“Real Estate Market and Local Economy Update”

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We are well into the sixth year of recovery from the greatest economic downturn since the Great Depression, so I’d like to give you a brief update of the very robust recovery we have experienced in Silicon Valley, including the current status of each property type.

APARTMENTS
The Silicon Valley multi-family apartment market has enjoyed six years of strong and steady performance. The apartment occupancy during this period has hovered at 96%. In the metropolitan San Jose area, the average monthly rent for a two-bedroom apartment is $2,400.

Coldwell Banker Real Estate (CBRE) reported that the apartment market “boom” is beginning to soften as price fatigue sets in.

Concessions such as free rent can be found in some geographic areas of Silicon Valley. We are seeing an increase in “for rent/lease” signs on major apartment complexes.

Apartment rents in Santa Clara County dropped 3.5% year-over-year. Apartments are still the best property type to own during a recession. You can always reduce rents to stabilize occupancy so you never have total vacancy like office or industrial.

Long-term rents depend on incomes, and income and wages in Silicon Valley remain significantly higher than in the state or the nation. Santa Clara County has the 10th highest median household income in the nation at $102,000.
Apartment demand is directly related to job growth, and until 2017, Silicon Valley led the nation in job growth. In the past 12 months, job growth has slowed dramatically.

Mercury News reporter George Avales reported last month that the Bay Area lost 4,700 jobs in the month of September; 1,300 in Santa Clara County. The losses stem from employers unable to hire skilled employees, but more significant, sky-rocketing housing costs. The lack of affordable worker housing is making it impossible for employers to fill existing jobs.

Job growth which averaged 3.5% between 2013 through 2016, dropped to just 1.3% this year. We are sitting in the center of the envy of the world; Silicon Valley. Sixty years ago Detroit was the envy of the world.

Let me make a startling prediction. If Silicon Valley fails to solve the affordable housing crisis, we will go the way of Detroit. Detroit is in bankruptcy!

We are in a measurable economic slowdown that will inevitably morph into a recession/downturn/adjustment. Whatever you call it, it will occur in the next 12 to 18 months, hopefully it will be a “soft landing”.

However, we are on an island here in Silicon Valley. The water around that island is choppy. The Fed reports that a strong labor market nationally is not reflected in economic growth, or higher wages in 2016. Consumer prices, however, experienced the largest year-over-year increase since 2013.

At the same time, unemployment dropped to 3% in Santa Clara County, lower than the state at 5.1% and the nation at 4.1%, at the end of October, the lowest in 17 years. Extremely low unemployment rates in Silicon Valley have driven the cost of tech talent to an all-time high, creating a serious high-tech labor shortage. Average hourly wages actually declined in October.

People often ask me is there a difference between the current boom and the “Dot Com Boom” in the 90’s. My answer: A very big difference.
During the “dot com” boom 17 years ago, commercial real estate development was largely speculative, often leasing to high tech startups with little or no earnings. Remember Webvan and pets.com.

Tenants leased more space than they needed, expecting growth that never occurred, when the market went from Dot-Com Boom to Dot-Com Bust.

Today, major well established companies like Google, Apple, Samsung, LinkedIn, and Nvidia with real earnings and profits, are acquiring land and buildings, favoring ownership over long term leases.

PC sales dropped to their lowest rate in a decade, which is impacting chip makers like Intel, and the other companies that make PC components. Global tech spending is expected to drop in 2017. Smart phones account for 47 percent of all consumer technology spending worldwide.

So, what’s emerging in consumer electronics? Drones, virtual reality headsets and home automation gadgets. And, of course, autonomous automobiles.

The long-term future of the job market is somewhat clouded as more Baby Boomers are leaving the labor force, than Millennials (born after 1980) are entering the labor force.

An Oxford University study projected that 40% of all jobs will be displaced by digital technology in the next 40 years. Think about that. I recently read about a robot in San Francisco that makes the perfect salad.

There are 3.5 million truck drivers in the U.S. that will likely be displaced by autonomous trucks.

Another study out of the UK projects that 38% of all U.S. jobs would be at risk of displacement in the next 30 years, higher than the UK (30%), Germany (35%) and Japan (21%). The risks are the highest in transportation and storage industry (56%), manufacturing (46%), retail (44%), and health (17%). The impact declines dramatically with the level of education.
Many of our younger generations, e.g., Gen. X and Gen. Y, Millennials (demographers are even talking about Gen. Z) no longer believe that homeownership is an essential component of the American dream.

