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**September 2020** *Inside This Issue*



# San Mateo County Real Estate Trends Report

## Home Prices at Record Highs

The median sales price for single-family, re-sale homes was up, year-over-year, by 16.6%. It reached a new high of $1,800,000.

The average price was up 24.3%. It set a new high of $2,274,470.

Sales of single-family, re-sale homes in San Mateo County were up 7.7% year-over-year. There were 362 homes sold in San Mateo County last month. The average since 2000 is 398.

Year-to-date, home sales are down 15.2%.

Inventory of single-family, re-sale homes was up 13.4% compared to last year. As of September 5th, there were 559 homes for sale in San Mateo County. The average since January 2000 is 1,287.

The sales price to list price ratio rose from 101.3% to 102.4%.

Days of Inventory, or the amount of time it would take to sell all homes for sale divided by how many homes have sold, rose nine days to forty-six days.

It took twenty-six days, on average, to sell a home last month. That is the time from when a home is listed to when it goes into contract.

The median sales price for re-sale condos fell 7.7% year-over-year. It was down 1.1% from July. The average sales price rose 4.6% from July. Year-over-year, the average sales price gained 1.2%.

Condo sales fell 3.6% year-over-year. Condo sales were down 6.1% from July.

Inventory rose 76.6% year-over-year. It was up 7.1% compared to July.

As of September 5th, there were 242 condos for sale in San Mateo County. The average since January 2003 is 350.

Days of inventory rose to sixty-seven from fifty-nine.

It took an average of twenty-three days to sell a condo last month.

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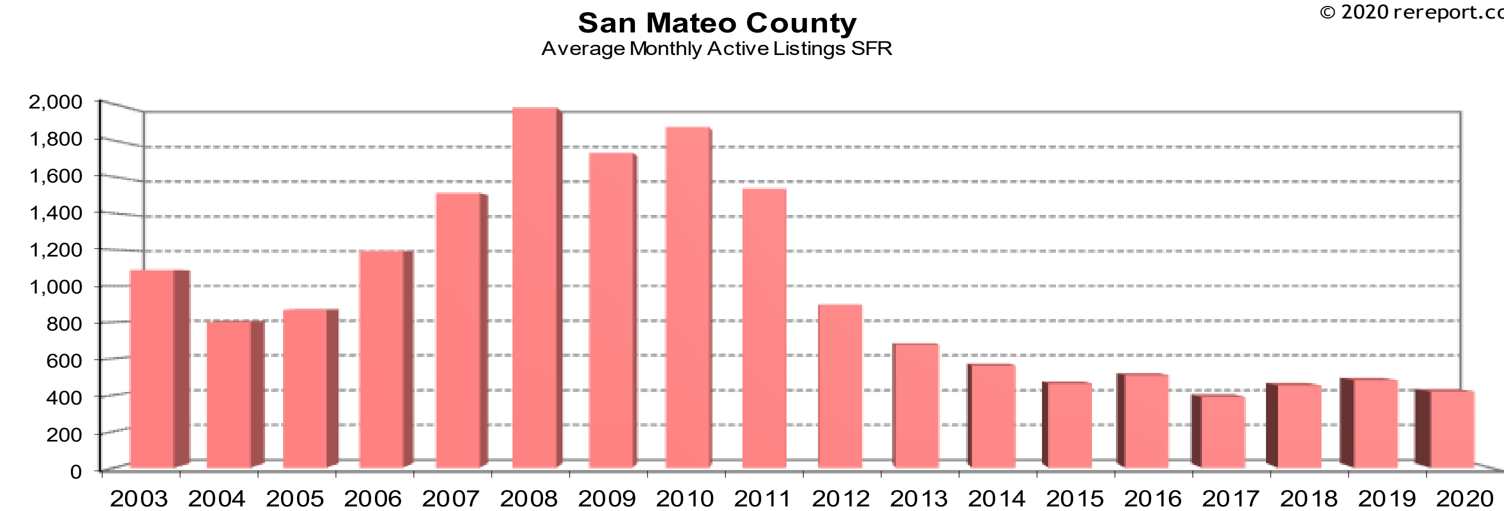



