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San Mateo County Real Estate

Heading into the 2019 Market February 2019 Report

As of early February, the government shutdown is over - at least for a couple more weeks - the stock market has recovered dramatically from its late 2018 plunge, and interest rates are well down from November highs. A good number of large, local, high-tech "unicorns" continue to plan IPOs in 2019. All these are positive economic indicators for the Bay Area real estate market - but indicators have proven to be quite volatile over the past 5 months, and future movements are not to be taken for granted.

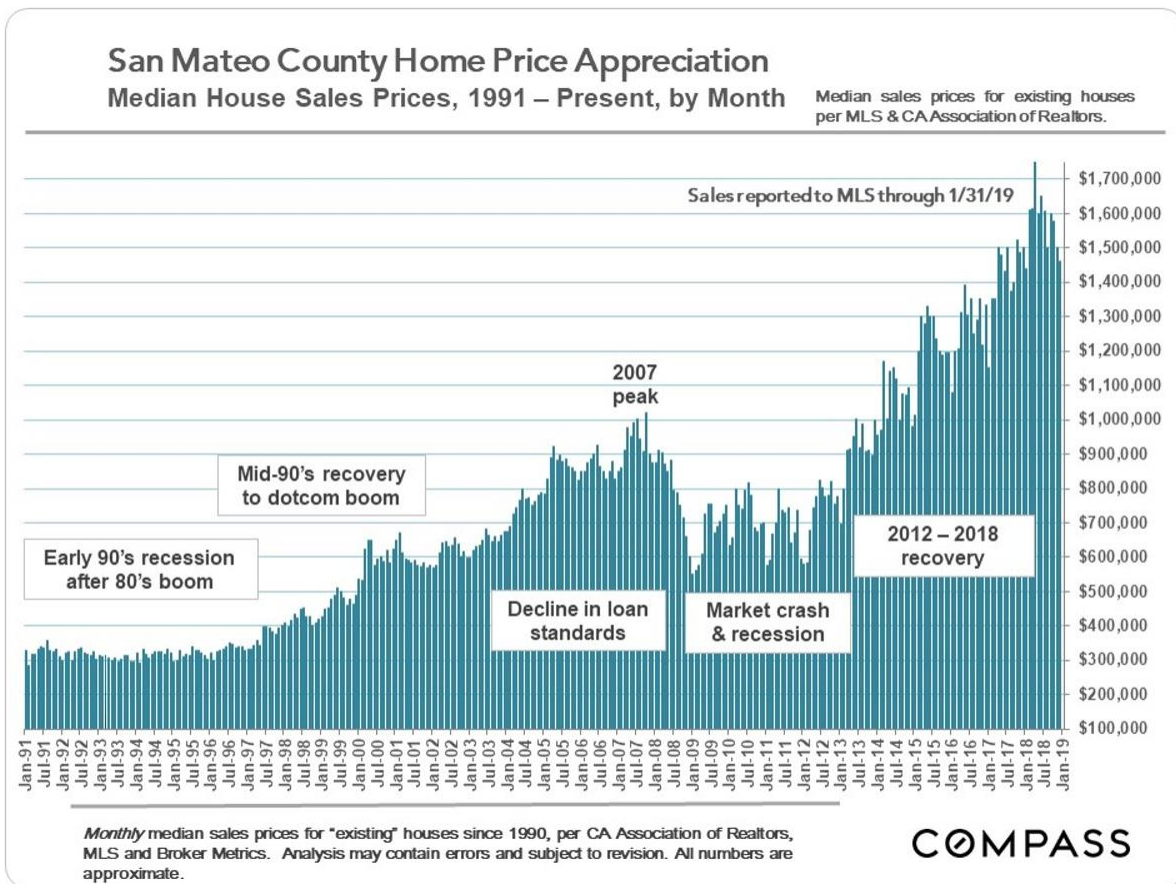
As detailed in our last report, there was considerable cooling in the market in the second half of 2018, though less so in San Mateo County than in Santa Clara. The month of January typically has the fewest sales of the year, sales which mostly reflect activity during the December

market doldrums: We don't consider its data to be a reliable indicator of conditions or trends. But activity is picking up as the new year gets started, and the beginning of the spring sales season - which in the Bay Area can start as early as February - will soon provide more direction as to where the market is heading.

Market Overviews

Median sales prices can fluctuate significantly by month and by season, and they are not perfect indicators of changes in fair market values. Longer-term trends are much more meaningful than short-term changes.

Median House Prices since 1991

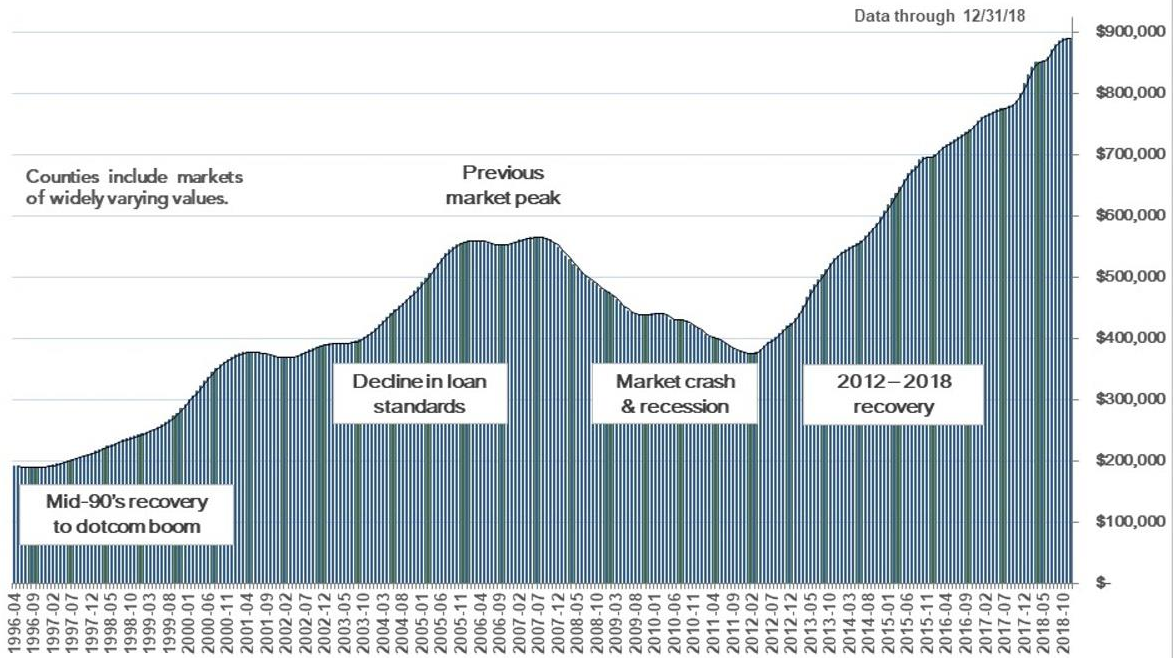


Median Condo Values since 1996

In this long-term chart on median condo values, monthly and seasonal fluctuations have been smoothed out.

San Mateo County Condo Values Median CONDO Values, 1996 – Present

Zillow Home Value Index (ZHVI): A smoothed, seasonally adjusted measure of median estimated home values.