First, they saw trillions of dollars of homeowner equity evaporate with the collapse of the housing market, during the recession. So many don’t consider homeownership as an investment that automatically appreciates in value.

Second, college graduation often comes with as much as six-figure student debt, which makes qualifying for a home loan more problematic for first-time home buyers.

In Silicon Valley, Millennials comprise 29% of our population. The Millennials are changing the marketplace for housing, embracing the urban culture.

More and more, they prefer urban city living and compact development, in sharp contrast with the historical pattern in America since World War II.

Sixty-six percent of Millennials chose place over job. Where they want to live is more important than the job they select.

Individuals under 30 are projected to form 20 million new households over the next 10 years, a majority of which will be rented. Home ownership fell for the tenth straight year in 2016, to the lowest rate since 1967. However, home ownership rates for 25 to 35 year olds is just 26%.

Millennials are delaying marriage to their mid-30’s or even their early 40’s. Consequently, they will probably own one less home during their lifetime.

It’s called the 18-hour city, a work-live-play lifestyle, including a desire to live in an area in close proximity to where one works, dines, shops and entertains.
A flexible work schedule is essential. Short commutes – preferably walking or cycling to work. It’s called a “work/walk” environment – a vibrant location close to shopping and entertainment, common amenities like fitness facilities, access to rail transportation are high on the preference list of younger folks.

Millennials are driving less, evidenced by a sharp decline in the number of driver license applications submitted by younger people.

Only 44% of Millennials obtained a driver license within 12 months of the minimum age, and 28% hadn’t received a driver license by age 18.

Millennials have embraced the sharing economy. Ride sharing, Lyft and Uber, bike sharing is exploding.

Finally, Gen X, Gen Y and the Millennials are much more mobile. They can do the same work in New York, London, San Francisco, or Singapore, and maybe all four. So why get tied down with a mortgage?

Older people believe that renting is throwing your money away. An increasing number of young people believe that owning is throwing your freedom away.

**SINGLE FAMILY**
The single family housing market slowed in 2016, but rallied in the first half of 2017 when the median price of single family homes in Santa Clara County increased 9.2% to $1 million, more than double the median sales price in California.

For-sale inventory has been down for months, resulting in too much money chasing too few homes, causing home prices to skyrocket. Affordability is particularly critical for first time home buyers.

Lots of expensive homes are being purchased by newly wealthy high-tech workers – yet 8.3% of our residents live below the poverty level. That is a federal government statistic and does not account for the high cost of living in Silicon Valley.
The single family housing market has been impacted by all-cash transactions. Foreign investors are playing an expanding role in the residential market, including single family homes, condos and apartments. High-tech millionaires are also capitalizing on a DJIA over 23,000 and a NASDAQ over 6,700.

The Chinese have invested heavily in residential real estate in California. Nineteen percent of homebuyers in Silicon Valley have been investors from Asia, and 22% of all transactions in Silicon Valley are all cash.

However, investments from China have declined by 29% as the Chinese government is restricting the amount of capital that Chinese can be invested in the U.S.

Some foreign investments are “flight capital” from Latin America and Europe, where investors are looking for increased safety. Foreign investments in U.S. real estate is the outcome of an increasingly unstable world.

There is a latent risk when investors, rather than individual home buyers, purchase residential property. Investors need an exit strategy, and they tend to move out of an investment about the same time. That can have an unsettling effect on the residential marketplace in the future.

The one predictable indicator for single-family residential property in Silicon Valley is schools. Neighborhoods with excellent schools experienced fewer declines in market value during the recession. These same neighborhoods have experienced greater increases in market value during the recovery.

**OFFICE/R&D**

Silicon Valley has had 27 quarters, over six years, of positive office leasing. While Class A office rents increased 10% last year, and 20% since 2014, they actually fell 8% in the first half of this year. Office vacancy in Silicon Valley has declined from 25% in 2009, to 7.6% at the end of 2016, and then shot up in the first half of 2017 to 13.5%.
As Janice Bitters of the Business Journal reported, Silicon Valley passed San Francisco for the number 1 office market in the U.S. in 2016.

We can talk about asking rents, vacancy, new development, etc. Arguably, the most important indicator is occupancy growth over time. Colliers reports Silicon Valley’s occupancy in 2016 was the sixth consecutive year of occupancy growth, the highest since 1988.

However, office sales volume in 2016 declined 44% since 2015.

The frenzied leasing activity of 2015 has slowed due in part to the significant increase in the supply of new office space. Until 2016, 70%-80% of the new office space was preleased.

