

Ten Things To Know When Buying and Selling Lofts In San Francisco



[\[Show as slideshow\]](#)





1. The first thing to know about lofts in San Francisco is that they are a luxury of space. They often have a vast volume (floor by height) with lots of wall space perfect for big pieces of artwork. Lofts are often located in fun and exciting areas in San Francisco that offer short walks to all types of entertainment. They're a great type of property for successful young artists and musicians who need studio space and for tech entrepreneurs running their own startups or small businesses from their desktops.
2. What's more, you will not find a condo of comparable size, with similar finishes, for the price of a loft. Here are the average prices per square foot for lofts vs. condos sold South of Market

in the past six months:

Lofts: \$576/per square foot

Condos: \$667/per square foot

So lofts in San Francisco sell for almost \$100 per square foot less than a similarly sized condo!

What's more, almost all lofts come with parking.

3. [Conversion lofts](#), meaning lofts in buildings that were converted from another purpose like [1233 Howard Street](#) (fire station stables), or [355 Bryant Street](#) (originally a General Electric building), are typically more expensive than those built, mostly in the 1990s, as live/work or “artist” lofts. This is because the old-fashioned details in conversion lofts are often charming. Also, perhaps, they remind people of the raw industrial lofts once available in big cities like New York City thirty or forty years ago, when lofts in rundown neighborhoods allowed bohemians to live in large spaces on the cheap.

4. When buyers think about purchasing a loft, conversion or otherwise, they typically consider either two-level one-bedroom lofts or tri-level two-bedroom lofts.

Here is a one-bedroom, two-level loft at 260 Clara:



Here is a two-bedroom, tri-level loft at 1026 Folsom:

In this picture see the top two levels



and here is a picture of the bottom level

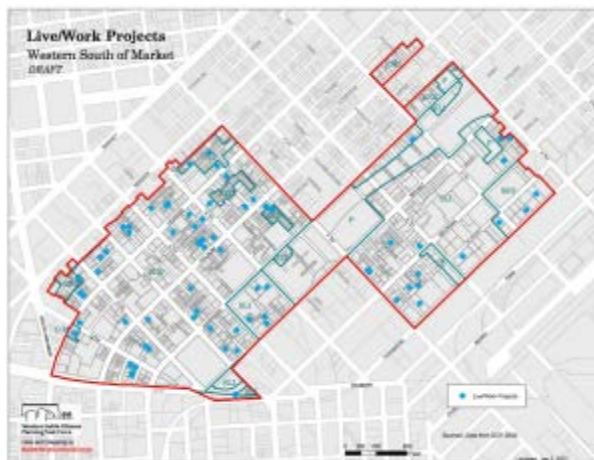


5. Lofts, particularly one-bedroom lofts, are a class of property that was hit hard in the downturn we are just recovering from; a one-bedroom loft that sold for over \$600,000 in 2006 was selling closer to \$400,000 in 2009! This is because, while they are a luxury of space, *lofts offer limited privacy*. If one person is trying to sleep in the mezzanine bedroom, for instance, it's difficult for someone else to watch TV downstairs and not disturb the sleeper. Two-bedroom lofts reduce

this problem, but it still exists. Because of the privacy issue, the pool of buyers for lofts is limited; a couple with children, for instance typically don't find a loft to be their best choice when looking for a home. Whenever demand for a property is limited in this kind of way, the retention of value in a bearish market will be particularly difficult.

6. Many [San Francisco loft buildings were built in the 1990s](#) by taking advantage of a loophole created when city politicians were looking to create incentives for developers to build artist housing. At the time the understanding was that the city was losing artists because of a lack of housing stock—which of course is still the case. The city's plan was to reduce building restrictions for what would be called live/work lofts, making it easier to develop them in South of Market. In a filled-in city like San Francisco where developing property is very difficult, any easing of restrictions creates opportunities, and from this the loft building boom was created.

Here is a map of South of Market, where most live/work lofts were built.



6. This loophole created the category of “live/work” as it is meant today—which is much looser than the city leaders who created the legislation originally intended. It is important to understand that not all loft buildings require unit owners to purchase a [San Francisco arts-related business](#)

[license](#) each year, which was and remains the official policy for live/work lofts. The live/work designation and business license requirement has always caused confusion because the city has rarely enforced the requirement, and in general the ownership regulations around these properties are not well understood by loft buyers, sellers, lenders, or even real estate agents. In fact, not all lofts sold as live/work *are* legally live/work lofts.

9. Today, *lending* has become a big issue with live/work lofts. For many lenders, being able to sell the loans they originate to Fannie Mae or Freddie Mac is a very important part of their business strategy; it's what allows them to free up their capital to make more loans. Lenders are worried that Fannie Mae and Freddie Mac won't buy the loans on live/work lofts, forcing lenders to keep these loans on their own books. This is the last thing lenders want to do since they make their money in [loan origination](#), not borrower interest payments.

10. *The good news:* These restrictions are only for true live/work lofts that require an arts-related business license. There are many loft buildings for which a business license is not required and that won't present these lender issues. [The key is to pull a title report and look for "Notice of Special Restrictions."](#) Always know what is being sold!