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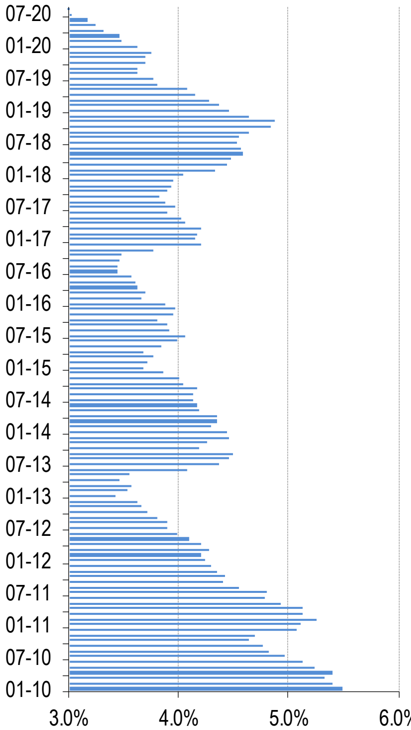
**30-Year Fixed Mortgage Rates**




The chart above shows the National monthly average for 30-year fixed rate mortgages as compiled by [http://www.freddiemac.com/](http://www.freddiemac.com/).

# Fed Changes Its Stance; Refi Fees Later

**August 28, 2020** -- After several years reviewing and considering how it shapes monetary policy, the Fed this week formally abandoned a rigid inflation target in favor of an average level of inflation over time. For a long stretch of years, the Fed used an implicit inflation target, and starting in 2012 an explicit inflation target, where it would not allow core Personal Consumption Expenditure (PCE) inflation to surpass the two percent mark.

The central bank's change in thinking encompasses two related components. To start, the Fed will no longer look to start raising interest rates simply because unemployment falls below some arbitrary level. For a long while, it was thought that unemployment below 5% would foster inflation... then 4.5%... then 4%... and the reality is that the Fed simply doesn't know what level might cause inflation, and so will stop preemptively raising the federal funds target rate to counter anticipated inflation, as it did back in 2015 through 2018. At the time, unemployment was about 5%; as it continued to decrease, the Fed began to accelerate its pace of rate increases, which slowed economic growth to a crawl by the end of 2018. Even then, the labor market remained very strong, and inflation still remained at bay.

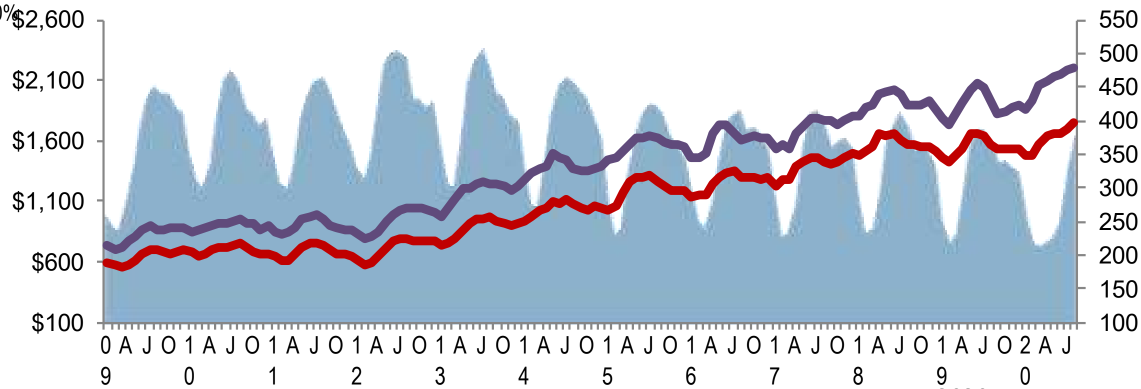
So, the change in this component of policy essentially puts to bed the Phillips Curve model, and markets will no longer start to expect higher interest rates even if unemployment returns to 50 year lows or more at some point. With this in place, the Fed is less likely to tighten rates even in good economic times, and supports its mandate for "full employment".

