

**San Francisco Chronicle**

# **Price gap spurs S.F. flight to East Bay**

## **Record numbers relocate as home costs go skyward**

**BY J.K. DINEEN**



**Leah Millis / The Chronicle**

**Michael Flanagan visits a model one-bedroom condo unit at the Shores at Marina Bay in Richmond, where the San Franciscan has bought his own home.**



**Carlos Avila Gonzalez / The Chronicle**

**Simon Stahl and Sylvana Stahl-Flores, shown with their daughter, Sascha, bought a three-bedroom home in Oakland after giving up on finding anything they could afford in San Francisco.**

From Richmond's bayfront to Oakland's hipster precincts, cash-rich refugees from San Francisco's overheated housing industry are reshaping the East Bay's real estate market.

East Bay brokers say San Francisco buyers now make up more than 25 percent of house and condo hunters, and their numbers have more than doubled since 2010, when the Bay Area real estate market started to recover. Another 25 percent of demand is coming from people new to the Bay Area, many of them relocating here for jobs in San Francisco, said Aman Daro, director of marketing at Red Oak Realty.

Bruce Wagg, who specializes in Oakland real estate, estimated that San Francisco residents now represent one-third of his buyer client pool, up

from about 10 percent five years ago.

“They are finding the prices to be cheap compared to the city,” he said. “They can do \$100,000 over asking without blinking.”

The most recent statistics available from the Internal Revenue Service support the impression that San Franciscans are moving east in record numbers. Between 2006 and 2012, there was a 42 percent increase in households moving from San Francisco to Alameda or Contra Costa counties, jumping from about 5,800 to more than 8,200. The total number of households that moved into the two East Bay counties increased by 29 percent over that time period, from 56,400 to 72,600.

### **Oakland prices up too**

With more people moving to the East Bay and more competition for properties, prices have risen. In Oakland they rose 20 percent in 2015, to a median price of \$621,000, up from \$516,000 a year before. That is a 274 percent jump from the depth of the recession in 2009, when the median price was \$166,000. In 2015 prices in Richmond rose 16.8 percent, to \$379,000, while Hayward and San Leandro both climbed about 12 percent, to about \$500,000.

While the escalation has been dramatic, the East Bay is still a bargain compared with San Francisco, where the median three-bedroom single-family home goes for \$1.47 million and the median price for all residential units is \$1.1 million.

Those prices mean that middle- and lower-income San Franciscans will continue to leave the city in 2016, perhaps even at a higher rate, said Svenja Gudell, chief economist for Zillow.

“For a lot of people searching for access to housing, leaving San Francisco is the only thing that makes sense,” Gudell said.

Simon Stahl and Sylvana Stahl-Flores were living in a small one-bedroom Mission District apartment and expecting a baby when they started looking for a larger rental in San Francisco. They found out quickly that they had been priced out of both the rental and for-sale markets. Two-bedrooms were going for more than \$4,500 a month. Finding a place to purchase within their budget of less than \$600,000 was impossible. “It was absolutely horrible,” Stahl said.

A software engineer in San Francisco, Stahl hadn’t spent much time in Oakland. But a friend who happened to be a real estate agent there, Sarang Ratanjee of Red Oak Realty, offered to show them around. They ended up buying a Spanish-style three bedroom house in the Eastmont Hills neighborhood for \$560,000. It has a backyard with lemon and oak trees.

“We wanted a yard where the baby can play when she gets older,” he said.

## **Oakland’s charms**

Ratanjee, who lived in North Beach before buying a house in Oakland two years ago, said 90 percent of his clients are just like Stahl and Stahl-Flores

— San Francisco tech workers priced out of San Francisco. Ratanjee says he’s become a major Oakland booster, taking prospective home buyers to his favorite Oakland spots, like Cafe Underwood, Champa Garden and Shangri-La Vegan.

“Most of my clients don’t even know there is a lake in Oakland,” he said. “When I say Lake Merritt, they have no idea where that is.”

Christian Peterson, a 31-year-old finance director at a small San Francisco Internet company, spent most of 13 years in San Francisco. During those years he rented in the Marina, Pacific Heights, South of

Market and the Mission. By 2014, he was sharing a four-bedroom house in SoMa when his landlord raised the rent from \$6,000 to \$10,000.

