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REAL ESTATE

Redfin CEO warns against future mass exodus from coastal cities

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Sotheby's International Realty listing in San Francisco. Image credit: Sotheby's International Realty

By BRIELLE JAEKEL

As residents and businesses seek refuge from tax hikes, high-priced locations and costly cities in the United States such as New York and San Francisco could possibly see a significant decrease in population.

Glenn Kelman, CEO of Redfin, spoke with CNBC explaining that technology giants such as Google and Amazon will be working to ease away from California's Silicon Valley and coastal cities due to upcoming U.S. tax reform. Cities such as Denver, San Antonio, TX and Houston, TX are likely to thrive as businesses and homeowners flee expensive cities such as San Francisco.

Taxes and real estate

During CNBC's "Power Lunch" program, Redfin's Mr. Kelman explained that the U.S. hub for technology will likely relocate somewhere else other than Silicon Valley in the future.

"Silicon Valley is going to leave Silicon Valley that's already happened," Mr. Kelman said during the program.

Currently, tech company talent is seeking more affordable housing outside of coastal cities, which means companies such as Google and Amazon are likely to follow.

Cities in Middle America will likely see a boom in businesses and residences, fostering an environment that will attract wealthy and affluent homeowners.

California is already losing its grip as the leader in innovation, trends and the future. Cities such as Denver and Houston, TX are seeing significant growth and are expected to be the digital hubs of the future.

Mr. Kelman noted that even Google has been seeking employees outside of Silicon Valley, now with more employees outside of the technology hub than it has within the city.

Business forecast platform Kiplinger designated Sunnyvale, CA, located approximately 30 minutes from Silicon Valley in San Francisco, as the city with the second-highest cost of living in the U.S.

Sunnvyvale followed New York's Manhattan borough with a 122.9 percent higher cost of living than the average U.S.

city. Honolulu, HI and San Francisco follow, respectively.

Californian real estate

Amongst this possible mass exodus from the West Coast state, California-based real estate firms Pacific Union International and Partners Trust are planning a merger that will make them the largest independent luxury brokerage in the state.

Together, the companies had sales volumes of $12.61 billion in 2016, and the newly merged entity projected that its sales will surpass $15 billion this year. Expected to close next week, the deal comes on the heels of another California luxury real estate merger (see more).

Similarly, real estate brokerage Douglas Elliman expanded its operations in California with the purchase of Los Angeles-based Teles.

The acquisition, closed in the second week of August, will make Douglas Elliman the second largest non-franchise brokerage in the state, with 21 offices throughout California. According to a report from Douglas Elliman, sales in the Greater Los Angeles area climbed to a record high in the second quarter of 2017 (see more).