

San Francisco's Tallest Condo Cuts Prices 15% as Glut Increases

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By Dan Levy

Feb. 2 (Bloomberg) -- The cost of a Golden Gate Bridge view from the top of San Francisco's tallest residential building just got 15 percent cheaper.

Prices of all condominiums in the downtown [Millennium Tower](#) will be cut amid the city's biggest housing glut since the dot-com crash in 2001, according to city planning data. The offer includes apartments already sold in the 60-story, 419-unit high-rise being built in the South of Market area.

"We believe it's the right thing to do," [Richard Baumert](#), managing director of New York-based developer Millennium Partners LLC, said in an interview. "It's the price we ask in the marketplace today."

Sales in glass-faced condo towers have stalled in San Francisco, a city better known for its low-rise Victorian architecture from the early 1900s. More than 2,300 condos, including buildings by Tishman Speyer Properties LP and [Lennar Corp.](#), came on the market last year and construction of at least 2,200 units has been halted, city data show.

"When the market was humming along, demand kept up with the supply coming on line," [Vince Malta](#), a broker and former president of the California Association of Realtors, said in an interview. "Now you simply have supply exceeding demand."

The median [San Francisco](#) house and condominium price fell 16 percent to \$616,500 in December from a year earlier, the ninth straight decline, according to San Diego-based real estate research firm [MDA DataQuick](#). Two-thirds of the city's ZIP codes had price declines and sales in the city fell 18 percent.

No Urgency

“People are extremely price sensitive,” Malta said. “What’s the urgency of buying now if they can buy for less with more stuff coming on line?”

Millennium’s discount, which the developer calls an “adjustment” from original November 2007 prices, may not be enough to attract potential buyers such as Joe Mahimainathan, 31, who abandoned his six-month search for a condo because of the faltering market.

“I wonder if a condo is even a good thing to buy,” said Mahimainathan, a tax manager at PricewaterhouseCoopers. He considered purchasing a \$1.15 million unit in Lennar’s [Blu project](#) near other downtown high-rises and said the builder was willing to negotiate on price. He plans to shift his search to older neighborhoods such as Pacific Heights and the Marina.

Tishman is also cutting prices in its [two-tower Infinity project](#), said Alan Mark, president of the Mark Co., an outside spokesman for the New York-based developer. He declined to be specific on reductions. Tishman found buyers for 289 of 365 condos in the first tower and will begin selling 285 units in the second on Feb. 7, he said.

Better Days

“Three years ago, people would stand in line to sign a condo contract sight-unseen, in an office five blocks away,” said Ilse Cordoni, president of the San Francisco Association of Realtors.

Now, prospective buyers want to physically tour a “finished product,” instead of viewing staged models or videos in off-site sales centers, she said.

Median home prices in the city appreciated an average of 7 percent a year from 2004 to 2007, MDA DataQuick said. Last year they fell 7 percent, the first annual drop since 1995.

The housing decline mirrors the local economy. Office rents in San Francisco’s financial district fell the most in seven years in the fourth quarter from a year earlier and the vacancy rate rose to 11.3 percent, according to the Colliers International commercial brokerage. A budget proposed by Mayor [Gavin Newsom](#) includes about 450 layoffs of city workers.

Millennium Tower

The Millennium Tower, San Francisco’s fourth-tallest building at 645 feet (197 meters), has 92 units, or a fifth of the total, under contract, Baumert said.

The company will refund 15 percent of the \$22.5 million it has in deposits. An unidentified businessman who paid \$11 million for a penthouse at the Millennium last year will get a \$1.65 million credit.

Discounts in the building, set to open in mid-April, include a \$631,500 reduction on a 53rd-story condo with two bedrooms and 2,706 square feet (251 square meters); and a \$342,000 cut on an eighth-floor loft-style unit with 1,955 square feet, Baumert said.

The cuts won't last "forever," and Millennium may raise prices if the market improves, Baumert said.

Price reductions can't help postponed condos projects such as a 432-unit building by Chicago-based Fifield Co. and a 312-unit tower by Urban West Associates of San Diego, said Larry Badiner, deputy planning director.

"Hopefully, when the market settles down, people will start buying these things," he said.