The other component means a bit more for mortgages. The Fed will no longer target a specific inflation rate, but rather an average rate of inflation

*(Continued on page 4)*

## San Mateo County Homes - Median & Average Prices & Sales

(3-month moving average—prices in $000's)






| San Mateo County - August 2020 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Single-Family Homes | | | | | | | | % Change from Year Before | | | | |
| | Prices | | | | | | | Prices | | | | |
| Cities | Median | Average | Sales | Pend | Inven | DOI | SP/LP | Med | Ave | Sales | Pend' | Inven' |
| SMC | $ 1,800,000 | $ 2,274,470 | 362 | 429 | 559 | 46 | 102.4% | 16.6% | 24.3% | 7.7% | 54.3% | 13.4% |
| Atherton | $ 6,075,000 | $ 7,075,500 | 8 | 9 | 30 | 113 | 97.8% | -21.1% | -10.4% | 166.7% | 200.0% | 11.1% |
| Belmont | $ 1,850,000 | $ 1,923,480 | 21 | 26 | 8 | 11 | 104.3% | 8.8% | 9.6% | -8.7% | 136.4% | -52.9% |
| Brisbane | $ 1,156,000 | $ 1,156,000 | 2 | 2 | 1 | 15 | 105.6% | -24.2% | -3.2% | 33.3% | -33.3% | -75.0% |
| Burlingame | $ 2,580,000 | $ 2,989,880 | 19 | 19 | 15 | 24 | 101.0% | -3.2% | 11.1% | 35.7% | 58.3% | 0.0% |
| Daly City | $ 1,161,900 | $ 1,129,840 | 26 | 36 | 41 | 47 | 108.6% | 1.0% | 0.9% | -10.3% | 33.3% | 192.9% |
| East Palo Alto | $ 929,000 | $ 929,000 | 2 | 3 | 17 | 255 | 98.6% | -2.0% | -3.6% | -75.0% | -50.0% | -22.7% |
| El Granada | $ 1,362,500 | $ 1,281,500 | 5 | 6 | 8 | 48 | 101.5% | 22.2% | 19.1% | -16.7% | 100.0% | 166.7% |
| Foster City | $ 1,935,000 | $ 2,053,150 | 6 | 9 | 15 | 75 | 100.3% | 2.9% | 8.0% | -53.8% | 50.0% | 200.0% |
| Half Moon Bay | $ 1,782,500 | $ 1,898,060 | 18 | 17 | 13 | 22 | 100.1% | 25.7% | 22.7% | 80.0% | 54.5% | -27.8% |
| Hillsborough | $ 4,500,000 | $ 5,576,330 | 21 | 15 | 34 | 49 | 103.3% | 18.2% | 53.6% | 110.0% | 25.0% | 0.0% |
| Menlo Park | $ 2,382,500 | $ 2,858,160 | 30 | 29 | 61 | 61 | 99.1% | 5.9% | 4.1% | 11.1% | 61.1% | 41.9% |
| Millbrae | $ 1,825,000 | $ 1,666,100 | 9 | 11 | 17 | 57 | 103.8% | 7.4% | -9.5% | -18.2% | 10.0% | 70.0% |
| Montara | $ 1,800,000 | $ 1,800,000 | 1 | 3 | 4 | 120 | 120.0% | 45.5% | 45.5% | -50.0% | -25.0% | -20.0% |
| Moss Beach | $ 837,500 | $ 980,833 | 3 | 2 | 5 | 50 | 104.1% | -24.4% | -24.3% | -62.5% | 0.0% | -37.5% |
| Pacifica | $ 1,050,000 | $ 1,044,230 | 15 | 25 | 22 | 44 | 104.3% | -8.7% | -7.8% | -34.8% | -10.7% | -4.3% |
| Portola Valley | $ 3,000,000 | $ 3,887,210 | 7 | 9 | 16 | 69 | 100.8% | 20.4% | 47.5% | 16.7% | 350.0% | -11.1% |
| Redwood City | $ 1,843,000 | $ 1,970,470 | 48 | 50 | 86 | 54 | 102.2% | 13.1% | 21.3% | 29.7% | 25.0% | 79.2% |
| Redwood Shores | $ 1,955,000 | $ 1,955,000 | 2 | 3 | 2 | 30 | 105.1% | -14.1% | -14.1% | 0.0% | 0.0% | 0.0% |
| S. San Francisco | $ 949,000 | $ 968,911 | 36 | 27 | 8 | 6 | 110.7% | 6.0% | 3.0% | 44.0% | 8.0% | -71.4% |
| San Bruno | $ 1,210,000 | $ 1,309,880 | 21 | 19 | 19 | 27 | 103.3% | 5.2% | 16.6% | 23.5% | 35.7% | 18.8% |
| San Carlos | $ 2,000,000 | $ 2,154,230 | 23 | 41 | 27 | 35 | 101.3% | -4.2% | -3.1% | -4.2% | 156.3% | 42.1% |
| San Mateo | $ 1,743,000 | $ 1,864,640 | 50 | 56 | 57 | 34 | 101.8% | 16.2% | 11.0% | 42.9% | 14.3% | 50.0% |
| Woodside | $ 3,075,000 | $ 3,751,680 | 6 | 5 | 30 | 150 | 95.7% | -9.6% | 11.7% | 100.0% | 0.0% | 0.0% |

