

---

# COMPASS



## Santa Clara 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 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 - though indicators have proven to be quite volatile over the past 5 months and future movements are not to be taken for granted.

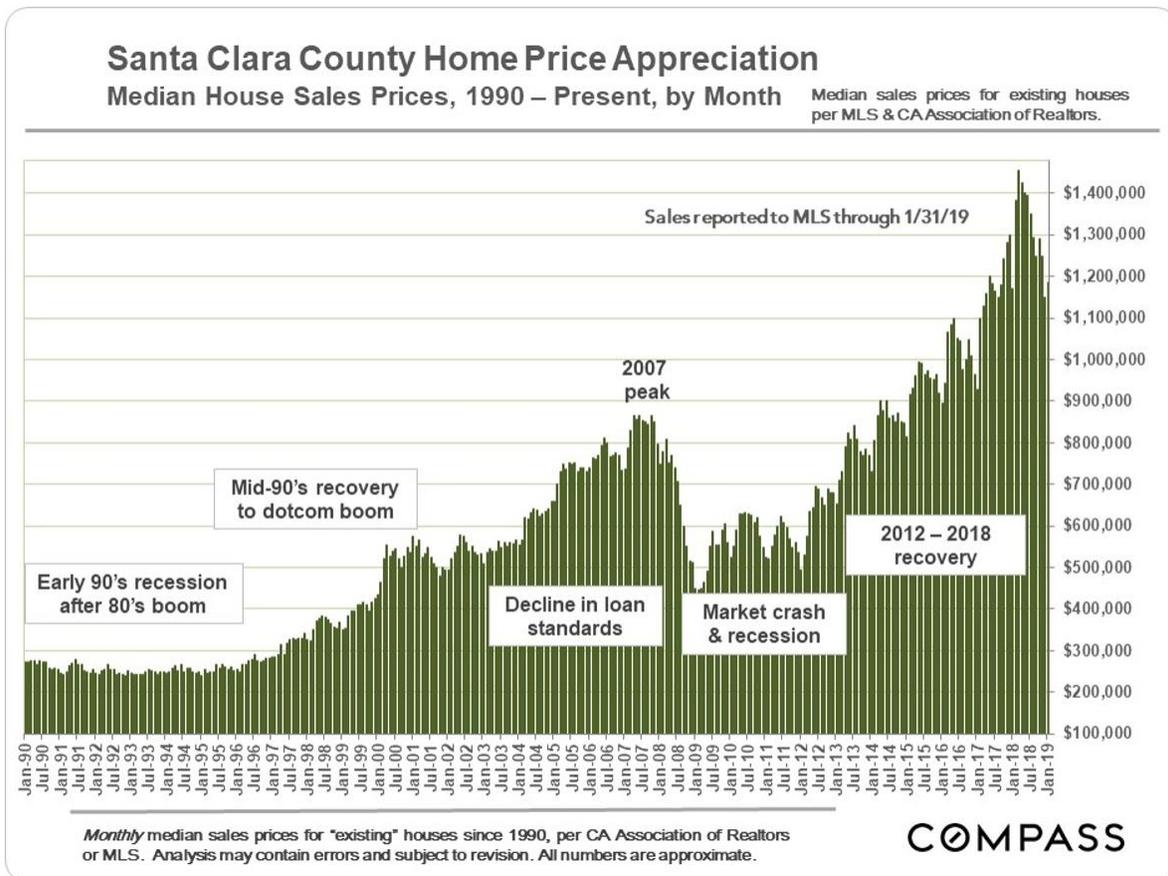
As detailed in our last report, there was considerable cooling in the Santa Clara market in the second half of 2018, especially as compared to the white hot conditions of last spring. The month of January typically has the fewest sales of the year, sales which mostly reflect activity

during the December market doldrums: So, we don't consider its data to be a reliable indicator of conditions or trends. But activity is picking up, 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 House Sales Prices since 1990

Median home prices fluctuate by month and by season, sometimes without great reference to changes in fair market value. But one can see the tremendous spike in prices that occurred at the end of 2017 through spring 2018, which then fell back in the second half of the year.

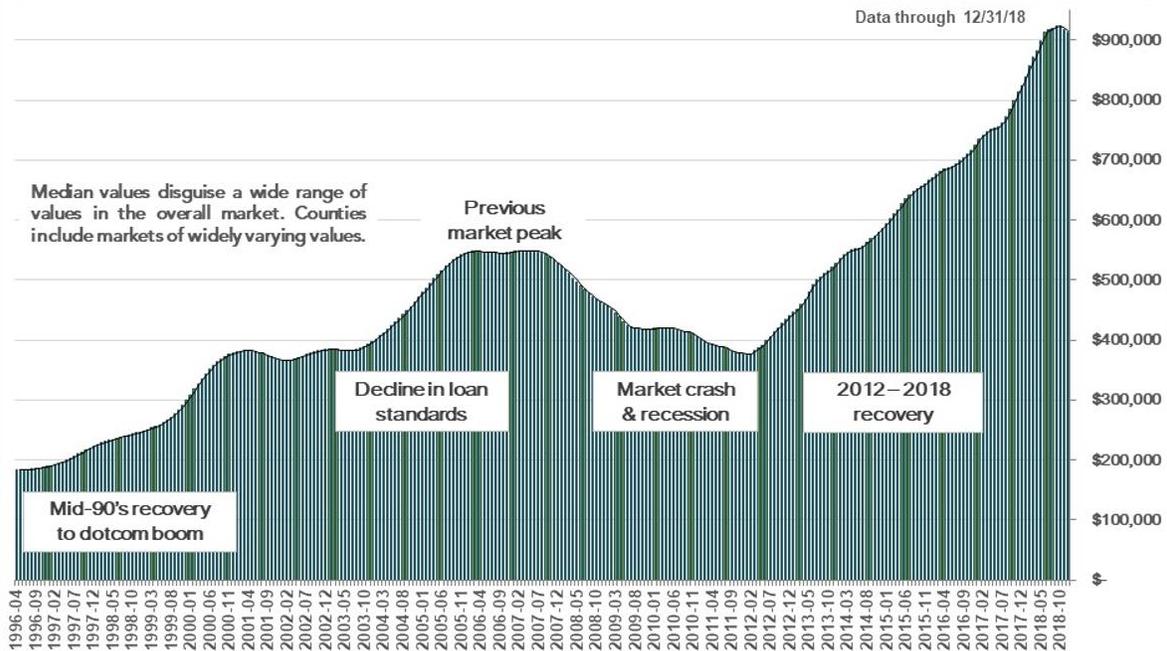


#### Median Condo Value Appreciation since 1996

Monthly and seasonal fluctuations are smoothed out in this median condo value chart.