Data from Zillow Research: <https://www.zillow.com/research/data/>. Median value is that price at which half the homes are worth more and half less. Analysis may contain errors and subject to revision. All numbers to be considered approximate. Zillow calculations may vary from median sales price data.

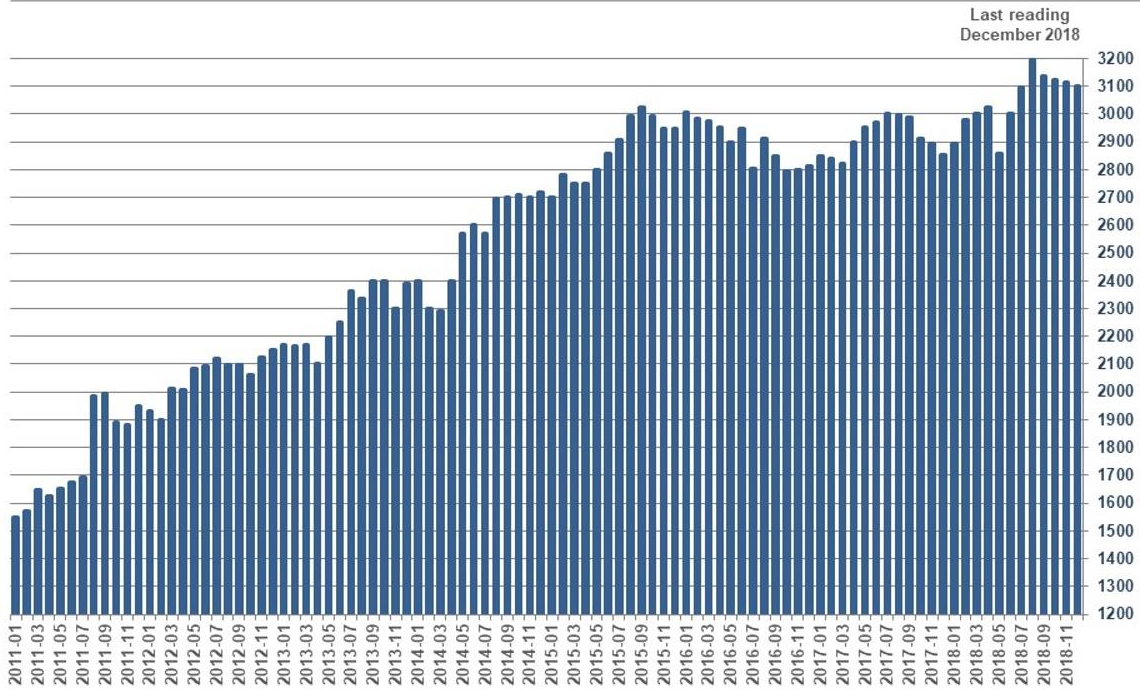
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Rent Rate Appreciation since 2010

Generally speaking, there should be a relatively close correlation between home prices and rents: They constitute the 2 main options for paying for one's housing. It is not an apples-to-apples comparison, because there are other issues at play, such as building home equity, the ability to remodel and improve, certain tax benefits (though diminished by recent tax law changes), and so forth. Still, if one rises and the other does not, most economists would suggest an imbalance in the market that will probably be corrected sooner or later.

Median List Rents, 5+ Unit Properties

San Mateo County, 2010 – Present, by Month



Per Zillow Research Rent Index: <https://www.zillow.com/research/data/#rental-data>. Data from sources deemed reliable but may contain errors and subject to revision. All numbers are approximate.

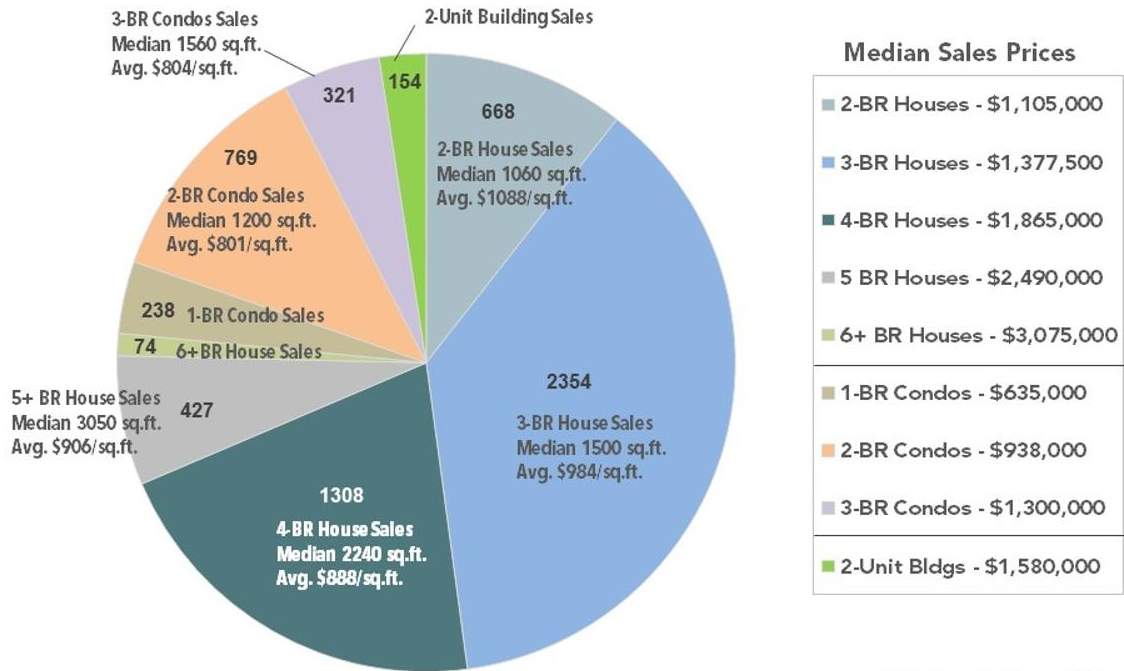
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The most common home sale type in San Mateo County is a 3-bedroom house with a median size of 1500 square feet.

