



Richland Properties
Richland Home Mortgage Co.

Real Estate News & Information

Market Update

The San Francisco, Marin, and Northern San Mateo real estate markets are still strong and considered a seller's market but there may be signs that the market could start leveling off. First, the consumer confidence index for October was down to 92.8 from 96.7 in September. Second, now that the Presidential race is over the bond market will have digest what the impact annual budget deficits for the foreseeable future will have on interest rates. As a result, interest rates could increase and if they increase more than 1% from their current lows of around 6% to 7% or higher, then the real estate market could be adversely affected and prices could soften.

So where are prices today and are they reasonable? The California Association of Realtors just reported in October that affordability in California fell again. Now only 18% of households in California can afford to purchase a median-priced home. This is a 5% decline from the same period of a year ago when 23% of the households in California could afford to purchase a median-price home. The median-priced home in California in September 2004 was \$465,540 and in August 2003 was \$406,140, a 14.6% increase from 2003 to 2004. In San Francisco, the median-priced single family home went from \$647,500 in the second quarter of 2003 to \$751,000 in the second quarter of 2004, a 16% increase.

Mortgage Update

On the mortgage front there still is good news. Interest rates have stayed relatively low for most of the second half of 2004 and this has helped keep the real estate market strong. The conforming loan limit is due to be raised by Fannie Mae sometime later in November as they do every year at this time. Raising the conforming limit allows more loans to qualify as "conforming" which is beneficial because conforming loans usually carry an approximately .25% lower interest rate than "jumbo loans" for the same fixed rate loans. As of the date this newsletter was written, the new limits had not been announced. Listed below are some examples of current interest rates for loans secured by single family, owner-occupied residences. The rates assume that a borrower has a FICO score above 720 and pays a loan origination fee or point of approximately 1 percent of the loan balance and customary closing costs (escrow fees, title insurance, lender underwriting charges, appraisal, approx-\$2,200(conforming loans), \$2,800 (jumbo loans)) As a rule of thumb, loans with no loan origination fee, the so-called "no point" loan have an interest rate of approximately .25% higher for conforming loans and .375% higher for jumbo loans than those listed below.

Conforming Loans (loans up to \$333,700)

30 year fixed, minimum of 20% home equity, loan of \$320,000, **rate is 5.5% and 5.605% APR**

15 year fixed, minimum of 20% home equity, loan of \$320,000, **rate is 4.875% and 5.069% APR**

Jumbo Loans (loans over \$333,700)

30 year fixed, minimum of 20% home equity, loan of \$450,000, **rate is 5.625% and 5.74% APR**

15 year fixed, minimum of 20% home equity, loan of \$450,000, **rate is 5.0% and 5.114% APR**

The rates listed above are as of November 4, 2004. Interest rates change daily without prior notice so please call if you would like a current quote. Additionally, the interest rate market in recent months has been and will continue to be quite volatile and large daily interest rate movements are not uncommon. It is now more important than ever to properly lock your loan rate and process your loan in a timely manner.

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Ellis Act Evictions for Tenant Occupied Residences/2 unit buildings in San Francisco

There is a state law known as the Ellis Act which can be used by landlords who want to leave the rental business. The Ellis Act allows an owner to evict all tenants in a building subject to certain relocation payments and time allowances for certain tenants to relocate. The Ellis Act is usually used by landlords to regain possession of their rental property when there is no other reasonable alternative method under the San Francisco Rent Ordinance. The following is a couple of examples of when the Ellis Act may be appropriate. In the first instance, a landlord wants to regain possession of a rented single family residence and sell the property. In the second instance, a landlord is an owner of a 2-unit building in which the owner occupies one unit and the other unit is occupied by a long-term tenant. Both of these landlords want to permanently leave the rental business, ie, no longer rent their particular property. In each of these instances, using an Ellis Act eviction could make sense because the costs and long-term restrictions on re-renting the properties (2, 5 and 10 year requirements) did not bother these landlords. The impact on the owner of the single family residence is that this owner will have to disclose to prospect buyers the

restrictions, compliance requirements and possible penalties on renting the property in the future. As long as this seller finds a buyer who will be an owner-occupant for several years, then the new buyer may not find these Ellis Act rental restrictions that burdensome. However, the amount of rent that the prior tenant was paying will limit the amount of rent that an owner can charge in the future. The potential reduced selling price of an "Ellised" property can be compared against what a house would sell for with the tenant in it. The sales price of a tenant-occupied single family residence in San Francisco can be adversely affected by the characteristics of the tenant. For example, a long-term, uncooperative tenant with a very low rent will adversely affect the price a potential buyer is willing to pay. Lastly, an "Ellised" property which is going to be sold will be vacant and an owner will be able to have it cleaned, repaired, improved and properly marketed when they eventually sell the property.

In the second instance, the landlord occupies one of the units in a 2 unit building. This elderly landlord no longer wants to be a landlord. This owner is tired of the burdens of being a landlord such as collecting rent payments, drafting notices to the tenants, sharing common areas such as their garage & yard, cleaning up after the tenants, etc. Fortunately, this landlord does not need the additional income that the tenant is paying. As a result, this landlord who performs an Ellis Act will regain the use of their entire property. These 2 examples are just for illustrative purposes and are not recommendations to take any course of action. You should always consult with an attorney who is knowledgeable about and specializes in San Francisco tenant-landlord matters before attempting any eviction in San Francisco.

Supervisor Matt Gonzales Proposes Stopping Rent Increases/Evictions for Additional Occupants

San Francisco supervisor Matt Gonzales recently proposed the Domestic Partner and Family Protection Rent Ordinance for San Francisco rent controlled properties. The new law has 2 parts. The first part would prohibit landlords from imposing rent increases in existing tenancies due to the addition of one or more occupants even where an existing lease specifically permits a rent increase for additional occupants. There would be an exception for the landlord to petition the rent board for a rent increase based on the additional costs of occupants. Practically, speaking the cost of making the petition would be prohibited so most landlords will just have to absorb the additional costs (ie, water, garbage, etc) of the additional occupants. The second part of the proposed ordinance would prohibit evictions based solely on the addition of occupants even where an existing lease prohibits additional occupants, unless the total number of occupants exceeds 2 persons per studio, 3 per one bedroom unit, 4 per 2 bedroom unit, 6 per 3 bedroom unit, and 8 per 4 bedroom unit.

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