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Housing Skyrockets In Silicon Valley



New Home Company has a **ton of shovels digging** in Silicon Valley (so if you're missing yours, you know where to look for it); the homebuilder's regional VP **Charles McKeag** will explain why at *Bisnow's* Residential Real Estate Summit at Hotel Nikko tomorrow.

Charles, here in his Walnut Creek office, tells us the **recipe for insane Silicon Valley prices**: Demand is intense, buyers have good jobs, interest rates are low, and there is very little supply. Buyers in the **middle third of the market** want something new, convenient, and intelligently designed. While some will opt for resale fixers, demand for new product is high. **Buyers at the**

higher end are looking for more space for their money, which is pushing prices upward in **traditionally suburban markets** like Morgan Hill, Almaden Valley, and the Tri-Valley, he says.



A few months after New Home Company went public, it's taking the Bay Area condo market by storm by starting hundreds of units from **Foster City to Lafayette this year**. Silicon Valley as we know it today is larger and more diverse than the Silicon Valley of 10 to 15 years ago, he says. While the core is still in **central/western Santa Clara County**, tech sector growth in other areas (like the Peninsula, S.F., and even parts of the Tri-Valley) has generated a "Valley Effect" in many real estate submarkets throughout the Bay Area, he says.

New Home Company has 239 homes under construction in **San Jose's Orchard Park** (above), comprised of traditional three-story row towns and four-story elevator-served flats. Demand for housing in Silicon Valley is, at its core, a direct result of strong job growth. Folks with high-paying jobs and strong credit make for a **very aggressive buyer pool**. Lack of housing supply is—and likely always will be—a problem that plagues most Valley submarkets, he says. **Local entitlement constraints** and inefficiently planned industrial/commercial development patterns are largely to blame.



This year *Forbes* named San Jose one of its **top 20 fastest-growing cities** the US, clocking in at **No. 19**, and its job growth is turning up the volume on apartment demand. (Here, Bay West Development's **Matt Gingery** turns up the NEST thermostat in his new **293-unit Aire** apartment complex in San Jose.) The City continues to add **25,000 to 30,000 new jobs** annually, including many high-paying tech jobs, heating up the already hot San Jose apartment market.



New Home's 404-unit **Foster Square** development underway in Foster City, above, is comprised of 200 for-sale senior condos, 156 assisted living apartments, 66 senior affordable apartments, and 35k SF of **restaurant-oriented** retail. It's also got some projects cooking in the **planning and entitlement** stages in Santa Clara, Fremont, and Morgan Hill.

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