

# 2019 Mid-Year Market Forecast



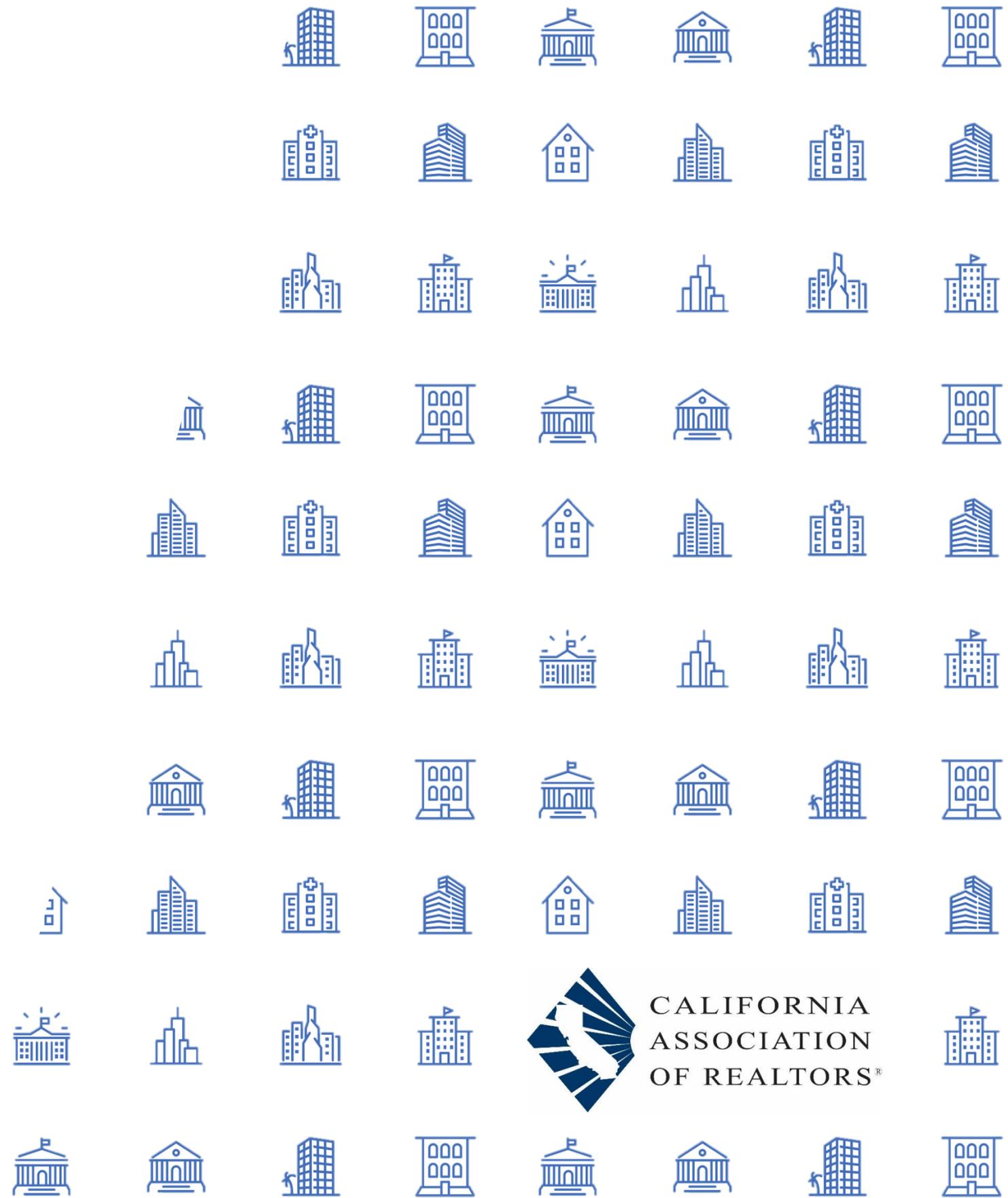
July 10, 2019

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SVP & Chief Economist

And Jordan Levine

Deputy Chief Economist