## Santa Clara 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.

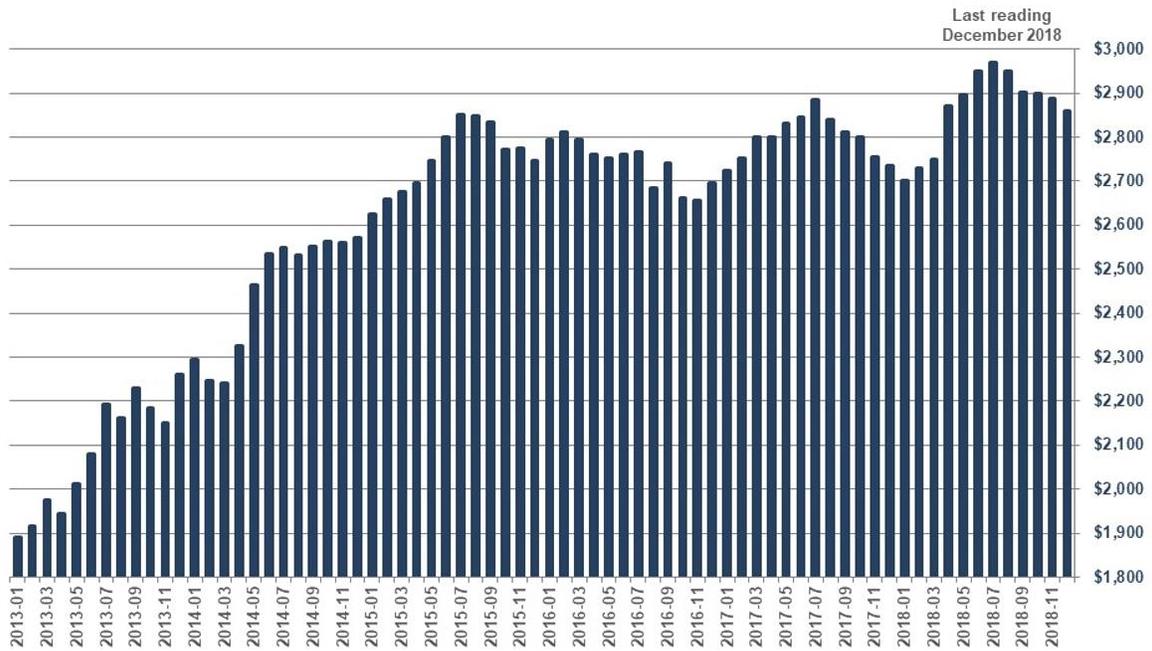
COMPASS

### Rent Rate Appreciation since 2013

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

Santa Clara County, 2013 – 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.

COMPASS

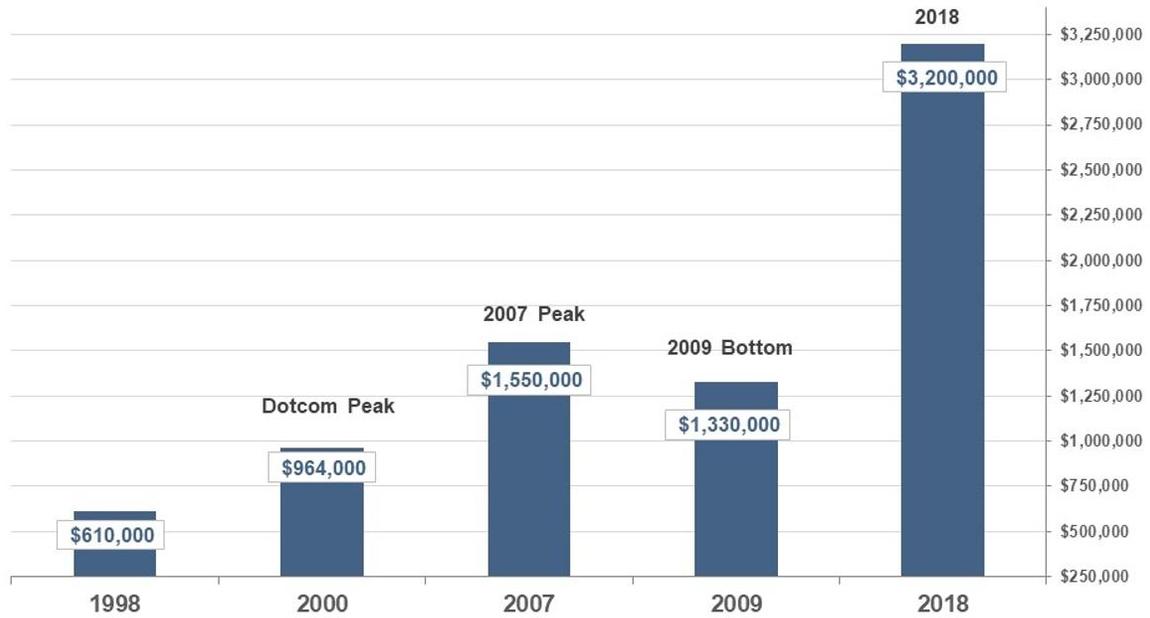
### City Snapshot: Palo Alto

Few cities anywhere have seen the extreme rate of appreciation since the market's post-financial-crash bottom that has occurred in Palo Alto.

## Palo Alto Home Values

Median House Sales Price Changes since 1998

House sales reported to MLS



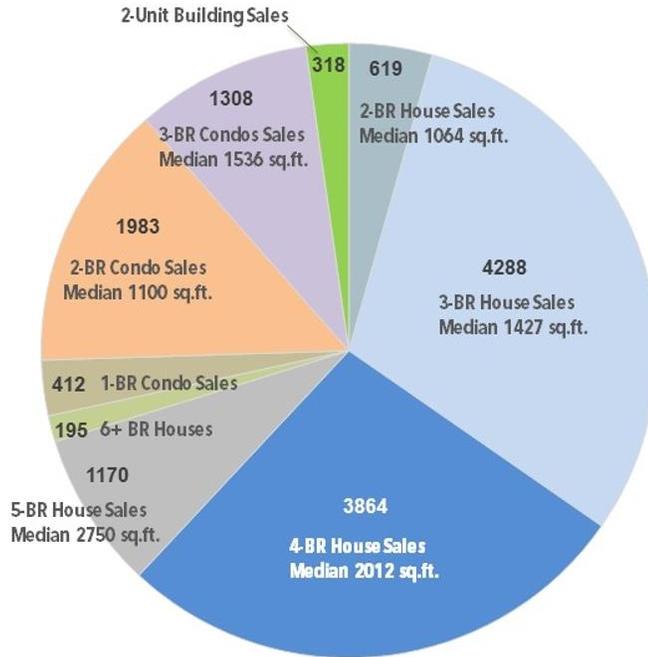
Median sales price is that price at which half the sales occurred for more and half for less. It is a very general statistic often affected by factors other than changes in fair market value. Data from sources deemed reliable, but may contain errors and subject to revision.

COMPASS

3 & 4 bedroom house sales dominate the Santa Clara County market. As an interesting point of context, in San Francisco, the most common sale is of a 2-bedroom condo.

