

The Mercury News

COVID economy falters, but Bay Area luxury home sales boom

Suburbs lead growth in high-end sales

BY LOUIS HANSEN | MARCH 25, 2021

Sales of Bay Area luxury homes have surged during the COVID-19 pandemic, even as the economic upheaval has left thousands unemployed and many more families months behind in rent.

The number of Bay Area homes selling for twice a county's median home value has skyrocketed during the pandemic in 3 of the 5 core counties, according to a Zillow analysis for the Bay Area News Group. Only San Francisco, suddenly bereft of urban amenities and charm, saw a substantial decline in luxury home sales compared to 2019.

The growth in sales highlights the pressing demand for suburban life for high-earning professionals, and also the disparity of the impact COVID has had on lower-earning workers in the Bay Area.

"Renting households and lower income households have really been hit hard," said Zillow principal economist Chris Glynn. "Homebuyers at those higher (price) points are less impacted by COVID."

The difference is stark. A new study from the Bay Area Equity Atlas estimates 137,000 renters in the region have fallen behind in rent, accumulating \$488 million in debt during the pandemic. Without financial relief, the rental debt could prevent these families from ever saving up enough for a down payment on a home in the Bay Area.

But professionals able to work from home and carrying a stock portfolio have benefitted from economic conditions during the pandemic. Low interest rates and rising stock prices have given those able to buy homes

SURPRISE IN SALES OF LUXURY HOMES

Bay Area luxury home sales, defined as homes selling for twice the median value in their county, have soared in suburban counties during the COVID-19 pandemic despite the recession.

Percent change in the number of luxury home sales*:

	Contra Costa	San Mateo	Alameda	Santa Clara	San Francisco
2020	1,377	564	624	1,465	495
2021	1,712	679	685	1,498	444
	24.3%	20.4%	9.8%	2.25%	-10.3%

Home prices by county:

Median	\$754,500	\$1.45M	\$981,160	\$1.33M	\$1.42M
Luxury	\$1.51M	\$2.90M	\$1.96M	\$2.66M	\$2.83M

*Data from January-November in 2019 and 2020

Source: Zillow and Bay Area News Group analysis BAY AREA NEWS GROUP

bigger budgets. Increasingly, they've turned to suburban communities with ample space.

High end sales in Contra Costa County rose 24% from the previous year, according to Zillow data comparing January through November in 2019 and 2020. The median home value in the East Bay county is \$754,000, and a luxury home starts at just over \$1.5 million.

San Mateo County, with a median home value of \$1.45 million, saw high-end home sales jump 20% from 2019. Luxury purchases in Alameda County, where a high-end home at twice the county's median value sells for at least \$1.96 million, climbed nearly 10%, according to the analysis. In Santa Clara County, sales of premium homes selling for more than \$2.66 million grew 2% during the

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turmoil. Overall home sales in the Bay Area remained flat between 2019 and 2020.

High-end homes are most likely to be listed with amenities such as a pool, wine cellar, spa, guest house and in a gated community, according to Zillow listing data.

San Francisco luxury sales plummeted 10%, as buyers showed reluctance to spend at least \$2.8 million to move into a city where living space sells for a premium.

Agents and brokers say many young families have accelerated plans to leave San Francisco or San Jose condos for the suburbs.

"I am very mindful there's a lot of people suffering right now," said Clark Thompson, broker with Village Associates in Orinda. Escalating home prices — up 11.5% in Contra Costa since February 2020 — have put entry-level homes out of reach for families struggling through the crisis.

But the lure of suburban space has brought Peninsula buyers to Lamorinda in Contra Costa County. Brokers say bidding wars involving more than 10 buyers — common in Silicon Valley hotspots — are now breaking out in Contra Costa. Offers on desirable East Bay properties can swell as much as \$250,000 over list price.

Thompson recently sold a four-bedroom home in a gated community in Moraga in less than a week. The suburban redoubt included a pool, and a sculpted backyard that backed up to open space and views of the hills. It drew 15 offers, about triple the typical amount, and sold for about \$200,000 over its \$1.9 million list price to a couple moving from San Francisco.

San Mateo County, particularly Portola Valley, Hillsborough and Woodside, has seen a rush from families leaving San Francisco, said Michael Dreyfus, owner and agent with Golden Gate Sotheby's International Realty.

The divergence of two markets is a further indication of the region's lack of homes and apartments. "We have a housing shortage. We have forever," Dreyfus said.

Tax policy has also encouraged owners to stay in homes longer, limiting supply of homes for sale amidst the growing Silicon Valley economy.

"The driver is the demand for more space," Dreyfus said. "Maybe people are spending more because that is becoming a priority."

Another four-bedroom home in Lafayette was snapped up in a week for \$1.9 million by a young professional couple making their first home purchase, he said. Thompson has 16 listings coming on the market, mostly in Larmorinda, in the next two weeks.

"Our area has always been good for young families," he said. During the pandemic, however, even more families with younger children are moving, he said.

Luxury home sales in lower-cost counties, including Napa, Sonoma and Solano, also have picked up during the pandemic, Glynn said. Professional and tech employees able to work remotely and a surge of second-home buying could be behind the trend, he said.

The long-term effects of tech workers continuing a remote routine and choosing larger living spaces are unknown, said Jeff Bellisario, executive director of the Bay Area Council Economic Institute. The region has already seen migration to less expensive parts of the state, and to other tech hotspots on the West Coast and in the Midwest.

Will tech workers start looking to other states and regions for a better quality of life, instead of simply relocating to farther-flung commuter towns? "If you work anywhere," Bellisario said, "you can live anywhere."

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