# Economic **Fundamentals**

# Economic fundamentals remain solid



GDP **3.1%**

2019-Q1



Consumption **0.9%**

2019-Q1



Core CPI **2.0%**

May 2019



Unemployment **3.7%**

June 2019

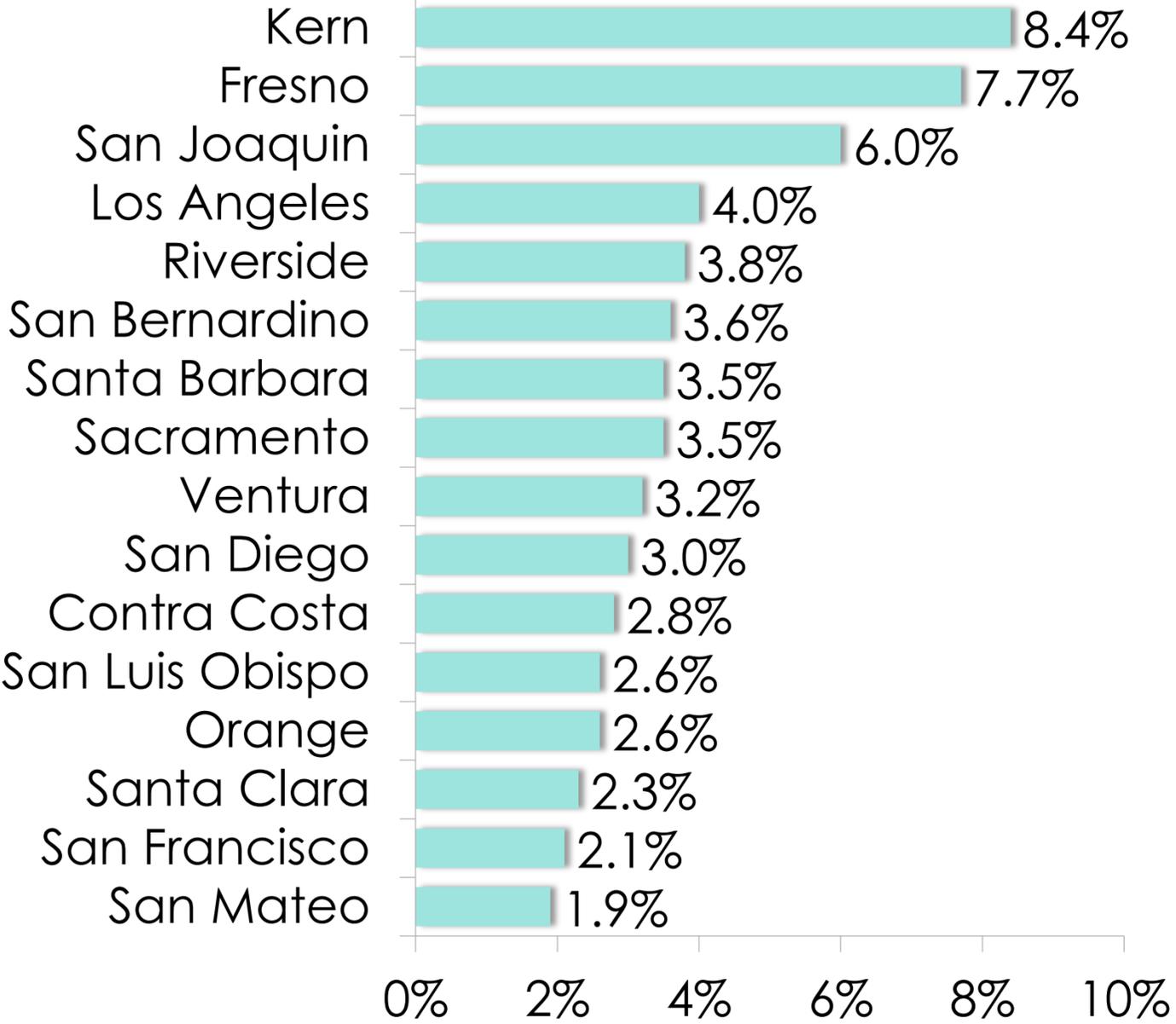
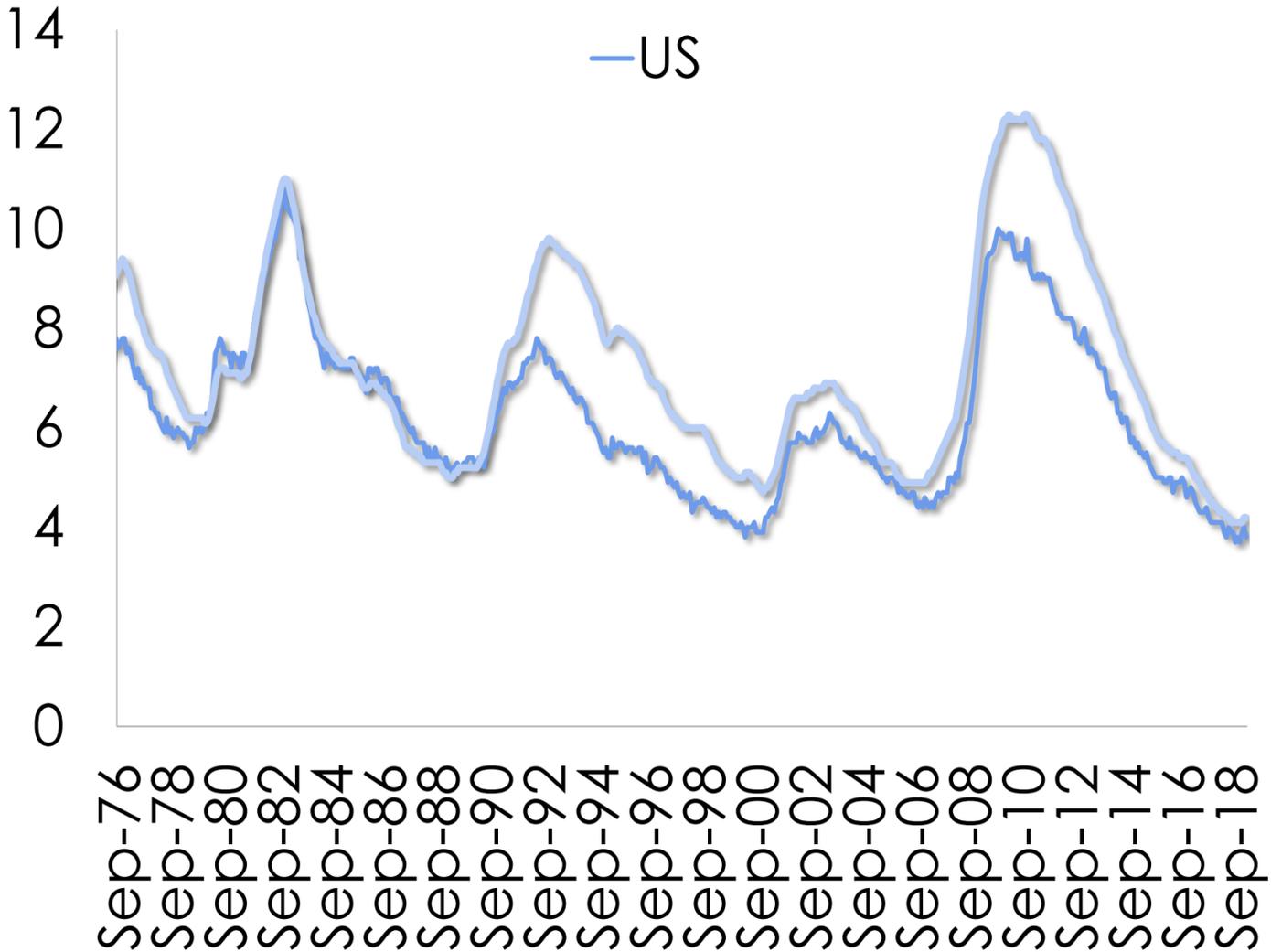


