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Interesting Real Estate Facts and Inventory Trends

Real estate traditionally slows around the holidays, making it the perfect time to attend real estate seminars packed full of interesting information and statistics. One recent talk given exclusively to APR by Leslie Appleton-Young, Chief Economist for the California Association of Realtors, shed light on our perpetually tight housing market. Without further ado, here are the highlights, all of which add fuel to our “interesting” market.

Prices

- Southern California and Central Valley median home prices *still have not reached their peak pre-recession values* from 2006/2007. Orange County is the best off being down only 2.1%. In contrast, almost all Bay Area counties are up with San Mateo (SMC) up 28.1% and Santa Clara (SCC) up 21.4% as of last June, 2016.
- In terms of year-over-year comparisons, median prices in Menlo Park are up 15.1% to \$1,825,000 while Palo Alto is down 7.2% to \$2,607,000. Definitely a mixed bag in 2016. Let me know if you want another city!

Inventory

- Lack of housing inventory continues to hinder sales.
- From 2010-2015, SMC added 66,054 jobs...and only issued 6,349 new construction permits. SCC added 174,833 jobs...and only issued 35,426 new construction permits. Housing is not keeping pace with hiring.
- On average, CA homeowners now move roughly every 20 years, down from the historic 7-9 year average.
- 71% of CA residents 55+ haven't moved since 1999 (in decades past moving was often associated with retirement). There are many reasons for this including low mortgage interest rates, low property taxes, potentially huge capital gains upon selling and the “now where do we live?” problem. In terms of economics, the best solution may be to let their children inherit the home which minimizes taxes by providing a stepped-up cost basis - but further reduces inventory in the interim.

Finances

- 24% of parents or grandparents have already helped their children/grandchildren with a down payment or mortgage payments. An additional 53% plan to help in the future.
- 47% of adults 34 years old and younger still have some form of student loan debt.
- Economists expect 2 interest rate hikes in 2017. If Fannie Mae and Freddie Mac (government backed loan purchasers) are privatized, rates are expected to increase 0.5%-2%. As rates increase, developers have less incentive to build and homeowners are more reluctant to move, again reducing inventory.

Other Factoids

- The share of international buyers in CA has decreased from a high of 8% in 2013 to 3% in 2016. Anecdotally, this feels proportional to the change in international presence we are seeing locally.

Janie and John Barman
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