Today, 48% of the office space under construction is pre-leased, an indication that Silicon Valley developers are overly aggressive and overbuilding the market, the first time since the dot-com boom.

Apple’s acquisition and leasing activity has declined which has also impacted the market. The fundamental question is: Is the technology sector becoming overvalued, evidenced by an office market that has outpriced itself? Will the “tech bubble” burst? I don’t think so. But quite a bit of air is set to come out of that bubble.

Six million square feet of Office and R&D space was developed last year in Silicon Valley.

At the end of June, 11 million square feet of office space was under construction in Silicon Valley, the most since the dot-com boom. This number could go up to an astounding 60 million square feet based on proposed developments.

Office obsolescence is impacting the market as single-story concrete tilt-ups constructed in the 1960’s and 70’s, are being demolished in favor of larger, more modern, denser buildings.

Employee densification, designed to improve efficiency and lower the cost per employee, is having an impact on office leasing. Putting more employees in less space has become a trend.
Between 2010 and 2015, the average space a company needed for each employee declined sharply, from approximately 225 square feet to just 138 square feet.

Office tenants are downsizing their space requirements at the same time they are increasing their employee head count. Think of the impact this has on parking and traffic planning.

Many tenants are “rightsizing”, utilizing space more efficiently, or consolidating due to mergers and acquisitions.

High tech companies want open floor plans with fewer cubicles and offices. This is called a “collision environment,” promoting direct collaboration between employees.

Tech managers believe productivity increases when people interact directly more often. The rule of thumb is 50% workspace (“me space”) and 50% collaboration space or (“we space”).

Marissa Mayer, the former CEO of Yahoo, eliminated almost all telecommuting when she became the CEO, to encourage more employee contact and collaboration. In May, IBM eliminated most telecommuting.

Employee collaboration is easier with larger floor plates. There is a 95% chance of employees coming into contact with each other when they work on the same floor. That declines to 5% when they work on different floors, even at the same company.

In Silicon Valley, land is the most expensive component. Larger floor plates means more land, increasing the development costs dramatically.

Construction costs vary wildly. Costs of construction materials have declined nationally, but because there are so many projects under construction locally, skilled labor is scarce, which increases construction labor costs. Construction technology, like off-site framing, tend to reduce costs and increase productivity.
WAREHOUSE AND INDUSTRIAL SPACE

I’m bullish on the industrial and warehouse markets. Vacancy countywide is 1% for warehouse and was 1.3% for industrial, until it shot up to 4% in June, both the lowest since 1988. Industrial properties in the East Bay are particularly strong, reflecting a vacancy rate of just 1.9%.

Industrial asking rents climbed 19.5% and warehouse asking rents increased 30.1% in the last 12 months. There has been little new construction of warehouse product on the market.

Occupancy of warehouse property recorded the largest gain since 1994, the fourth straight year of positive net absorption.

U.S. manufacturing is experiencing a modest resurgence, due to narrowing international labor cost differentials, declining energy costs compared to our leading competitors in Germany, France, Japan, and the U.K., concerns over the piracy of intellectual property in Asia, and better oversight and control of projects and products in the U.S. It’s called “reshoring” of manufacturing back to the U.S.

Companies are moving back to the U.S. because the economics are shifting. Labor costs in China have been increasing at 15 to 20 percent per year. The manufacturing process is becoming more and more automated with robots, requiring fewer humans.

More and more products require customization, and customized products are good for U.S. manufacturing. In the tech world, there is also a belief that separating the design function from the manufacturing function can be problematic.

U.S. companies that manufacture overseas want to reduce the long supply chain across the ocean. The widening of the Panama Canal, which recently opened, is also having an impact on the location of warehouses and factories.

As the U.S. retreats from being the world’s policeman, the world is becoming more disorderly. The manufacturing supply chain can be threatened by increased unrest in the world. The need to have manufacturing closer to the demand is a natural outcome.
Online commerce is one of the strongest drivers of industrial demand. As retailers continue to offer fast shipment, often next-day delivery, strategically located distribution centers, called fulfillment centers, are essential.

Large warehouses designed to store product at a low cost represent the “first mile” of distribution. Smaller urban warehouses represent the “last mile” of distribution. The “on demand” economy is dramatically changing our priorities, changing our market place.

Amazon is developing smaller warehouse facilities closer to where people live, in pursuit of faster, cheaper delivery. A review of Amazon’s operations reveal that e-commerce sales require 2.5 times more distribution space than brick-and-mortar retail sales.