## Trends at a Glance

(Single-family Homes)

| | Aug 20 | Month % | Jul 20 | Year % | Aug 19 |
|---|---|---|---|---|---|
| Median Price: | $1,800,000 | 4.3% | $1,725,000 | 16.6% | $1,543,500 |
| Average Price: | $2,274,470 | 4.7% | $2,172,280 | 24.3% | $1,830,190 |
| Home Sales: | 362 | -15.2% | 427 | 7.7% | 336 |
| Pending Sales: | 429 | 5.9% | 405 | 54.3% | 278 |
| Active Listings: | 559 | 7.5% | 520 | 13.4% | 493 |
| SP/LP Ratio | 102.4% | 1.1% | 101.3% | -1.7% | 104.1% |
| Days on Market | 26 | -8.8% | 28 | -13.7% | 30 |
| Days of Inventory: | 46 | 26.8% | 37 | 5.2% | 44 |

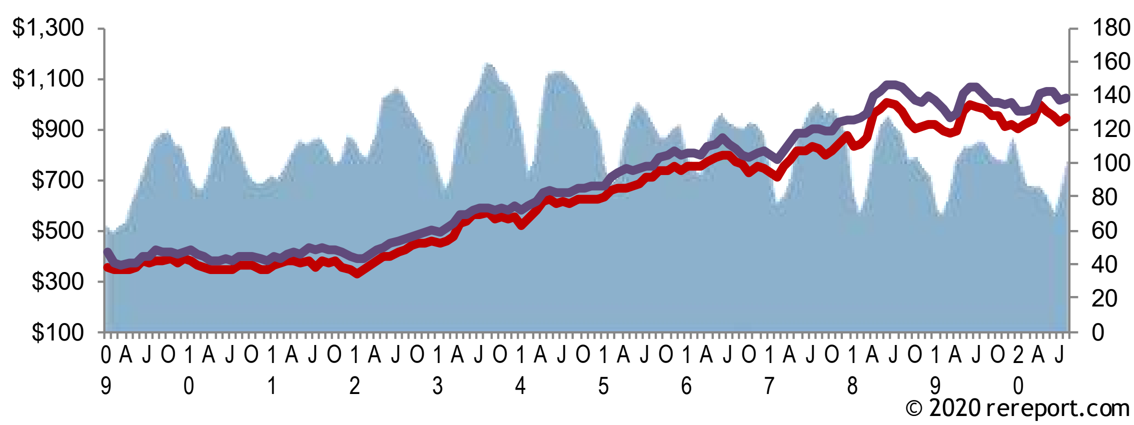
(Condominiums)

