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## Heard on the Street - Real Estate news from Ito Ripsteen - Spring 2018

Quality single-family homes in high demand



Friends and Colleagues,

As you may have already read in recent news, California is the 5<sup>th</sup> largest economy worldwide, ahead of Great Britain. At the same time, Jamie Dimon, head of JP Morgan Chase states the economy is doing well for now, but the chance of a recession in the future is 100%. Meanwhile the stock market gyrates depending on the day to day news.

What is happening locally? The San Francisco Bay Area economy appears to be robust and holding its own. As for the real estate market, there continues to be a strong demand for both investment property and single-family homes. For commercial real estate, the price structure typically reflects a return (unleveraged) of 4.5% to 5.5% (ish). On the single-family front, there is still competition

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for well located, well priced properties. Bidding wars often push prices up to levels that make neighbors gasp. I must admit I often gasp too when I hear the stories from the street.

### Local commercial real estate thriving



When will it stop? Of course, timing is hard to predict. However, factors that can affect pricing are the following: 1) pricing that outpaces wages; 2) interest rates rising and dampening affordability; 3) local, state or world events that shake consumer confidence.

Although we are experiencing low unemployment (3.9% - latest tally) wages have not increased by much. But in Silicon Valley, there is a hidden wage many people are overlooking- “stock comp” – gaining at about 10% per year. Watch the stock price of companies like Google and Facebook. With growth, the stock comp will allow employees to have more buying power when it comes to

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searching for a single-family home.

In the meantime, I have heard complaints almost daily about how expensive it is to live in the Bay Area. Is this the factor that will slow the market? Maybe. Will the new tax plan slow it down? Don't know (unlikely). But in the meantime, most of us still like living here, and California has created about one of six jobs in this country - pretty astounding. This factor will keep folks here, and will bring in new hires.

Sorry that my crystal ball is cloudy and not pointing out anything definite. I'm just saying... what I've "heard on the street."

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