

Business

## Bay Area home prices vault to all-time high

But sales remained subpar, reflecting low housing supply



Bay Area home prices hit a new record high in May. "Sale pending" signs dotted the region, as at this house in Larkspur. (Photo by Justin Sullivan/Getty Images)

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There they go again: Bay Area home prices soared in May to a record high for the second straight month, as springtime buyers hit the streets.

Motivated buyers drove up home prices to 'wacky' levels in an eBay-like auction on the Peninsula, while home sellers in gentrifying neighborhoods around the region got out on a high note.

Single-family homes across the nine-county region notched a median all-time high of \$818,000 last month. Home sales also rose, though activity remained tepid.

"We've got a pressure cooker situation where new home construction doesn't come close to meeting the demand for housing," said Andrew LePage, research analyst for the CoreLogic real estate information service, which crunched the May numbers for prices and sales.

Faced with a chronically low housing supply, buyers kept pushing prices higher for existing single-family homes. Along with the Bay Area-wide record median price of \$818,000 — up 8.9 percent from a year earlier — new peaks were reached in Santa Clara County (\$1,093,000, up 9.3 percent) and Marin County (\$1,250,000, up 5.2 percent). Alameda and Sonoma counties matched their all-time highs of \$805,000 and \$600,000, respectively, while Contra Costa County's median

climbed 9.2 percent to \$595,000.

In San Mateo County — where a new record of \$1.4 million was set in April — the median price remained far out of reach for much of the public, even though it dropped a hair in May to \$1,385,000.

Bay Area single-family home sales jumped 19.2 percent last month from April, while rising just 1.3 percent from May 2016.

But the 5,913 May transactions remained 10.7 percent below the typical activity for the month, when averaged over the past 30 years.

Meanwhile, LePage noted, regional job growth, high consumer confidence and still-low mortgage rates continued to push prospective homeowners out into the spring marketplace.

"We've seen the buyers, and they're out in droves," said Adam Touni, a Pacific Union agent based in Palo Alto. "The market is nuts. It's become typical for properties to sell for \$300,000 or \$400,000 over asking."

Just ask Touni's clients Alexi Miller and Erik Whitehorn, a divorced couple who for years held onto their south Palo Alto home, a 75-year-old Eichler, carefully maintained to show off its vintage details and design. They bought it in

1994 for \$345,000.

After their separation, Miller moved down the block, so their daughter could bicycle between Miller's new place and the Eichler, where Whitehorn resided. When their daughter began her freshman year in college last fall, the couple decided on a spring sale. They listed the Eichler house for \$2.2 million and it sold — in nine days, with six offers — for \$2.5 million.

"Palo Alto real estate is a special subset of wacky," Whitehorn said. He likened Touni's selling strategy to "an eBay auction," where bidders feel compelled to keep bidding up the price.

Home prices spiraling higher only amplify the challenges many interested buyers face.

"The drop in affordability over the past year is worse than the rise in home prices suggests," LePage said.

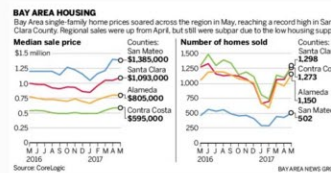
Yes, the Bay Area's median price peak of \$818,000 was up nearly nine percent last month over May 2016, but

"the nearly half-a-percentage-point rise in mortgage rates over that same period means the principal and interest payment for that median-priced home has risen" more than 14 percent, he said.

Such pressures create elaborate migratory patterns among buyers: "As prices jump up, buyers are pushed into different neighborhoods, basically just following the neighborhood market values," said Kevin Swartz, a Saratoga-based agent for the Sereno Group.

He gave an example: Mountain View's Monta Loma neighborhood, where a modest home — 1,300 to 1,500 square feet — would have sold a year ago for around \$1.5 million and climbed into the \$1.6 million range toward the end of 2016. Earlier this year, he said, that same home sold for around \$1.7 million and is lately going for \$1.8 million or more.

"I had clients who were looking up to \$1.7 million, and they got priced out," he said. "Last year, they could've bought whatever they wanted in that neighborhood, and now they can't get even the most basic fixer-upper."



Some of those clients now are looking 4.5 miles down the road in west Sunnyvale's 94086 ZIP code, which has similar homes selling for \$1.5 or \$1.6 million — up from as low as \$1.3 million a year ago, Swartz said.

Similar migrations are happening in the East Bay, where higher prices increasingly push buyers toward more remote, but more affordable, areas. If buyers can't afford Walnut Creek, they may try Concord, and if they can't afford Concord, they may move toward Antioch and Pittsburg, traditionally lower-income communities where there are now signs of gentrification.

"Folks are getting priced out of other markets, so they go to the next city out there on the commute corridor," said Kevin Kieffer, a Keller Williams agent in Walnut Creek. "You can't get anything for \$500,000 in Concord. It kind of cascades out there."

Still, he was "a bit surprised" when he recently listed a house in Bay Point near Pittsburg for \$519,000. It sold in 10 days for just over the listing price.

"Midway through the week, right after we'd listed it, I'm biting my nails," said Jason Allen, who grew up in the house, owned it and sold it through Kieffer. "But on the seventh day, there it was — a solid offer."

He has moved to Clayton, on the border of Concord, with his fiancée and her nine-year-old daughter. They are leasing a house for \$2,800 a month and thinking about pooling their salaries to buy a place in a year or two.

"The timing was right" for the Bay Point sale, he said. "The market's high. We just pulled the trigger and decided, 'Let's cash out.'"