| | Aug 20 | Month % | Jul 20 | Year % | Aug 19 |
|---|---|---|---|---|---|
| Median Price: | $939,500 | -1.1% | $950,000 | -7.7% | $1,017,500 |
| Average Price: | $1,041,830 | 4.6% | $996,170 | 1.2% | $1,029,290 |
| Home Sales: | 108 | -6.1% | 115 | -3.6% | 112 |
| Pending Sales: | 135 | -4.3% | 141 | 58.8% | 85 |
| Active Listings: | 242 | 7.1% | 226 | 76.6% | 137 |
| SP/LP Ratio | 101.0% | 0.2% | 100.8% | -1.4% | 102.5% |
| Days on Market | 23 | -9.2% | 26 | -20.4% | 29 |
| Days of Inventory: | 67 | 14.0% | 59 | 83.2% | 37 |



## San Mateo County Condos - Median & Average Prices & Sales

(3-month moving average—prices in $000's)




| San Mateo County - August 2020 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Condominiums | | | | | | | | % Change from Year Before | | | | |
| | Prices | | | | | | | Prices | | | | |
| Cities | Median | Average | Sales | Pend | Inven | DOI | SP/LP | Med | Ave | Sales | Pend' | Inven' |
| SMC | $ 939,500 | $ 1,041,830 | 108 | 135 | 242 | 67 | 101.0% | -7.7% | 1.2% | -3.6% | 58.8% | 76.6% |
| Belmont | $ 850,000 | $ 850,000 | 1 | 0 | 9 | 270 | 100.0% | -28.7% | -29.7% | -25.0% | -25.0% | 700.0% |
| Burlingame | $ 1,025,000 | $ 1,025,000 | 1 | 0 | 8 | 240 | 96.7% | 27.5% | -2.7% | -71.4% | 50.0% | 200.0% |
| Daly City | $ 785,000 | $ 817,571 | 7 | 12 | 14 | 60 | 103.5% | -3.1% | 16.4% | 14.3% | -83.3% | 200.0% |
| Foster City | $ 1,196,880 | $ 1,167,380 | 10 | 22 | 21 | 63 | 102.8% | -12.5% | 9.2% | -23.1% | 21.4% | 333.3% |
| Menlo Park | $ 1,750,000 | $ 1,795,000 | 5 | 4 | 20 | 120 | 101.8% | 37.8% | 36.0% | -16.7% | 0.0% | 5.3% |
| Pacifica | $ 925,000 | $ 925,000 | 2 | 3 | 6 | 90 | 103.5% | 7.6% | -9.5% | -75.0% | 33.3% | 100.0% |
| Redwood City | $ 1,162,500 | $ 1,150,620 | 16 | 14 | 39 | 73 | 101.8% | -10.0% | 8.9% | -27.3% | -50.0% | -20.0% |
| Redwood Shores | $ 1,001,250 | $ 1,016,380 | 4 | 12 | 3 | 23 | 98.4% | -4.2% | -21.1% | -83.3% | -66.7% | -50.0% |
| San Bruno | $ 619,000 | $ 624,914 | 13 | 9 | 12 | 28 | 101.9% | -2.3% | 23.5% | -14.3% | -37.5% | 150.0% |
| San Carlos | $ 1,309,000 | $ 1,297,790 | 8 | 9 | 18 | 68 | 99.5% | -6.0% | -0.3% | 33.3% | 66.7% | 700.0% |
| San Mateo | $ 1,153,000 | $ 1,126,210 | 26 | 21 | 71 | 82 | 99.5% | 4.5% | 1.9% | -6.7% | 3.1% | -29.2% |
| S. San Francisco | $ 650,000 | $ 663,111 | 9 | 13 | 9 | 29 | 106.2% | -4.4% | 2.5% | 0.0% | -23.5% | -30.8% |

### Table Definitions

**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 list 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 pf properties actively for sale as of the last day of the month.

