Bidding wars pick up in San Francisco amid tech IPOs

In late March, ride-hailing company Lyft debuted on the stock market.

In April, photo-centric social network Pinterest and video conferencing company Zoom both followed suit.

And in May, Lyft competitor Uber went public as well.

While these companies and a number of others that have started selling shares this year operate in a handful of different industries, they also have one important thing in common: They're all based in or near California's Bay Area.

Now, a new report from tech brokerage Redfin suggests all of these companies' initial public offerings (IPOs) is having a significant impact on the already expensive local housing market. The report describes the market in San Francisco as "quickly heating back up" and notes that 35 percent of offers written by Redfin agents in May faced a bidding war.

Though that's a decline year-over-year, May's numbers still represent a 5 percent increase in bidding wars compared to January. And nationally, only 16 percent of Redfin agents' offers faced bidding wars — or less than half the rate in San Francisco.

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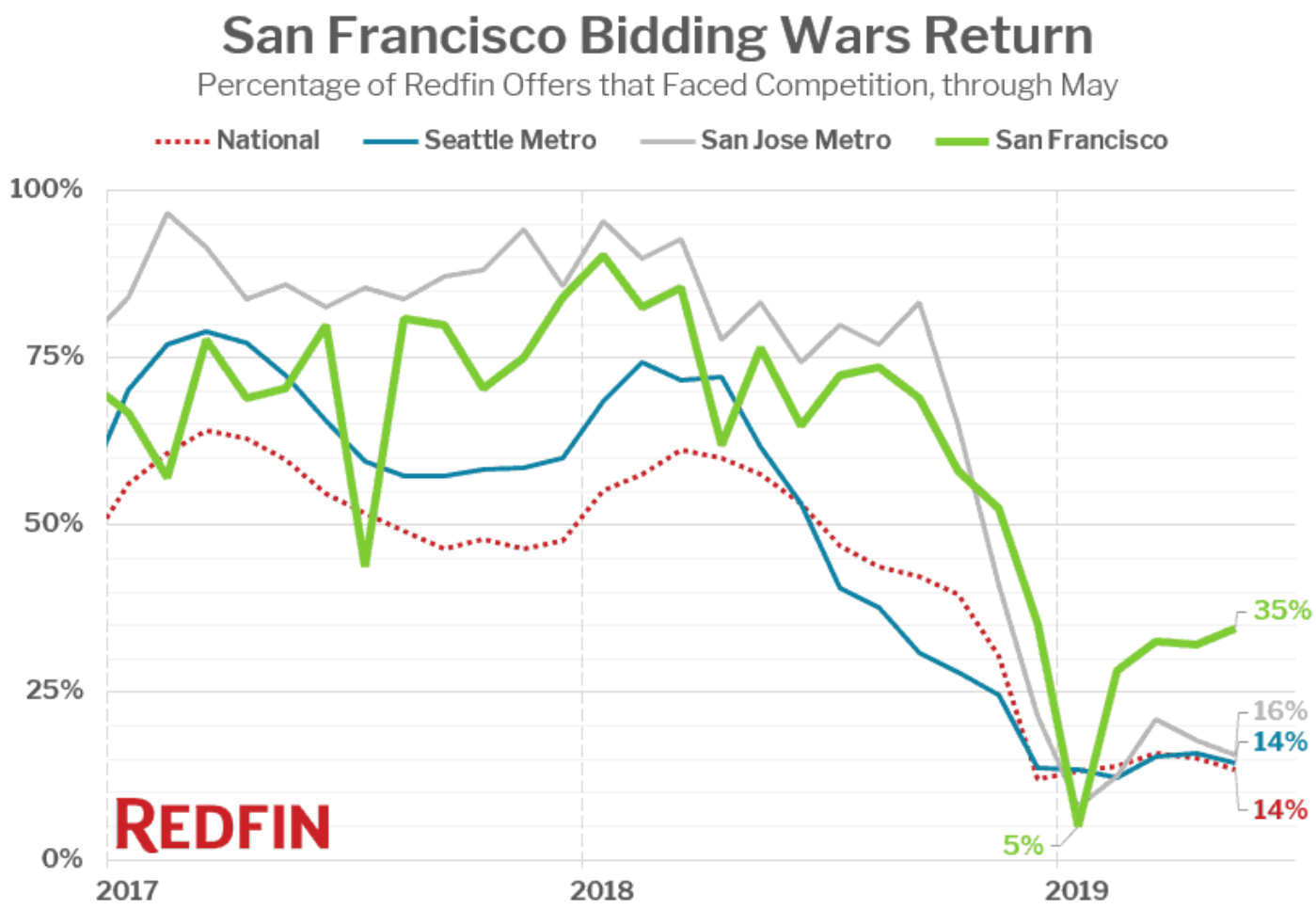
Redfin Chief Economist Daryl Fairweather directly attributed the uptick in San Francisco bidding wars to recent technology IPOs.

“Earlier this year, the San Francisco housing market appeared to be running out of gas, but the recent tech IPOs have reignited competition,” Fairweather explained in the report. “Buyers want to get in now before prices shoot up, while many would-be sellers are holding out for higher prices. With more people looking to buy homes than there are homes for sale, what you have is a recipe for bidding wars.”



Credit: Redfin

In general, IPOs tend to reward early employees who helped build up a company and were compensated in part with stock options. Once a company goes public (and usually following a waiting period), those employees can sell their shares on the open market. In the tech industry, this has in the past turned scores of people into instant millionaires — and flooded the already constrained Bay Area housing market with people who can pay top dollar for property.

Redfin's report this week suggests that the Bay Area is thus seeing a repeat of a pattern that already played out following the IPOs of tech giants such as Facebook and Google.

Bay Area Redfin agent Miriam Westberg also said in the report that she had recently seen as many as 33 offers on a single property, most of which were either all-cash and above asking or had no contingencies. Westberg added that it "feels like early spring/summer 2018 again."

"Bidding wars are back with a fury in San Francisco," she added.

Unsurprisingly given those circumstances, Redfin also found that San Francisco was the most competitive housing market in the U.S. in May, far outpacing San Diego, which took the number two spot.

By comparison, the least competitive market in May was Miami, followed by Raleigh and Dallas.

Though Redfin's report doesn't offer a forecast for what may happen in the Bay Area housing market going forward, if the past offers any clues conditions could get even hotter. That's because a slew of other Silicon Valley tech giants — including Airbnb, Slack, WeWork, Robinhood and others — are all reportedly moving toward their own IPOs.

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Source: click here