



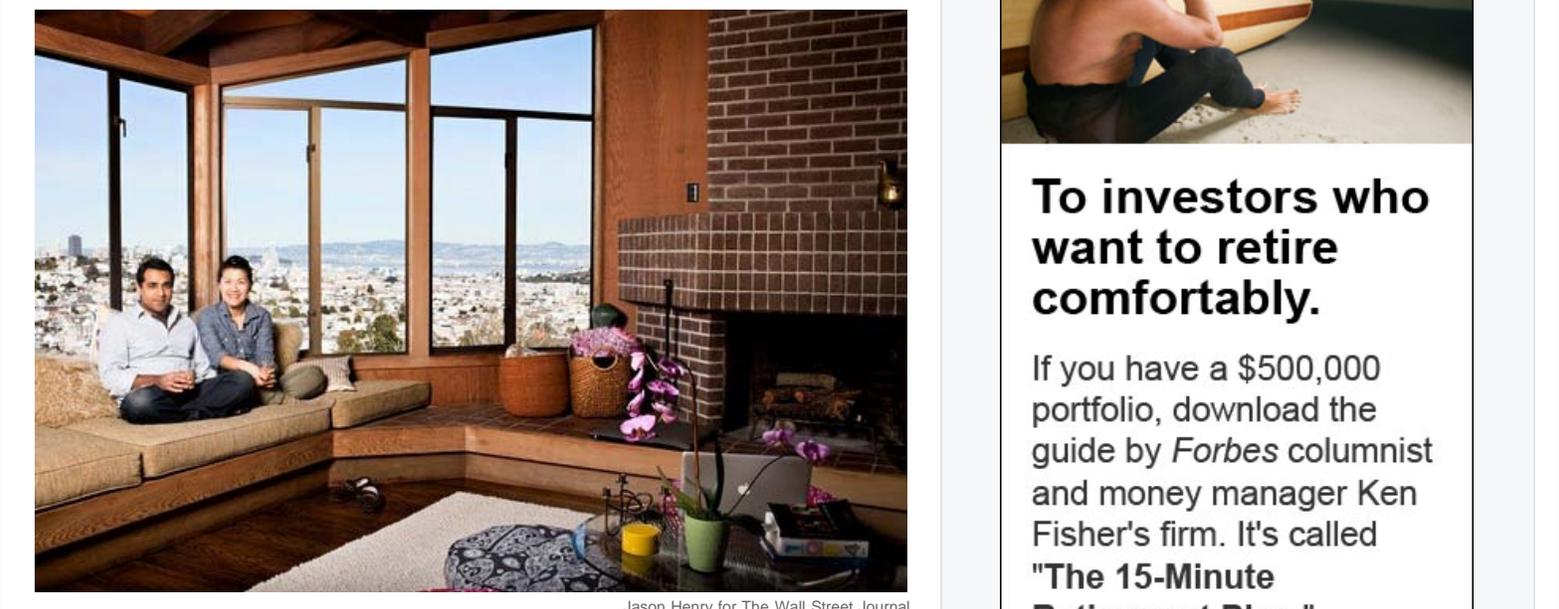
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The Hot Spot for the Rising Tech Generation

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By NANCY KEATES and GEOFFREY A. FOWLER



Jason Henry for The Wall Street Journal

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San Francisco

A bidding war broke out in November when a small house in San Francisco's tightly packed Noe Valley came on the market.

Twenty-two people, including employees of Facebook, Zynga, Google and Pixar, battled for the home. The winning offer was \$1.5 million—40% higher than the asking price. The house had a great view, but it was only 1,800 square feet and came with an old kitchen which, like most of the interior, was covered in 1970s plywood paneling. Seen from the curb, there's hardly any house at all—just a one-car garage and gate leading to small front courtyard.



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Dolores Park, with a view of the Mission District and skyline of downtown San Francisco in the background, is a popular hangout for the new generation of tech entrepreneurs.

