

**WESTERN
 REAL ESTATE
 BUSINESS**

August 2014

**THE CONDO MARKET HEATS UP IN LOS ANGELES,
 SAN FRANCISCO**

The notion of a condo development would practically get you run out of town just a few years ago when conversions were king and the recession was in full effect. Not anymore, however. At least not in two of the West's hottest residential markets around.

By Nellie Day

Condominium developments and sales have returned to the West. After years of stalled projects and leasing out unsellable inventory, the market — and economy — finally seems ripe for the urban buyer. The Condominium Pricing Index, released by The Mark Company this April, was up 8 percent year over year in Downtown Los Angeles, while San Francisco's pricing index gained a whopping 19 percent.

The urban residential marketing and sales firm calculates its Condominium Pricing Index based on the price per square foot of a new 10th-floor, 1,000-square-foot condominium. This index stood at \$650 per square foot, up 1 percent from this past March, in Downtown Los Angeles. New construction inventory was also 67 percent lower than it was one year ago, and down 19 percent from the previous month. San Francisco's index clocked in at \$1,115 per square foot, up 8 percent from March. New construction inventory was 45 percent lower than a year ago, with only 136 units currently available.

With numbers like this, it's safe to say buyers have returned to the market.



"Buyers are hungry for inventory in markets like San Francisco and Downtown Los Angeles, and absorption is strong," says Alan Mark, president and founding partner of The Mark



Trumark Urban recently began selling units at Amero, a \$37.8-million condo project in San Francisco's Cow Hollow neighborhood.

Company. "Investors and buyers are not hesitating to purchase in today's market. People want to own their own home. Real estate is consistently viewed as a solid place to invest and be diversified, especially in the long term."

Mark notes Bosa Development recently wrote more than 100 contracts for its 263-unit Arden condominium project at 201 King Street in San Francisco's Mission Bay. The contracts were worth an average of more than \$1 million, and there was a year-long wait for its delivery, according to Mark.



Alan Mark

"There is pent-up demand that is finally being met with the influx of over 500 new units in June in San Francisco," he says. "The current tech boom and influx of residents in need of housing have driven prices up, and also led to the emergence of entirely new residential neighborhoods. Younger tech professionals are drawn to some of the city's niche neighborhoods as long as they have walkability, great restaurants and plenty of nightlife. Areas like the Mission and Mid-Market have become the hip places to be, and this has only driven housing prices up further."

One company that knows this all too well is Trumark Urban. This offshoot of San Francisco Bay Area-based Trumark Companies has 10 condominium projects between Los Angeles and San Francisco. These projects include 1,200 residential units totaling more than \$750 million.

The firm recently began selling

managing director of Trumark Urban. "The dynamism is palpable, jobs are plentiful and there is a housing shortage. We are excited to be a part of the solution as we work toward providing housing for all segments of the San Francisco population."

Meanwhile, in Los Angeles, the firm is under contract to purchase a fully entitled development site in Downtown's South Park neighborhood where it plans to build a \$100-million condo complex. The 24-floor property will contain 151 units on the corner of West 11th Street and South Grand Avenue. The deal is set to close this October. Once it does, it will mark the firm's first foray into the Southern California market.

"This building is the right size and location for our entry into the market," Hearing says. "Many developers are building rental apartments, which have helped to bring retail services to the area, but the submarket is dramatically lacking new condo inventory for those residents who prefer ownership. In that, we see opportunity."

Trumark Urban is aggressively looking for A+ sites in certain loca-



Arden Hearing



Trumark is in the midst of purchasing a fully entitled development site in Downtown Los Angeles' South Park neighborhood. It plans to build a \$100-million condo complex on the site, filling a growing demand for affordable for-sale homes in the city's urban core.



Merchant is a 63-unit condominium development in the San Francisco Shipyard in the Hunters Point neighborhood. It is being developed, along with its sister property, Olympia, by Lennar. The Mark Company is handling sales.