Amazon was recently awarded a patent for “airborne fulfillment centers” or AFCs that would float at an altitude of 45,000 feet, stocked with products waiting to be delivered. Within moments after an order is placed, drones housed in these AFCs would deliver the goods, requiring little power as they glide down to reach their destinations.

Amazon has not stopped there. They recently filed a patent application for an under water storage facility. Their aquatic product-filled warehouses would be laden with water tight containers outfitted with cartridges that mimic the swim bladders of fish to control depth. To retrieve a container, acoustic waves would be sent to activate the cartridge necessary to send a particular package to the surface.

According to Amazon, “these underwater warehouses could stack products in endless piles of boxes with no need for humans or robots to move them around, thus eliminating the inherent inefficiencies of the pathways and shelving needed in traditional land-based warehouses”.

The demand for warehouse space is expected to increase significantly with the legalization of cannabis, for growing and processing. Caution: Over the long term, industrial/warehouse pose the greatest risk in a recession.

Uber and NASA recently signed an agreement called Uber Elevate, a flying taxis project. Testing is scheduled to begin in 2020 in Los Angeles, Dubai and Dallas.
And we older folks thought that Maxwell Smart’s shoe phone or Dick Tracy’s watch was far out.

Will the U.S. become an industrial powerhouse again? No! Lower costs alone won’t entirely restore the erosion created by American companies that have left the U.S. to manufacture overseas.

**HOSPITALITY AND LODGING INDUSTRY**
The hotel industry has always been the most sensitive to economic fluctuations, so it is no surprise that it suffered the most during the recession.

The trend is very positive. The San Jose Hotel Occupancy Report, covering 13 hotels, shows occupancy increased from 58.5 percent in 2010 to 85% in October this year. Hotel operating profits are up across America with L.A., Miami, Boston and San Francisco leading the way.

The expansion and renovation of the San Jose Convention Center has had a positive impact on the local hotel market.

The hotel industry has benefited from the strong economy and increased corporate travel budgets.

However, technology (video, teleconferencing and webinars), is providing a viable alternative to expensive and often unproductive travel.

**RETAIL SECTOR**
The one sector that was slow to recover is retail. The retail sector was terribly overbuilt. During the “dot-com boom,” there was a glut of strip, power centers, and malls built to accommodate what turned out to be the absolute peak of the consumer market.

It was built on the framework of the old model, that people would walk in the front door of a storefront and shop. The increasing prevalence of online shopping vs. traditional brick-and-mortar stores, all point in the same direction: Online sales are growing at three times the rate of in-store sales, and that trend is accelerating.
Today, the retail industry is a mess. The retail bubble has burst and the problem is not cyclical. It’s a secular, “forever” trend. Traditional retailers were very late to e-commerce.

Retail malls are leading the retail mess. Mall traffic is way down. Nearly every major retailer is looking at their store footprint and are closing stores. One major retail researcher projects that 25% of the nation’s malls will close in five years.

Another projected 324 anchors will close this year. 5,300 retail stores closed in the first half of this year.

Vallco right here in Cupertino is essentially closed with only a movie theater and 2 restaurants remaining.

64,000 retail jobs are expected to be cut this year, 10,000 of them Macy’s.

Nevertheless, online transactions still represents only 8.4 percent of all retail sales, while 60 percent of U.S. consumers shopped online at least once last year. E-commerce increased 16% in 2016. During the same period, traditional retail sales grew just 2%.

Seattle-based Amazon accounted for 53% of e-commerce growth last year. The entire retail industry shared the remaining 47%. Amazon has 382,000 employees and is planning to add 100,000 more, just in the U.S., most of them in fulfillment centers.

Amazon’s acquisition of Whole Foods sent shock waves through the grocery industry. One industry expert described it as, “Amazon declaring war on every supermarket and corner store in America.” It’s a flat out “food fight.”

Consumer behavior is causing major changes to the retail sector. Jobs associated with e-commerce have increased 334% in the past 15 years, while jobs in traditional brick and mortar retail stores have been flat, and jobs in department stores have declined 25%.
Only high end malls are prospering. (Valley Fair and Stanford) Many high end consumers (more women than men) want to stroll into a retail store, enjoy the experience, and have the opportunity to select the actual item they are purchasing.

For some shoppers, retail is a kind of hybrid where they use the internet as a place to conduct research, read reviews, or compare products before going to a store to seal the deal, or ordering it online and picking up in-store.