## Santa Clara Home Sales Breakdown 2018 Sales by Property Type & Bedroom Count

Sales reported to MLS



### Median Sales Prices

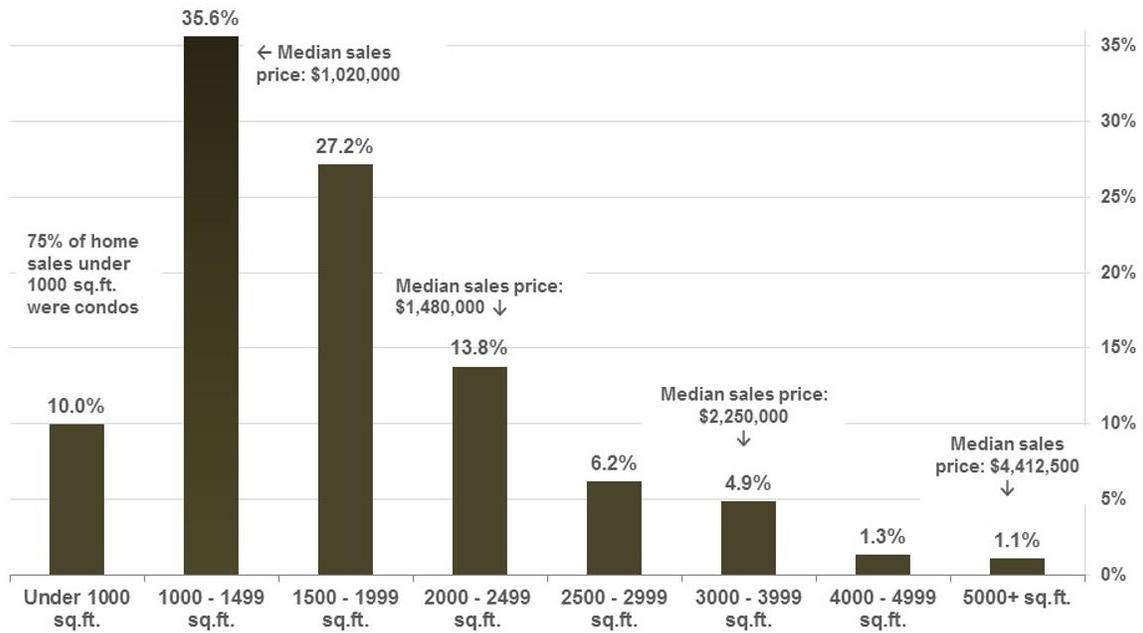
|              |              |
|--------------|--------------|
| 2-BR Houses  | -\$1,002,000 |
| 3-BR Houses  | -\$1,230,000 |
| 4-BR Houses  | -\$1,400,000 |
| 5-BR Houses  | -\$1,820,000 |
| 6+ BR Houses | -\$2,225,000 |
| 1-BR Condos  | -\$605,000   |
| 2-BR Condos  | -\$820,000   |
| 3-BR Condos  | -\$1,085,000 |
| 2-Unit Bldgs | -\$1,472,500 |

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.

COMPASS

## Santa Clara County Home Sales Percentage of Sales by Square Footage in 2018

Using sales reporting home square footage to MLS



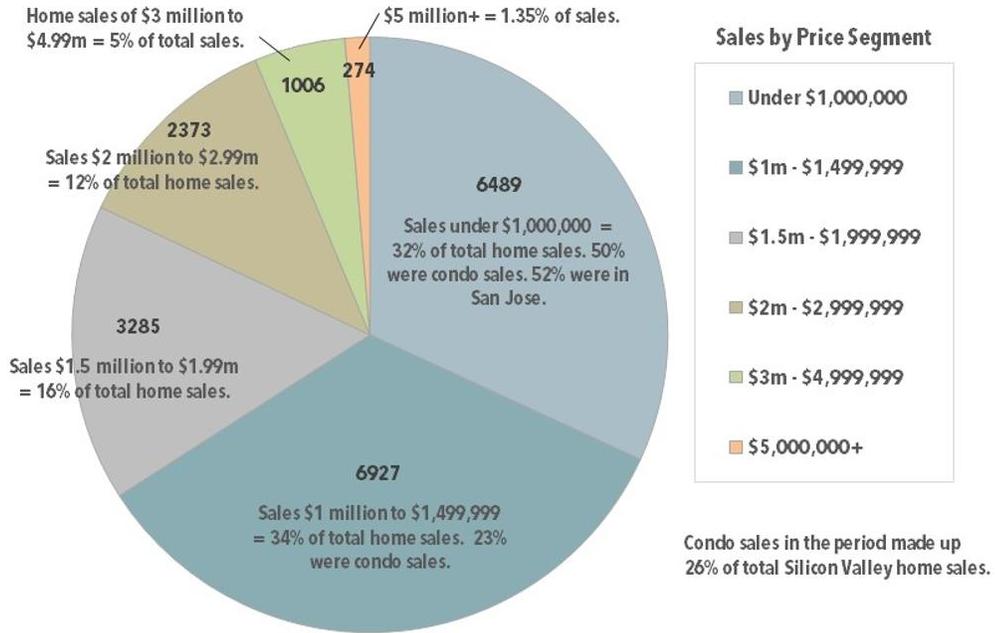
House and condo sales reported to MLS. Size figures are for "livable square footage" which does not include garages, storage, rooms built without permit, or outdoor spaces. Not all sales report square footage. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers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

COMPASS

Since 2012, the percentage of home sales under \$1 million have steadily dropped as prices have migrated higher. In sheer number of sales, Silicon Valley is dominated by the San Jose market - which also contains many of its more affordable neighborhoods.

## 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.

COMPASS

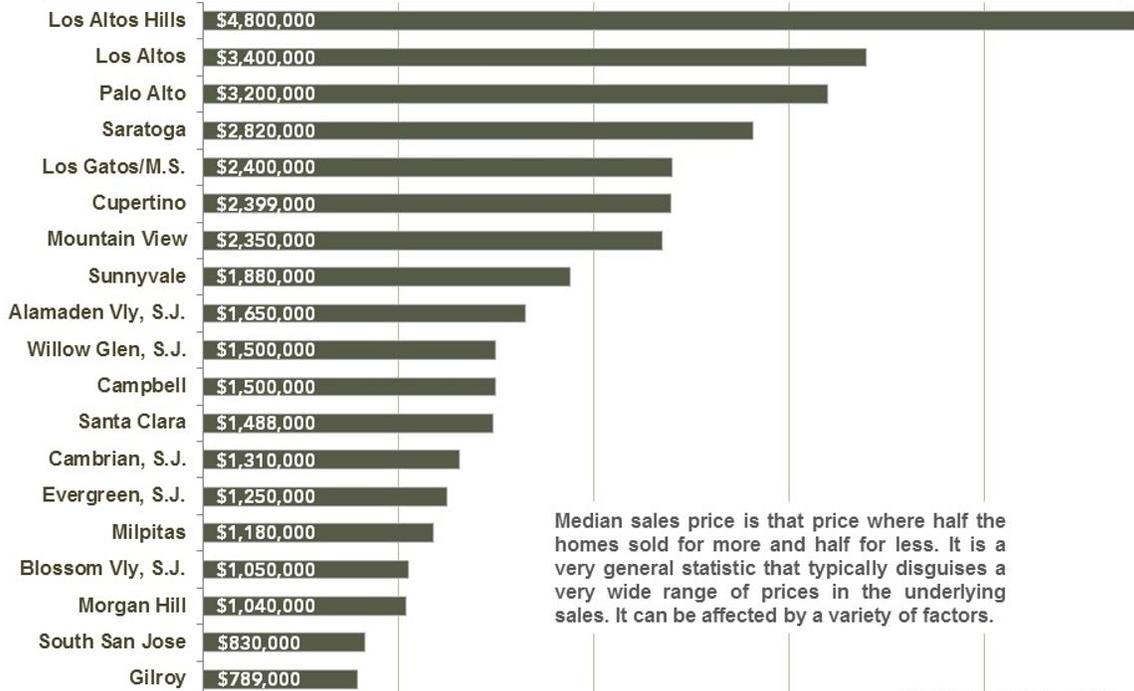
### Median Price, Average Dollar per Square Foot & Median Size, by City

City values are influenced by many factors, including location, of course, but median home size is another basic consideration. And this varies widely between communities, as illustrated in the third chart below.