Job Growth **1.5%**

June 2019

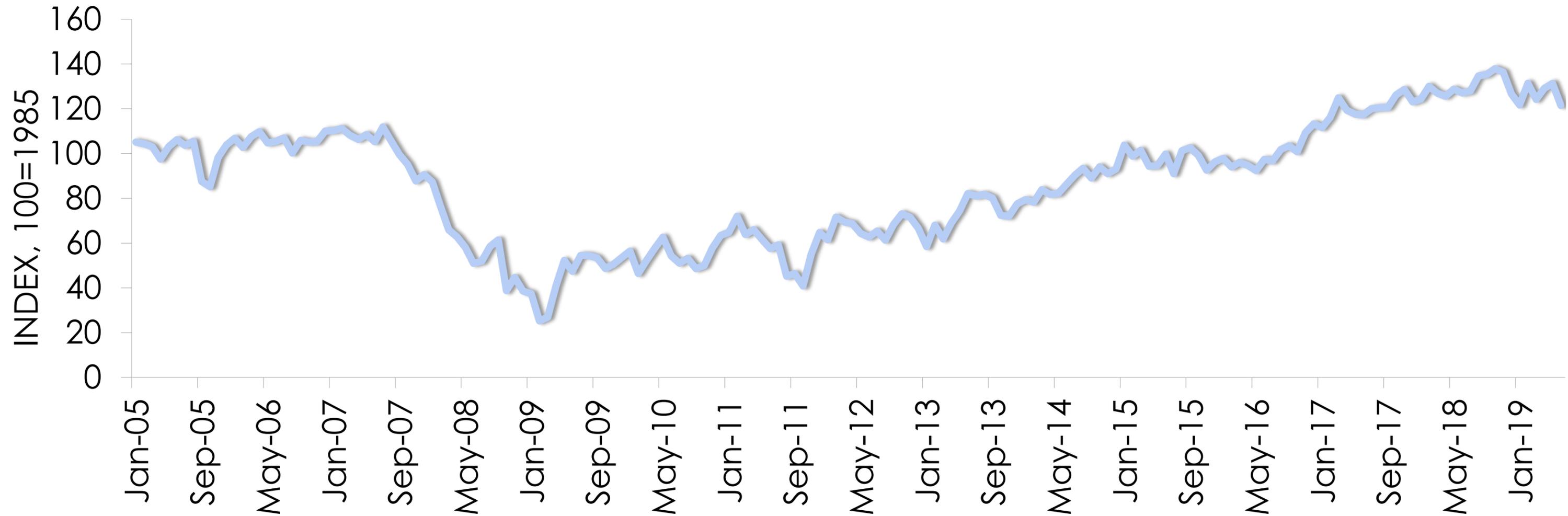


# Unemployment at lowest rate in 50 years



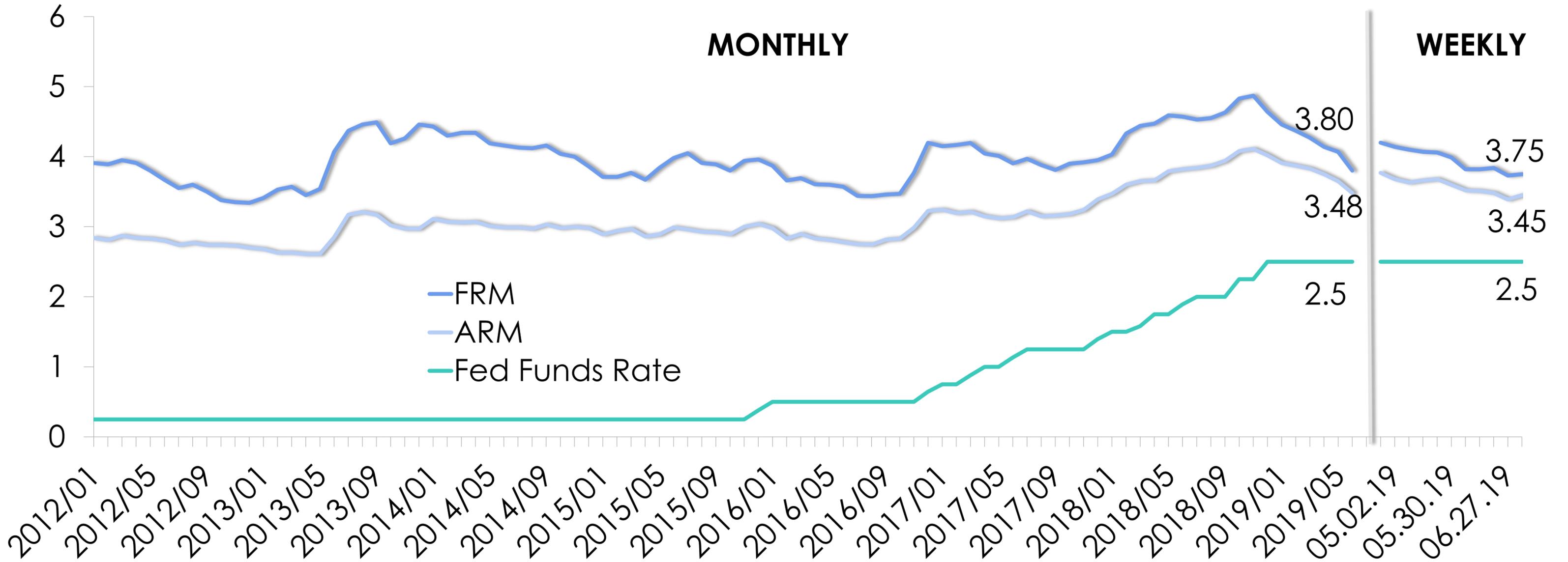
# Consumers confidence remained elevated

**June 2019: 121.5**



# Fed may Lower rates in 2019 – WHAT?

January 2012 – July 2019



SERIES: 30Yr FRM, 5Yr ARM, Fed Funds Rate (Target Rate)

