

Why Santa Clara Co. will **continue** to have a **strong** housing market:

1. **Inherent Wealth**: Silicon Valley has the highest level of income and wealth inequality in the U.S., which increased dramatically during COVID. San Jose (Silicon Valley) tops the list of cities around the globe with the highest concentrations of ultrawealthy residents. One in every 727 people in San Jose, the de facto capital of Silicon Valley, is a member of this elite club according to the latest Wealth-X World Ultra Wealth Report. The report didn't specify which areas around San Jose were included in the analysis, but the city is near many affluent smaller towns and suburbs such as Cupertino, Los Gatos, Mountain View, Palo Alto and Saratoga.
2. **Jobs**: The Bay Area job growth has continued to surge, outpacing U.S. gains, causing the Silicon Valley unemployment rate to fall dramatically from 6.6% to 2.9% at the end of 2021. Tech jobs are now 5% above pre-COVID levels. Silicon Valley's economy is structured to resist long-term declines in economic activity due to the 5 world leading industries all headquartered here keeps our economy buoyant::
 1. Entrepreneurs, Stanford, VCs, innovation in our DNA, Ai
 2. Tech
 3. Bio Tech (Stanford, UCCSF, Pharmaceuticals)
 4. Clean Tech – Solar, Tesla
 5. Animation Entertainment – Pixar, Nvidia Chips, Lucas Films
3. **Venture Capital Investments**: Economic uncertainty and COVID didn't stop venture capital investments. Venture Capital, led by a record number of megadeals in the Bay Area, hit a record high reaching \$80 billion last year and \$29 billion in the 3rd quarter alone.
4. **Demand for Office Space**: Initially, office leasing virtually shut down as more employees teleworked from home, but investment interest in office buildings did not - It just got hotter. Avison & Young reports there are 115 office properties under construction or in the planning pipeline in Silicon Valley, totaling 51.7 million square feet. There are 16 million square feet of high-rise office space under construction or in the pipeline in the downtown San Jose area. Colliers International reports, "Home grown tech giants like Apple, Applied Materials and NetApp have deepened their footprint".
5. **Rising Office Rents**: Silicon Valley office rents have reached an all-time high, according to Colliers. LinkedIn, Tesla, Google, Apple, Amazon, and Facebook completed major leases and property acquisitions in the fourth quarter of 2021. CBRE recently declared Silicon Valley the number one market for future office development in the U.S.
6. **Demand for Industrial Warehouse Space**: The Silicon Valley industrial and warehouse markets are very strong. Locally, industrial and warehouse vacancy are less than 2%. The increase in on-line shopping created a demand for more logistic facilities. Logistics, data centers and the life sciences sector are on fire, and it's not a one-off, but a serious trend. Disruption to global supply chains has ironically, helped warehousing and logistics. As consumers shift from in-store purchasing to online, and consumers demand faster shipment, even same-day delivery, e-commerce distribution centers must be located in city centers. Industrial real estate, particularly warehouse, the last mile of distribution, will be the most desired asset class this year.

7. **Employer Confidence Through Investment:** In Silicon Valley, only four major companies have left California and by and large, their workforce didn't follow. (Yes, Tesla is still manufacturing automobiles in Fremont). LinkedIn, Tesla, Google, Apple, Amazon and Facebook app owner Meta were among the tech titans that completed major lease deals or property purchases in an ongoing quest to expand their Silicon Valley operations in 2021. — Meta, owner of the Facebook app, leased 719,000 square feet in a north Sunnyvale campus. — LinkedIn paid \$122.8 million in cash for two old office buildings at 810, 820 and 870 W. Maude Ave. in Sunnyvale. LinkedIn also leased an adjacent modern office building totaling 194,600 square feet. — Tesla leased 325,000 square feet at 1501 Page Mill Road in Palo Alto. — Amazon paid \$123 million for a 29-acre Milpitas site with several office and research buildings. — Google paid \$73.5 million for a two-story building with 60,000 square feet that sits on 4.3 acres in Mountain View. Google is also constructing two huge new Mountain View campuses nearby. — Apple just purchased five office buildings in Cupertino. Apple is worth \$3 trillion; Google is worth \$2 trillion; Facebook is worth \$1 trillion. 80% of all tech R&D occurs right here in Silicon Valley and that's not going to change anytime soon.
8. **Scarcity of Housing Supply:** We aren't building anywhere enough new housing. Statewide we had permits taken out to build 119,636 new homes in 2021- which is just 66% of the projected annual need for new construction in the state. This year it is expected to be even less – right around 117,000 new units (a fraction of which is in Santa Clara Co. for multiple reasons). If this holds true, it will be the 30th year out of the past 35 years that we have fallen short of the construction levels the state must have to house its residents. Even with the higher building permit numbers, many building projects in the state are stalled because of shortages of materials, labor and the ever-present community pushback. Unless hundreds of thousands of new homes are built this year and for many years afterward (highly unlikely), Santa Clara County home prices will continue to accelerate.
9. **Investment Demand and Affordability Index:** This “scarcity of supply” now has the Santa Clara County Housing “Affordability Index” at 22%. That means that less than 1 in 4 of our residents can purchase the median sales priced home in the county (now at \$1,910,000 in April). Because the jobs here are plentiful, our residents will need to live somewhere, which means they will have to rent. Buying Investment housing is bouncing back after dipping to a 19 year low in 2020. Since the eviction moratorium has now ended, the share of homes sold for investment inched up to 9.5% in 2021 largely because those unable to buy with the higher interest rates will be forced to rent – at ever rising rental prices.
10. **Strong Core Fundamentals:** Perhaps most importantly, every report by experts agrees that our current housing boom isn't a “bubble” a la 2007. Santa Clara County housing's core fundamentals are strong meaning the basics of supply and demand as well as the mortgages (San Jose has the third highest “equity rich” homes in the U.S.) and household balance sheets upon which those foundations are based aren't about to shatter from a glass house rock out of nowhere any time soon.
11. **Future Demand:** Millennials are the largest cohort in the U.S., are embracing homeownership, and eager to use real estate as a foundation for financial and economic growth. With over 4.5 million Millennials turning 30 over the next few years, our demand for housing will remain robust. Couple that with over a decade of under-building, the current unfavorable Capital Gains Tax regulations that keep equity rich Santa Clara County Baby Boomers holding on to their homes for much longer than they want to and the fact that for many of them their houses have become a gold standard for their investments, and this will sustain demand and prices for years to come.