

HIGHLIGHTS¹

SPOTLIGHT ON CALIFORNIA

California's Silicon Valley Experiences Below Average Price Growth for First Time in Four Years

Northern Bay Area Continues to Appreciate

Outlying Metro Areas Now Dominate the Top 5

California continues very strong housing appreciation (ranked **second** to **DC** but above all states with **12.5 percent** growth since third quarter, 2000). The Bay area, however, is no longer the fastest growing region in California. The Southern Bay area, which comprises the Silicon Valley, experienced little or no growth this quarter while the Northern Bay area continues to grow at above average rates. The Metropolitan Statistical Areas (MSAs) surrounding the Bay area now dominate the top 5 MSAs in house appreciation.

The Silicon Valley area is comprised of the **San Jose PMSA** (Primary Metropolitan Statistical Area) as well as the southern portion of the **Oakland PMSA (Alameda County)**, and eastern portions of both the **Santa Cruz PMSA** and **San Mateo County** (southern **San Francisco**)². Due to the Internet boom of the mid- to late- 1990s, these areas had been growing at well above average rates for over four years. A recently weakened local economy, however, resulting from the decline of Internet companies has finally begun to impact housing price growth in these and some surrounding areas. For the first time since OFHEO began ranking MSAs (first quarter, 2000), **San Jose**, **Santa Cruz**, and **San Francisco** did not make the top 20 MSAs for housing appreciation. In fact, **San Jose (-1.0 percent)** and **Santa Cruz (-0.1 percent)** experienced negative appreciation this quarter, while **San Francisco** experienced **zero** quarterly growth. Portions of the **San Francisco PMSA** located outside the Silicon Valley counties also performed poorly **San Francisco (0.0 percent)** and **Marin (-1.7 percent)**. These areas are located on the respective tips of the southern and northern peninsulas.

The Northern Bay area (with the exception of **Marin County**) continues to demonstrate relatively strong house price performance. Northern **Oakland (Contra Costa County)** recorded **2.8 percent** quarterly growth, equivalent to over **11.0 percent** annually. The **Oakland PMSA** remains in the top 20 (ranked 9th for growth since 3rd quarter 2000), as a result of the good performance in the northern region. The **Vallejo-Fairfield-Napa PMSA** (ranked 6th for growth since 3rd quarter 2000) grew **3.6 percent** this quarter, equivalent to about **14 percent** annually. While ranked 10th for growth since last year, **Santa Rosa** grew at only **1.7 percent** this quarter, which falls right at the **U.S. quarterly average**.

MSAs adjacent and/or relatively close to the Bay Area now dominate the top 11 for appreciation since third quarter of 2000, and continue to maintain strong growth in third quarter of this year³. The **top 5** nationally ranked MSAs are **Modesto, Stockton-Lodi, Salinas, Sacramento, and San Luis Obispo-Atascadero-Paso Robles**. These MSAs have generally experienced less cumulative appreciation over the past 4 years than the Bay Area, and therefore may not yet have hit a ceiling. **Yolo (7)** also continues to experience rapid appreciation (**5.1 percent** since last quarter). **Yolo** ranks highest among MSAs for quarterly appreciation.

¹ Numbers revised to reflect minor data corrections as of December 7, 2001. Changes in reported values are negligible.

² MSAs in the Bay area are technically termed Primary Metropolitan Statistical Areas (PMSA), because they all belong to one much larger geographic classification called Consolidated Metropolitan Statistical Area (CMSA). This is described in detail on the Census website (www.census.gov).

³ All of the MSAs in the top 10 were located in California.