

Real Estate Views

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Santa Clara County Region

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Erik Mitlo

Realtor®
 CalBRE #01954101
 EMitlo@InteroRealEstate.com

408-641-3458

Mortgage Rates*

30-year Fixed (Zero Points, \$417,000, 3.935 APR)	3.875%
15-year Fixed (Zero Points, \$417,000, 3.301 APR)	3.25%

* As of Mar 4, 2016. For reference only.

Santa Clara County Market Snapshot* February 2016

# of Listings (Single Family Homes)	843
Average selling price	\$1,210,850
% of asking price	103.5%
Avg. number of days on market	31
Number of Homes Sold	458

* MLSListings.com

Real Estate Investors: Friends or Foes?

Are real estate investors good for the market or do they prevent homebuyers from getting the “home of their dreams?” Using history as a guide, I suppose the answer can be both. During and after the Great Recession (2007-2009), there were so many distressed properties on the market that investors played a big role in transitioning those properties. Had the homes not been bought, they might have been left in the market even longer, losing more value in the process.

On the other hand, investors’ buying power and financial resources can be competitive advantages that are tough for many homebuyers to overcome. Sellers usually look for two things in a deal: price and terms. Investors are more in a position to offer both

while the typical homebuyer faces tougher lending and longer qualifying processes. This was certainly true during the recession.

The reason why I’m focusing on the real estate investor now is that their role might be significant again in the near future. As instrumental as they were in soaking inventory up, the timing might be perfect for them to start adding it back to the market by selling. Investors that bought rentals during the recession are now in that 5-7 year range that often triggers their exit strategy. At this stage in the investment, it is likely that property values and rents have hit their targets; depreciation is a smaller offset to income; and the property appreciation rate has

slowed down. Properties may be at the point of diminishing returns on investment.

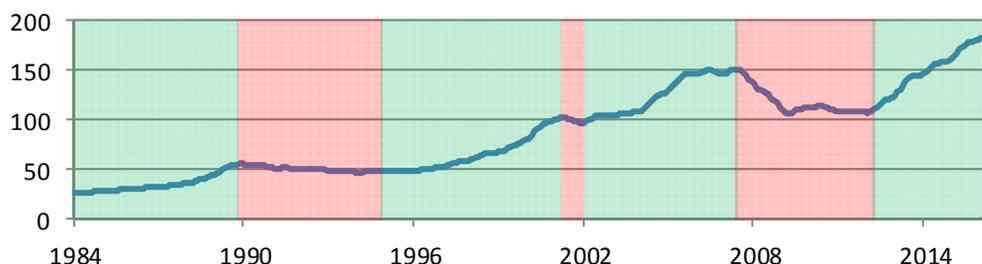
Investors know that the key to success is selling their property before the market declines. This means selling their property before an economic event or down cycle occurs.

If rental properties start hitting the market, it can indicate investors sense change in the market.

For buyers, any increase in inventory is good at this point. So this would be welcome news to them. For sellers, this could be a good time to get their property on the market before too many available homes have an adverse effect on value.

One thing 2008 taught us: Things can change quickly and when they do, it’s too late to react. It’s better to be ahead of the event instead of behind it.

Home Price Index Shows Consistent Pattern



Growth periods in the price index (green) in Santa Clara County have lasted about 5 years since 1984. Declines (red) vary 1-5 years. The current growth period is in its 5th year. The trend suggests the current growth period is nearing its end.

(Data provided by Freddie Mac)