

Silicon Valley home to country's hottest resi bidding wars: Redfin

High-end buyers in tech capital "immune" to rising interest; SF eases, East Bay buyers hit brakes

BY EMILY LANDES | APRIL 25, 2022



Silicon Valley has more bidding wars than anywhere else in the nation, according to the most recent Redfin data.

Just under 80% of offers in the San Jose metro area—which includes all of Santa Clara County and other areas that combine to make up Silicon Valley—had competition in March, agents for the real estate site reported.

That's a slight increase over the 77.5% with multiple offers in the area in February and goes against a trend Redfin is seeing in the rest of the country, where competition is dropping amid rising interest rates.

Nationally, on a seasonally adjusted basis, about 65% of home offers written by Redfin agents went up against other offers, compared with 67% in February. That's the first month-over-month decline since September, although still higher than the 62% bidding war rate from one year ago.

"Most homebuyers are still encountering bidding wars, but competition is beginning to cool because surging mortgage rates and home prices are prompting some Americans to back out or put their buying plans on hold," said Redfin Chief Economist Daryl Fairweather in the report.

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Fairweather said he expects to see even fewer bidding wars nationally as interest rates continue to rise as a part of a bid by federal officials to contain inflation.

Yet the competition is not cooling in Santa Clara in part because many high-end buyers from the area's core tech industry are "immune" to rising interest rates, said Golden Gate Sotheby's agent Michael Dreyfus.

Upscale buyers in Silicon Valley tend to be hit harder by stock market woes—and while they've felt the recent hits to tech stocks, overall they are even richer than they were before the pandemic, Dreyfus said. That puts them in position to bid competitively on the few large, turnkey properties that come to market in the area amid a return to offices that adds local demand.

"We're seeing people get hauled back to work," Dreyfus said, adding that traffic is picking up too, making buyers more conscious of their future commutes, even if they will only be one or two days a week.

The increased competition appears to be specific to Silicon Valley. In the San Francisco metro area, which includes San Mateo County, bidding wars were slightly less fierce in March, with 76.4% of Redfin offers there facing competition, compared to 79.6% in February. That places it just outside the top five biggest bidding war metros in the country, behind San Jose, Boston, Providence, Worcester, MA, and San Diego.

Redfin agent Maria Giron, who works with entry-level buyers in the East Bay, said in the report that would-be buyers there, in general, seem to be more sensitive to rising interest rates, which has caused them to exit the market or look for homes outside the Bay Area altogether.

"March was the first month in two years that I had a weekend with zero house tours—people are getting priced out," Giron said. "Some buyers are in shock and dropping out altogether. Others are looking at more affordable options like smaller homes or neighborhoods that are farther out."

Giron defined entry level as those with a \$500,000 to \$700,000 budget. But in some of Silicon Valley's toniest communities, with large lots and well-regarded school districts close to tech employers, "entry level" might be closer to \$3 or \$4 million, according to Sotheby's agent Dreyfus.

Those buyers are anxious to lock in a new home purchase before interest rates go any higher, he said, pushing prices for the limited available inventory up even more. He expects the upward trend to continue as local buyers face new competition from those relocating to the area for work for the first time in two years.

"Rising interest rates boost the market because people try to get in," he said.

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