San Mateo Home Sales Breakdown

2018 Sales by Property Type & Bedroom Count

Sales reported to MLS

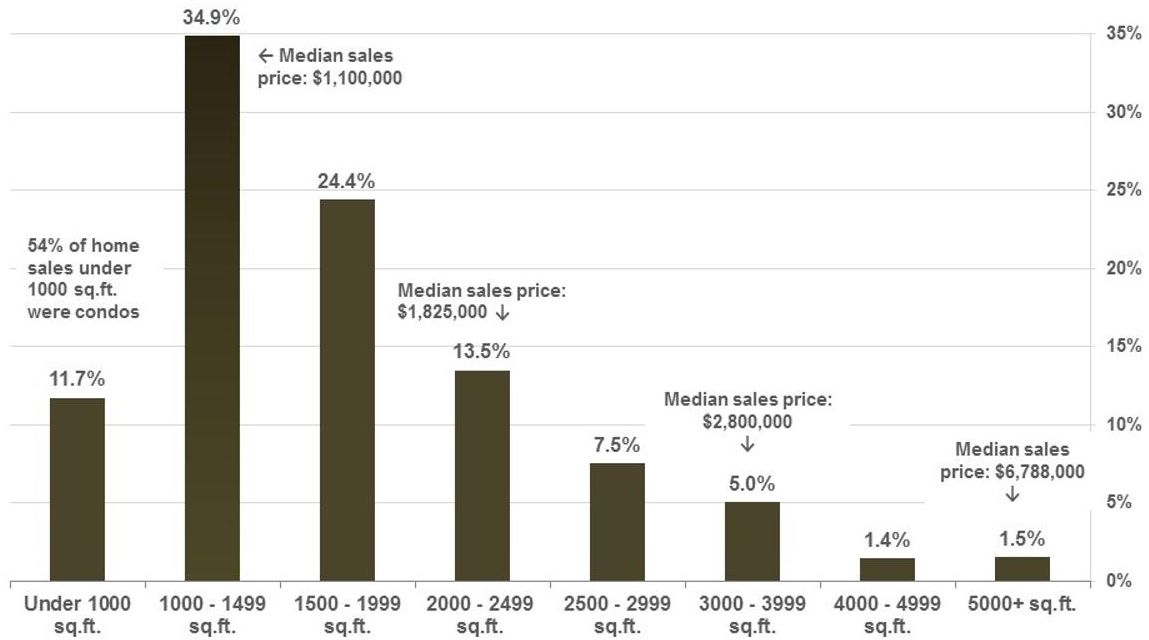


Does not include sales unreported to MLS. Based upon data sources deemed reliable, but may contain errors and subject to revision. All numbers should be considered approximate.

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San Mateo County Home Sales Percentage of Sales by Square Footage

Using sales reporting home square footage to MLS in 2018



House and condo sales reported to MLS. Size figures are for "livable square footage" which does not include garages, storage, rooms built without permit, or outdoor spaces. Not all sales report square footage. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers are approximate.

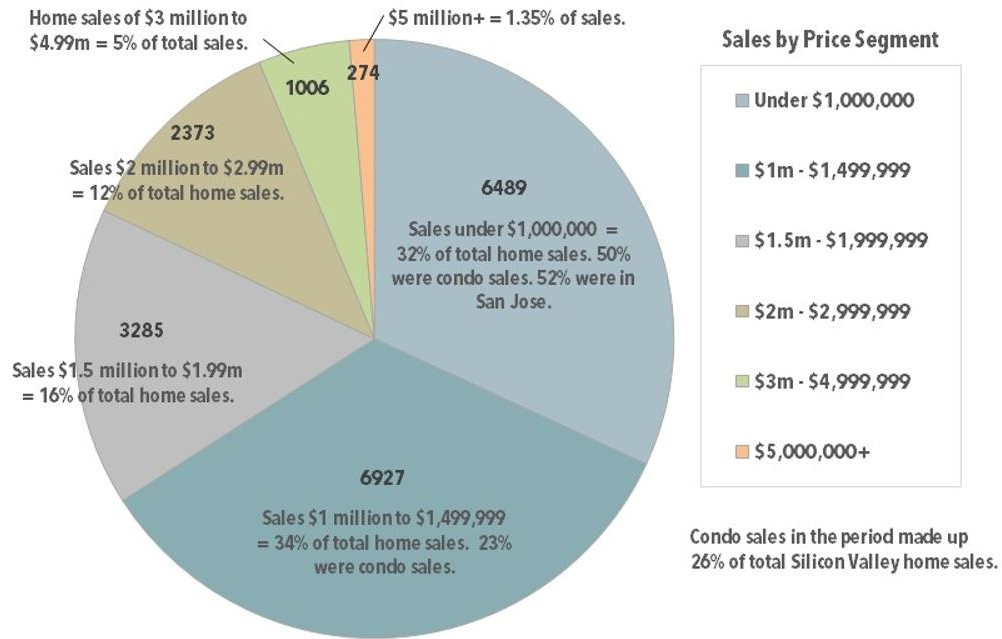
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Silicon Valley Home Sales by Price Segment

Since the recovery began in 2012, the number of Silicon Valley home sales under \$1 million has dramatically decreased as prices have migrated steadily higher. In 2018, more than half of those sales occurred in San Jose, which features many of the most affordable neighborhoods in the region. Generally speaking, in San Mateo County, smaller homes and the more affordable communities are in the north, close to the SF border.

Silicon Valley Home Sales Breakdown 2018 Sales by Price, San Mateo & Santa Clara Counties

House and condo sales
reported to MLS



Sales reported to MLS: Not all sales are reported to MLS. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers approximate.

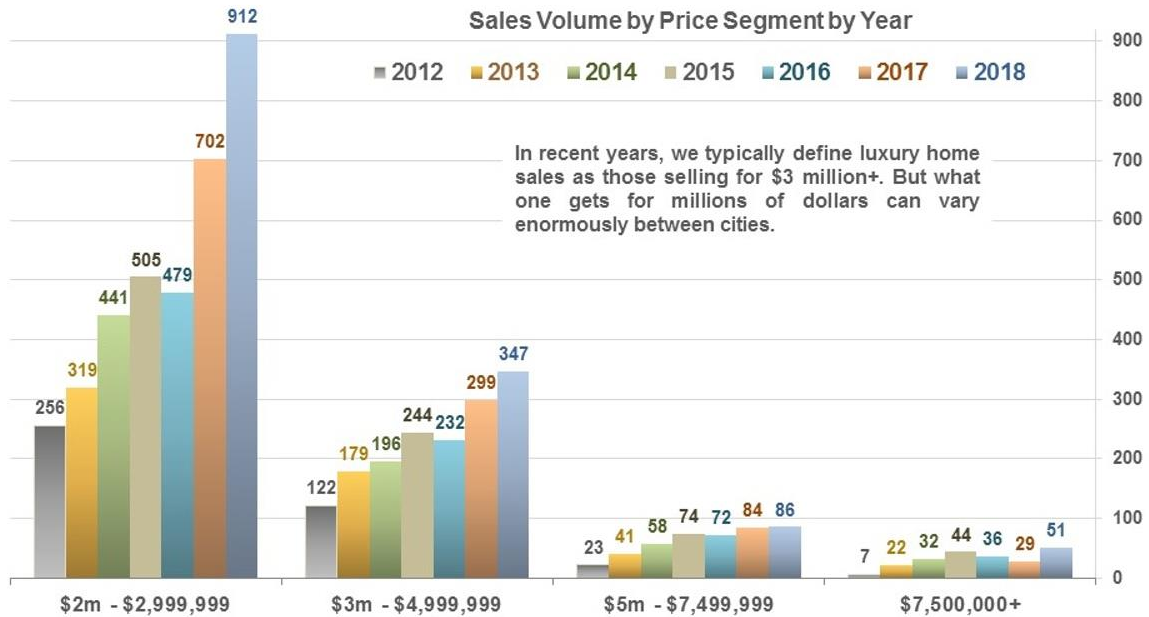
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San Mateo County Higher-Price Home Sales since 2012

In 2018, a new high in luxury home sales volume was hit in San Mateo, led by an enormous spike in Q2. Q2 is typically the biggest quarter of the year for high-end sales and home sales generally, a quarter we will soon be entering again.