## Santa Clara 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.

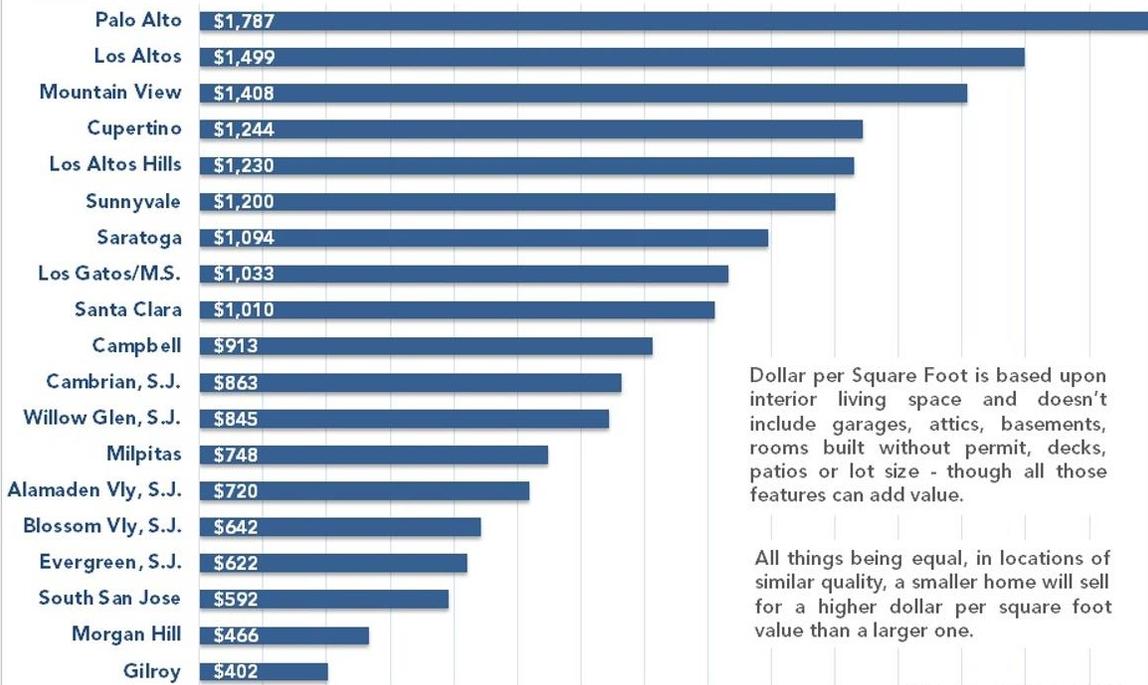
COMPASS

All things being equal - especially in general quality of location - a smaller home will sell for a lower price, naturally, but at a higher dollar per square foot value. This is one factor in the extremely high average \$/sq.ft. values seen in Palo Alto - the highest of any city in the Bay Area.

## Santa Clara 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.

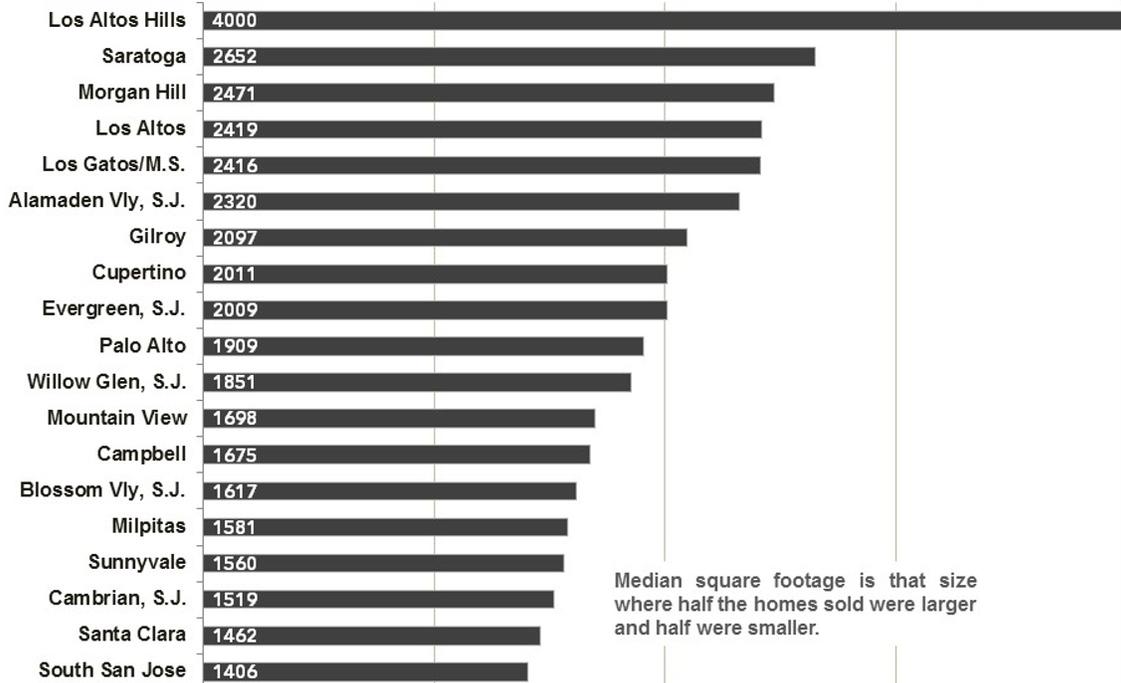
\*MLS sales of detached houses of at least 700 square feet. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers approximate.

**COMPASS**

## Santa Clara County Home Sizes

### Median Detached-House Square Footage – 2018 Sales

Sales reported to MLS\*



\*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.

