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Tech helped drive Silicon Valley home price gains; Will Meta's record stock plunge reverse the trend?

BY MATTHEW NIKSA FEB 4, 2022 2:15 PM

Meta's Mark Zuckerberg (Getty, iStock)

Meta's record-breaking stock drop this week could spark a rise in home sales and if it continues, temper the Silicon Valley price gains that historically have tracked tech company shares and bonuses.

The company formerly known as Facebook fell more than 26 percent on Feb. 3, erasing more than $230 billion in value, the biggest one-day drop in U.S. stock market history. The plunge came a day after Meta reported quarterly profit and revenue numbers below Wall Street predictions. During a call with investors, CEO Mark Zuckerberg said the company is struggling to compete with TikTok and had lost users globally for the first time, the New York Times reported.

"This is unprecedented, to have a company that's that large and that powerful drop so quickly," Michael Repka, CEO of Palo Alto's DeLeon Realty, said in an interview. "I know firsthand people who've derived a significant portion of their wealth directly from Facebook."

Meta has fueled Silicon Valley's housing market and contributed to the region's housing price gains over the years, Judy Citron, a top-ranked Bay Area residential real estate agent, said in an interview.

In Menlo Park, where the company is based, the median price of a single-family home is $3.2 million, up from about $2.4 million at the end of 2016, Zillow data show. In nearby Atherton, single-family home values have experienced a $2 million increase over the past five years, while median values in neighboring Palo Alto rose almost $900,000 during that same period, according to Zillow.

Still, even though Meta executives may have less to spend if the stock's decline continues, a shortage of housing inventory will probably keep prices high for now. Meta also is just one company among many high-paying tech employers in the valley.

Citron said Meta's woes will have very little impact on Silicon Valley's housing market, citing the Bay Area's housing crunch and a huge desire to live there.

"People might have a bit of hesitancy," she said. "But until our supply catches up with demand, the impact will not be significant. One stock, in particular, will not impact the market."

If there is a significant impact, it will probably be on homes priced between $3 million and $6 million, with little impact on the highest-priced homes, said DeLeon's Repka.

"I was curious about whether you'd have a bunch of people buying houses today, and that hasn't happened," Repka said Feb. 4. "I have not had anything in contract fall out of contract."

One group Repka is watching is the middle and upper-level tech managers who lived through the dot-com bubble in the late 1990s. While the companies that went belly-up when the bubble burst in 2000 weren't as large or diversified as Meta, the managers who are now seeing its stock decline remember that feeling of the dot-com era, he said. That may lead some of them to consider buying a nice home to try to preserve their net worth, Repka said.

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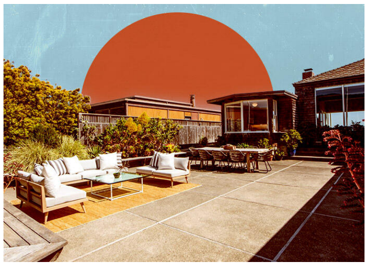

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