SOURCE: Freddie Mac, St. Louis Fed

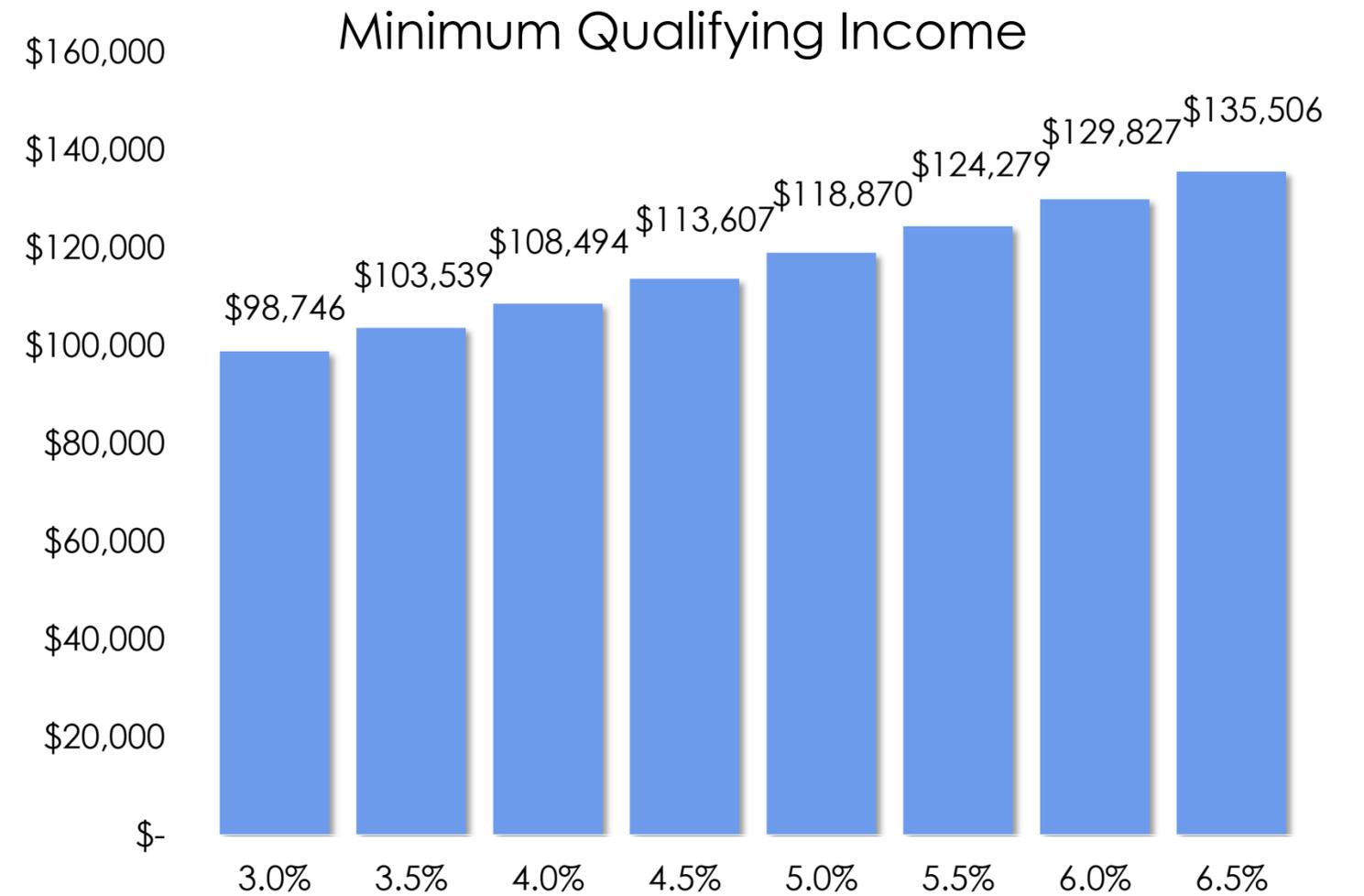
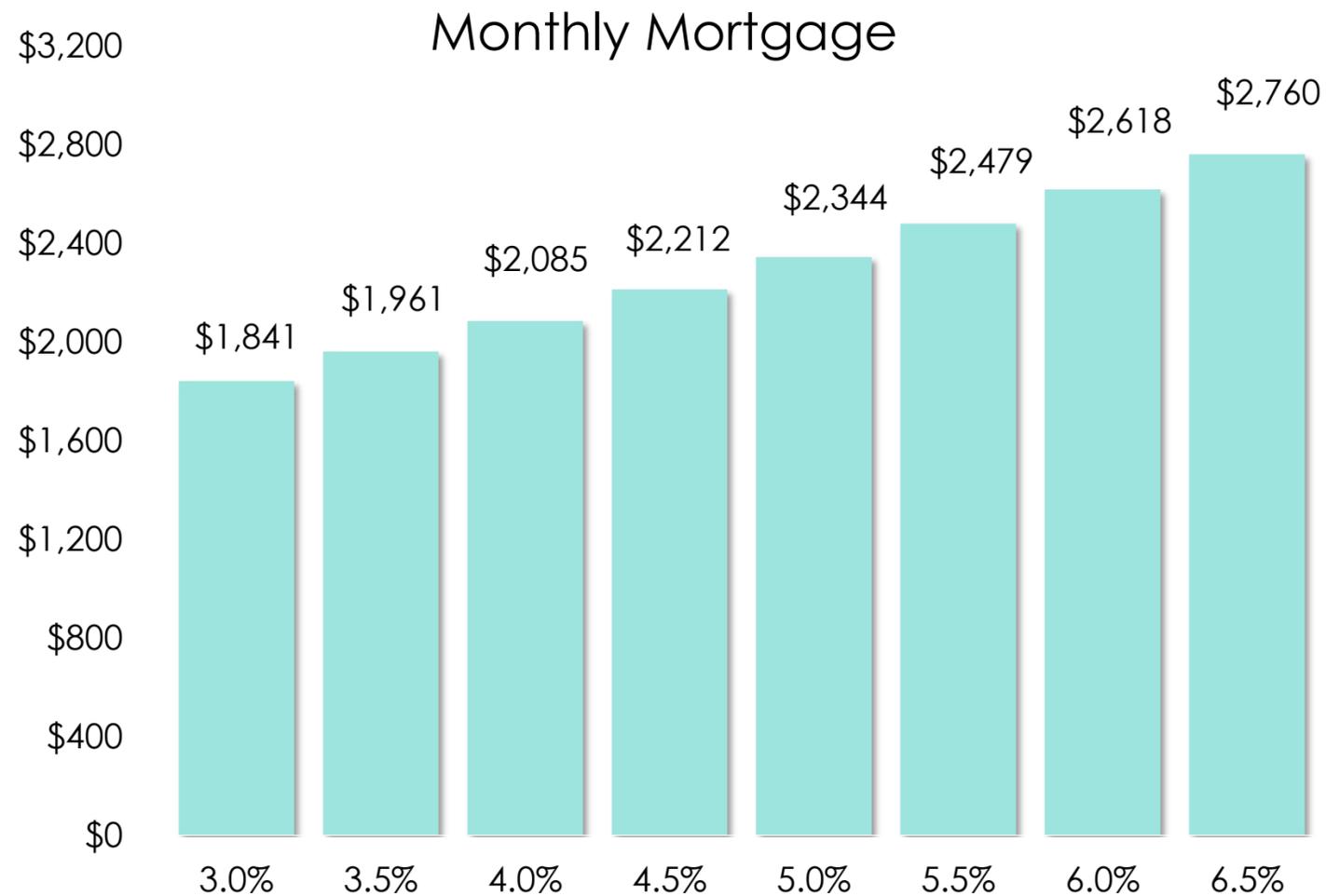


CALIFORNIA ASSOCIATION OF REALTORS®

# Rates drop lower mortgage payment

**Q1-2019 Median Price \$545,820**

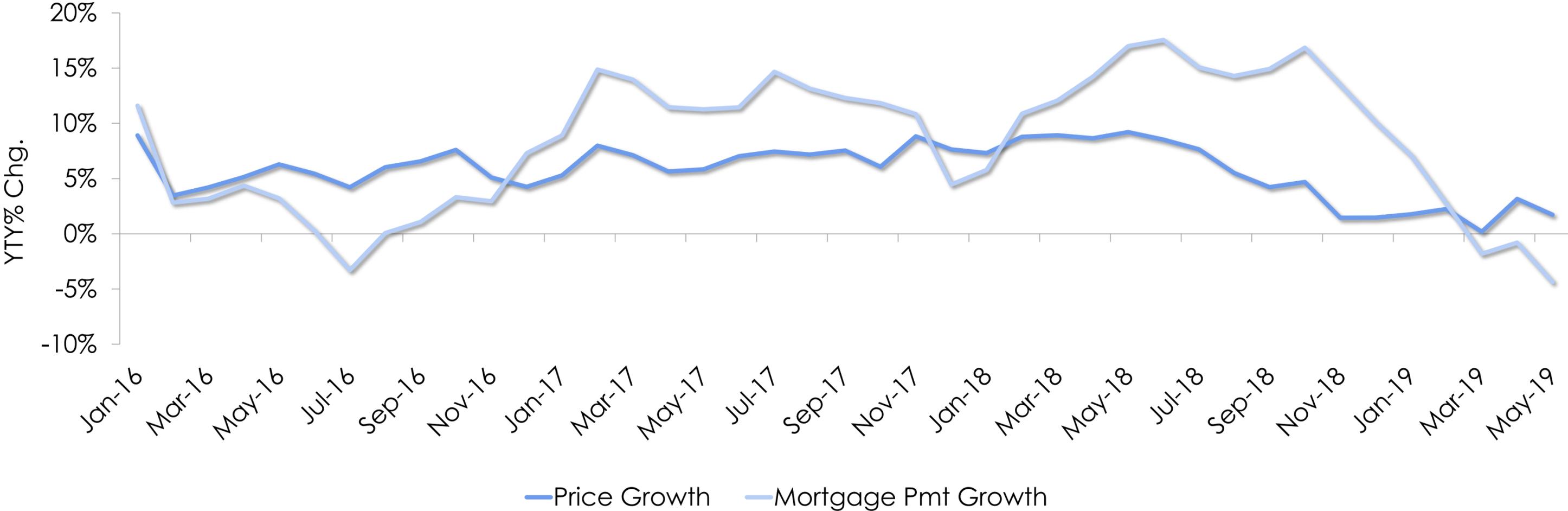
**20% Downpayment**



**SERIES: Monthly Mortgage & Min. Qualifying Income**  
**SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®**

# Mortgage payment continued to decline

## California Median Price vs. Mortgage Payment



SERIES: Price Growth vs. Mortgage Payment Growth  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