COMPASS

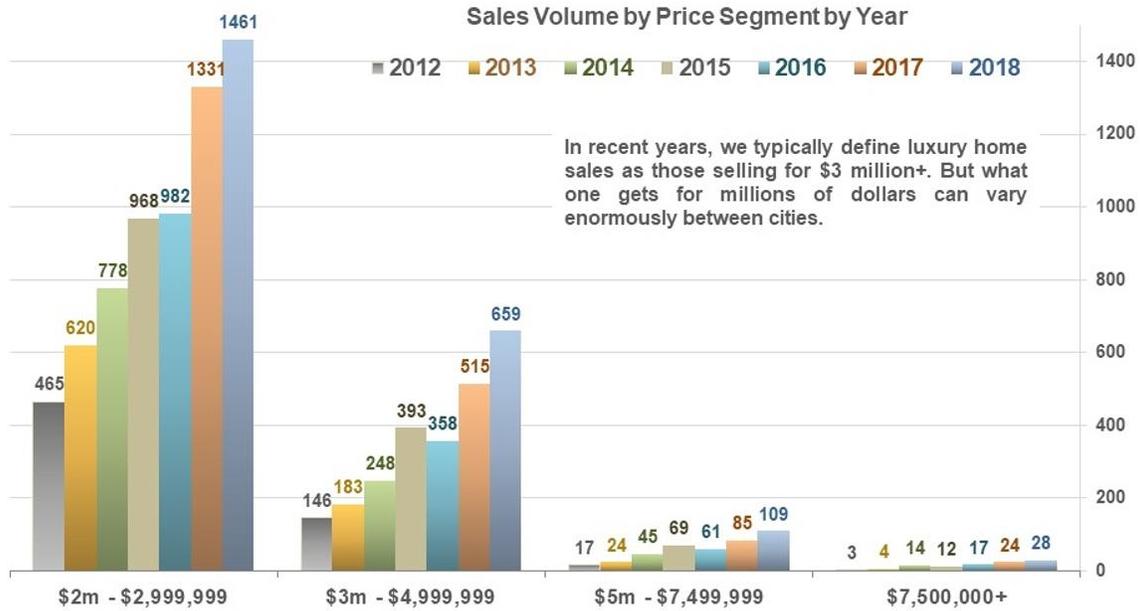
## Higher Price Homes Sales since 2012

New highs in sales volume occurred across the spectrum of higher-priced homes in 2018, but it was caused by a huge spike in sales in Q2: Sales in Q3 and Q4 actually dropped on a year-over-year basis. The second quarter is usually the most active of the year for luxury sales, seeing the highest buyer demand and most competitive market conditions. The question now is: What will we see in spring 2019?

## Santa Clara 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.

COMPASS

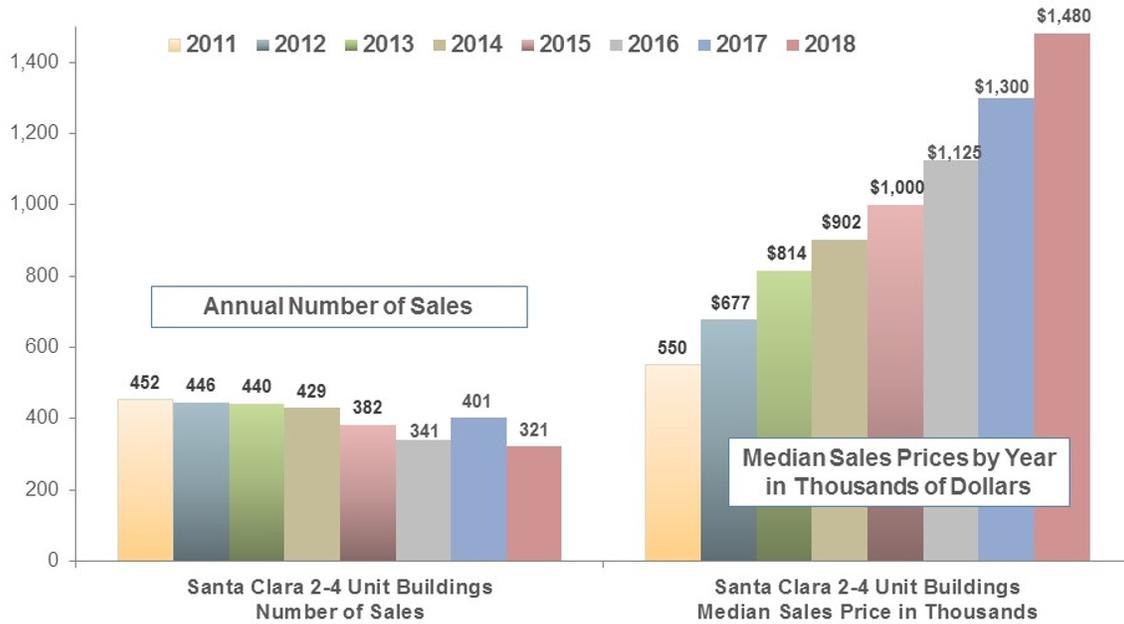
## The 2-4 Unit Building Market

The residential investment market of 2-4 unit buildings has seen a similar appreciation trend as that of homes.

## Santa Clara 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.

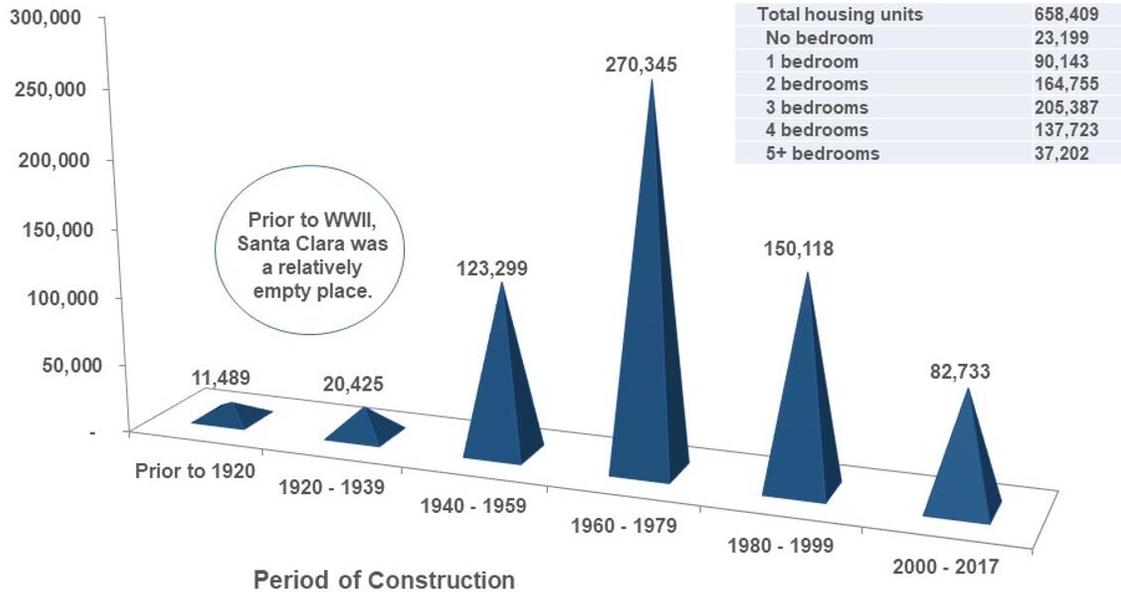
COMPASS

### Era of Construction

In San Francisco, almost half of its housing units were built prior to WWII, while Santa Clara remained virtually empty. The biggest boom in construction here occurred between 1960 and 1979.

## Santa Clara County Housing Stock

### Approximate Number of Housing Units by Era of Construction



Estimates based on 2017 U.S. census figures, with pre-1920 figure estimated using MLS sales data. 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.

