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## THE (TRULY) ULTIMATE GUIDE TO BUYING A HOUSE IN THE SAN FRANCISCO BAY AREA



By SoFi General | Apr 17, 2017 | Lifestyle, mortgage | No Comments

As anyone who lives in the San Francisco Bay Area will tell you, it is truly a place like no other. The tech industry beckons with its surfeit of good paying jobs, the restaurant scene rivals that of any world capital, oh—and where else can you ski in the mountains one weekend, and then kayak with sea otters the next?

So while it's not hard to understand why so many people are clamoring to buy a home in the Bay Area, those incredible perks are offset by one major drawback—a sky-high real estate market.

And when we say sky-high, we mean sky-high: The median price for a **single-family home in the Bay Area as of December 2016 was \$680,000**, up 3% from the year before. When Zillow ranked the **10 most expensive housing markets** in the United States in November 2016, San Francisco and San Jose topped the list.

In San Francisco proper, the median home value is a whopping \$1.14 million. (Worth repeating: the average is *\$1.14 million*.) Across the Bay, Oakland's **median value of \$662,400** looks more promising for first-time homebuyers in the San Francisco area, but houses in the city's most desirable neighborhoods, such as **Rockridge**, still top the million-dollar mark as well.

Not only are prices high, but because the San Francisco and San Jose metro areas are among the **hottest real estate markets** in the country, competition to purchase properties—even at mind-blowing prices—is intense. *All 10* of the **cities identified in a 2016 CoreLogic study as having the nation's most bidding wars** were in the Bay Area. In the city of San Francisco, CoreLogic reported that six out of 10 home sales involved multiple bidders in the second quarter of 2016, driving the typical sale price **12% beyond its listing price**.

High home prices paired with high competition and **few homes available for purchase** equals a pretty insane housing market to enter. Which you probably already knew, but still, it's worth detailing how we got to here. And while the Bay Area market has **showed signs of cooling**, the competition isn't expected to slow down anytime soon, so it's best to know what you're in for ahead of time.

### Facing The Bay Area Housing Competition

As noted, if you're thinking about house hunting in the Bay Area, competition will affect every stage of the homebuying process, from finding the most desirable neighborhood through the closing. While most young professionals would love to settle on a trendy block with great amenities, the reality is that first-time homebuyers are generally forced to be flexible about location.

For example, house hunters who may have never previously set foot in a high-crime neighborhood, such as **deep East Oakland**, are now buying homes there. They're also venturing into towns previously thought of as too out of the way, such as Vallejo, which is 32 miles outside of San Francisco, but has a direct ferry connection to the city. In fact, Realtor.com just **called Vallejo the hottest market in the country**.

Yes. It's crazy. Because of the intense competition in the Bay Area, house hunters are always on the lookout for useful intelligence that might give them an edge.

Just what might give you that edge? You could try avoiding a bidding war by identifying a property to buy before it hits the market. Ways to go about this include finding properties that aren't listed by scouring Craigslist and local social media groups, walking around neighborhoods and asking friends and family who live there if they know of imminent sales, and working with an agent who has a solid network.

Or you could try convincing owners to sell. If you already rent a home in the Bay Area and love it enough to buy it, let your landlord know you're interested in making an offer. Sometimes people are able to purchase homes from their landlords that they would not have otherwise been able to afford, because the landlord was willing to accept their offer to save themselves the trouble of fixing up the home and listing it.

While those methods aren't always a guarantee, they could (in conjunction with pursuing other homes the more traditional route) ease up the stress of the competition just a bit.

### Finding Your Perfect Neighborhood

Because you're going head to head with other home buyers in some of the most sought-after neighborhoods, you might not get your first pick neighborhood, or even your second. Hence, as you're shopping around and you come upon an unfamiliar neighborhood that looks affordable and meets your other criteria, research is important. Walk around to see if you feel comfortable there. Check crime statistics, but remember that a neighborhood is more than just its stats.

The most important thing is to figure out if the neighborhood is right for you in your current stage of life. If your career requires you to drive to sales calls all over the Bay Area, for example, you might prefer living in an East Bay neighborhood where most homes have a garage and easy freeway access. Or if surfing before or after work is almost as important as your career right now, you can't beat the Sunset District, which has quick access to Ocean Beach. Whatever it is, whether it's commute, school district, outdoor space, or otherwise you can still confine yourself to neighborhoods that cater to your lifestyle—it might just not be the neighborhood you thought of first.