# Why low rates aren't spurring even more home sales

- Rates aren't everything
- Financial incentives to trade-up have disappeared: SALT cap
- Home prices at all time highs
- Inventory is still constrained – lots of competition; little choice
- 1<sup>st</sup> time buyers have limited options



# Always Lots of Wildcards

- Mortgage rates
- Financial market turmoil/Fed policy
- GSE Reform
- Tax Bill Impacts
- 2019 ipo's: uber, lyft, airbnb, slack, wework, planatir tech, pinterest, postmates, robinhood

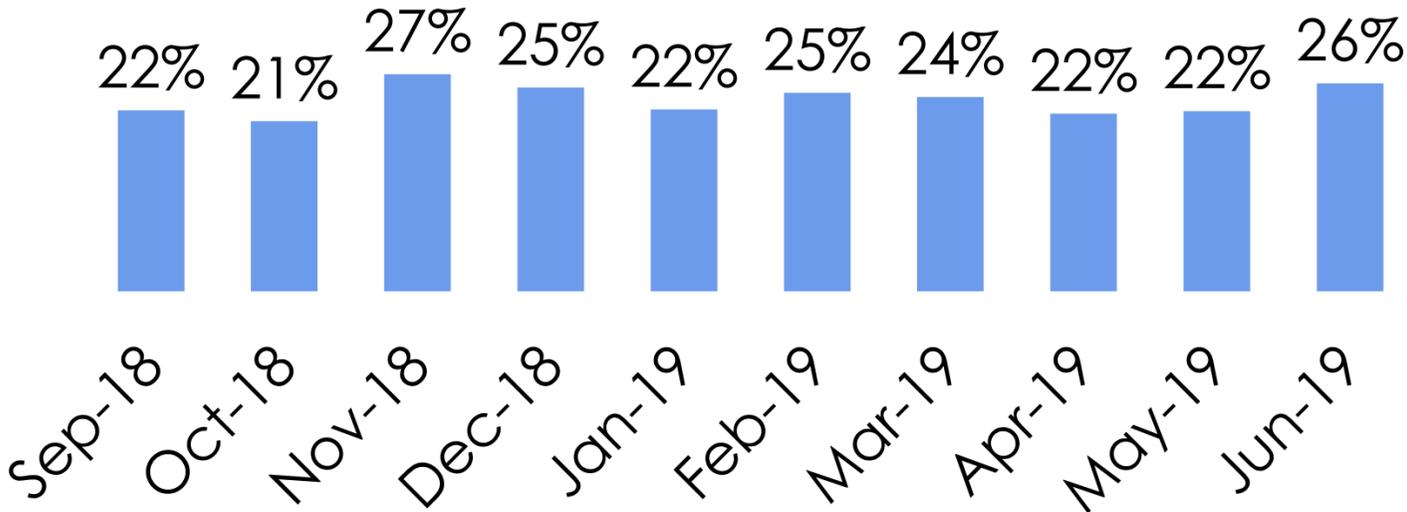




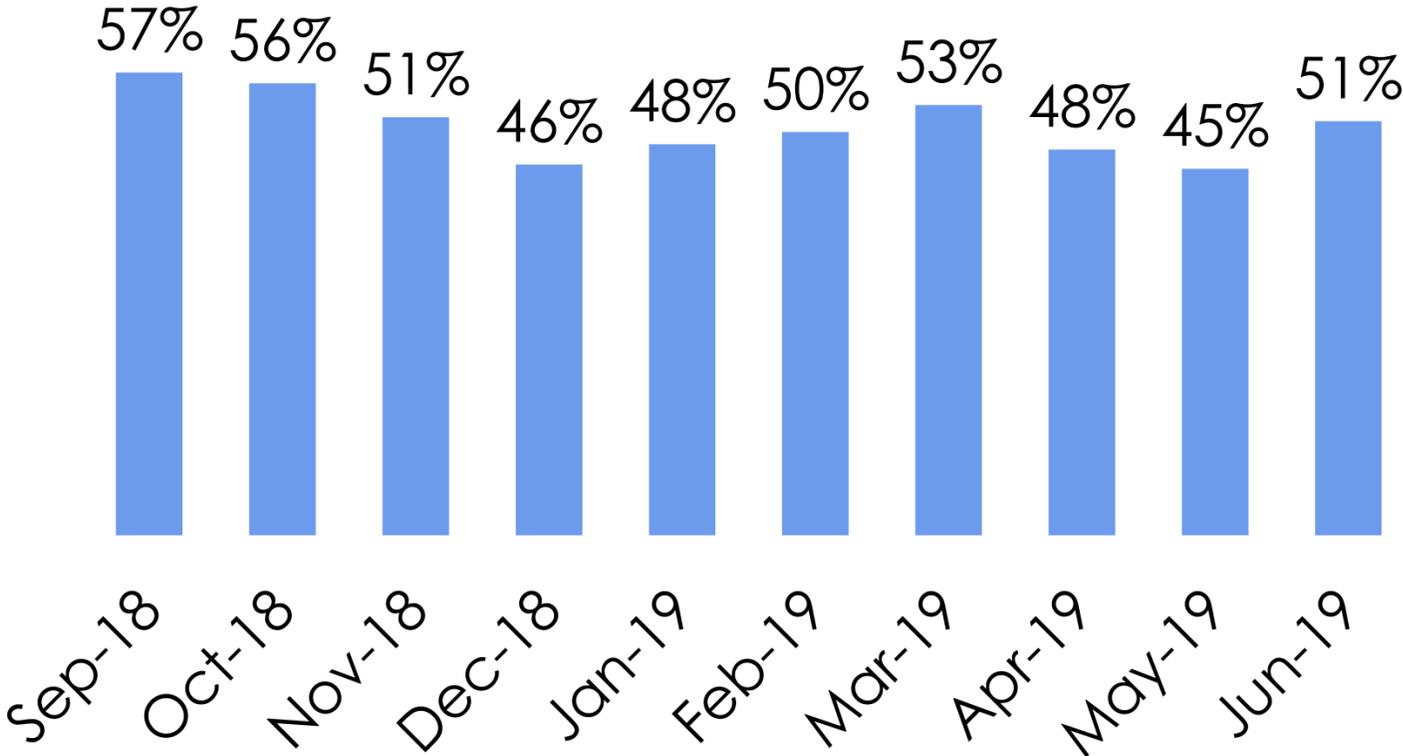
**Let's Talk Housing?**

# Attitude towards buying and selling

Do you think it's a good time to **buy** a home in California?  
N=300



Do you think it's a good time to **sell** a home in California?  
N=300



# Sales down, price set record, inventory up

May 2019

-0.6% YTY  
-6.0% YTD

Existing Home Sales  
% change

(Not seasonally adjusted)



