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Can it continue? The question on the minds of many of us in Silicon Valley is, quite simply: Just how long will real estate continue to rise? The economic downturn of the late 2000s still seems quite fresh in the memories of Silicon Valley residents. In fact, the first *Gentry* Real Estate Roundtable took place 10 years ago during the nadir of the economic crash. Since then the market has climbed, at first at a measured pace, then with seemingly unstoppable fervor. The first two quarters of 2019 have seen the pace slow, while the summer has proved strong. We were eager to check in with Bay Area real estate executives and experts, taking their pulse on the market now and hearing their forecast for 2020.

The exclusive Clement Hotel in Palo Alto welcomed us back for the third year hosting our lively discussion.

*GENTRY REAL ESTATE
ROUNDTABLE 2019 PARTICIPANTS:*

DAVID BARCA, VICE PRESIDENT SILICON VALLEY REGION, COMPASS

JOE BROWN, COO, INTERO

COURTNEY CHARNEY, PARC AGENCY

JEFF GIBSON, SENIOR VP/BROKERAGE MANAGER,
SOTHEBY'S INTERNATIONAL REALTY SAN FRANCISCO

TRACY MCLAUGHLIN, THE AGENCY

MICHAEL REPKA, CEO, MANAGING BROKER, &
GENERAL COUNSEL - DELEON REALTY

NANCY ROBINSON,
REGIONAL VICE PRESIDENT, COLDWELL BANKER

CHRIS TRAPANI,
CO-FOUNDER & CEO, SERENO GROUP

LET'S TALK ABOUT TRENDS IN THE MARKET—WHAT YOU'VE BEEN OBSERVING SO FAR IN 2019, AND WHAT'S ON THE HORIZON.

Chris Trapani: In the first quarter of last year there was an overall drop in activity—not just in our area but nationally, stemming from a combination of factors like trade wars and stock market decline. Locally, a prolonged rainy season had a major effect on the first four to five months of 2019, but this summer we've seen the market open up. There is pent-up demand.

Courtney Charney: That delayed market can't be underscored enough. Homes that went on the market in January lingered. It hurt sellers.

Chris Trapani: We've also experienced a push of price resistance from people who want to compare past inventory levels to now, which is an unrealistic picture. In Santa Clara County and south we're seeing baby boomers moving down to Morgan Hill and Gilroy. Millennials are moving into San Jose, Mountain View, and Cupertino. A lot of the market is driven by the commute, but the landscape will change, especially in downtown San Jose when Google opens.

Jeff Gibson: In San Francisco we've had a pretty good year, but it's all relative. We are up on days on market to 42. If you were to say that to anyone somewhere else in the U.S., they'd say, 'That's unimaginable.' Single-family homes are at crazy high demand—anything \$2 million and under people are running to. It is harder to sell condos right now, especially downtown with all of the construction. The high end over \$15 million is a hot market. We've had more deals over \$15 million than I've seen in nine years. The anticipation of tech liquidity pushed the market up—especially in the under-\$5 million range. But the actual buyers we've seen have been the more seasoned tech folks, not just the newer IPO money. We've also seen fewer foreign buyers.

David Barca: June and July mark the best months of the year—in fact, the best months in the past couple of years. The Santa Cruz coast has been hot due to tech liquidity.

Nancy Robinson: Across the Northern California region, sales have really been house to house. Buyers are in the driver's

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seat more. This is a “new normal.” We can't reference past markets like we used to.

Michael Repka: Buyers are stretching less than before. In the past, buyers were ready to jump in for fear of losing out on a property. Recently there's been a reversal to that idea. If a buyer sees something linger on the market, they expect it will be there in a few weeks. Ultimately, pricing properties well and presenting properties well is more important than ever.

Tracy McLaughlin: Historically in Marin, 93% of sales are related to move-up buyers wanting better school districts and closer proximity to San Francisco, and those buyers are mostly people who have done well in tech and finance. But right now, there's really a split screen. Single-family homes that have been remodeled and updated and have that contemporary 'farmhouse' feel are selling quickly. I can sell those all day long. The other side of the screen is that we are watching re-sales in Marin from 2-3 years ago because buyers overpaid or didn't get the right capital to improve the home. My job is increasingly to be the messenger of truth—meaning educating sellers on what their homes are really worth.

Michael Repka: Which circles back to confidence—if something sits on the market, buyers are hesitant, but if more offers are put up the buyer is more willing to

participate. There are homes with locational handicaps, busy streets, etc.

Jeffrey Gibson: In Sonoma and Napa we have seen a big dip due to the fire that occurred two years ago. Immediately after the fire, prices skyrocketed, but this year that has slowed considerably for a number of factors, from people not wanting to rebuild to others having difficulty obtaining insurance since the property is next to open space or nearby trees.

Joe Brown: Ultimately, we are coming off the best market in 40 years in the business. The battle we're facing now is overpricing. If you have a seller who is willing to be reasonable and do the work, the homes are selling.

David Barca: We are now having to educate our agents on how to write deals with contingencies. There is a whole generation of realtors who have never worked with contingency offers.

HOW HAVE MILLENNIALS CHANGED THE MARKET?

David Barca: There is definitely an emphasis on the millennial buyer in Menlo Park. Older millennials are buying and their parents are helping and supporting them in their purchases.



