Market Continues to Moderate

Real estate in Silicon Valley continues to back off the frenzy we have experienced the past few years. Sales of single-family, re-sale homes had a six month losing streak to start the year. Although home sales were up last month, year-to-date, home sales are down 8% in San Mateo County. Pending sales rose 2.9% in August over the year before. Since the start of the year, pending sales have been lower than the year before five out of eight months.

The median price dropped 7.1% in August from July. Year-over-year it was up, but only by single-digits: 4.2%. After being up by double-digits since January 2013, the median price has seen two declines this year and the rises have all been by single-digits.

The sales price to list price ratio peaked in May 2015 at 110.9%. It has been falling ever since. In August, the ratio was 104.8%, which is the lowest it has been since January 2015.

Also, we are seeing a drop in the number of offers, especially in the high-end of the market.

A few of the reasons for the slowdown in the Silicon Valley real estate market are:

1. As we mentioned two months ago, the IPO market in the Bay Area has dried up. While there were over 80 from 2013 to mid-2015, there has only been one so far in 2016. IPO money, and the instant riches it conferred, was a driving force in the upper end of the market the past few years. Of note, the San Jose Mercury News recently reported there were seven new IPOs announced in August.
2. Chinese buyers in the low and mid-range have disappeared from the market.
3. Buyers are much more open to waiting, especially in the high-end where they are much more likely to let a property go rather than get involved in a bidding war.

All-in-all, while the high-end of the market is slowing markedly, the low and mid-range are still holding up, albeit with slightly reduced demand.
## Single-Family Homes
### Year-Over-Year
- Median home prices increased by 4.2% year-over-year to $1,250,000 from $1,235,000.
- The average home sales price dropped by 0.9% year-over-year to $1,566,280 from $1,576,560.
- Home sales up by 10.1% to 402 from 365.
- Total inventory* rose 0.6% year-over-year to 873 from 868.
- Sales price vs. list price ratio fell by 3.5% year-over-year to 104.8% from 108.6%.
- The average days on market rose by 43.7% year-over-year to 29 from 20.
### Month-Over-Month
- Median home prices slipped by 7.1% to $1,250,000 from $1,345,000.
- The average home sales price fell by 0.1% to $1,566,280 from $1,576,560.
- Home sales up by 10.1% to 402 from 365.
- Total inventory* dropped 5.1% to 873 from 920.
- Sales price vs. list price ratio dropped by 1.1% to 104.8% from 106.0%.
- The average days on market increased by 34.3% to 29 from 21.

## Condominiums
### Year-Over-Year
- Median home prices increased by 2.8% year-over-year to $741,500 from $721,500.
- The average home sales price rose by 5.7% year-over-year to $808,960 from $765,644.
- Home sales rose by 18.8% year-over-year to 114 from 96.
- Total inventory* rose 8.0% year-over-year to 229 from 212.
- Sales price vs. list price ratio fell by 4.4% year-over-year to 104.0% from 108.8%.
- The average days on market rose by 31.9% year-over-year to 22 from 16.
### Month-Over-Month
- Median home prices slipped by 7.3% to $741,500 from $800,000.
- The average home sales price fell by 1.7% to $808,960 from $822,815.
- Home sales up by 0.9% to 114 from 113.
- Total inventory* increased 2.2% to 229 from 224.
- Sales price vs. list price ratio dropped by 2.1% to 104.0% from 106.2%.
- The average days on market increased by 21.6% to 22 from 18.

* Total inventory is active listings plus contingent or pending listings. Active listings do not include contingent listings.
San Mateo County Homes - Median & Average Prices & Sales
(3-month moving average—prices in $000's)

<table>
<thead>
<tr>
<th>Cities</th>
<th>Median</th>
<th>Average</th>
<th>Sales</th>
<th>Pend</th>
<th>Inven</th>
<th>DOI</th>
<th>SP/LP</th>
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<tbody>
<tr>
<td>County</td>
<td>$741,500</td>
<td>$808,960</td>
<td>114</td>
<td>96</td>
<td>133</td>
<td>35</td>
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<tr>
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<td>1</td>
<td>1</td>
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<tr>
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<td>$855,667</td>
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<td>2</td>
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<tr>
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<td>$631,000</td>
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<td>4</td>
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<td>105.7%</td>
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<tr>
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<td>10</td>
<td>12</td>
<td>40</td>
<td>103.5%</td>
</tr>
</tbody>
</table>

San Mateo County Homes: Sales Price/Listing Price Ratio

- **Median Price**: The price at which 50% of prices were higher and 50% were lower.
- **Average Price**: Add all prices and divide by the number of sales.
- **SP/LP**: Sales price to listing price ratio or the price paid for the property divided by the asking price.
- **DOI**: Days of Inventory, or how many days it would take to sell all the property for sale at the current rate of sales.
- **Pend**: Property under contract to sell that hasn’t closed escrow.
- **Inven**: Number of properties actively for sale as of the last day of the month.

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The Silicon Valley’s Real estate market is a derivative of the local economy, it prospers and withers depending on how well the local knowledge-based sector performs. The San Jose Mercury News tracks the largest 150 publicly traded companies headquartered in Silicon Valley via an index called the SV150, which you can lookup at [www.mercurynews.com](http://www.mercurynews.com). Stocks are valued based on many criteria, but the most important criterion is a company’s future earnings. Therefore, I view the SV150 as a leading indicator for the Silicon Valley’s real estate market. View this month's annual index chart.

**Investors Corner**

**HOME PRICES GAINS IN JUNE CONCENTRATED IN SOUTH AND WEST ACCORDING TO THE S&P/CASE-SHILLER HOME PRICE INDICES**

NEW YORK, August 30, 2016 – S&P Dow Jones Indices today released the latest results for the S&P CoreLogic Case-Shiller Indices, the leading measure of U.S. home prices. Data released today for June 2016 shows that home prices continued their rise across the country over the last 12 months. More than 27 years of history for these data series is available, and can be accessed in full by going to www.homeprice.spdji.com. Additional content on the housing market can also be found at goo.gl/HzdXIQ

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