Price

\$611,190  
+1.7% Y2Y



Unsold  
Inventory Index

3.2 months  
+6.7% Y2Y



Median Days  
on Market

18 days  
+20.0% Y2Y



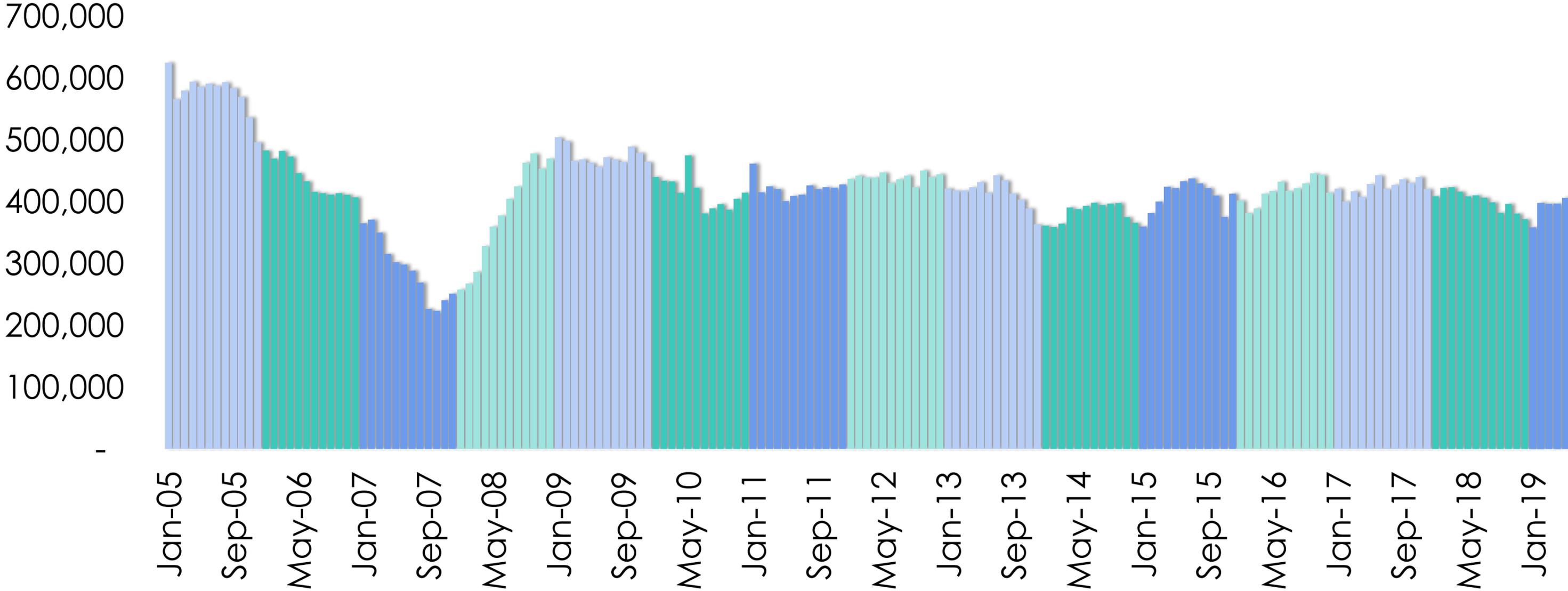
Sales Price to  
List Price Ratio

99.3%  
-0.7% Y2Y



# Sales above 400k for the first time in 10 months

California, May 2019 Sales: 406,960 Units