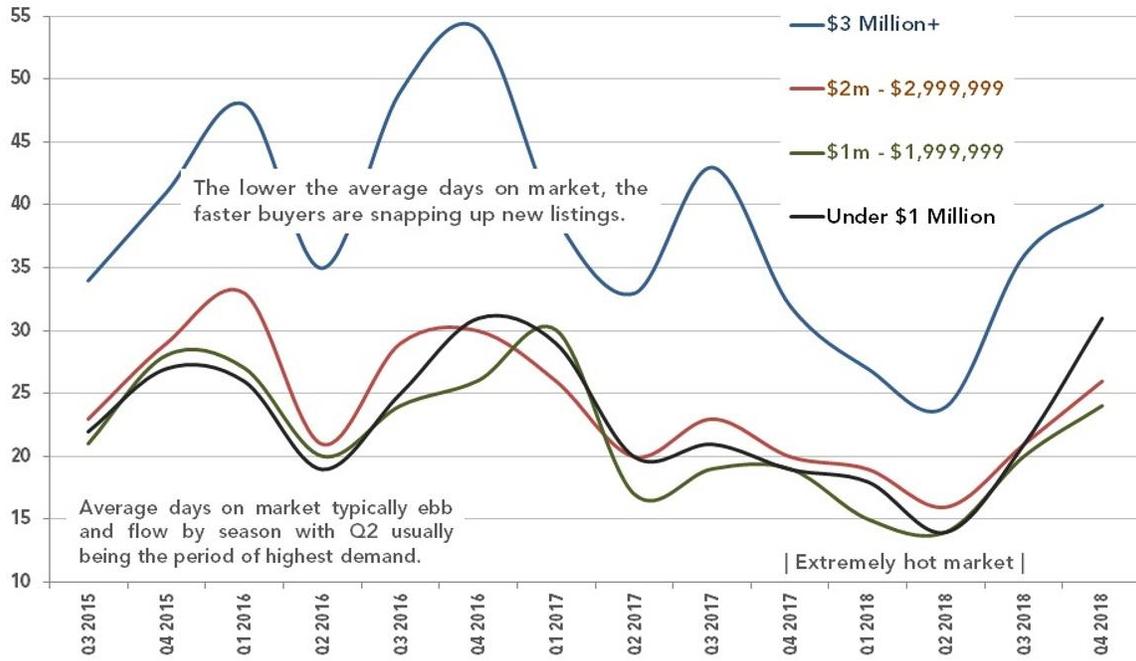
COMPASS

### Market Indicators by Price Segment: Santa Clara & San Mateo Counties

In recent years, market heat in Silicon Valley has divided to a large degree by price segment. As illustrated in the following 3 graphs, supply and demand dynamics have been similar for all price segments under \$3 million, while the luxury home segment has been somewhat softer (which is not unusual). These charts also illustrate the extreme heat of the market at the end of 2017 through the first half of 2018, and the cooling that occurred in the second half. Q2 is typically the highest demand quarter of the year, which we will be entering soon.

## 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.



Average days on market typically ebb and flow by season with Q2 usually being the period of highest demand.

The lower the average days on market, the faster buyers are snapping up new listings.

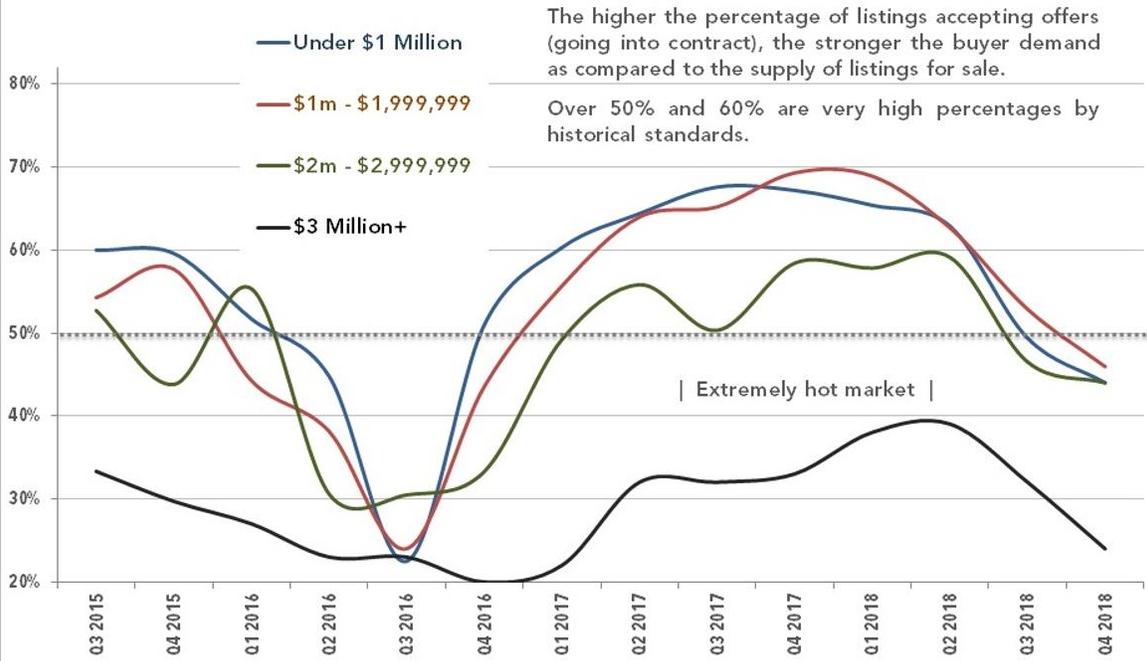
| Extremely hot market |

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

COMPASS

## 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.

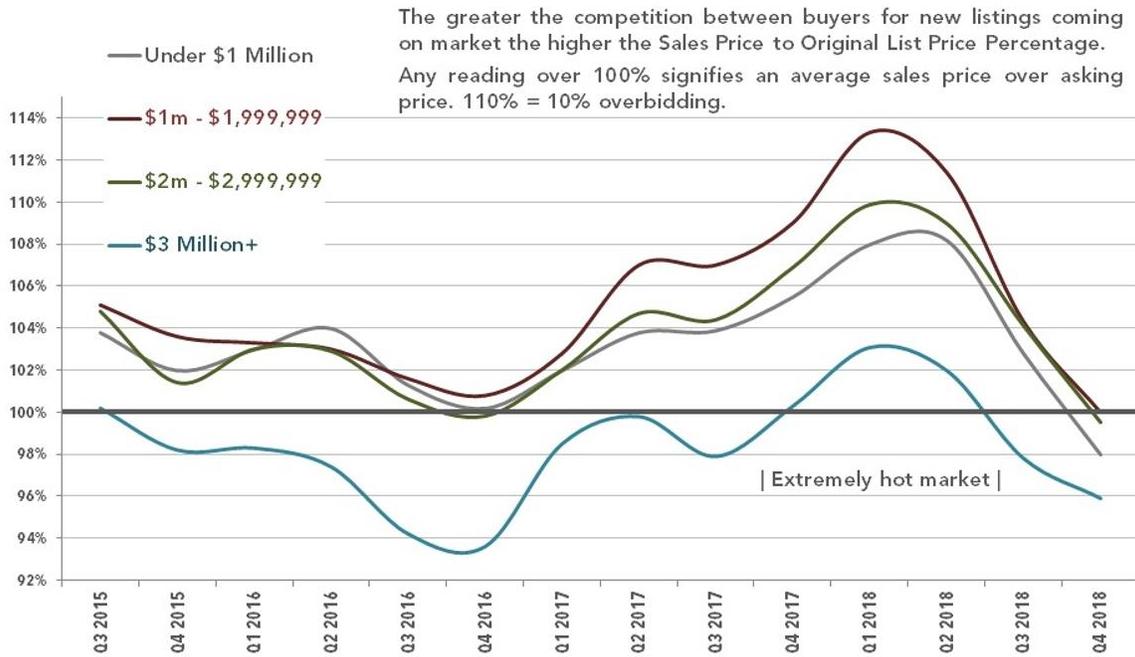


Activity reported to MLS, per Broker Metrics. Data from sources deemed reliable, but may contain errors and subject to revision.