The inconspicuousness was part of the attraction, said Jasmin Arneja, 42, who bought the two-bedroom house with her husband Gagan, 40, a software engineer at a networking start-up. "It's the antithesis to these outrageous bizarre Gordon Gekko-esque houses. It just incorporates so much of our values," said Ms. Arneja, who runs a philanthropic advisory firm.

Housing prices in the San Francisco Bay area are once again soaring, thanks to an infusion of cash from the rising shares of Apple and Google and the initial public offerings by Zynga, LinkedIn, Yelp and soon Facebook, expected to be the

largest in Internet history. But while a previous generation of dot-com executives opted for mansions in wealthy San Francisco neighborhoods like Pacific Heights and tony Silicon Valley suburbs like Atherton, this generation is gravitating to modest homes and condos in grittier parts of the city.

Ground zero of the current tech-fueled real-estate boom is the Mission, formerly a majority Hispanic neighborhood on the southern edge of San Francisco that's close to the main arteries that link San Francisco to Silicon Valley. Median home prices in the Mission grew 44% in December compared with a year earlier. Adjacent Noe Valley had a rise of 31% over that same period, according to the San Francisco Association of Realtors. The average number of days homes sat on the market in both neighborhoods has almost halved over the past year.

That's in sharp contrast to what's happening nationally, where the housing market continues to flounder, with the Case-Shiller 20-City index down for the fourth straight month in a row. It's even an aberration from the San Francisco area (including Oakland), which saw a 5.4% drop in home prices in December from a year earlier.



Newly minted tech millionaires in San Francisco are shunning mansions in wealthy neighborhoods and leafy suburbs in favor of modest homes and condos in grittier parts of the city. Geoffrey Fowler has details on Lunch Break. Photo: Jason Henry for WSJ

Real-estate agents say it's a cultural shift. The new generation of Internet executives—younger than the last generation of dot-commers—eschews the trappings and responsibilities of expensive properties. They want to bicycle, walk or take public transportation. They like living near food trucks and dive bars.

"You can spend a lot of money on a great restaurant here or just \$5 on a burrito,"

said Christian Niles, 31, who bought a two-bedroom apartment for \$585,000 in the Mission with his wife in August because he saw real estate as a good place to store the cash he'd made from selling his app called TrackerBot to Pivotal Labs last summer. He plans to never own a car.

StumbleUpon CEO Garrett Camp bought a 2,900-square-foot loft penthouse with four bathrooms and a patio for \$3 million this past summer in the South of Market area. Twitter co-founder Evan Williams bought a \$2.4 million house in Noe Valley in 2009.

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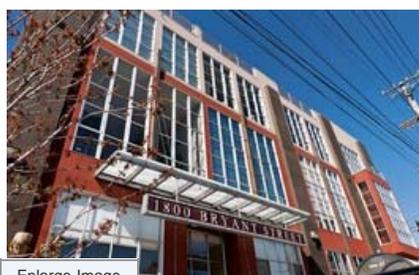
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The hottest properties are near corporate shuttle bus stops—where employees for companies like Google, Facebook, Genentech, LinkedIn and Apple line up daily for the ride to Silicon Valley. Real-estate agent Amanda Jones calls it the "Shuttle Effect" and said proximity can command as much as a 20% premium. Some real-estate agents said they're dying for a map of where the buses pick up. "When a listing gets deluged with people—that tells me it's close to a stop," said Ms. Jones.

Some companies share a few of the same stops, occasionally leading to employees getting on the wrong bus. Discussions can get animated about adding or moving a stop, said Jessica Herrera, Facebook's transportation coordinator who controls the stop locations for Facebook's eight shuttle busses, including a new glass-topped double-decker the company rented to make space for the growing crowds. "Everybody wants a stop that's next to their house that comes every five minutes," she said, adding that discussions have remained civil.