San Mateo County Higher-Price Home Sales Sales by Price Segment since 2012, \$2 Million+

Sales reported to MLS



Sales reported to MLS. Some luxury home sales, especially in the highest price ranges, are not reported to MLS. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers are approximate.

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Median Prices, Average Dollar per Square Foot & Median Home Size by City

City values are influenced by many factors, including location, of course, but median home size is another basic consideration. All things being equal - especially in general quality of location - a smaller home will have a lower price, naturally, but typically a higher average dollar per square foot value.

When the community with the largest homes, Atherton, also has the highest \$/sq.ft. value (and by far the highest prices), you know you have found the most expensive real estate in San Mateo - a county with many, very expensive cities and towns. In fact, by almost any measure, Atherton has the most valuable homes in the Bay Area. (Lot sizes are also a factor.)

San Mateo County Home Values

Median Detached-House Sales Prices – 2018

Sales reported to MLS*



Median sales price is that price where half the homes sold for more and half for less. It is a very general statistic that typically disguises a very wide range of prices in the underlying sales. It can be affected by a variety of factors.

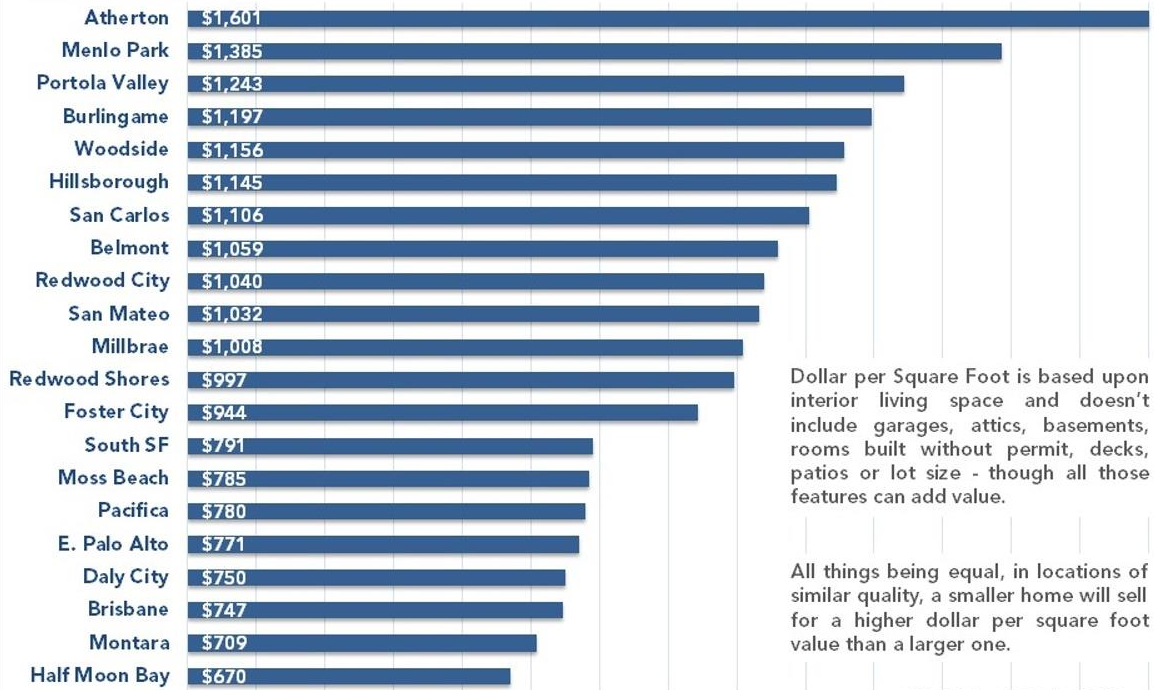
*MLS sales of detached houses of at least 700 square feet. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers are approximate.



San Mateo County House Values

Average Dollar per Square Foot on Sale - 2018

Sales reported to MLS*



Dollar per Square Foot is based upon interior living space and doesn't include garages, attics, basements, rooms built without permit, decks, patios or lot size - though all those features can add value.

All things being equal, in locations of similar quality, a smaller home will sell for a higher dollar per square foot value than a larger one.

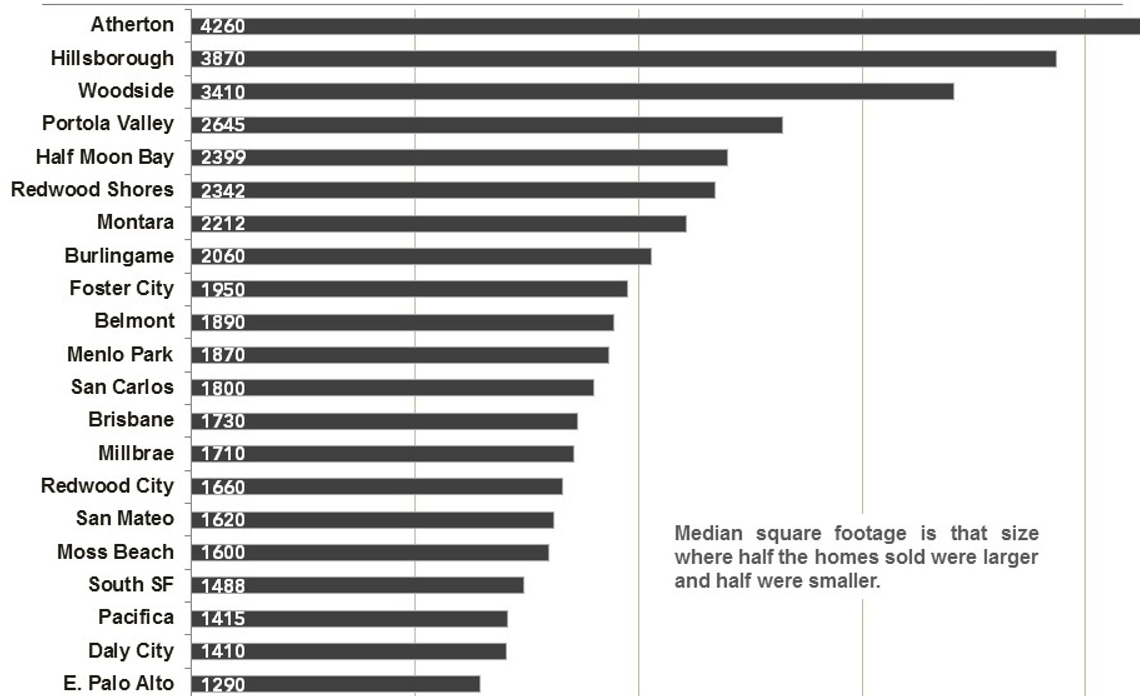
*MLS sales of detached houses of at least 700 square feet. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers approximate.



San Mateo County Home Sizes

Median Detached-House Square Footage – 2018 Sales

Sales reported to MLS*



Median square footage is that size where half the homes sold were larger and half were smaller.

*MLS sales of detached houses of at least 700 square feet. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers are approximate.