Peterson decided he would try to buy something. He looked around San Francisco, but found that his budget — \$550,000 — wouldn't get him much more than a studio. In West Oakland — a 20-minute door-to-door BART commute to his job on New Montgomery Street — the same money got him an 1,800-square-foot loft with two parking spaces. And unlike the places he looked at in San Francisco, he felt that values in West Oakland had lots of room to grow as vacant lots are developed and retailers and restaurants move in.

“Right now I am treating West Oakland more or less as a San Francisco neighborhood,” he said. “I still have one foot in San Francisco. I work there. Most of my friends live there. If I go out, it's generally still in San Francisco.”

Of course, San Franciscans have been migrating across the bay for decades — often families with children in search of cheaper housing, bigger yards, better weather, and a simpler and more predictable public school system.

## **Hot neighborhoods**

The difference today is that the pool of San Francisco buyers choosing to go to Oakland and other cities has expanded to include more single professionals and couples who have not yet had children. Vibrant Oakland neighborhoods like Temescal, Uptown and Jack London Square have become the first choice — not a consolation prize — for some Bay Area newcomers in search of culture and nightlife.

The households migrating from San Francisco into the East Bay tend to be smaller and richer than the average transplant, averaging 1.55 people versus 1.8, and bringing in a mean taxable income of \$85,400 versus \$79,000 in 2015 dollars.

“The migration is changing,” said Vanessa Bergman, a partner at Red Oak Realty. “It depends on where your friends are. If your friends are in Jack London Square, you want to be there too.”

Work plays a part too. Bruce Wagg, who specializes in Oakland real estate, recently sold a Jack London Square condo to a new Uber employee — something that could become more common as the ride-service company gets closer to moving into its new 330,000-square-foot headquarters at the old Sears building in Uptown Oakland. “They are commuting to San Francisco now, but in a year they will be able to work in Oakland.”

San Francisco, however, is the epicenter of Bay Area job growth. City economist Ted Egan said the city added 123,843 jobs from June 2010 to June 2015, about 25,000 per year. During that time, San Francisco’s population grew by 50,000 residents, some of whom have found housing in the new condos and apartments popping up in Mission Bay, SoMa and Rincon Hill.

That growth will continue to put pressure on housing markets on both sides of the bay, Egan said. While San Francisco is seeing more housing development than it has in the past — about 3,500 units a year in both 2014 and 2015, compared with a 10-year average of about 2,000 units a year— the construction is not happening fast enough to keep up with population and job growth.

“San Francisco is still adding jobs as fast as it has ever added jobs in this economic cycle,” Egan said.

Zillow’s Gudell agrees. “Unfortunately there is not much relief in sight in 2016,” she said. “Wages at the high end are growing, and the bottom end is not seeing as much wage growth as we would like to see.”

And while young professionals are drawn to Oakland, more affordable towns like Antioch, Vallejo, Stockton and Richmond continue to draw

lower-income city dwellers who are priced out.

Like most San Francisco renters, Michael Flanagan was sure he would never be able to buy a house in the Bay Area. A legal assistant who rented in San Francisco's Richmond District, Flanagan had given up on ever owning in the Bay Area.

"I was under the assumption that there was nothing in the Bay Area that I would afford," Flanagan said. "At all. Anywhere within 75 miles of San Francisco."

### **Richmond waterfront**

One day he was poking around the SFGate website and stumbled on an ad for the Shores at Marina Bay on the Richmond waterfront, with prices starting at \$230,000.

"I said, 'This looks like an interesting project,' " he said.

That Sunday afternoon he moseyed over to the Shores to check it out.

"I was impressed with the design, the finish, the materials," he said. "I put in a mortgage application and it was accepted."

His mortgage, taxes, homeowner fees, and transportation costs combined are less than he was spending on rent in San Francisco. The condo cost about \$250,000. He said he is excited about getting to know areas beyond San Francisco — the Gold Country, the East Bay regional parks and parts of Napa nearby.

San Francisco residents make up about a quarter of the buyers at the Shores at Marina Bay, according to the developer.

"It really wasn't a difficult decision to make at all. I can have housing stability. Don't have to worry about rent increases or eviction," Flanagan said. "The shoreline is beautiful. There are biking and walking paths. You

could kayak if you wanted to.”

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