

San Francisco is No. 1 real estate market nationwide, but for how long?

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San Francisco is expected to reign as the nation's top real estate market for investment, development and homebuilding in 2013, according a recently released annual report from the [Urban Land Institute](#).

The report, "[Emerging Trends in Real Estate](#)," placed San Francisco above other markets such as New York (second), San Jose (third) and Austin, Texas, (fourth) for having the best real estate prospects in the year to come.

It may not be surprising that San Francisco and San Jose would make the top five, while Los Angeles ranked No. 16. Nonetheless, Bay Area experts and real estate leaders are wondering, how long will the good times last?

ULI presented the reports findings at an event Tuesday morning in San Francisco featuring a panel of local experts including [Luis Belmonte](#) of Seven Hills Properties, [Mike Covarrubias](#) of [TMG Partners](#), [Oz Erickson](#) of the Emerald Fund, [John McNellis](#) of McNellis Partners and [Meg Spriggs](#) of AvalonBay Communities.

The panelists spent an hour debating whether we can call the current market a bear or a bull and sharing insights.

Some of the panelists pointed out the market's strengths. Erickson said double-digit rent growth has made apartment development lucrative and even with thousands of units under construction, there will still be demand.

Spriggs presented data that showed the number of jobs in San Francisco has outpaced housing development in recent years, further emphasizing Erickson's view. She also said renting is cheaper than buying in the Bay Area, which isn't the case in other markets, like New York City.

McNellis said that economic conditions in China and Europe are important to keep an eye on, but are unlikely to derail the Bay Area's growth.

Covarrubias called the Bay Area's recovery an anomaly compared with the rest of the nation, but threw in the counter argument that the Bay Area is prone to explosive booms and busts — it's the cyclical nature of real estate. While everyone wants to think that jobs and real estate values will just keep growing, the reality is that a crash is coming, it's just a matter of when.

"The lifespan of cycles is shorter," Covarrubias said. "We always create jobs and then we crash."

So when can we expect economic doom to come knocking at the Golden Gate?

Erickson's conjecture was at least another five years of apartment demand, job growth and low interest rates. Other panelists agreed interest rates are a precarious piece of the puzzle, but Spriggs said that the Federal Reserve announced plans to keep rates low for several more years.

Still, real estate is a risky businesses with plenty of uncertainty.

"The ability to forecast is a fake skillset," Covarrubias said.

Blanca Torres covers East Bay real estate for the San Francisco Business Times.

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Meg Spriggs of AvalonBay Communities said her firm sees continued demand for apartment development in San Francisco for at least a few years to come.