home of the

Subscribe to the weekend Chronicle

SEARCH SFGate Web Search by YAHOO! | Advanced Search Sign In | Register

Bay Area & State | Nation | World | Politics | Crime | Tech | Obituaries | Education | Green | Science | Health | Weird | Opinion

Why his tenants praise the 'lord

For decades, Matthew Hallinan has developed a reputation for (relatively) low rents and active involvement

Heather Boerner, Special to The Chronicle
Sunday, November 26, 2006

PRINT E-MAIL SHARE COMMENTS (0) FONT | SIZE:

Chronicle / Katy Raddatz
Katy Raddatz / The Chronicle
Tenants living the high life: Tina Warren and daughters Lucie, 2, and Isabel, 6, on the roof of their Sutter Street apartment. Warren set her own rent at $2,000 a month. Chronicle photo by Katy Raddatz

View More Images **(2)**

Tina Warren is amazed at all she gets for $2,000 a month in rent: a penthouse-level apartment on Sutter Street in downtown San Francisco, two bedrooms, roof access and utilities covered.

Before she moved in, she set her own price, offering $2,000 to landlord Matthew Hallinan, from whom she'd already been renting for 14 years. When he accepted, she got to select her own carpet and remove all the wallpaper put up by the former tenant. What's priceless is the fact that the 100-year-old building is immaculately maintained and that there's a friendly feel to the building for herself, her husband and two daughters.

"It definitely feels like home," said Warren, an illustrator who's lived in the building since 1989. "It's safe, my children are safe here. And (building manager) Terri Price is like a mother to me."

Similar apartments in San Francisco would rent for $2,288, according to Real Facts, a Novato company that tracks rental rates around the country. Those statistics are for the third quarter of the year, ending in August, and don't account for the higher demand that's increasing rents now.

Indeed, Hallinan is a tenant's dream: a landlord who is actively involved in the health of his building, who attends annual Christmas parties, keeps rents low, responds to complaints promptly, and pays union employees higher wages and health benefits. And he's committed to not raising rents during this boom time.

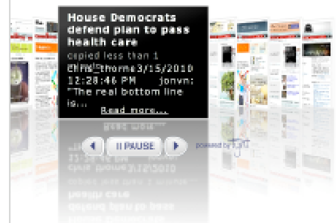
REAL ESTATE

- Find real estate
- Luxury homes
- New homes
- Rentals
- "On the Block" blog
- Place an Ad

MORE REALESTATE

- Data point 03.14.10
- Home sales for 5 business days 03.14.10
- A classic compound 03.14.10

Currently Being Copied



MOST COMMENTED | MOST READ | MOST E-MAILED

1. Short sale tax shortchanges ex-homeowners
2. BART train splits in two in Transbay Tube
3. Pink slips sent to thousands of Calif. teachers
4. 'Pharma parties' a troubling trend among youths
5. Neela's in Napa debunks Indian cuisine myths
6. Technology gives charities new way to reach out
7. 'Justified' scores with hot star, smart scripts

Pot-farm case up in smoke

"When I took over the buildings, I thought about, 'What would I be willing to pay for this space?' " said Hallinan, a former tenants rights organizer. "What's fair?"

Hallinan's family owns about 200 apartments in five buildings in downtown San Francisco. His approach is rare but not unheard of, said Janan New, executive director of the San Francisco Apartment Association. A minority of the members of her organization see it as their "social obligation" to keep rents low. "Especially in a very liberal city like San Francisco, there are people who purposefully keep their rents low," she said.

"It's a small percentage. It's an unusual approach and business model, but not unheard of. Most property owners are entrepreneurial. They are in the business to make a profit."

The current rental market is certainly good for landlords' bottom line. David Gruber, president of the San Francisco Rent Board, said rents and interest in apartments around San Francisco are "intergalactic" right now. He estimates that rents have increased 10 to 15 percent in the past year.

"In the last six months, it's gone from apartments being on the market for four weeks to now, 50 percent of my rentals are by word of mouth," he said. "I don't have to advertise. People hear about something and they contact me."

In that environment, Gruber said, most landlords -- and especially landlords of rent-controlled buildings -- increase their income as much as possible with each vacancy.

Under San Francisco's rent control, owners of buildings constructed before 1979 must limit their rent increases to 60 percent of the rise in the consumer price index. For the year that ends in February, that's an increase of 1.7 percent. But when a tenant leaves, landlords can increase the rent as much as the market will bear. After the tenant moves in, landlords are again limited to increases of 60 percent of the consumer price index rise.

"The philosophy in a rent-controlled city is that the main release valve is when someone voluntarily vacates," he said. "That resets the rent control, so you need to take advantage of those moments. Philosophically, I tell Matthew that if your (buildings) are full, your rents are too low. You should always have something testing the market."