Enlarge Image

Winni Wintermeyer for The Wall Street Journal

The Mission apartment building where investor Michael Barton bought a condo: 'You can tell there is an upsurge going on here.'

Stephanie Pocino, 28, makes the 45-minute trip to Facebook every day from her rented apartment building in the Mission. She has no garbage disposal and no dishwasher, but the Victorian building has lots of charm and bay windows. She carries a wireless Internet card, which she uses to answer emails and work on presentations while on the commute, and her laundry, which she gets done free at the company's headquarters.

Soaring rental prices—up more than 10% in the Mission and Noe Valley in the past six months alone—are also making buying more competitive, said Vanguard Properties broker Craig Waddle. He's seen bidding competitions for rentals and rental offers coming in higher than the asking prices. At an open house for a one-bedroom offered for \$1,400 a month, 40 people were filling out applications on the spot. One person walked up to the owner, offered \$1,700 and got the place.

"It's been kind of shocking," said Raj Gajwani, 36, who has been looking for a house in Noe Valley for around \$1.5 million for the past few months. A founder of two online companies, he and his wife are expecting twins and want a house close to a shuttle-bus stop for his wife's commute but with "culture, interesting people and activities." They also want something they will be able to sell for more money in five years, when they might have to move to the suburbs for better schools.

Mike Shaw, a real-estate agent who has worked for 15 years in the San Francisco market, said buyers often want something already renovated or vintage because they don't have the time or the interest to hire designers and architects. "That person in jeans and a sweatshirt could be low on the totem pole or a multibillionaire. They haven't realized the value of good design either in architecture or fashion," said Suzanne Tucker, a San Francisco designer who has remodeled many of the most lavish homes in the Bay Area.

Buyers argue they have a different sensibility. Ms. Arneja, who snagged the sought-after house in Noe Valley, said she was drawn to the interior, which is covered almost entirely by dark redwood and brick, lending it a feel that lands somewhere between a den and a tree house. "This is clearly a '70s house," said Ms. Arneja. "I would like to think of it as a shining example of good architecture during a bad period of design."

Pop-up restaurants with long lines, coffee shops that brew one cup at a time and shops selling curiosities like local honey have followed the influx of cash. Apple employee

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Amandeep Jawa, who takes the company bus to work, covered the driveway of his Victorian with a "parklet," a public space registered with the city featuring seating and greenery. His crowning achievement: a topiary triceratops, dubbed Trixie, made of succulent plants.

But the gentrification is far from complete. A surge in violence between feuding gangs called the Norteños and Sureños claimed two lives in less than 24 hours in the Mission in August, and there was a shooting in front of a coffee shop. Noe Valley saw a rash of sexual assaults; residents there have also reported attempted carjackings and armed robberies.

"The key word is coexistence," said David Campos, a member of the city's Board of Supervisors representing the Mission and Bernal Heights.

Blogs popular with tech workers keep track of the violence, and one UC Berkeley student produced a map called "Gangs and Cupcakes," which overlaid Norteño and Sureño territory with the Mission's most popular cupcake cafes. In recent years, somebody spray-painted "cafe gentrification" on the sidewalk in front of popular coffee shops.

The high prices and the changes in the neighborhood are only going to intensify, predicted Lawrence Coburn, 42, who first moved to the Mission in 1999 to found a start-up and has lived in an 1,100-foot rental loft there since 2003. "A lot of my friends are trying to hustle to buy a place before all the Facebook people get liquid," he said.

Investor Michael Barton, 48, recently decided to buy because he wanted to lock in his investment before Facebook's IPO money hits town. The area around his 950-square-foot, two-story loft is "kind of funky, and gritty and dodgy," said Mr. Barton. But an industrial building next door has been taken over by Internet start-ups. "You can tell there is an upsurge going on here," he said.

A version of this article appeared Mar. 16, 2012, on page D1 in some U.S. editions of The Wall Street Journal, with the headline: The Hot Spot for the Rising Tech Generation.

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