

Real Estate Views

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Santa Clara County Region

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Mortgage Rates*

| | |
|---|---------------|
| 30-year Fixed (Zero Points, \$417,000, 4.176 APR) | 4.125% |
| 15-year Fixed (Zero Points, \$417,000, 3.606 APR) | 3.50% |

* As of May 5, 2017. For reference only.

Santa Clara County Market Snapshot* April 2017

| | |
|-------------------------------------|-------------|
| # of Listings (Single Family Homes) | 898 |
| Average selling price | \$1,429,430 |
| % of asking price | 106.1% |
| Avg. number of days on market | 17 |
| Number of Homes Sold | 8333 |

* MLSListings.com

How New Tax Plan Can Affect Real Estate Decisions

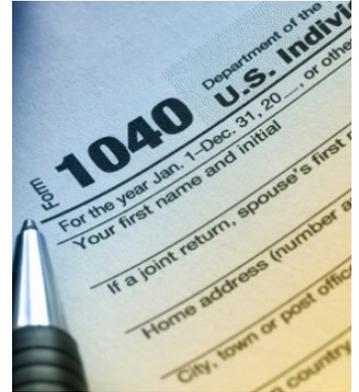
The tax reform plan is out and there are plenty of new things to digest. The item that seems to be getting the most attention from the real estate industry is the proposed increase to the standard deduction. Currently, a married couple filing jointly can deduct \$12,600 from their taxable income without itemizing deductions. Under the new proposal, that amount will increase to \$24,000.

The reason this change is getting a lot of attention in the real estate community is because it can very well directly affect the way people make real estate decisions. Consider a couple who rents under today's tax code. If they make a combined income of \$100,000, their taxable income would be \$87,400. If they buy a home and pay \$20,000 in mortgage interest, they would make an itemized deduction in that amount and their taxable income would be \$80,000. Under the new tax plan, the couple would deduct \$24,000 regardless if they continued to rent or buy. So, while mortgage interest remains a deductible item, it might be unnecessary to utilize in many situations.

Some analysts who follow the real estate industry fear fewer people (like in the scenario above) would have reason to purchase homes under the new plan, thereby slowing sales and negatively affecting the industry. Others counter that argument, saying a growing economy helps everybody, including the real estate industry. All boats float higher in a rising tide.

My commentary on this subject is not to debate political motives or economic theory. It is merely to identify the possible effects of the new tax plan and point out how it may affect home buying and selling decisions. If the new tax plan results in fewer buyers, then sellers would lose some leverage and there would be less pressure on prices. If sellers believe this will happen, they might consider selling sooner rather than later.

I'm very interested to hear your opinion. Respond to this post or send me an email.



Market Update: Inventory Up, But Still Down



Inventory is up 11.6% over last month, but it's 24.8% lower than the same time a year ago. So, even though inventory increased as it tends to do in spring, its rate is far below normal years.

Low inventory kept pressure on prices. The average price increased 6.4% over last year, which is consistent

with forecasts and current trends. Price/List ratio of 106.1% shows continued price pressure.

Impending interest rate hikes may motivate some sellers to get into the market before buyer demand eases, but this hasn't been a big factor in the recent past.

There are no signs in the marketplace that suggest any major changes in the current patterns. Sellers will continue to control the market for the foreseeable future.