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A Seller's Market: Leveraging Analytics to Predict Winning Bids for Bay Area Homes

Bruce finished his homework and was winding down his evening with his typical routine: spending time on Twitter, Facebook, and scrolling through a combination of real estate websites – Zillow, RedFin, and Multiple Listing Service (MLS) listings – to see what new houses had been put up for sale in the last few days.

Born and raised in the heart of Silicon Valley, Bruce had purchased a duplex in Palo Alto, California after blind luck led him to time the market just right in 2011. His first property was a huge success: In addition to the increased value of the Palo Alto duplex, monthly rents skyrocketed from $4,000 to $11,000. Following the success of his first property, Bruce was looking to grow his real estate portfolio. He had made a habit of scouring new listings in the hopes of finding a new investment that fit his expertise in a location that would hold value for years to come.

As the economy rebounded across the country, no other area showed an economic boom as strong as the Silicon Valley. From the continued growth of Apple and Google to the emergence of new unicorns like Airbnb and Facebook, Silicon Valley had become the technology capital of the world. As the boom continued, young talent flocked to the area to work at the hottest tech companies. With this influx of people and income, the real estate market in Silicon Valley created a perfect environment for a seller's paradise: a shortage of affordable housing, high demand to migrate away from exorbitant rent, and increasing population.

Homes in the area often sold at well above the asking price. Real estate agents were receiving multiple bids with conditions that were highly favorable to sellers: above asking price, all cash, no contingency, and fast 7-day close offers. To win the bid, most people needed luck or to find a home before it hit the open market; others had to overpay by hundreds of thousands of dollars just to get their first starter home.

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