood," he recalled. "It was due the 15th of the month. The house was listed for \$1.19 million. On the day the seller was going to take offers, ours was one of 14. This was 10 days before Christmas. It was at that moment that I knew something had happened. The sheer number of offers at that price point was very impressive. From that moment on, almost every situation has been a multiple offer, whether I'm representing the buyer or the seller." The condo sold for \$1.429 million and Goss' client got the property.

Of course, the Castro isn't the only place where the market has defied news of the death of real estate and the collapse of the subprime lending market. Much of San Francisco has been immune to the subprime bomb, Drypolcher said.

That was evident when, after the meeting, the agents took their weekly tour of Zephyr listings. A well-appointed home was open for sale in the Sunset, with a sliver of the Golden Gate Bridge visible out the window of a back sunroom. In the Mission, a staged living room mixed with monkey paintings and the owners' bright red DJ mixing booth.

Noe Valley is the ultimate bubble-proof neighborhood. Realtor Cece Blase of Paragon Real Estate refers to it as the "mythic Noe Valley home" -- a single-family home in that family-oriented neighborhood will always sell, and often with multiple offers, regardless of the market.

On the day that Cuneo made her big announcement, Zephyr reported 31 sales, 14 of them with multiple offers and 16 of them sold for more than asking. By way of comparison, early February drew only 13 sales, five of which went for over asking price.

That just goes to show how tenacious the San Francisco real estate market is, Drypolcher said. Even in

3 BR / 1 BA
\$490,000

SAN MATEO
2 BR / 2 BA
\$895,000

NAPA
3 BR / 2 BA
\$650,000

PACIFICA
3 BR / 2.5 BA
\$900,000

BRISBANE
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\$674,000

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the toughest parts of the market, his agents were still reporting that 1 in 3 of their sales involved multiple offers.

Goss says he's constantly having to break the news to buyers that the real estate market slump, if there ever was one, probably won't apply to their search.

"Buyers come to us and are obviously very distressed when we tell them they're going to have to compete against quite a few people to purchase any property that is exceptional," he said. "That's not the perception that one has. The perception that one has is very different.

"Last year's big story was the housing bubble. People finally got to the point here of realizing, 'You know what? This isn't happening here.' Now you pick up the paper and what's the story? It's the subprime market problems. That's this year's story. Here again, there are so few subprime loans in San Francisco -- it's a very different situation here than in other Bay Area cities."

Goss paused and shrugged.

"That's fine," he said. "There will always be stories. But it's not happening here."

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