

From Shelter to Investment – A Brief History of Home Appreciation

The housing market around the Bay has experienced phenomenal gains in recent years. From the East Bay to the City and from the North Bay to the Peninsula, homes values have almost doubled since 2010 with average home prices jumping from \$1 Million to almost \$2 Million in San Francisco and San Mateo counties, and from \$500,000 to \$1M in combined Alameda and Contra Costa Counties.

The value of single family homes reached all-time highs by year end 2017. Here is where we landed: the *average* price of a single family home in the *entire Bay Area* passed the \$1M mark in 2017.

San Francisco	\$ 1,823,565
San Mateo County	\$ 1,750,366
East Bay	\$ 1,044,438

For comprehensive details, please see links at the end of this piece.

Interestingly, home values around the Bay have experienced doubling in value at multiple points in times past. Taking a quick look back, we review the driving forces behind these occurrences, how they shaped our current landscape, and what those values were in comparison to now.

Harkening back to the 70s and earlier, homeownership was predominantly viewed in single facet: a basic life necessity – shelter. The introduction of the Adjustable Rate Mortgage (the ARM) in the early 80's allowed for greater affordability to achieve that life necessity. As entry into home ownership became more achievable, we saw a doubling in home values from the 80's into the 90's with average home values generally more than doubling. In the City, home prices increased from around \$130,000 to \$340,000.

As we crept out of the national recession of the 90s, home values began to steadily rise and, again, a doubling in value occurred. In 1993 average home values in core markets around the Bay hovered in the lower \$300,000's and jumped to the mid \$600,000s by 2002.

We saw the most compressed doubling in home value in the era of the Dotcom boom. From 2002 to 2007, home values again doubled, lifting average home prices in the City and the Peninsula to a new height of \$1M, and from \$250,000 to \$500,000 across the Bay.

The Dotcom boom, bust and recovery took home ownership and firmly intertwined it with Wall Street. Homeownership would never be considered simply “shelter” ever again. Today, more than 84% of Americans consider buying a home a good *investment**. Homes no longer provide just shelter; they are an investment vehicle towards wealth accumulation.

We at McGuire have compiled a detailed report regarding home appreciation, home prices, units sold, units and values at each price level, and overall market trends. For a deep look into how our housing markets performed around the Bay in 2017, please follow these links:

San Francisco: <https://media.mcguire.com/files/company/24/16473>

Peninsula: <https://media.mcguire.com/files/company/24/16463>

East Bay: <https://media.mcguire.com/files/company/24/16453>

Please let me know if you have any questions.

Thank you!

*As reported by the National Association of Realtors in July, 2017