



A CLASS ACT

A conversation with San Francisco's premier power broker real estate team.

We recently sat down with the most influential and successful power-broker real estate team in the Bay Area, Andy Ardila and David Costello, who are the minds behind The ACT Team at Compass (actcompass.com). They gave us an incredible overview of the real estate market, with deep insights into what's ahead.

WHAT ARE YOUR TOP PREDICTIONS ABOUT THE 2023 REAL ESTATE MARKET IN SAN FRANCISCO?

There are no lack of predictions about where the market, inventory and home prices are heading this year. We believe that mortgage rates are expected to stabilize, while home sales and prices are beginning to moderate after recent highs.

Factors such as interest rates, stock market volatility and job market anxiety will certainly affect what buyers are able and willing to pay. And sellers that don't have to sell will stay put instead of negotiating and accepting a less-than-desirable price. There is, in fact, a lack of for-sale inventory in San Francisco right now, which may continue to favor sellers in terms of sustained sales activity. That said, sellers are becoming more realistic that multiple-offer and higher-than-list-price sale scenarios are no longer the norm to expect.

We anticipate a more balanced buyer-seller market with stable prices. While 2022 might be remembered as a year of housing volatility, 2023 likely will become a year of long-lost normalcy returning to the market. We've finally entered a balanced market in San Francisco, where you can buy a home, negotiate a fair price and protect yourself with inspections and appraisals. We suggest going to our website for the latest San Francisco market report.

WHAT CHALLENGES AND HEADWINDS DO YOU SEE FACING THIS YEAR?

We don't expect that the price of homes will free-fall as some in the media have suggested. San Francisco has only 7 square miles of real estate, we anticipate inventory in the city to remain low, as many would-be sellers are hesitant to put their homes on the market right now—with many having recently refinanced their homes in the mid to high 2% range.

In the worst of times (i.e. Great Recession of '08), when the market was extremely depressed, values only dropped a maximum of 10% in San Francisco.

Condos may be a different story, particularly in SoMa, where the fallout from the pandemic, coupled with working from home and mass tech layoffs has created a significant amount of unsold inventory in the downtown area. That said, condos are very neighborhood specific. We have listings in several luxury, newly constructed buildings in the Pacific Heights area, and we're seeing an increased level of interest, demand and sales activity.

WHAT OPPORTUNITIES DO YOU SEE IN THE SAN FRANCISCO RESIDENTIAL REAL ESTATE MARKET?

It's a great time to negotiate on a condo in a neighborhood such as SoMa, for example. You might also consider purchasing a TIC, as interest rates are currently much lower for a TIC than what traditional mortgage rates can offer.

There's a silver lining in regards to higher interest rates: less competition! Last year if a home that was listed for \$2M hit the market, it was not uncommon to receive 10 or more offers (with all contingencies waived) and the home ultimately selling for \$400,000 to \$500,000 over asking.

In this market, a lot of the competition has evaporated and put the buyer in the driver's seat. A motivated seller for that same home might consider accepting an offer in the \$1.7 million to \$1.8 million range. We're telling buyers that they are actually much better off when purchasing in this high interest rate environment, since they're not going to be outbid and can finally get a fair price on a home.

WHAT ARE FIVE HABITS THAT YOU PRACTICE THAT MAKE YOU A HIGHLY SUCCESSFUL REAL ESTATE AGENT?

We truly care about our clients and have a passion for selling homes. Everyone on our team at ACT has a really high “care factor.” One of our mottos is “ACT with kindness.” We try to learn everything we can about the people we meet—about their family, business, lifestyle, hobbies, etc.. We really listen to our clients and cater to each of their unique needs.

Both David and I have always been very competitive in nature, not only in business, but in sports and everything we do in our life. We approach every decision carefully and analytically, while responding and executing quickly. Money and success comes as a result of being passionate about what you do and authentically caring about your clients. We want our ACT brand to be associated with best-in-class service that is 100% results oriented—it’s a simple but effective philosophy.

Other habits we incorporate into our daily lifestyle includes starting our day early. Being early risers allows us the needed time to stay on top of the news, track new listing activity, and get up to speed on the constantly changing real estate market.

Compass provides us with a proprietary technology platform that we use daily. It employs artificial intelligence (AI), which can identify—in a highly targeted way—potential buyers who might be interested in purchasing a home that we’ve listed. Our goal is to close deals more quickly and efficiently. We’re living in the tech capital of the world, after all, so we need to embrace technology every day when selling real estate. Not to mention our savvy clients expect it.

WHAT ARE SOME OF THE TOP HOME DESIGN TRENDS YOU ARE NOTICING FOR 2023?

From a design aesthetic standpoint, we’re seeing warm neutrals returning, such as lighter fabrics and raw natural materials reigning. We’re also noticing a lot of textured sherpa sheepskin upholstered couches and swivel chairs popping up in staged homes. Dark kitchen and bathroom cabinetry offset by white marble. Sustainability is critical, so materials that are organic and eco-friendly are becoming increasingly important. Many of our clients are more mindful of choosing environmentally friendly options, and rightly so, as the conversation and importance of sustainable design is beginning to take center stage. People are increasingly asking where and how things are made. Green will be the accent color of choice.