Also think about your future. How long do you plan to live in this home? A property in an edgy neighborhood, like South of Market, might be fun if you are young and single with its array of bars and easy access to BART stops. But if you want to **start a family** within the next few years, the downsides, such as trash on the streets and noise from the nearby freeways, might become a problem. Another future-minded consideration when neighborhood shopping is to think about the resale value of homes there. If you might move at some point, will this investment help you with your **financial goals**?

### The Search Is On – And Mortgage Prep Is A Must

Once you've pinpointed a few neighborhoods, it's time to start looking at individual properties. Your agent will give you a list of houses to check out. If you don't have an agent yet, you can access listings through Zillow or **a number of other apps and websites**.

In other markets, you might spend several months comparing different properties. In the Bay Area, however, you don't have the luxury of time. The median single family home in San Francisco spends just **27 days on the market**, while **condos or lofts are listed for a median 35 days**. So before you even look at listings or talk to friends, be prepared to place an offer quickly.

Consider the amount of cash you have on hand for your down payment. Working with a lender that allows a 10% down payment, instead of 20%, could help first-time buyers get a foothold in the steep Bay Area housing market.

This is also the time to figure out what kind of **mortgage loan** would work best for you. Do your financial goals demand a **fixed rate or adjustable rate** mortgage? Because of the Bay Area's high prices, many homebuyers take out jumbo loans; you should talk to your lender about how these differ from conforming loans.

First, share the details about the house, as well as your employment history, income, and assets with your mortgage lender, so you can get pre-approved. Consult a mortgage lender to get pre-approved for a loan so you have an idea of **how much money you can borrow** and the interest rates you could get based on your credit report and earnings. Pre-approval is a formal offer based on a complete picture of your financial situation, which includes verifying your stated information and a hard credit pull. If you need to move quickly to lock down a deal, consider a lender that fully underwrites at the pre-approval stage, which can beat out cash offers in some cases.

### Checking out open houses

Attending an open house provides you with the opportunity to not only study the home, but also scope out the competition. How many potential buyers are there? Do they seem like future residents or investors? Yet another unfortunate piece of news for first-time buyers in the Bay Area: Many homes are **snapped up by investors** who are able to tempt sellers with all-cash offers.

An open house is also an opportunity to ask the agent showing the property about the offer deadline, and to obtain any **disclosure packets that warn of preexisting conditions**, such as dry rot caused by the area's rainy winters or a cracked foundation caused by seismic activity. While such defects might give buyers ammunition to bargain in another market, in the Bay Area's tight market, even those properties sell rather easily. A home with a pest report warning of \$30,000 worth of needed repairs due to termites, dry rot, and seismic problems may well attract multiple offers.

### Making a deal

Once you've discovered a property you want to buy, it's time to spring into action. Submitting a pre-approval letter with your contract reassures the seller that there will be no problem moving ahead if your offer is accepted. If you work with a **lender that fully underwrites the loan at the pre-approval stage**, you may be able to avoid including a financing contingency in your contract, which could help you compete with all-cash offers.

Next sit down with your agent to **draft an offer** that gives you the best chance of beating the competition—without overshooting the mark. Your agent knows the area intimately and will be able to present your case favorably. But that doesn't mean you can't get creative. It's not uncommon for would-be homeowners to write a heartfelt letter or make a video—possibly **accompanied by baked goods**—to position themselves as the most worthy buyers.

Just don't be discouraged if a few of your offers are rejected—getting outbid is a rite of passage in the Bay Area real estate market.

### The escrow period

If your offer is accepted, "earnest money" will be transferred to an escrow account. That money, **usually up to 3% of the purchase price**, shows you're serious about the transaction; it will be applied to the purchase price if the sale goes through. Then you'll enter a contingency period, during which you'll schedule an inspector and an appraiser to go through the house. In other parts of the country, it's common for problems found during the inspection to re-open price negotiations. Still in the Bay Area, your seller may have a backup offer waiting, which may preclude any negotiation. It's still important to find out if the house has any major problems, though, because if you can't afford repairs and the seller won't budge, this is your chance to back out.

