

RESIDENTIAL REAL ESTATE

S.F. named best market for agents

Despite intense competition, real estate agents find that the high home prices make the extra effort worth it

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It's become cliché to describe San Francisco's real estate market as "red-hot" in a kind of shorthand that captures the lightning-fast closing times for homes and a median house price that drifts north of \$1.3 million.

But even as some experts continue to predict a downturn just around the corner – at least for the time being – the market doesn't seem to be slowing down much.

Owing to these metrics and a range of other data points like median wage and real estate employment growth, WalletHub has named San Francisco the Best Place to be a Real Estate Agent for 2018.

The personal finance site compared more than 170 U.S. cities across 18 key indicators of a healthy real-estate environment ranging from sales per agent to building permit activity to home turnover rate.

Patrick Carlisle, a vice president and chief market analyst for Paragon Real Estate Group, pointed out a few key distinctions that make San Francisco's market stand out from the rest of the country.

"One of the challenges in San Francisco is how complicated the market is," Carlisle said. "We have single-family home, condos, TICs, co-ops, then we get into rent control and anything to do with tenants is not just complicated, but dangerous if you're not doing the right thing."

He added that clients in San Francisco have higher expectations than in other markets, requiring more tech-savvy from agents in communication, marketing and data analytics.

"The level of sophistication here is unlike anything else, when you are a very, very bright entrepreneur that has succeeded you have a certain level of expectation of the people you hire to meet your needs," said Pacific Union real estate agent Steven Mavromihalis. "What that level of expectation has done is it's brought a higher and higher level of service within the industry."

Even with those challenges, the financial oppor-



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tunity is enormous. With some of the highest housing prices in the country, it's not unheard of for top real estate agents to make more than \$1 million a year and many agents earn well into the six-figures.

According to Carlisle, those economic incentives have created a very competitive environment where top executives in fields like finance, law and business have entered the industry. Due to the market's complexity, agents often have to independently build up areas of expertise in multiple fields to be successful in San Francisco.

"At the same time you're putting together multimillion dollar contracts, you're preparing a home to show," Carlisle said. "Being a real estate agent in San Francisco is sometimes like stapling five or six careers together that don't really have much coherence."

Another main difference is that real estate agents don't need to do many deals to be successful in San Francisco.

"While in some markets you'll see top agents do literally hundreds of deals, because of San Francisco's high housing prices, agents only need 10 to 12

deals to be in the top 10 percent and make a very good living," Carlisle said. "However, there's ferocious competition to get those deals, especially in the higher price ranges."

Mavromihalis added that the recent extreme wealth creation in San Francisco has opened up opportunities for real estate agents to help clients who are purchasing residential real estate as a hedge against the financial markets.

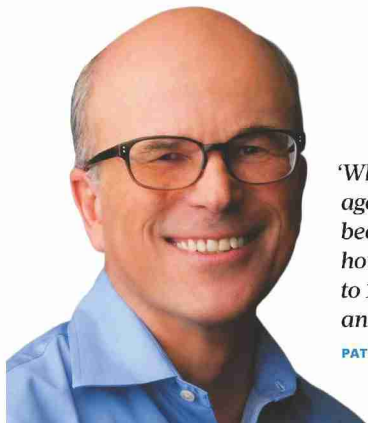
"Investment value has been spectacular compared to platinum, gold, or the stock market. The graph for real estate has been relatively flat and trending upward," Mavromihalis said. "You can't live in your stocks and bonds, you can live in your home and your stocks and bonds don't have views of the Golden Gate Bridge."

Carlisle entered the real estate industry in 1989 and has seen many changes in the intervening years including the introduction of new online tools offering services to potential homebuyers, which some experts see threatening the traditional brokerage industry.

"The only way real estate agents could compete is to reduce the cost of hiring an agent," said Mehdi Barati, professor of economics at the University of Southern Mississippi in the WalletHub report. "Price is and always has been the No. 1 factor in the decision-making process regarding purchasing a good or a service."

Carlisle disagreed about the prospect of technology completely superseding traditional real estate agents by highlighting the emotions involved in buying or selling a house.

"Agents are typically dealing with the biggest financial transaction in their clients' lives," Carlisle said. "People don't want to be sitting at a computer. They want to talk to someone who they can trust. It's hard to take the agent out of the equation because every single house is different."



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