Nancy Robinson: Millennial buyers claim they want a fixer upper, but what they really mean is that they wouldn't mind painting the outside of the house or improving landscaping.

Joe Brown: At times it can be cheaper to remodel and stay in place.

Tracy McLaughlin: I'm amazed by all-cash offers of up to \$2 million liquidity in Marin County. It's incredible to see young clients with this kind of buying power. This generation is also focused on new or completely updated homes in Marin, not old-school estates. It's tough because sellers have an unrealistic sense of value from raising families there and forming emotional attachments to these properties.

Courtney Charney: Buyers on the Peninsula too want move-in ready. If the seller hasn't remodeled or the home has a 19 in front of its age instead of a 20, it's a challenge. There are some gorgeous heritage homes in Atherton, Woodside, and Portola Valley that have been lingering on the market. They are gorgeous properties, but they are not new. It really demonstrates where this generation of buyers is currently—they want new.

Nancy Robinson: Another change is that the classic move-up buyer who moved every four years is not moving that often. The moves are taking place every 10 – 11 years now. And a big difference is many millennials don't have their identity wrapped up in a home. Some would rather rent and spend their money on travel or pursue expensive hobbies.

Michael Repka: We've also seen buyers not respond well to counter offers. And people, in general, saying things like, 'I can't believe it's been on the market for a month.' It really is a different market. I think back to when I was young. I wanted to buy real estate. I became a property owner at 19. Culturally, that's not necessarily what everyone wants to do anymore. Also, as Nancy related, some buyers do not have their identities tied to a home, but they are looking at real estate as a great investment—an investment that isn't anywhere but here.

HOW DO YOU SEE THE MARKET FOR THE REST OF 2019? 2020?

Chris Trapani: Really, we've never had it so good with so much whining. If you pull back and look at the fundamentals... we have a lot

to be grateful for here. I see a bit of recovery in the second half of 2019 and a couple of good years are predicted to still lie ahead. I'm hopeful that the noise of the election and other outside influences will not put a pause on real estate.

David Barca: The market for the end of this year still looks pretty rosy, especially if interest rates go lower.

Michael Repka: There's still some softness in the market for 2019—an increase in inventory. We're looking at the local and global picture. The central government of China is starting to have more influence on investment properties. There could be especially high demand from native peoples of Hong Kong as they wish to escape a central government that requests more and more control. The same to may happen in Iran. We're also going to Abu Dhabi this year to speak with real estate investors.

Jeffrey Gibson: We're bullish on San Francisco. This year a home sold for \$22 million in Cole Valley—extraordinary.

Courtney Charney: The market looks to be holding steady—we're optimistic.



Nancy Robinson: Should be good for the closing of the next quarter and well into November.

Joe Brown: Nowhere but the Bay Area can you buy a house and sell it a year later for profit. You might have 300 transactions in neighboring states that equal the same price as 30 transactions in the Bay Area. That's pretty amazing. I think we need to focus on what we can control and have agents that can have educated and truthful conversations about pricing with their clients in order for our brokerages to grow. ●

AGENT'S PERSPECTIVE

Gentry caught up with two Bay Area agents who earned top spots on the 2019 REAL Trends List of Top realtors to get their take on the market: Gregg Lynn of Sotheby's San Francisco, and Stanley Lo of Green Broker in Burlingame.

HOW IS YOUR MARKET FARING THIS YEAR?

Stanley Lo: So far in 2019, the market has been spotty. Homes in good locations, homes priced right, and newly built or completely remodeled homes are selling.

Gregg Lynn: San Francisco continues to be one of the strongest real estate markets in the country. As on the Peninsula, lack of quality inventory continues to be our main challenge.

WHAT'S SELLING WELL?

Stanley Lo: Buyers look for great features like wide waterfronts, panoramic views, flat yards, and fully remodeled or new homes.

Gregg Lynn: The entry level (\$1 – \$2.5M) and high end (\$10M+) have posted strong numbers and swift sales, and the neighborhoods of Noe Valley, Mission Dolores, etc. remain favorites for our young tech-employed pool of buyers. The classic northern neighborhoods of Pacific and Presidio Heights and Russian and Nob Hills remain favorites.

WHO IS BUYING?

Stanley Lo: Millennials make up the majority of the buyers of my listings.

Gregg Lynn: We see a mix of young, educated buyers making their first condo or home purchase, growing families that wish to stay in the city for ease of commute and access to culture,

and empty nesters looking to downsize a large home in the city or surrounding suburbs for one of the full-service condo options San Francisco offers. There is of course an active pool of investors, international buyers, developers, and pied-a-terre buyers as well.

WHERE DO YOU SEE THE MARKET FOR THE REST OF 2019 AND 2020?

Stanley Lo: Because the year has been spotty, the trend may continue but it will also depend on the economic and political climate (interest rates, immigration, overseas buyers, and other policies that directly and indirectly affect the real estate industry). But I believe that San Mateo County will continue to be a strong market. Homes may take longer to sell and sellers may not always see buyers overbidding on their properties. With little land left to build on in the area and the increasing demand for housing, the San Mateo County market will continue to do fine.

Gregg Lynn: We are confident that a strong Fall buying season is ahead, as three major tech companies who IPO'd this year near the end of their lockout periods and a number of sellers prep their homes for sale in the highly-active September-November buying season. As job growth in the Bay Area remains strong, we expect to see a continued vibrant real estate market with a continued imbalance favoring sellers.