SUMMER 2018

REALSMART Newsletter

A QUARTERLY JOURNAL OF REALSMART IDEAS

ARE PEOPLE REALLY LEAVING THE BAY AREA IN DROVES?

For years now, reports have been circulating of people fleeing the Bay Area in favor of cities with comparable job opportunities and a lower cost of living. It makes perfect sense - cities like Austin, Portland, Seattle and Denver offer lifestyles similar to the SF Bay Area but at a discounted price, the perfect draw for young families struggling to establish themselves in this relentlessly competitive housing market. But is this information being used to create an accurate narrative? Does an emigration of a small fraction of the Bay Area's workforce point to the end of Silicon Valley's reign as the country's preeminent tech hub? Or worse yet, is this the beginning of a mass exodus that will bring about our next market crash? Not so fast...

It seems that whenever I run into an article discussing people leaving the Bay Area, its headline is peppered with words that exist solely to stoke fear in those who read them. A classic tactic in the clickbait era of online news. Take for instance this article published by the Business Insider, titled, "The San Francisco Housing Market is so Dire that People are Leaving in Droves". Based off the headline, you would expect there to be some significant numbers to back up the claim. Instead, they cite a report released by an organization called the Bay Area Council, which found that 46% of their survey respondents plan to move away soon. This is an interesting discovery, if not incredibly vague, but who did they ask? Turns out, this study (which has been cited by several fairly reputable outlets like the Mercury News and the San Francisco Business Times) was based off a poll of just 1,000 registered voters in the nine-county Bay Area. That is roughly 0.014% percent of the 7 million people who live here. Hardly a statistically significant sample size.

But the Business Insider isn't the only source making the "leaving in droves" argument. Many have. The most compelling evidence I have seen to back this argument up is that people leaving the Bay Area for other states last year outnumber those who moved here by the 10's of thousands (I have seen it as high as 46,000 in one report). But this is just a measure of domestic migration, or people moving within the United States. What these articles always omit, is that net immigration – people coming and leaving from other countries – has remained positive. In fact, according to census estimates, about 58,000 more people moved to the Bay Area from abroad than left last year, which significantly outweighs the reported deficit in domestic migration. Further, the people moving here from other countries tend to be highly educated, work skilled jobs, and earn above the area's median salary.

In a sense, what's actually happening here in the Bay Area is quite the opposite of what many reports are suggesting. While some current residents are in fact leaving for other states, our total population is still increasing. And the people who are moving here are taking skilled jobs that further cement our status as the world leader in tech innovation. Jobs that pay enough for them to jump right into the frenzy that is our housing market, further driving up competition. So while it makes for some excellent clickbait material, there is no mass exodus taking place in the Bay Area. Not yet anyway.

Bryan Jacobs
RealSmart co-founder
bryan@realsmartgroup.com

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RealSmart Fund Update

Karen Vega
RealSmart Co-Founder
karen@ realsmartgroup.com

467 Madison Ave, Redwood City

It was great seeing many of you at the June 8th Madison Fixer Mixer! For those who weren't able to make the event to see the home in person, you can view photos of the finished property at **www.467Madison.com**. It's a beautiful 4BD/1BA with a Mission style facade and an attached garage that would lend itself wonderfully to an accessory dwelling unit conversion. We remodeled the kitchen and bathroom, installed new flooring, and tore out an old dilapidated carport in favor of a relaxing back patio/lawn. The property is currently pending sale.

Howe, San Mateo

With work at Madison complete, we've been able to focus more of our resources at Howe Street, a 2BD/1BA home in the Shoreview neighborhood of San Mateo.

Hyde St, SF

In the meantime, work has been progressing steadily at Hyde Street in San Francisco, where we are renovating 3 condos in a 6-unit building.

Call RealSmart for more information on our Fund projects and how to invest: (650) 363-2808

CALIFORNIA TO REQUIRE SOLAR PANELS ON NEW HOMES

Earlier this year, the California Energy Commission unanimously approved a policy requiring virtually all new homes to incorporate solar panels. The requirement will take effect in 2020, making California the first state with such a policy.

California is already the nation's leading solar market, with over 5 times more solar installed than any other state, and roughly 40% of the total solar installed in the U.S. According to the Solar Energy Industries Association (SEIA), the solar industry has created $43 billion of investment in California's economy, and employs more than 86,000 people. The SEIA hopes that this historic policy decision will set a precedent and pave the way for other states to follow suit. New Jersey, Massachusetts and Washington, D.C. have already begun considering legislation that would require new buildings to be solar-ready.

Of course, for current homeowners or people buying homes built before 2020, this policy won't apply. Still, this is a big step towards helping California meet its goal of getting at least 50% of its electricity from non-carbon producing sources by 2030.