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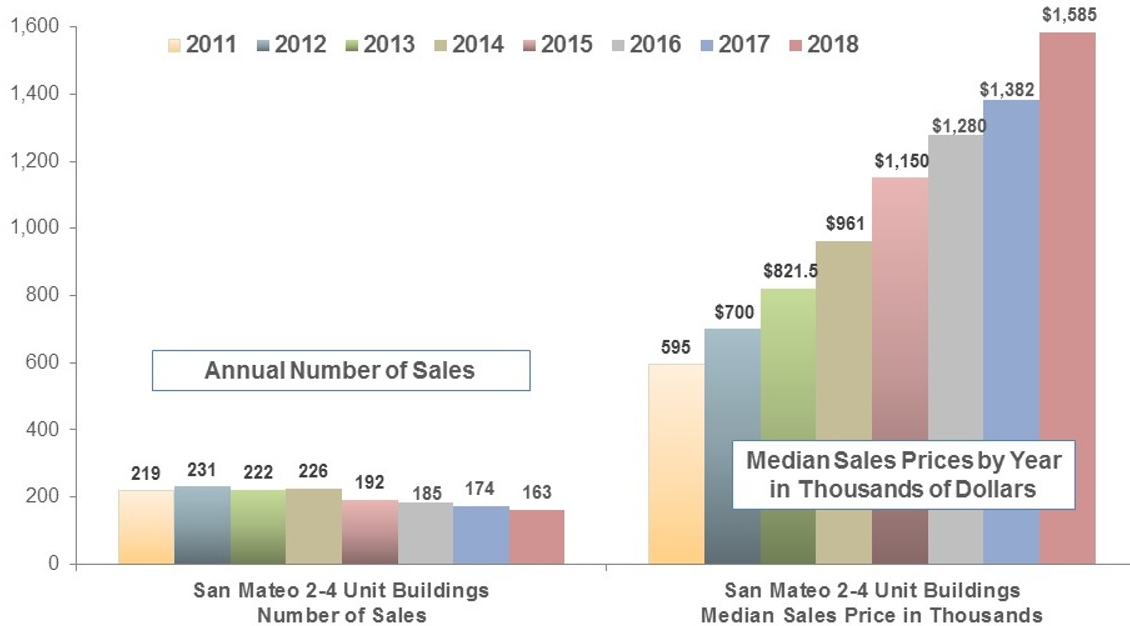
The 2-4 Unit Building Market

The residential investment market of 2-4 unit buildings has seen a similar appreciation trend to that of homes, but sales volumes have been declining for the past 4 years.

San Mateo County 2-4 Unit Building Market

Annual Sales Volume & Median Sales Prices

Residential 2-4 unit building sales reported to MLS



Sales reported to MLS. These values are generalities reflecting sales of a wide variety of buildings in locations of differing values. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers should be considered approximations.

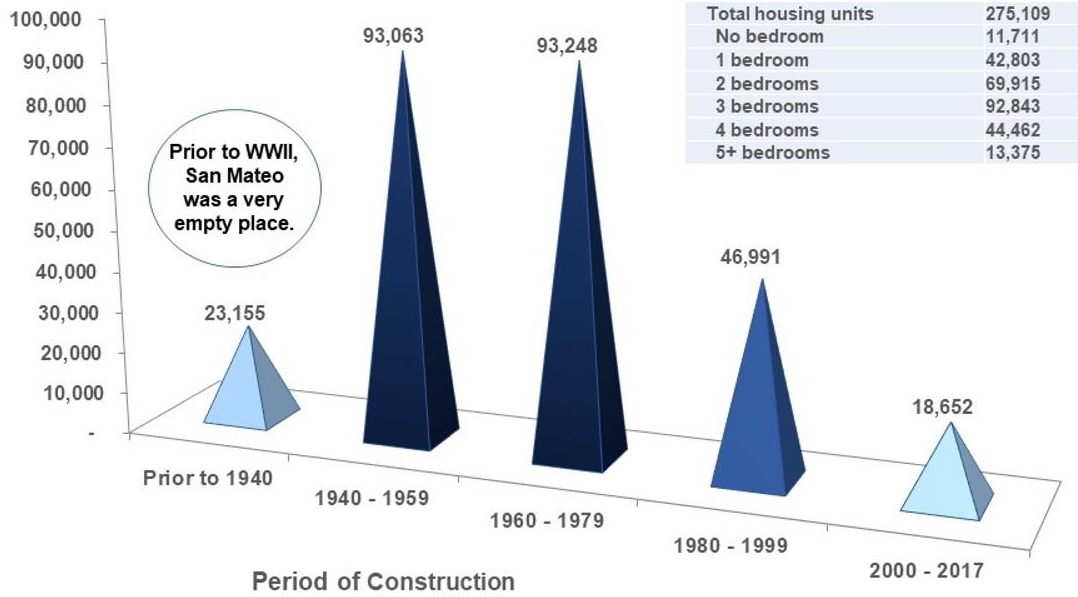
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Era of Housing Construction

The vast majority of home construction in San Mateo County occurred in the 4 decades from 1940 through 1979. As a point of context, in San Francisco, almost half of all housing units were built prior to WWII, when Silicon Valley was still very sparsely populated.

San Mateo County Housing Stock

Approximate Number of Housing Units by Era of Construction



Estimates based on 2017 U.S. census figures. These analyses were performed in good faith with data derived from sources deemed reliable, but they may contain errors and are subject to revision. All numbers are approximate.

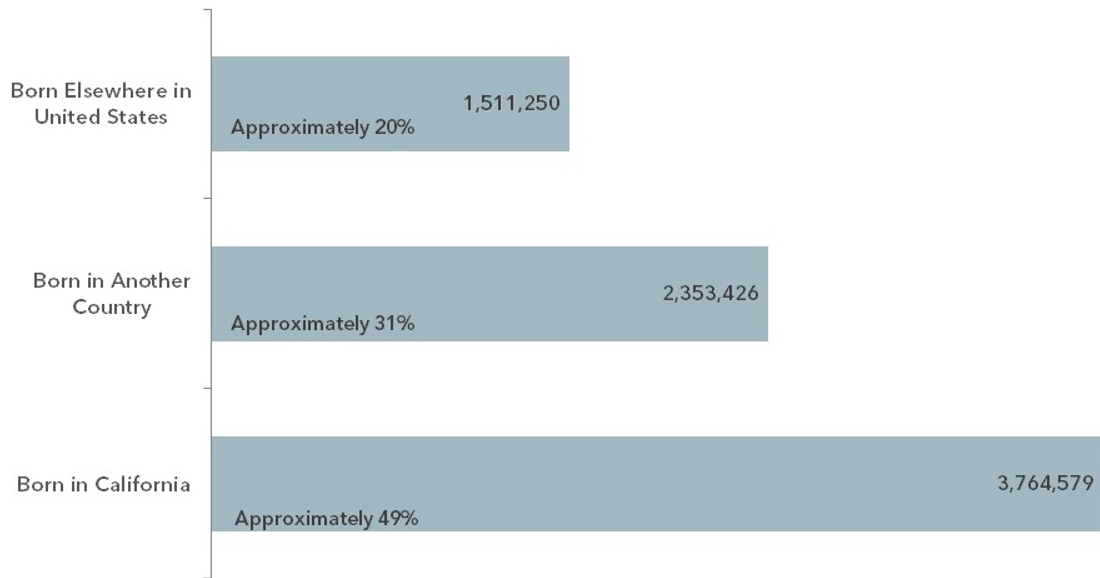
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A Very Multi-Cultural Place - Bay Area Demographics

Before looking at the charts below, here is today's demographics quiz question: What 4 nationalities account for the origin of the highest numbers of Bay Area residents?