COMPASS

## 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.

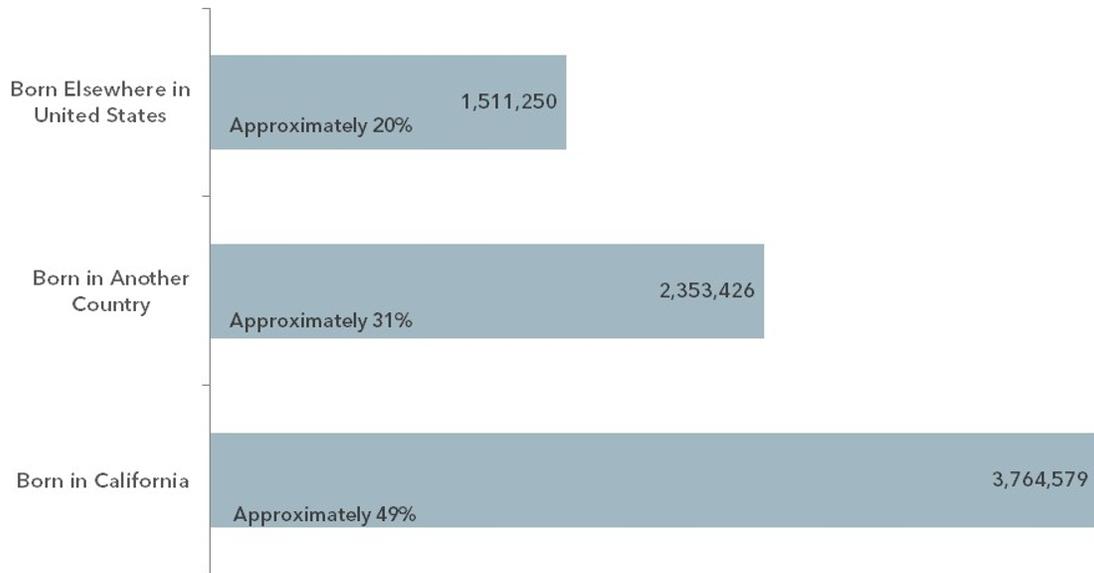
COMPASS

## A Very Multi-Cultural Place - Bay Area Demographics

Before looking at the charts below, here is the demographics quiz question for today: 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



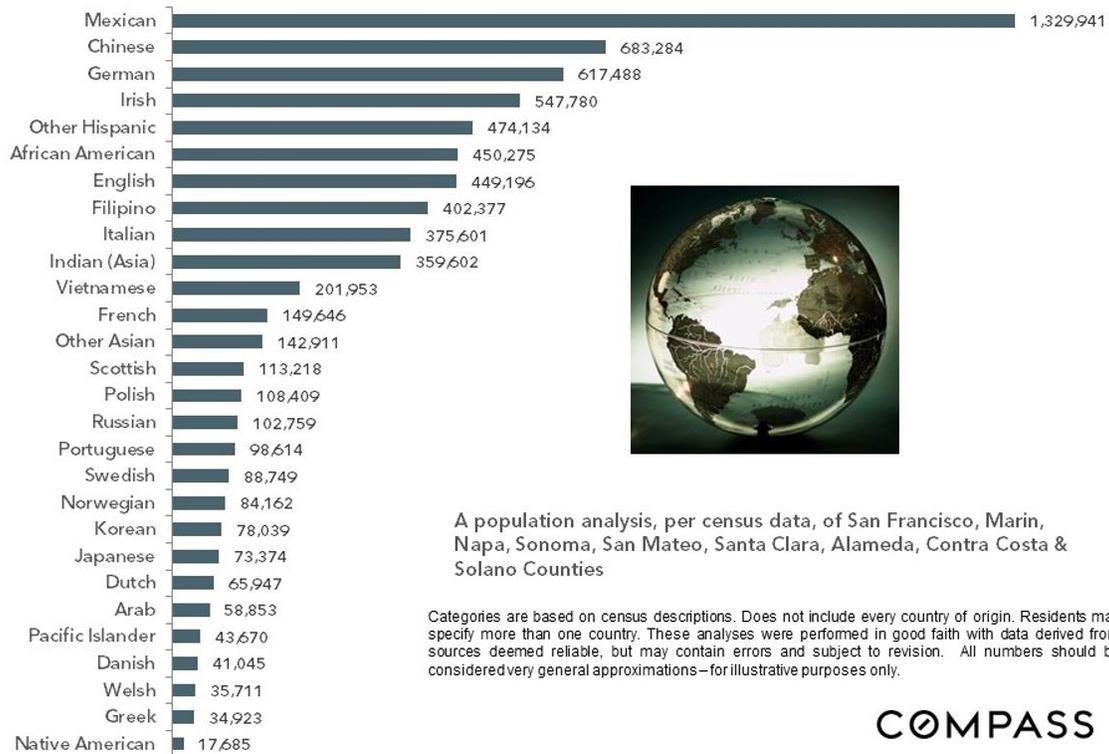
A population analysis, per census data, of San Francisco, Marin, Napa, Sonoma, San Mateo, Santa Clara, Alameda, Contra Costa & Solano Counties

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.