If you've considered installing solar-roof panels on your home and would like to explore your options, feel free to give us a call. We would be happy to connect you with one of our trusted green-roofing experts.

Camilo Perez
Realtor
camilo@ realsmartgroup.com

THEN VS. NOW

A Walk Down Memory Lane with Recently Resold RS Fund Projects

Every now and then, a home we flipped years ago will pop back up on the market for sale, which always makes for an interesting trip down memory lane. Given market conditions over the past several years, these homes have usually appreciated considerably, without the new owners having to make any significant improvements. Below is a home we bought and flipped over 5 years ago, which just sold again this June - it's a great snapshot of how drastically home values have grown in such a short period of time.

522 Ruby St. Redwood City

We purchased this 3BD/2BA Mt. Carmel home back in August 2012 for just $585,000. After rehabbing the kitchen, bathrooms, landscaping, and making other miscellaneous improvements, we sold for $813,000 - a healthy return for the times. Now, just over 5 years later, the home has resold at $1,440,000 - a 77% increase in value with no major improvements made. While this may seem like a gaudy number, it's remarkably in lockstep with city-wide price growth over that same period of time. In 2013, the average sales price for a single-family home in Redwood City was $1,050,074. Year to date in 2018, the number increased to $1,844,518. That's a nearly 76% price increase, virtually identical to the growth Ruby saw over that same period of time. It's been a wild 5 years in RWC real estate to say the least...

MORTGAGE UPDATE

Your Mortgage Team:
George McFaden - george.mcfaden@supremelending.com - NMLS#344084
Laurie Musielak - laurie.musielak@supremelending.com - NMLS#253971

Fannie and Freddie Seeking to Make it Easier for "Gig" Workers to Get Loans

Freddie Mac and Fannie Mae, the country's two largest sources of mortgage money, are reportedly working on ways to make qualifying for a home purchase easier for people earning money in the "gig" economy.

The gig economy refers to activities such as driving for Uber, shopping with Instacart, renting your home out on Airbnb, or any other job that allows workers to set their own hours, work for as little or as long as they please, and get paid as an independent contractor. Last year, a report released by Intuit, which owns TurboTax, estimated that roughly 34% of the U.S. workforce earned money in the gig economy, and projected that number to grow to as high as 43% by 2020.

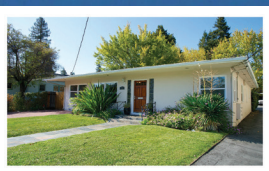
While these "gigs" have proven to be reliable sources of income for many Americans, using them for mortgage qualification purposes has been problematic. Lenders typically look for 2-years of documented income and reason to believe that those earnings will continue for several years. Earnings from gig economy jobs don't always neatly fit into these boxes, making it difficult for lenders to use them for mortgage qualification. Now, Fannie and Freddie are looking for ways around this, so that people earning thousands per month in the gig economy can use that money to gain access to credit in the mortgage market.

Neither Freddie nor Fannie have disclosed what options they are pursuing, but Freddie has confirmed a partnership with Loan Beam, a software company which provides automated income verification for gig-economy workers. Depending on what they implement, this could help the many U.S. workers who supplement their income in the gig economy get on the path to homeownership.

-George & Laurie

SUPREME LENDING

THE REALSMART TEAM



BRYAN JACOBS - REALSMART CO-FOUNDER
BRE # 01129660

KAREN VEGA - REALSMART CO-FOUNDER
BRE # 00930844

CAMILO PEREZ - REALTOR & CONTRACTOR
BRE # 01875711

DENNIS VORRISES- REALTOR
BRE #01406502

TODD WEIDMER - REALTOR
BRE # 01320934

SUE ANAGNOSTOU - REALTOR
BRE # 00776470

RUTH KRUMBHAAR - REALTOR
BRE # 02013157

SHELLY NORMOYLE - TRANSACTION COORDINATOR & INTERIOR DESIGNER
BRE # 01332984

ROBERT TRALLER - MARKETING COORDINATOR
BRE # 02022266

(650) 363-2808
www.realsmartgroup.com

REALSMART

REALSMART GROUP
50 Edgewood Road,
Redwood City, CA 94062
(650) 363-2808

FEATURED LISTING

532 SANTA CLARA
REDWOOD CITY

NEW CONSTRUCTION IN RWC

Brand new luxury construction near the Redwood City/Atherton border. 5BD/4.5 with a lavish master suite upstairs and a full guest suite downstairs. Open great room with attached den/-family room, and gourmet kitch-en. In the finishing stages of con-struction. Call for more info:
(650) 363-2808