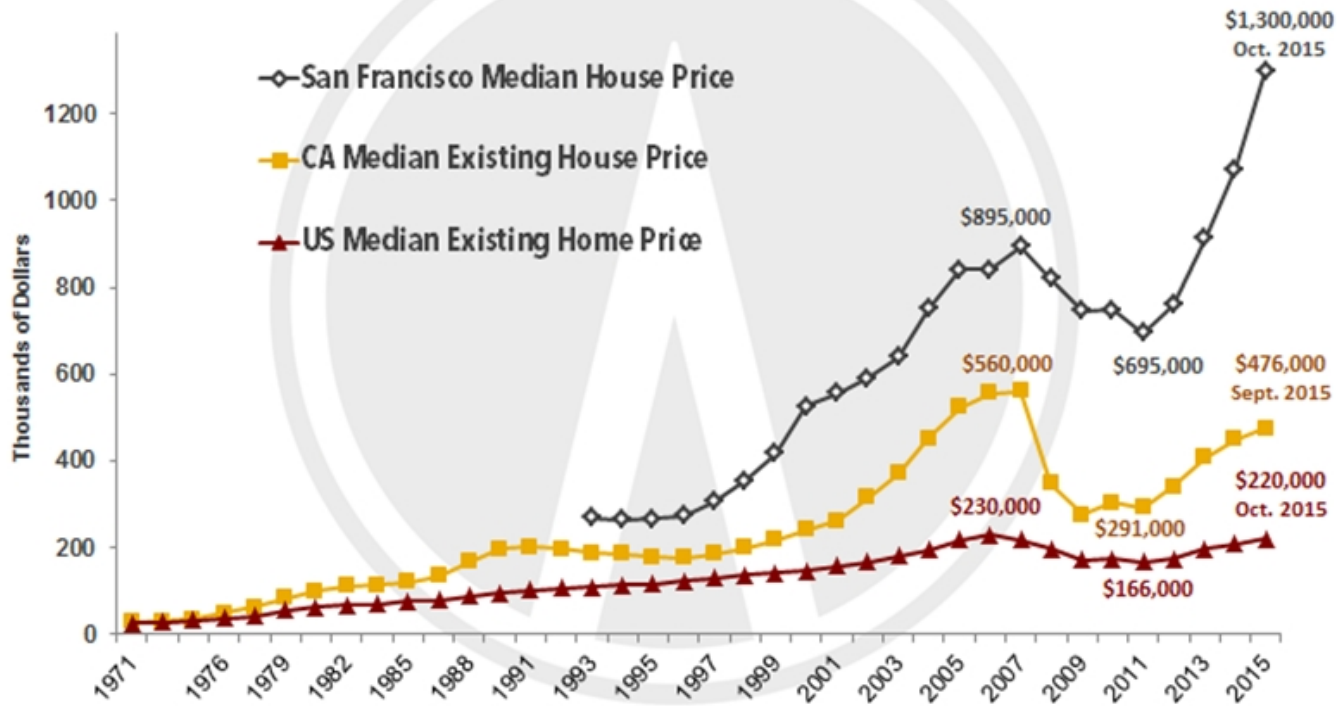




# Surging Bay Area Home Prices

Rachel Ng



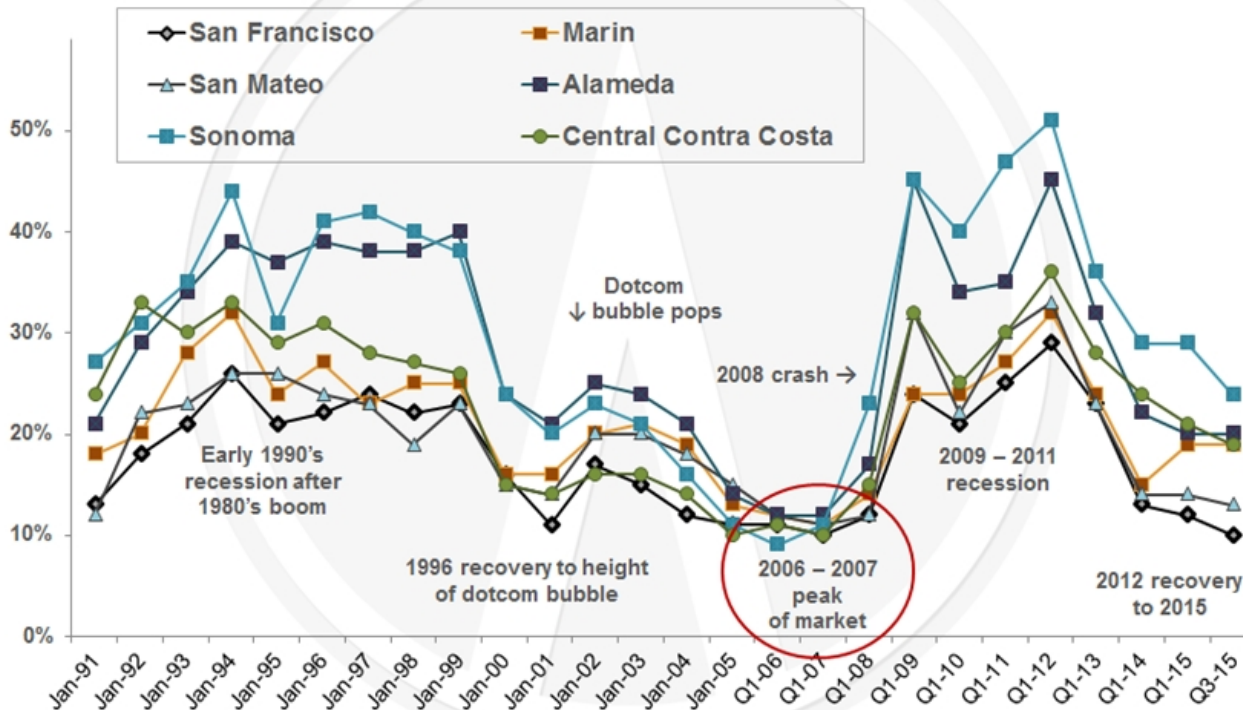
## What is happening?

- Bay Area home prices have surpassed the peak of 2007 Housing Bubble
- This trend suggests that home prices have increased disproportionately compared to California and U.S.

# Housing Affordability Index Trends

Selected Bay Area Counties, 1991 - Present

Per CAR Housing  
Affordability Index readings:  
January or quarterly as noted

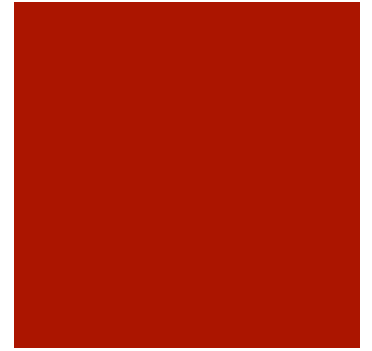


## What is happening?

- Affordability is at an all time low
- This drop is only seen in the Bay Area, unlike the 2007 Housing Bubble, which was caused by macro – economic events.