WHAT IS YOUR ADVICE FOR SAN FRANCISCANS WHO ARE READY TO SELL RIGHT NOW?

If you’re selling your home right now or thinking about doing it soon, you should know that today’s housing market in San Francisco is unlike anything we’ve seen or experienced lately.

Entering the market at a justified selling price is crucial in a fluctuating marketplace. Testing the market at an “aspirational price” will lower initial traffic, leading to higher days on the market, which could ultimately bring a lower sales price.

Conversely, underpricing a home with the hope that you may create a “feeding frenzy” could be a risky move in 2023, as buyers are not inclined to overbid. We recommend pricing your home to sell, which requires implementing a pricing methodology that takes many factors into consideration. It’s always our goal to maximize traffic and bring as many people through the door as possible when we go live with a listing—with the intent of selling a property for the highest possible price the market will bear. It all starts with pricing a property with careful precision. From there, it’s all about implementing an exceptional marketing campaign to expose one’s home to the right target audience.

Deciding to sell your home is no doubt amongst one of the most important decisions you’ll ever make, so devising the right strategy and engaging the services of an experienced agent is of critical importance. Our team will analyze comparable property sales, assess the competition, work with you to determine the optimal pricing strategy, and outline a strategic plan to achieve the best possible result for you as a seller in this market.

WHAT ABOUT THOSE WHO ARE THINKING OF BUYING RIGHT NOW?

From a market timing standpoint, we believe that 2023 will present a somewhat trying first half of the year giving way to a surprisingly strong second half of the year. Would-be buyers who had stepped back from the market in late 2022 won’t stay away forever. First-time buyers will still be looking to get into the market, and retirees will still want to downsize and relocate.

This may be the one and only six-months window for the next few years for buyers to get into a temporarily soft market. Our belief is that now is the time to act. Buyers are in the driver’s seat and can negotiate aggressively. They shouldn’t be so concerned about rising interest rates, as a lower sales price will counterbalance higher interest rates on a mortgage. We recommend getting year ARM and then refinancing when interest fall back down. We work with an exceptional lender team that not only offers competitive rates, but has a track record of thinking outside the box. Call us so we can put you in touch.

HOW SHOULD I BE THINKING ABOUT THE INTEREST RATES? DO I WAIT UNTIL THEY COME DOWN TO MAKE A DECISION TO BUY OR SELL A HOME?

One of our favorite sayings is, “You date the rate, but marry the price.” In other words, rates will always fluctuate, and you can change your interest rate down the road, but the price you pay for your home always remains constant. Given the fluctuating interest rate environment, we often recommend to our buyer clients that they consider a shorter-term Adjustable-Rate Mortgage (ARM). Once rates come down you can always have the option of refinancing and securing a lower interest rate. Remember: Many sellers who are selling are also buying in the exact same market. They may be thinking about a “loss” by listing the house at a more realistic price, but they will also benefit from purchasing a new home in the same market conditions.

WHO ARE SOME OF YOUR FAVORITE PARTNERS AND VENDORS THAT YOU WORK WITH?

As real estate agents, we’re often asked for business referrals. Our “favorites” list gets modified from time to time. We add vendors when someone on our team has a great customer-service experience.

Although such vendors may not be the cheapest, they can offer an exceptional value for their services offered. Sometimes, albeit rare, when one of our “favorites” slips, they get cut from our list. It sounds harsh, but it’s aligned with our mission to only affiliate with vendors and professionals that reflect our high standards. Visit our website www.actcompass.com to view our complete list of preferred vendors.

WHAT ARE SOME OF THE MOST UNIQUE LUXURY LISTINGS YOU ARE EXCITED ABOUT RIGHT NOW?

ACT is currently overseeing the sales and marketing of a newly constructed/luxury 41-unit condo development in Pacific Heights called Union House. This beautifully appointed seven-story building features an impressive lobby with a doorman and an expansive roof deck for entertaining. Many of the units offer direct views of the Golden Gate Bridge and the Palace of Fine Arts, with floor-to-ceiling windows and spacious outdoor patios. We are already 75% sold, but have a great selection of limited inventory that remains. As of now, there are only 10 units remaining before Union House is completely sold out.

We also have other unique listings that we are excited about, including the ultra-luxury Njord Yacht Ocean Residences, which is actively under construction in Germany. This super yacht, boasting 117 units starting at \$8.5M, is among the most innovative and exclusive condo yachts to ever hit the market. These Ocean Residences are not only world-class in terms of cutting edge design, but also have an impressive variety of amenities that include six distinct restaurants and bars, a Chenot spa and wellness center, two outdoor saltwater pools, two dive and fishing boats, as well as an onboard helicopter and two submarines. It’s an extraordinary and unique opportunity. Detailed information on the Njord Yacht can be found on our website.

San Francisco-based Ardila Costello Team (ACT) tailors its approach and strategy to each individual client and their unique property. Considered to be among the Bay Area’s most distinguished luxury residential real estate teams, ACT takes a tremendous amount of pride in performing at the highest level, providing each of our clients with unparalleled service, extensive marketing knowledge, robust data-mining technology, expert negotiating skills, along with a tireless work ethic.

Let’s continue the conversation! *Allow us to ACT on your behalf.*

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