It’s really a competition between physical and digital platforms. Brick-and-mortar retailers are beginning to aggressively respond to the practice of “showrooming,” where shoppers go to a store to see, touch and experience a product, then purchase the product online at a discount, often without paying sales tax.

Many traditional retailers are beginning to embrace and invest in “showrooming” technology, providing store-specific smartphone apps, installing scanners that track inventory, same-day delivery, offering product information, and in-store demonstrations that online retailers can’t provide.

Many have active websites and mobile apps. It’s called multi-channeling. Nordstrom is far ahead of the curve. Nordstrom plans to invest $3.9 billion over the next five years to increase online sales. Target is investing $7 billion over three years to do the same.

Some retailers are reducing their store footprint in exchange for operating more distribution warehouses closer to consumers. Excess Space Solutions Company projects that retailers are expected to downsize their storefront space by 40 to 50 percent over the next dozen years.

To counter the move by traditional retailers into the online market, some online retailers are shipping their products for free to try on at home before buying. A customer’s credit card is not charged until the customer doesn’t return the item within a specific time limit, usually ten days.
Millennials are a driving force behind e-commerce. Millennials grew up in a “one click” world where convenience is expected. Millennial consumers spend more on travel, leisure, entertainment, and “The Experience”, and less on stuff. Pam Danziger of Unity Marketing said, “Millennials favor swapping, sharing, and renting vs. owning.”

The decline of the middle class is having a profound effect on retailers. Deep-discount retailers (Dollar Store) are doing extraordinarily well.

High-end retailers are also doing well. Mid-level retailers, however, are struggling, consistent with the decline in America’s middle class.

The barrage of retailer bankruptcies, store closures, and diminishing revenues, it truly has become survival of the fittest as the name-brand retailers like Circuit City, Mervyns, Blockbuster, Borders Books, Loehmann’s, Sports Authority, Linens ‘N Things, Toys R Us, and Payless Shoes continue to disappear.

Wal-Mart closed 150 stores in the U.S., one on Monterey Road in San Jose. Radio Shack declared bankruptcy for the second time last year.

Sears, JC Penney (140 stores), McDonald’s, Walgreen’s, The Gap, Pier 1 Imports, Rite Aid, Staples, and Office Depot are closing hundreds of stores, and Best Buy is reported to be in financial trouble.

What’s this world coming to … even Hooters and Frederick’s of Hollywood have closed some restaurants and stores.

**STOCK MARKET, VENTURE CAPITAL, IPO’S**

Led by the stock market in which the Dow Jones has gone from 6,500 in March 2009, to 23,500 last Wednesday, Silicon Valley continues to be a national leader for the U.S. economy.

Tech stocks outpaced the broader stock market during 2016, fueled by a relentless appetite by consumers for cutting-edge software, hardware, and mobile devices.

The NASDAQ increased 122% since January 1, 2013, significantly outperforming the Dow Jones and the S&P 500. However in 2017, the DJIA is outperforming the NASDAQ.
Office and R & D rents in Silicon Valley generally follow the NASDAQ. Apple and Google are one and two of the largest corporations in the world.

Silicon Valley registered 18,000 patents in 2016, the highest on record.

In 2016, VC’s invested $25 billion in Bay Area companies, 46% less than 2015. Silicon Valley startups received $6.9 billion in the 3rd quarter, 30% less than the second quarter, reflecting concerns about technology stock valuations, and questions of whether the Bay Area is in the midst of another venture investment bubble. VC’s are focusing their investments on a handful of massive “unicorn” companies, leaving smaller startups out in the cold, more money or fewer deals.

According to the Business Journal, Bay Area startup funding is at a six year low. It is clear, VC’s are tightening their purse strings and stockpiling capital.

Silicon Valley had 9 IPO’s in 2016, down from 23 in 2014 and the weakest in 2009.

Mergers and acquisitions may be the new IPO. Companies are staying private longer until their venture capital burns off, and they are forced to go the IPO route.

**WILD CARDS**
While the general outlook continues to be positive, there are significant areas of concern. The wildcards for 2017 include:

A. Continued dysfunction and gridlock in Washington, D.C.
B. A major study in 2013 estimated that intellectual property (IP) theft costs the U.S. economy $320 billion and 1.2 million jobs. You can’t have innovation without the protection of ideas.
C. Cyber-crimes have increased dramatically. A Washington think tank estimated the annual cost of cybercrime and economic espionage to the world economy at more than $375 billion, but is expected to rise to $2.1 trillion by 2019. Hackers are from China, Romania, U.S., Bulgaria, and of course, Russia. Top targets are U.S. aerospace and defense, energy, finance, software, legal and media/entertainment and as we know the 2016 Presidential election!
D. Income gains are finally outpacing inflation. However, disparities persist as the region grows more high-paying AND more low-paying jobs, and fewer jobs in the middle. This confirms our declining middle class.