**COMPASS**

## Ancestry, Ethnicity, Country of Origin Bay Area Demographics

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



COMPASS

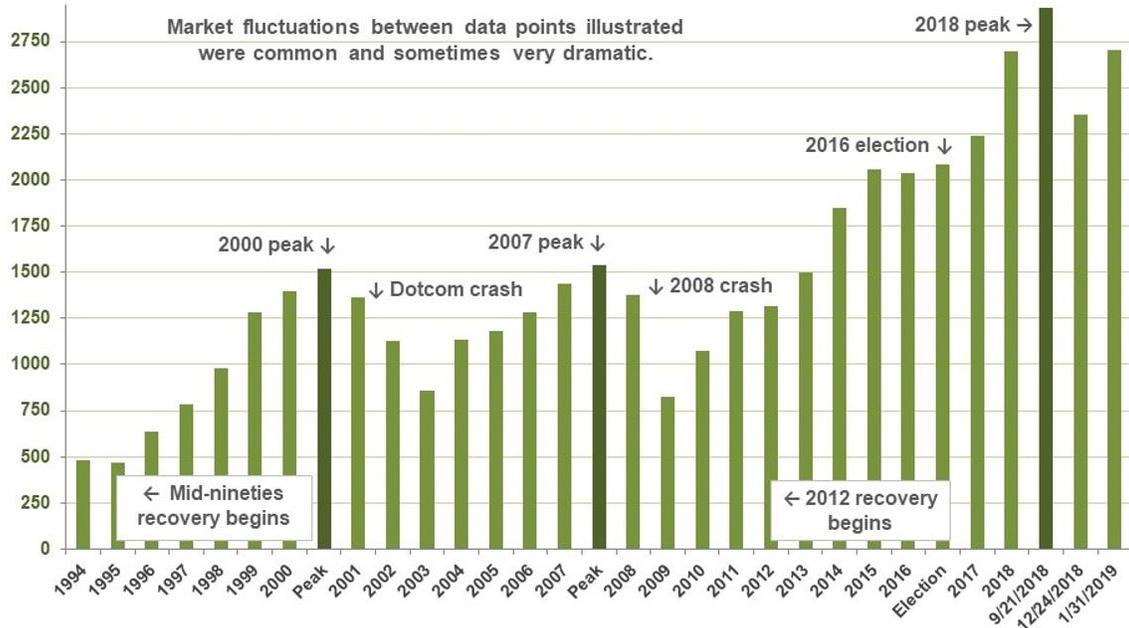
## Stock Prices & Interest Rates

As seen in the next chart, the changes in the S&P 500 Index have been very 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.

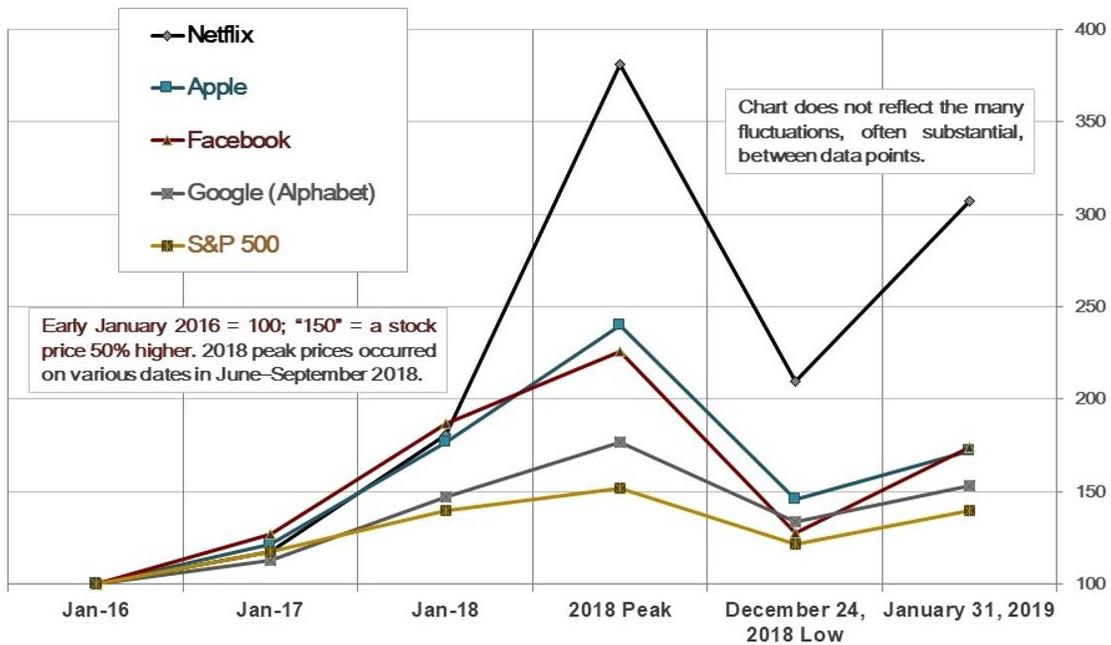
COMPASS

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.

COMPASS

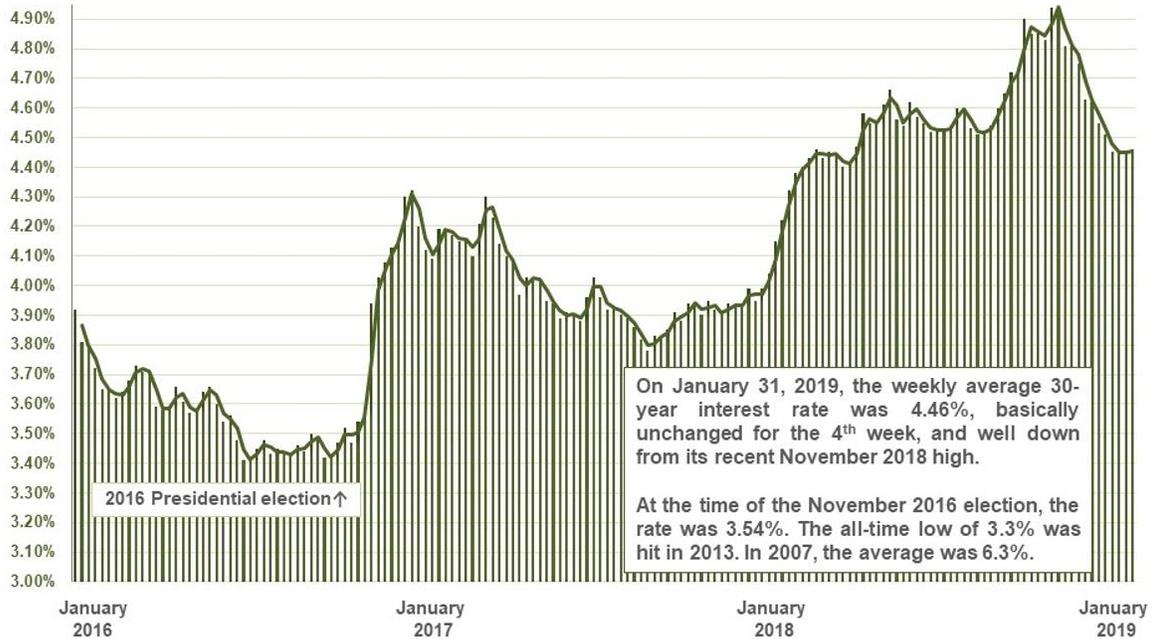
Interest rates are a major factor in housing costs and the ability to qualify for home loans. After hitting its most recent high in November, rates have dropped off considerably. Such declines sometimes spark renewed buyer motivation to move forward quickly. It is famously difficult to predict interest rate movements with any accuracy.

## 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.

COMPASS

**Patrick Carlisle**

[patrick.carlisle@compass.com](mailto:patrick.carlisle@compass.com)

© Compass 2019 | All Rights Reserved by Compass | Made in NYC

Compass is a licensed real estate broker (01991628) in the State of California and abides by Equal Housing Opportunity laws. All material presented herein is intended for informational purposes only. Information is compiled from sources deemed reliable but is subject to errors, omissions, changes in price, condition, sale, or withdraw without notice. No statement is made as to accuracy of any description. All measurements and square footages are approximate. Exact dimensions can be obtained by retaining the services of an architect or engineer. This is not intended to solicit property already listed