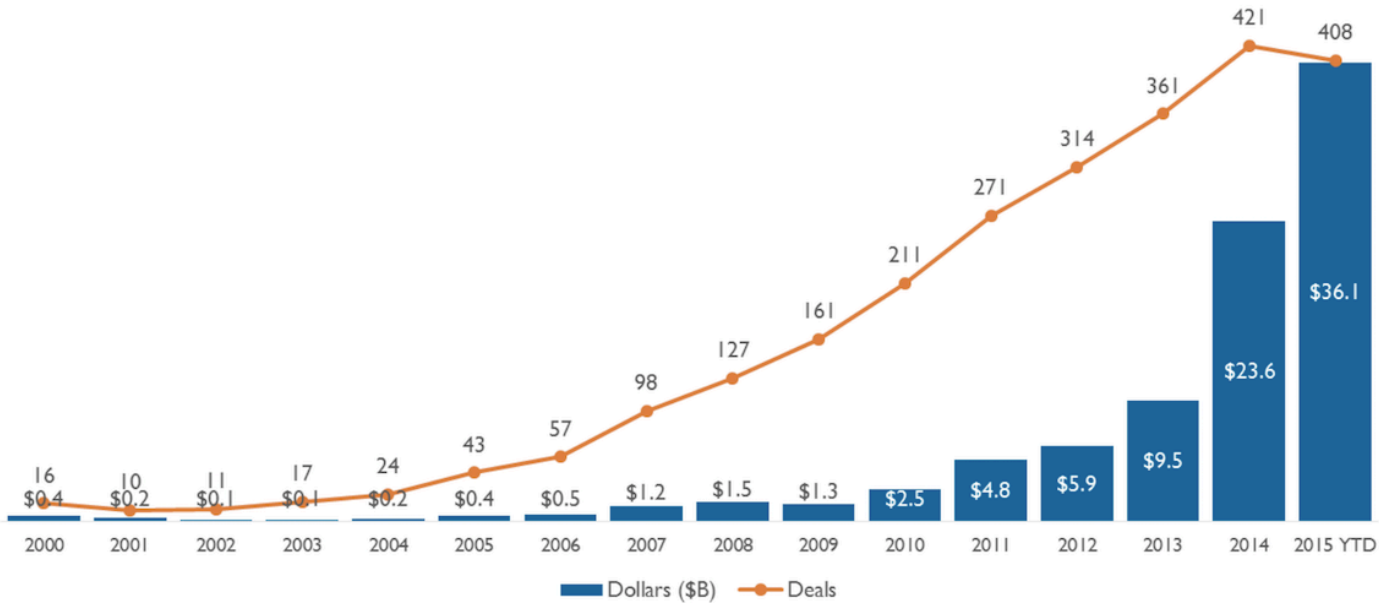
# Possible Causes

- Surging growth in the technology sector
- Influx of foreign investment



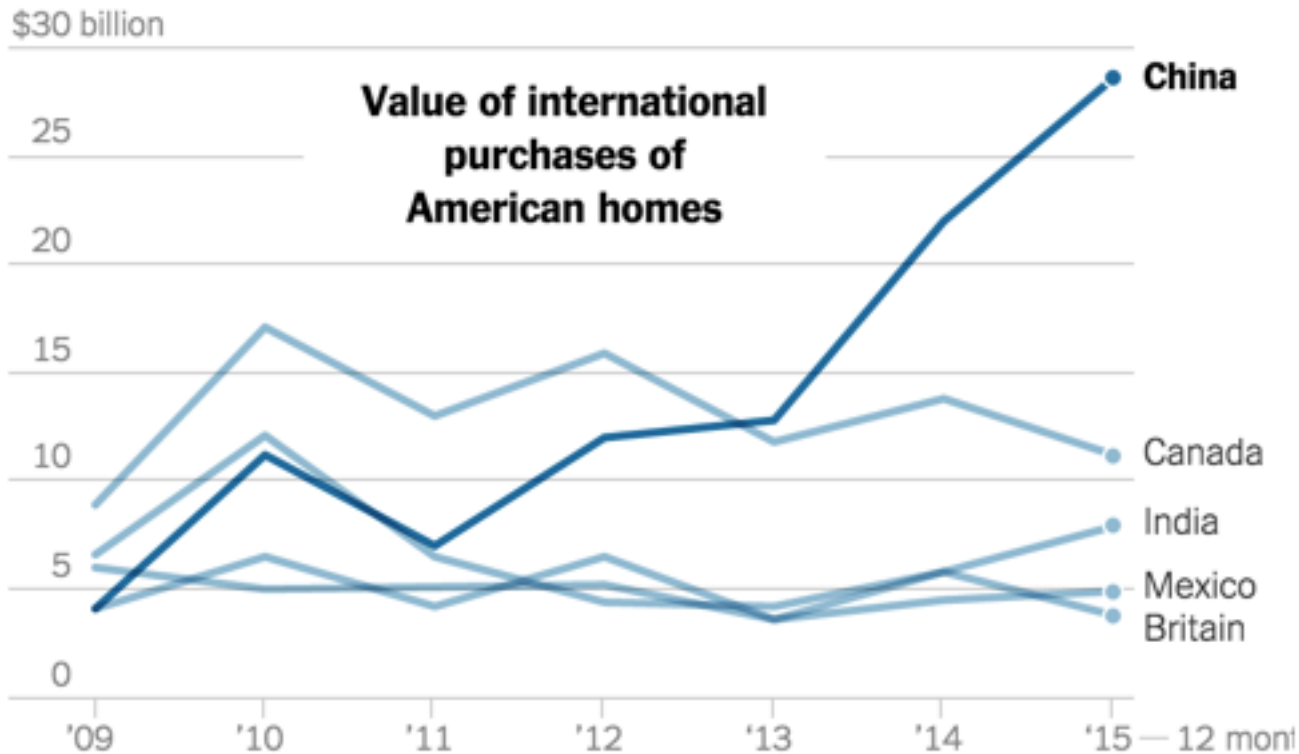
## 2016 Tech IPO Pipeline Investment Activity