E. Medicare, social security, and unfunded public pension liabilities are serious problems ahead of us.

F. Trump’s proposed major tax cuts both personal and corporate, combined with significant increases in spending on defense and infrastructure, and increased deregulation, if adopted, will have a positive impact on economic growth.

G. The consequences of Trump policies, however, will be significantly larger budget deficits, higher inflation rates which spurs higher interest rates, and a stronger dollar. A more expensive dollar hurts American exports by making U.S. goods more expensive overseas, and imports cheaper in the U.S., which is bad for American manufacturers, in direct conflict with Trump’s objective to assist American manufacturing, in addition to encouraging American manufactures to move factories and jobs overseas.

H. Trump’s trade policies are bad for America, and really bad for Silicon Valley. He pulled out of the TPP, and China rapidly filled the void. He’s promised to re-negotiate NAFTA and penalize China for unfair trade practices. Pulling back from or re-negotiating trade agreements and imposing tariffs, will hurt American consumers and businesses by driving up the price of products from abroad like technology from China, automobiles from Japan and Germany, and even scotch from UK, and make it difficult for American companies to sell U.S. products abroad.

I. Trump’s trade policies make American products like aircraft, heavy equipment, agricultural products, films and T.V. series more expensive abroad, all bad for Silicon Valley and California.

J. There is a clear disconnect between job growth and GDP growth. The growth of the “new economy” is difficult to capture accurately. I believe that our productivity is much greater than reflected in the GDP, because the service sector is so hard to measure.
K. Consumer spending has not been consistent with the strong economy. U.S. consumers are saving at a significant rate, not spending. Why? The “Great Recession” has had a profound impact on American behavior, just like the “Great Depression” had on my grandparents. Americans are saving more, not spending more.

L. The most serious problem facing California and the country is our decaying infrastructure: roads, bridges, schools, ports, transit, water treatment facilities and distribution systems.

M. Locally, the extraordinary cost of housing, both owner-occupied and rental, combined, with our poor roads, and the limited capacity of our public transportation system present serious problems for the entire Bay Area.

N. Globally: China, UK and the European Zone, Russia, Japan, Brazil, Greece and Spain have serious economic problems, and further deterioration could have a catastrophic impact on a strong U.S. economy.

IMMIGRATION

One very serious problem that confronts us is immigration reform:

- The U.S. issues approximately 600,000 permanent visas annually
- 4.4 million immigrants are waiting for green cards
- 200,000 Chinese students educated in the U.S. went back home in 2012 (up from 50,000 in 2008) and they will compete with U.S. businesses
- According to Joint Venture Silicon Valley
  - 38% of Silicon Valley residents are foreign born
  - 45% of Silicon Valley’s workforce is foreign born
  - 62% of tech workers are foreign born
- One-third of all new businesses created in the U.S. were founded by immigrants
- In 2016, 36% of all patents awarded in Silicon Valley were to foreign-born individuals
- Ten percent of all U.S. workers are employed by immigrants
- In Silicon Valley, in 2014 and 2015, the region experienced a net influx of more than 14,000 foreign immigrants and nearly 600 domestic migrants
• Population growth is essential for GDP growth given the declining birth rate in America, combined with our aging population. We need immigration for a vibrant economy. Immigration isn’t a problem. It’s a solution.
• We are long into the current economic cycle. 90 months
• High tech CEO’s say that the tech workers they need to succeed are staying in India, Taiwan, and other countries because Trump’s immigration policies have created fear that they will lose their visas and be deported if they come to America. Recently announced policies by the Trump administration restricting visas to the spouses of foreign workers with H1B visas will further restrict tech talent from abroad.
• The words I hear most often from real estate experts referring to the economy going forward are cautious, moderation, prudence, selective
• Everything happens so quickly today. Since World War II, we have moved from a “material” marketplace, to an “experience” marketplace, now to a “social” marketplace.

CONCLUSION
So, we have risen from the depths of the bottom of the worst economic decline in my lifetime. The world is interdependent and volatile, both politically and economically, which is at the same time, a benefit and a challenge. Both the U.S. and Silicon Valley economies have cycles. Locally, we must be mindful of the fact that our cycles in Silicon Valley tend to be faster and steeper, going up and coming down.