

Real Estate in Silicon Valley, the Land of Opportunity

Tom Tognoli, CEO of Intero Real Estate Services, a Berkshire Hathaway affiliate, says it perfectly: *"I tell people it's always a good time to buy or sell a house. There may be better times, but unfortunately you never know when the best time is until you see it in the rear view mirror."*

But when we're talking specifically about Silicon Valley, it sort of exists in a vacuum. Alain Pinel, General Manager of Intero Prestigio International, refers to Silicon Valley as *"an island."*

Tom alludes to this as well: *"What's going to happen to the rest of the country is going to impact us, but for right now the rest of the country is probably where we were 2 or 3 years ago in the recovery cycle, at least as far as housing goes, and really the overall economy ... I would think that we're going to continue to benefit from that."*

Alain wholeheartedly agrees. *"The high tech business is healthy. The Silicon Valley economy is healthy. Therefore, the real estate business is healthy."*

And it's entirely true. Despite the generalization that living in Silicon Valley is far too expensive, the economy truly is booming. There are hugely successful new companies

settling in left and right, and with them come all of their employees. In addition, our tried and true tech giants such as Google, Apple, eBay, Facebook – you get the picture – continue to build, grow, and pay their employees more, only increasing the demand in our market and skyrocketing home prices.

Tom goes into this as well: *"The challenging part of the Bay Area, and more specifically Silicon Valley, is that we all need a place to live. And so intuitively you'd think people will find homes in the suburban areas of the Bay Area. But the problem is, unfortunately, we don't*



have a good mass transit system. So, unless you want to commute two hours to work, you're going to suck it up and pay the price to live in the Silicon Valley."

And the lack of mass transit is only stoking the fire of the Silicon Valley real estate market. According to Alain, *"right now it's a move up market, and it's very much alive."*

Tom makes another excellent point: *"I think you can always look at the stock market, especially when you're talking about Silicon Valley real estate. It's a good indicator with regard to where the housing market's going to be. The Silicon Valley housing market has historically been in lock-step with the S&P500 in many ways."*

We can even go beyond the national economy and look at things on a more global scale. Brent Bunker, a partner at Legacy Capital Group in Los Gatos, gives us some insight: *"[The] big picture is there are two big 800 pound gorillas in the room: China and the world's Federal Reserve banks. There are a lot of other storm clouds out there; we've got the Volkswagen scandal, Russia invading Syria, the immigrant crisis which is an extension of Syria in Europe. A lot of this kind of stuff goes on all the time. Does it change our way of looking at the world and economy, and in turn, impact our spending patterns?"*

Alain weighs in, *"There is nothing in the 6 month horizon that anything will change. Except in the high end, especially*

the top of the high end (the \$4-5 million move up market and above that threshold, 10+ million), we need to realize the high end business is driven by foreign demand, [specifically] coming from China. [e.g.] The stock market crash in China and the degradation of the Yuan. The global economy is going through a slow-down, which evidently has some impact on sales in the most expensive zip codes in the Silicon Valley. Those people are going to reduce their appetite for the \$20+ million homes."

But when we look back at where the real estate market has been in recent years, and look at the booming technology industry in Silicon Valley, there really isn't anything for most of us to worry about, at least in the short term. Tom even says that *"Between interest rates being historically low with no change in sight, and a very accommodating Federal Reserve due to our national market, now is a great time to take advantage of that."*

Alain says, *"Every quarter (every month, actually) is a new beginning, and it's up to all of us to make it as good as can be, whatever the market conditions. That's true for home sellers, for home buyers, and for the agents whose mission it is to advise them and fulfill their needs."*

The bottom line is, everyone needs a place to live, and right here and now in Silicon Valley, it's actually the perfect time and place.



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