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*(Continued from page 2)*

over some unknown time period. Following periods where inflation has run below its preferred 2% level, it will allow inflation to run above 2% for some length of time as a counterbalance. What's not clear yet (and may not be clear) is exactly how much higher inflation might be allowed to run, and for how long, before the Fed would feel compelled to act. For example, would three quarters of core PCE at 1.75% be allowed to be countered by three quarters at 2.25%? Alternately, is this tempered by the trajectory for inflation, with a quarter at 2.1%, then one at 2.5% a policy-triggering event? The Fed has provided no guidance in this way but may have to at some point, else it may risk a sudden policy adjustment for which the markets are unprepared. Of course, this "how long above target" isn't much of a problem today; getting core PCE inflation reliably back up to 2% (let alone beyond) has proven elusive and so this is more of a tomorrow's problem than today's.

But it does have implications for mortgage rates, or at least will eventually, when the Fed is no longer involved in the mortgage market directly, buying up MBS and long-dated Treasuries. When investors again drive rates in the marketplace, both current and expected levels of future inflation factor into decisions of what investments will be purchased, and at what required level of return. In this equation, there is a big difference between 1.75% inflation and 2.25% inflation, and if inflation will be tolerated by the Fed at higher levels, the compensation (yield) to the investor must also be higher to achieve an acceptable or desired "real" rate of return. Higher required yields on mortgage bonds ultimately mean higher mortgage rates for consumers.

Also of import to mortgage borrowers this week was the FHFA's decision not to implement it's new 0.5% fee on refinancing until December 1, three months later than announced just a couple of weeks ago. Although detailing an expected $6 billion hit for Fannie Mae and Freddie due to CARES Act forbearance costs, the FHFA nonetheless bowed to considerable industry and political pressure to hold off. The GSE regulator also took into account the impact on low and moderate-income borrowers hoping to refinance, and exempted loans below $125,000 from the fee altogether.

Last week, we saw that homebuilding continued a strong post-shutdown resurgence, and learned that the nation's homebuilders were ebullient. This week, we learned more about why they are so happy; sales of newly-constructed homes leapt by 13.9% in July to an annual 901,000 pace, besting forecasts by a wide margin and a returning to a sales pace last seen at the end of 2006. The surge in sales drew down supplies of homes available to buy, which declined to 4 months worth of built and ready to sell stock. At 299,000 actual units available, this is the thinnest stockpiles have been since March 2018 and will likely allow for a strong pace of homebuilding to continue, providing a key bit of support for the economy. As well, and although more expensive to start with than existing homes, prices for new homes were actually 2.7% lower in July than June; coupled with lower mortgage rates during the month, affordability of new homes was actually improved a bit, too.

Sales of existing homes have also been strong, if tempered by surging prices and a lack of homes available to buy. The National Association of Realtors advance Pending Home Sales Index climbed another 5.9% in July, and so existing home sales should have some upward strength yet to be seen, if perhaps less so than in recent months, as gains have been 44.3% in May, 15.8% in June and now 5.9% in July, a diminishing pattern of activity as we head into the end of summer. That said, if the percentage increase for July over June translates directly into sales for August, we could see existing home sales crack the 6 million mark, something that hasn't happened in close to 15 years.

The Silicon Valley's Real estate market is a derivative of the local economy--it prospers and withers depending on how well the local innovation-based sector performs. The San Jose Mercury News tracks the performances of the largest 150 publicly traded companies headquartered in Silicon Valley through an index called the SV150, which may be found at www.mercurynews.com. Stocks are valued based on several criteria, but one of the more important criteria is a company's future earnings. Therefore, I see the SV150 as a leading indicator for Silicon Valley's real estate market.


## Investors Corner

**S&P CORELOGIC CASE-SHILLER INDEX REPORTS 4.3% ANNUAL HOME PRICE GAIN IN JUNE**

**NEW YORK, AUGUST 25, 2020** – 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 2020 show that home prices continue to increase at a modest rate across the U.S. More than 27 years of history are available for these data series, and can be accessed in full by going to **click here**

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