Place of Birth Bay Area Demographics

Per U.S. Census ACS
estimates, 2013-2017



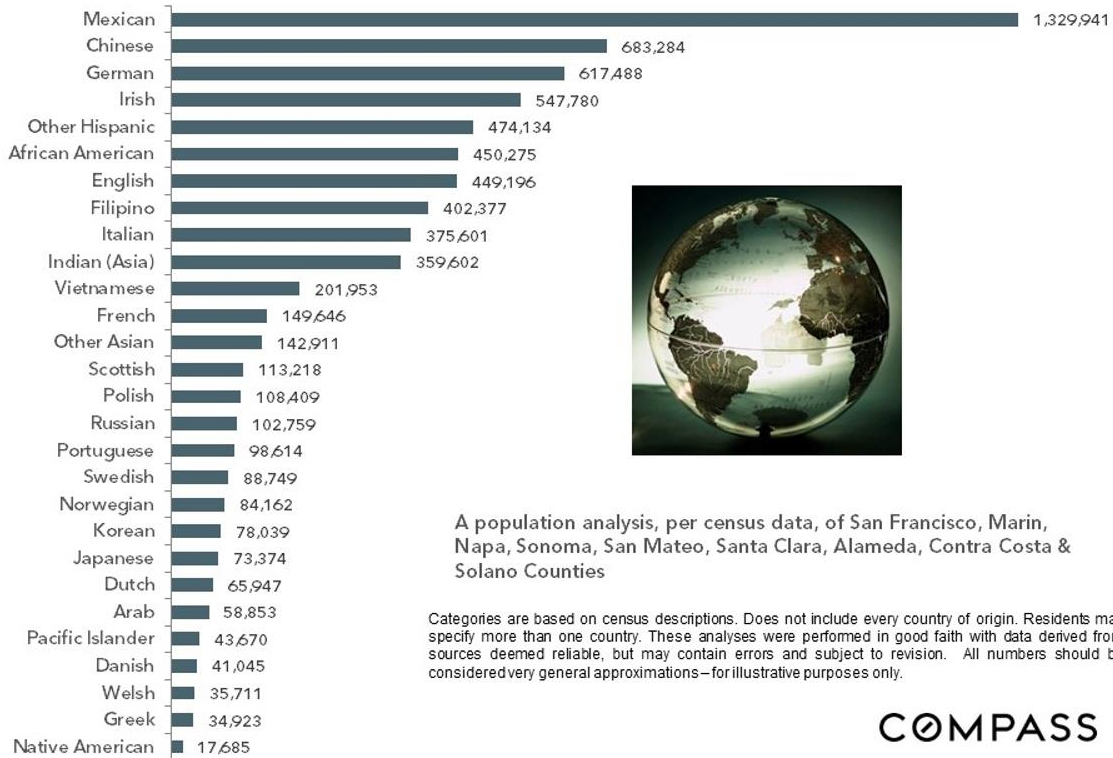
A population analysis, per census data, of San Francisco, Marin, Napa, Sonoma, San Mateo, Santa Clara, Alameda, Contra Costa & Solano Counties

These analyses were performed in good faith with data derived from sources deemed reliable, but they may contain errors and are subject to revision. All numbers should be considered very general approximations.

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Ancestry, Ethnicity, Country of Origin Bay Area Demographics

Per U.S. Census, 2017
5-Year ACS estimates



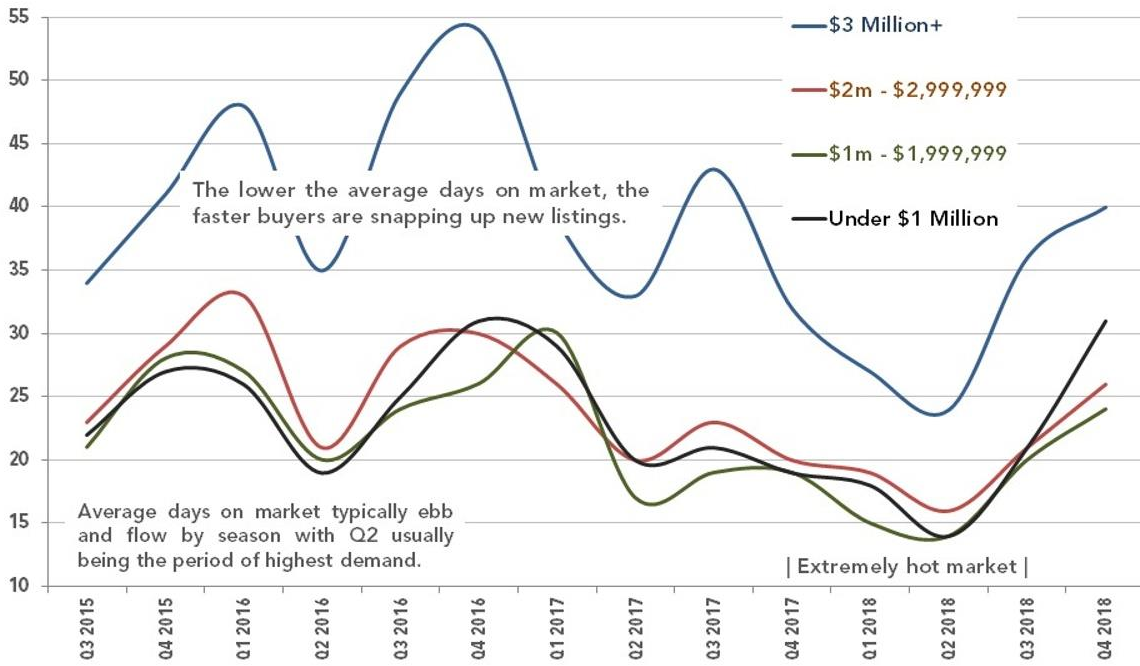
Market Dynamics by Price Segment

The next 3 charts measuring the Silicon Valley homes market are all consistent: 1) The first half of 2018 was crazy hot and then cooled off in the second half, and 2) Supply and demand dynamics in all price segments under \$3 million were very similar, but a somewhat softer market prevailed in luxury home sales (which is not unusual).

Average Days on Market by Price Segment by Quarter

Silicon Valley Real Estate Market Dynamics, 2015 to Present

Santa Clara and San Mateo residential market activity, per Broker Metrics.