But Hallinan, who is in the enviable position of owning his buildings outright, doesn't have to test the market. And he still makes a profit. It's not simply that he believes that keeping rents low helps build communities -- although that's part of it. Hallinan also believes that he can make as much money as Gruber and the majority of landlords over the long haul by keeping rents consistently low.

How? Keeping rents low keeps tenants happy. Happy tenants report problems in the building, work with him to get out tenants who are selling drugs, for instance, and are less likely to sue, which increases insurance costs. When the dot-com bubble burst, there was a 20 percent vacancy rate in downtown San Francisco -- but in Hallinan's buildings, occupancy was virtually unchanged.

"It started off very idealistic," he recalled, chuckling. "But little by little I had to face certain realities. When you really get to know this business and you've been in it a while, you begin to understand what your costs really are -- and they aren't just the immediate costs on a month-to-month or a yearly basis.

"You have to ask yourself: Do tenants take care of their units and public space? Do they give a damn? Do they tell you when there's water leaking, when they see a problem? So when you look at it from that point of view, you realize that the attitude of the tenants is an extremely important part of your business."

Last year, BallyHallinan Properties -- the family company Hallinan manages -- brought in more than $1 million. Hallinan recently raised rents on vacant studios to $850 to $1,000 a month. Studios account for the majority of his apartments.

According to Real Facts, the average studio rent in San Francisco is $1,473. Hallinan splits that income like this: Sixty percent goes back into the building in the form of wages, benefits, maintenance and other expenses. Forty percent is profit, split between himself and his famously progressive family, which includes former San Francisco District Attorney Terrence Hallinan, his brother. His father, attorney Vincent Hallinan, ran for president under the Henry Wallace Progressive Party banner.

That's the inverse of how most landlords allocate their income, said Gruber, who manages Gruber and Gruber Properties in San Francisco. Landlords who charge market rent allocate about 60 percent of their income for profit. The other 40 percent goes to expenses.

Hallinan is in a unique position, however, said Gruber. He owns his buildings, and doesn't have to pay a mortgage.

"It's allowed (Hallinan) to not have to be constantly under the gun in getting the top rents," he said. "He doesn't have to demand every last source of income. And it also allows him to negotiate and help out some tenants who might not otherwise be able to stay."

Hallinan inherited the buildings from his mother, Vivian Hallinan. Vincent Hallinan bought their first apartment building after winning a large court settlement for a client.

While Vincent Hallinan was filing lawsuits, brawling and going to prison, once for reporting only a fifth of his income to the IRS and once for refusing to hand over labor unionist Harry Bridges during the McCarthy era, Vivian Hallinan was buying buildings sent into foreclosure by the Depression. "They were essentially empty buildings," recalled Matthew Hallinan. The apartments are the foundation of the family's fortune.

Ironically, Matthew Hallinan never wanted to run the family business. None of the brothers did. An anthropologist by training, Hallinan jokes that "being wealthy allowed me to be a professional revolutionary, and being a professional revolutionary forced me to become a capitalist, because I had burned all my bridges." He went from being a tenant organizer in New York City to being the handyman of the buildings and then the manager. He's been running the buildings for 25 years.

"The thing is, Matthew's approach is not nutty," Gruber explained. "What he has is the ability to make a conscious decision not to gouge the public. He feels that regardless of the market, if he can get 10 to 15 percent more (on vacant apartments), he doesn't have to double or triple rents, as the market might allow."

E-mail Heather Boerner at heather@heatherboerner.com.

*This article appeared on page **K - 4** of the San Francisco Chronicle*

PRINT E-MAIL SHARE COMMENTS (0)

More Articles

Powered By one spot

From SFGate.com:

What you can buy in the Bay Area for $1 million
03/14/2010

Four Seasons' owners say deal ends loan default
03/11/2010

Soaring China home prices thwart ordinary buyers
03/10/2010

More real estate woes for CalPERS
03/11/2010

China green energy major comes to S.F.
03/10/2010

From Around The Web:

San Francisco Magazine nominated for two National Magazine Awards
03/10/2010 - francesdinkelspiel.blogspot.com

Disadvantages of Owning a Home
03/14/2010 - imbrandon.com

Danish Modern Shelving - $325 San Francisco Scavenger
03/12/2010 - apartmenttherapy.com

Renter's Report: Diary of a DJ: Mike Nouveau Sees More Rentals, Fights With Broker
03/16/2010 - ny.curbed.com

Letters: Homeownership's Future
03/13/2010 - nytimes.com

Related Searches: Dot-com bubble, McCarthyism

(0) View Comments »

Be the first to share your thoughts on this story.

Add Your Comment

You must be signed in to add a comment. Sign In | Register

Submit

Goodman: TV Power Rankings!

Famed photog's show at UC

World's shortest man dies

Change at IRS: It wants its 4 cents

The Poop: Shamrock Shake