2000 – 2015 YTD



## Growth in Technology Sector

- Tech IPOs increased the purchasing power of many people

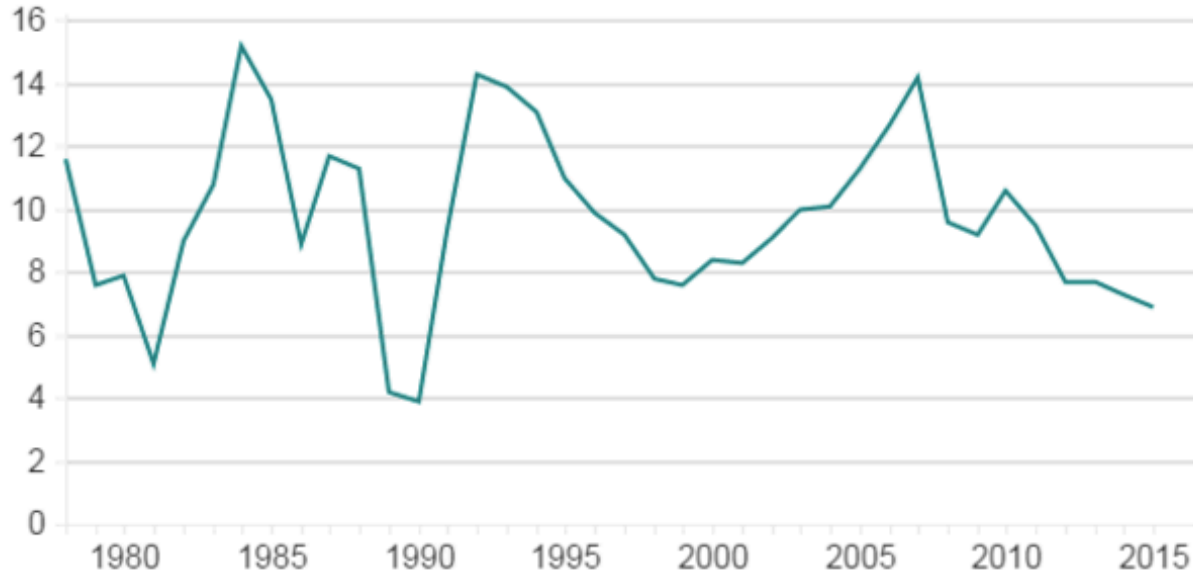


## Influx of Foreign Investment

- Wealthy Chinese people have strong desires to purchase Bay Area homes due to stellar school districts
- “Within the region, Chinese buyers take roughly 25% of purchases in the super – expensive Silicon Valley suburb of Palo Alto”

## China's GDP growth rate

%, inflation-adjusted



Source: National Bureau of Statistics of China



## Future Outlook

- China's growth is the slowest in 25 years
- Growing concerns amid tech bubble
- These two reasons contribute to the appreciation in home prices. With a poor 2016 outlook, the Bay Area real estate market may have a correction soon.

# References

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