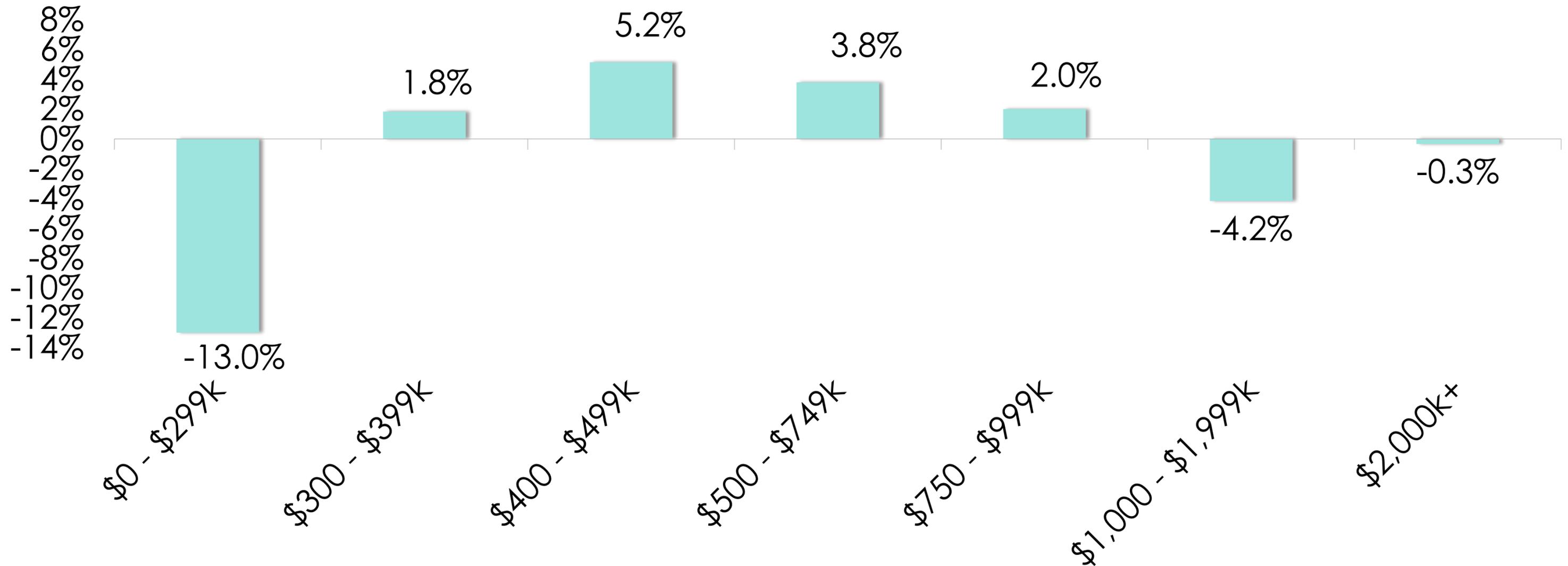


\*Sales are seasonally adjusted and annualized



# Underperform in low and high price ranges

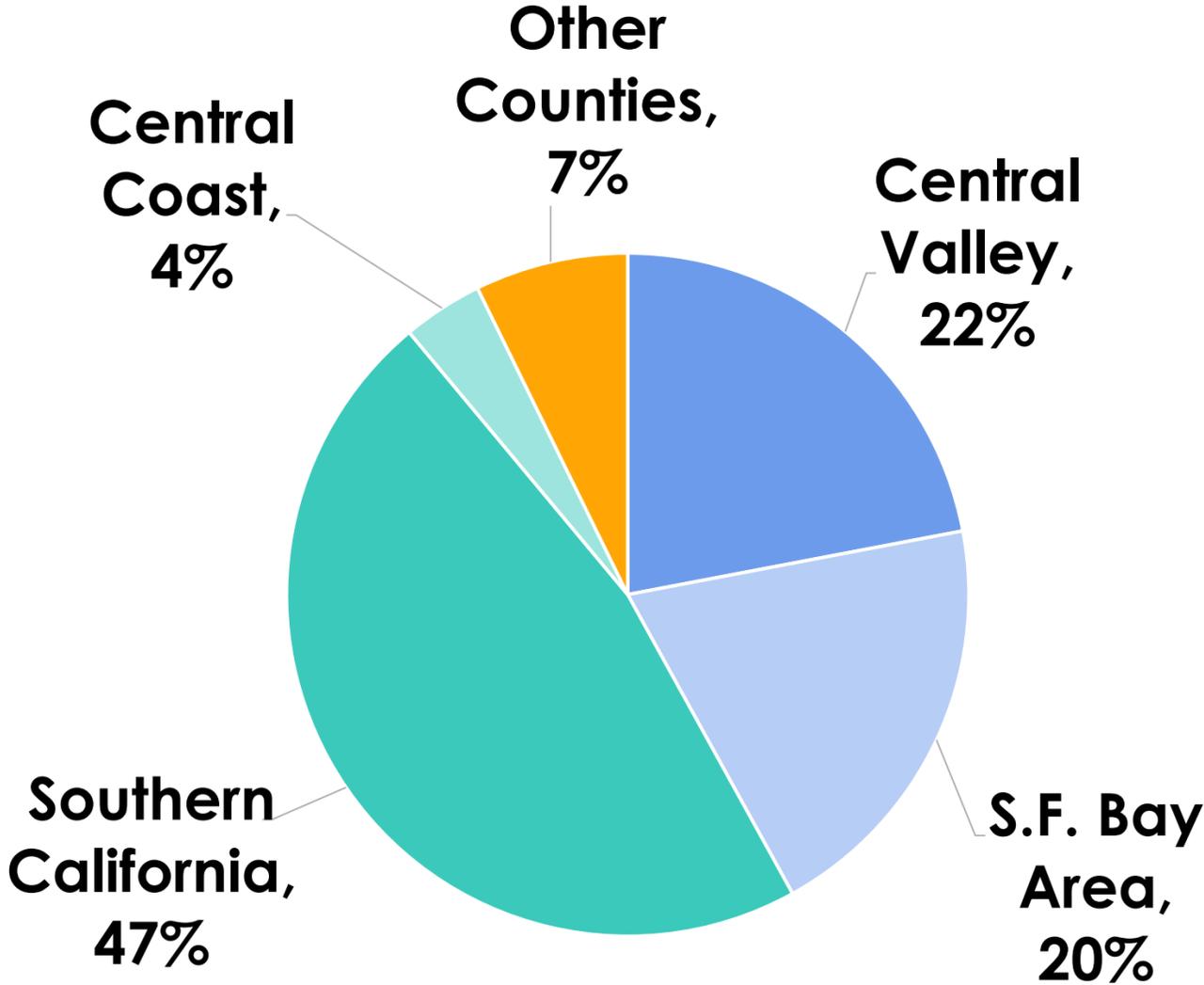
May 2019 (YTY% Chg.)



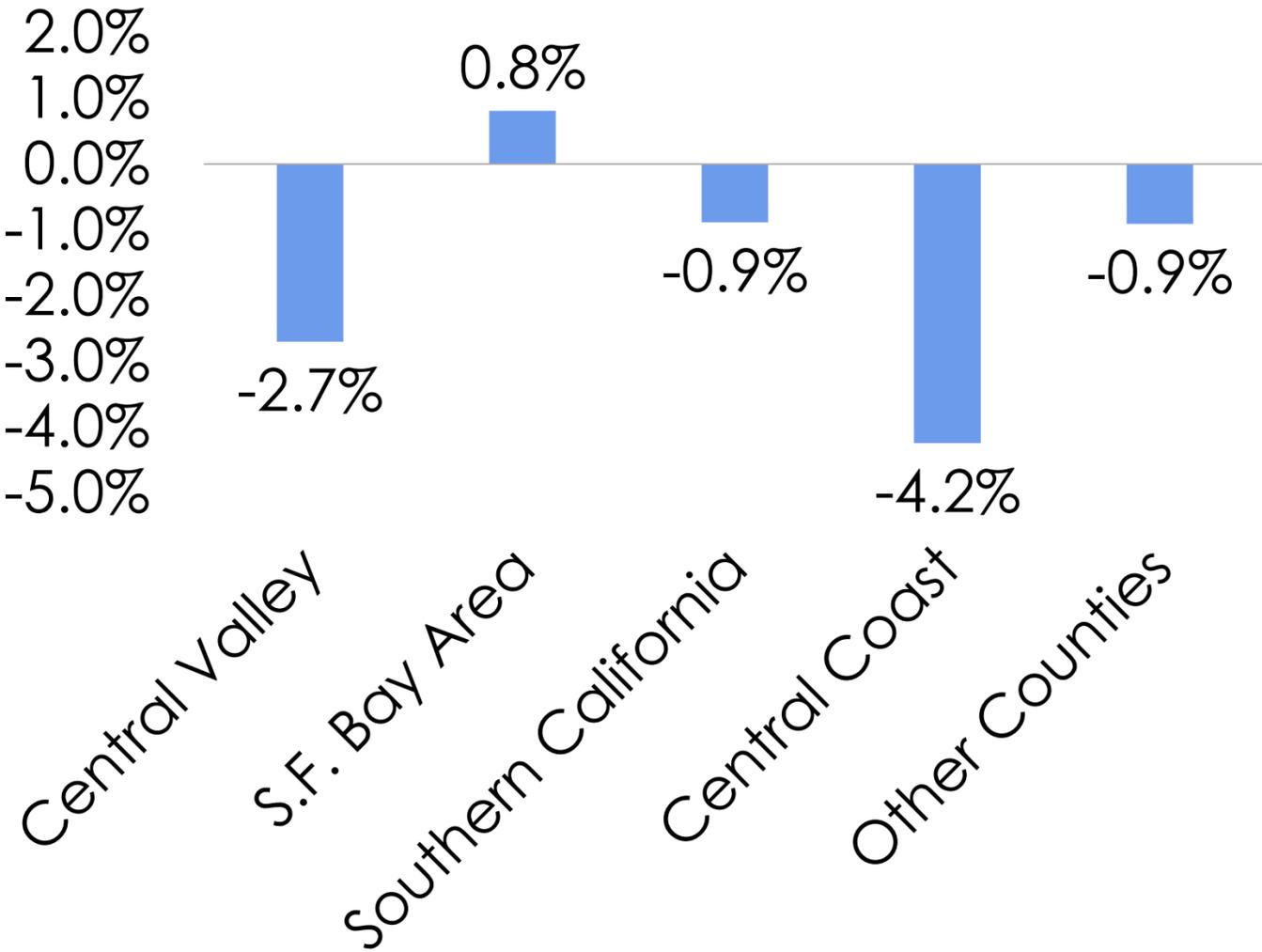
SERIES: Sales of Existing Detached Homes  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