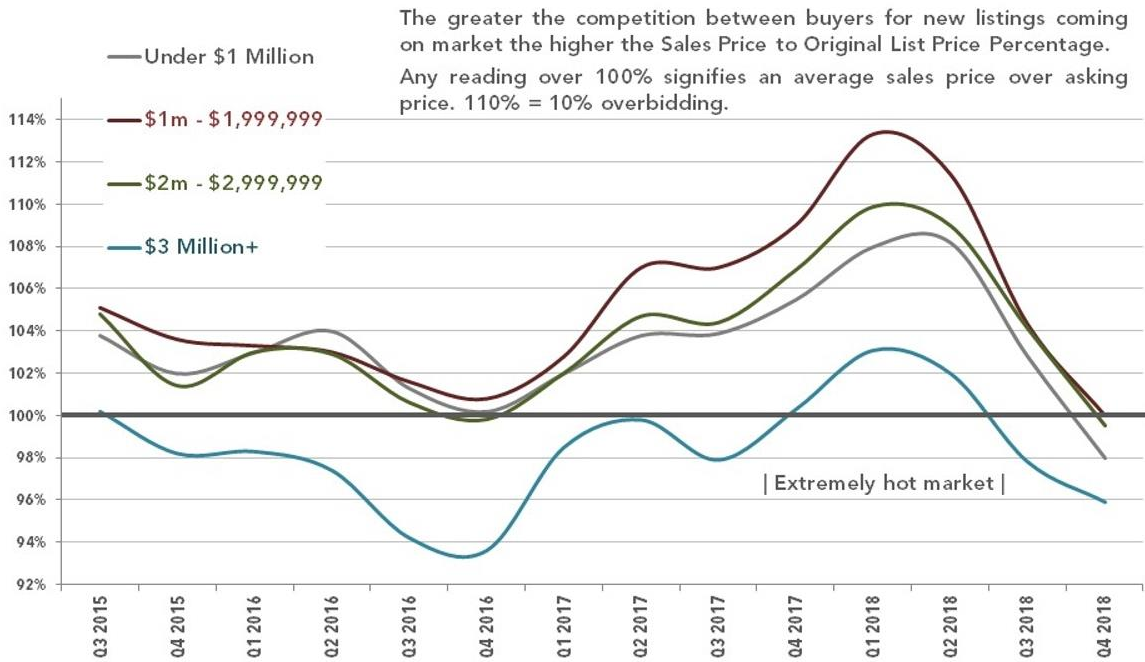


For sold properties, per Broker Metrics. Data from sources deemed reliable, but may contain errors and subject to revision.



Avg. Sales Price to Original List Price % by Price Segment Silicon Valley Real Estate Market Dynamics, 2015 to Present

Santa Clara and San Mateo residential
market activity, per Broker Metrics.

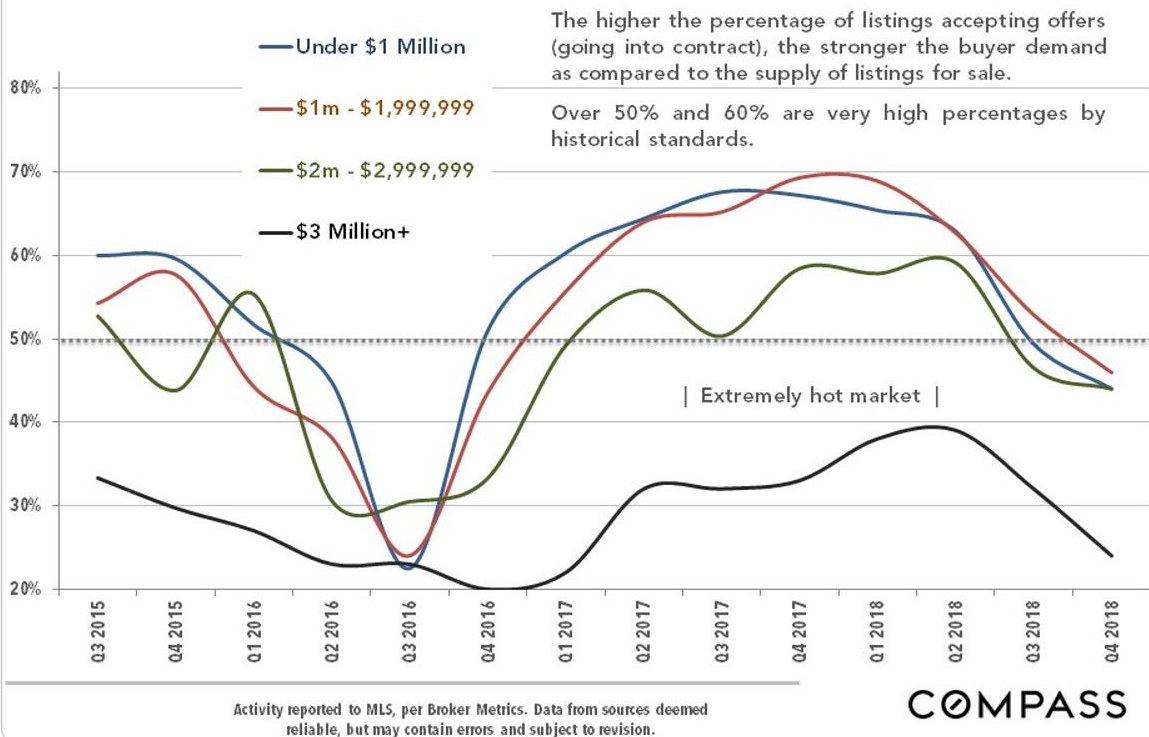


Activity reported to MLS, per Broker Metrics. Data from sources deemed reliable, but may contain errors and subject to revision.

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Percentage of Listings Accepting Offers by Price Segment Silicon Valley Real Estate Market Dynamics, 2015 to Present

Santa Clara and San Mateo
residential market activity, per
Broker Metrics.



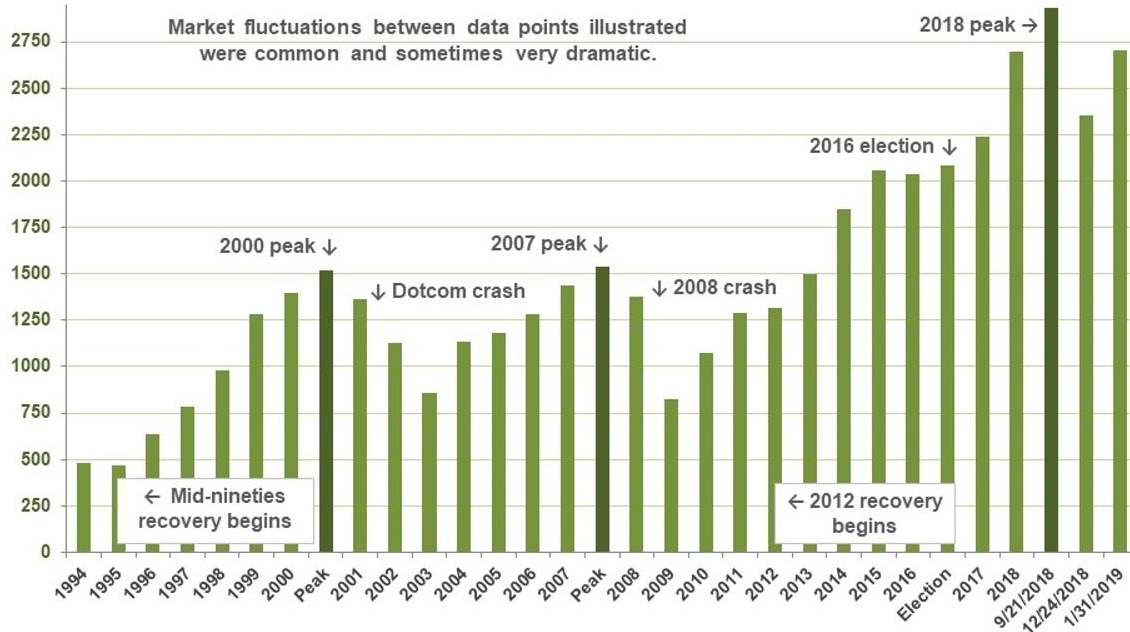
Stock Prices & Interest Rates

As seen in the first chart below, the changes in the S&P 500 Index have been dramatic since the 2016 election, seeing an enormous jump to its most recent peak in September 2018 before entering a period of substantial volatility. Ups and downs and major volatility in financial markets - and their effects on household wealth - can play a large role in local real estate markets, especially in the higher price segments.