In order to ensure a speedy close, you should submit your official mortgage application in earnest right away. You can also request a 30-day rate lock, to protect you against changes in interest rates while your contract closes.

As you do these things, you might feel overwhelmed by the huge number you're committing to pay back. It'll help to work with a lender that does not require you to pay **private mortgage insurance (PMI)**, even on loans of less than 20% of a home's value. PMI typically costs 0.5% to 1.5% of the original loan amount per year, so avoiding it can make a big difference in your monthly payment.

Another way to take on the Bay Area's hefty mortgages without undue stress is to select a loan that makes the payoff easiest for you. Four major types of home loans are the 30-year fixed mortgage, the 15-year fixed rate mortgage, the standard 7-year adjustable rate mortgage, and the interest-only/7-year adjustable rate mortgage.

### Closing time

On closing day, you'll probably meet with the seller and/or his or her agent at the title company. You'll each sign stacks of documents and pay the closing costs (title insurance, the appraisal fee, a portion of your property taxes, your insurance premium, and other expenses), which could be wrapped into your loan if desired. Either on that day or shortly before, you'll also pay your down payment via wire transfer or certified check. (Worth noting: One closing cost you don't have to worry about with SoFi is a loan origination fee, because SoFi doesn't charge one.)

Once all the papers are signed and the monies paid, you'll get the keys to your new home. In no time at all, you'll be settled in and ready to enjoy all the San Francisco Bay Area has to offer, from summer music festivals in Golden Gate Park to authentic Chinese food in Fremont. But beware of sharing your good news on social media—living in one of the country's most popular tourist destinations, you may soon find yourself deluged with requests to host visitors.

*Are you ready to start a conversation with a lender about buying a home in the San Francisco Bay Area? SoFi offers mortgages to help you get into your dream house quickly. Check your rates in 2 minutes (without impacting your credit score)\*.*

### Do's And Don'ts For First Time Home Buyers In The San Francisco Bay Area

Do: Consider lesser-known towns and neighborhoods—not only are they more affordable, but one might be the next Mission District.

Don't: Fall in love with a listing without finding out what the block is like. In compact San Francisco, neighborhoods can change drastically within a few blocks.

Do: Write a letter telling sellers why you love their home.

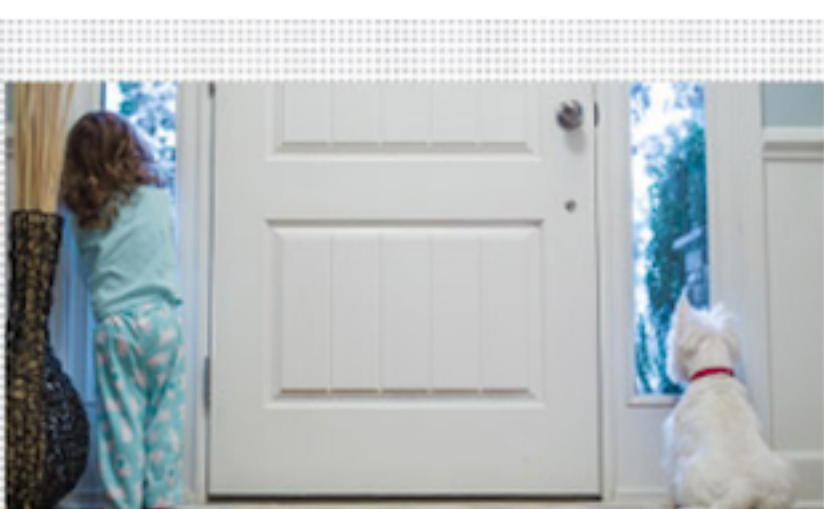
Don't: Be discouraged if your first few offers get rejected.

Do: Be prepared to move quickly once you've identified the house you want.

Don't: Try to speed things along by skipping the inspection. With heavy winter rains, termites, and seismic activity, there are plenty of ways San Francisco Bay Area houses can suffer unseen damage.

Do: Get pre-approved for a mortgage before you make your offer..

Don't: Let the price tag on your new home overwhelm you. A great mortgage provider can help you make a plan to pay it off at a pace that works for you.



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