S&P 500 Stock Index, January 1994 – January 31, 2019

January Opening Values Except as Specified

Per Yahoo Finance as of 1/30/19



An approximate illustration only. January opening value data points except as noted. Data from sources deemed reliable but may contain errors and subject to revision. Financial markets can be prone to significant volatility even on a short-term basis.

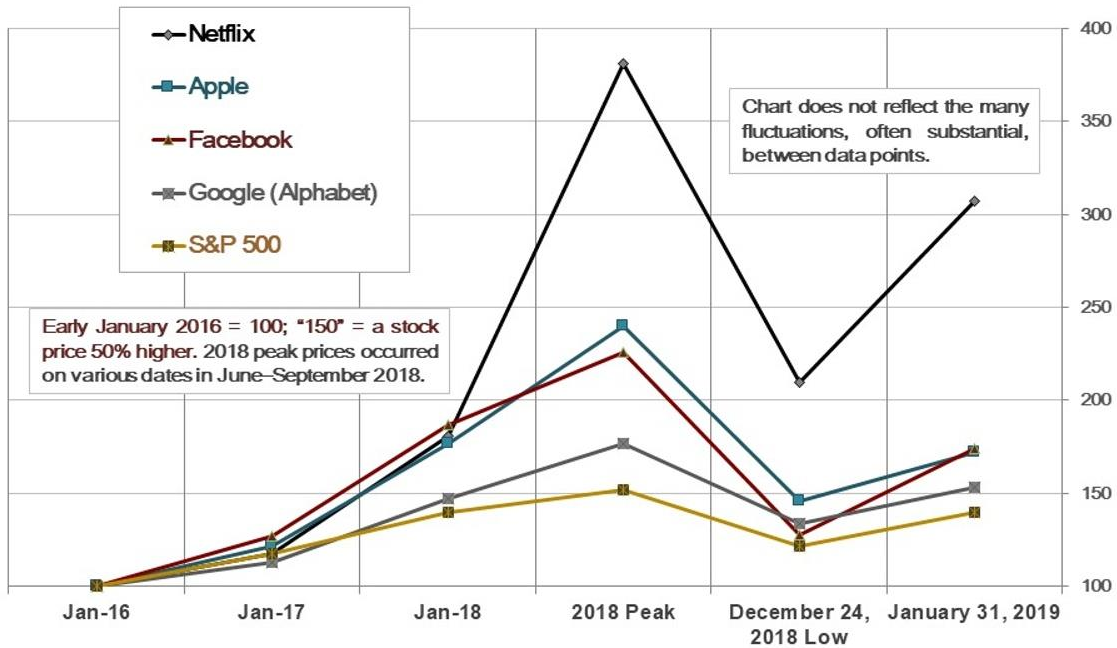
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However, as illustrated below, the movements in the S&P 500 look distinctly modest compared to the stock price changes of some of our local high-tech giants. It has been a wild, queasy ride for investors and stock-owning employees - and for many home buyers.

If the big, Bay Area unicorn IPOs go forward as expected, and the market greets them enthusiastically, that could play a substantial role in demand as thousands of employees suddenly feel considerably more affluent.

Bay Area FANG Stock Price Movements

January 2016 – January 2017 – January 2018 – 2018 Peak – 2018 Low – January 31, 2019



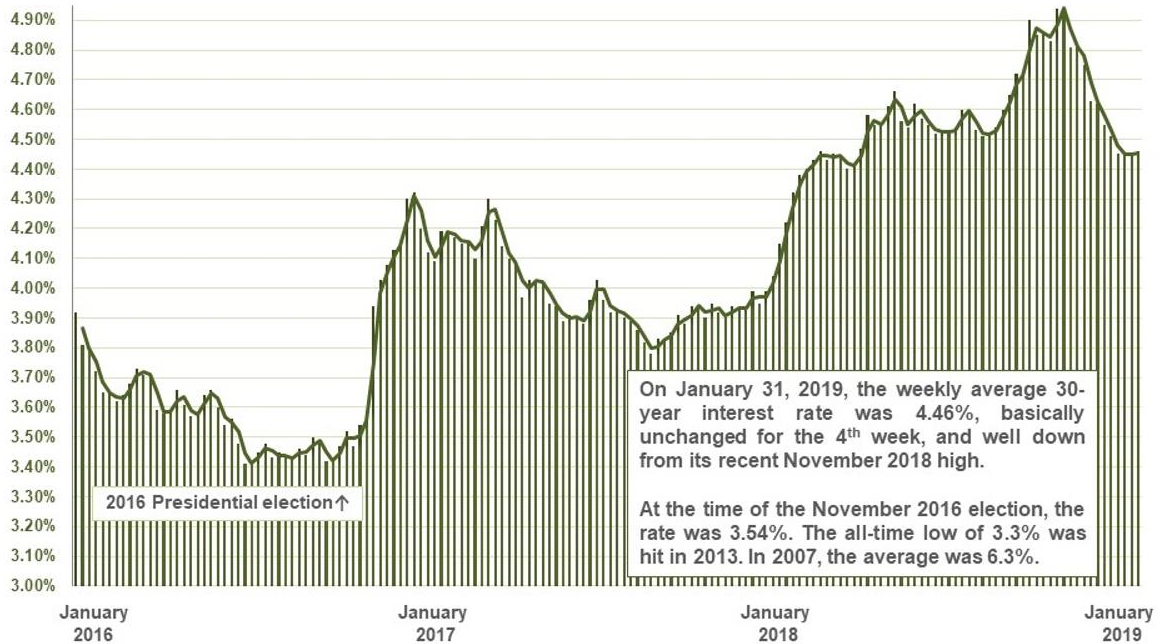
Data from sources deemed reliable but may contain errors and subject to revision. All numbers should be considered approximate, used for general illustrative purposes only. Stock prices can fluctuate dramatically even on a very short-term basis - as they have been doing recently.

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Interest rates are a major factor in housing costs and the ability to qualify for home loans. After hitting its most recent high in November, rates have dropped off considerably. Such declines sometimes spark renewed buyer motivation to move forward quickly.

Mortgage Interest Rate Trends in 2016 – 2019
30-Year Conforming Loans, Weekly Readings
January 7, 2016 – January 31, 2019

Rates as published
by the FHLMC.



Interest rates may fluctuate suddenly and dramatically. Data from sources deemed reliable but not guaranteed. Anyone interested in residential home loans should consult with a qualified mortgage professional and their accountant.

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