# Sales by region

## May 2019 Home Sales by Region



## May 2019 Home Sales Growth by Region



# Bay Area sales up for the first time since July 2018

County	May-18	May-19	YTY% Chg.	YTD% Chg.
Alameda	1,013	1,034	2.1%	0.9%
Contra Costa	1,090	1,172	7.5%	-5.5%
Marin	239	244	2.1%	2.6%
Napa	104	115	10.6%	-8.3%
San Francisco	236	234	-0.8%	2.4%
San Mateo	452	420	-7.1%	-1.8%
Santa Clara	1,097	1,017	-7.3%	-8.7%
Solano	427	433	1.4%	-3.1%
Sonoma	390	420	7.7%	-5.5%



# So. California sales began to trend up

County	May-18	May-19	YTY% Chg.	YTD% Chg.
Los Angeles	3,987	3,989	0.1%	-6.7%
Orange	1,725	1,691	-2.0%	-7.6%
Riverside	2,328	2,363	1.5%	-6.5%
San Bernardino	1,373	1,227	-10.6%	-12.5%
San Diego	2,208	2,213	0.2%	-2.5%
Ventura	461	492	6.7%	-1.0%



# Sales of existing single-family homes – Central Valley

County	May-18	May-19	YTY% Chg.	YTD% Chg.
Fresno	828	764	-7.7%	-10.4%
Glenn	31	18	-41.9%	27.6%
Kern	624	549	-12.0%	-2.3%
Kings	104	113	8.7%	-5.9%
Madera	177	195	10.2%	9.5%
Merced	145	162	11.7%	-4.9%
Placer	614	629	2.4%	-1.3%
Sacramento	1,693	1,596	-5.7%	-9.3%
San Benito	65	49	-24.6%	-28.0%
San Joaquin	631	638	1.1%	-5.2%
Stanislaus	507	545	7.5%	-1.1%
Tulare	350	355	1.4%	-1.8%

# Sales of existing single-family homes – Central Coast

County	May-18	May-19	YTY% Chg.	YTD% Chg.
Monterey	2,574	2,578	0.2%	-10.2%
San Luis Obispo	3,106	2,970	-4.4%	-4.6%
Santa Barbara	2,697	2,483	-7.9%	-1.1%
Santa Cruz	1,826	1,793	-1.8%	-16.1%



# Sales of existing single-family homes – Other counties

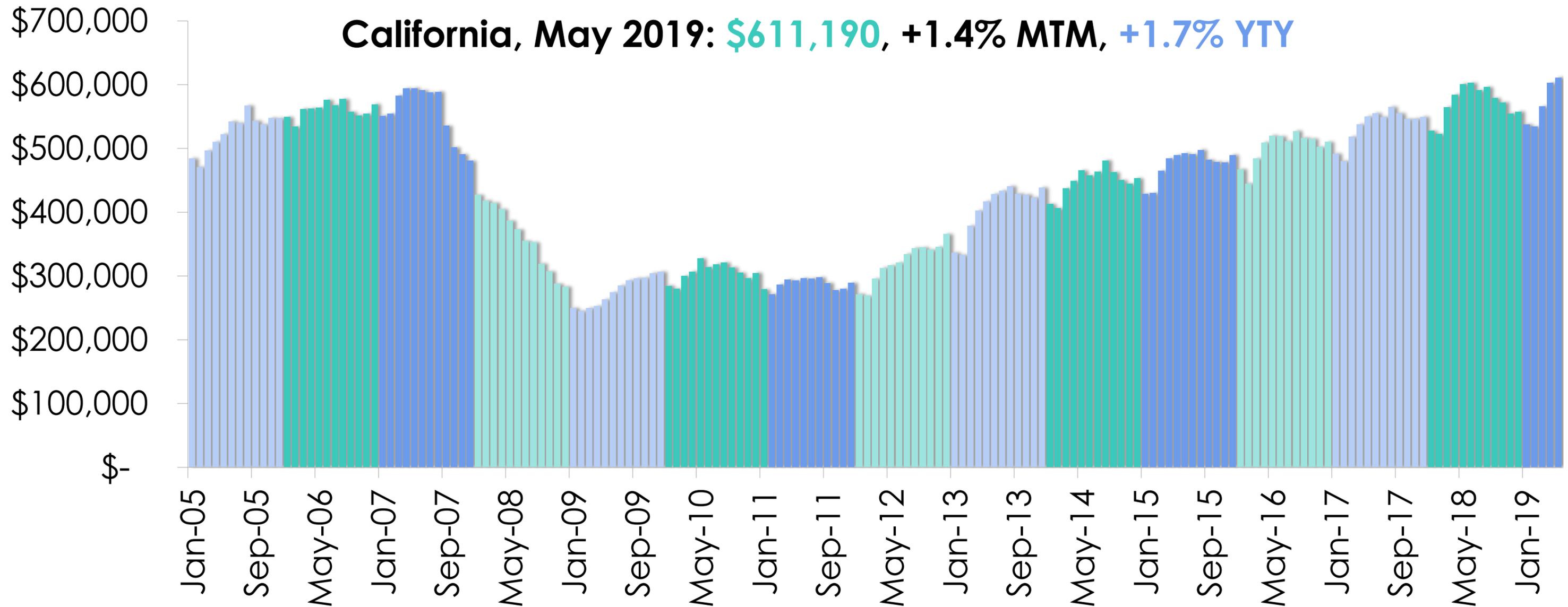
County	May-18	May-19	YTY% Chg.	YTD% Chg.
Butte	166	179	7.8%	36.3%
Calaveras	130	107	-17.7%	-12.0%
Del Norte	19	14	-26.3%	-26.3%
El Dorado	299	288	-3.7%	-15.0%
Humboldt	113	127	12.4%	2.4%
Lake	81	81	0.0%	-15.2%
Lassen	29	29	0.0%	0.0%
Mariposa	18	21	16.7%	13.0%
Mendocino	57	62	8.8%	12.3%
Mono	10	6	-40.0%	21.1%

# Sales of existing single-family homes – Other counties

County	May-18	May-19	YTY% Chg.	YTD% Chg.
Nevada	121	137	13.2%	4.7%
Plumas	39	25	-35.9%	16.2%
Shasta	271	297	9.6%	9.1%
Siskiyou	50	46	-8.0%	-10.7%
Sutter	92	73	-20.7%	-20.1%
Tehama	35	49	40.0%	44.6%
Tuolumne	73	73	0.0%	-15.0%
Yolo	180	146	-18.9%	-9.6%
Yuba	85	91	7.1%	0.0%

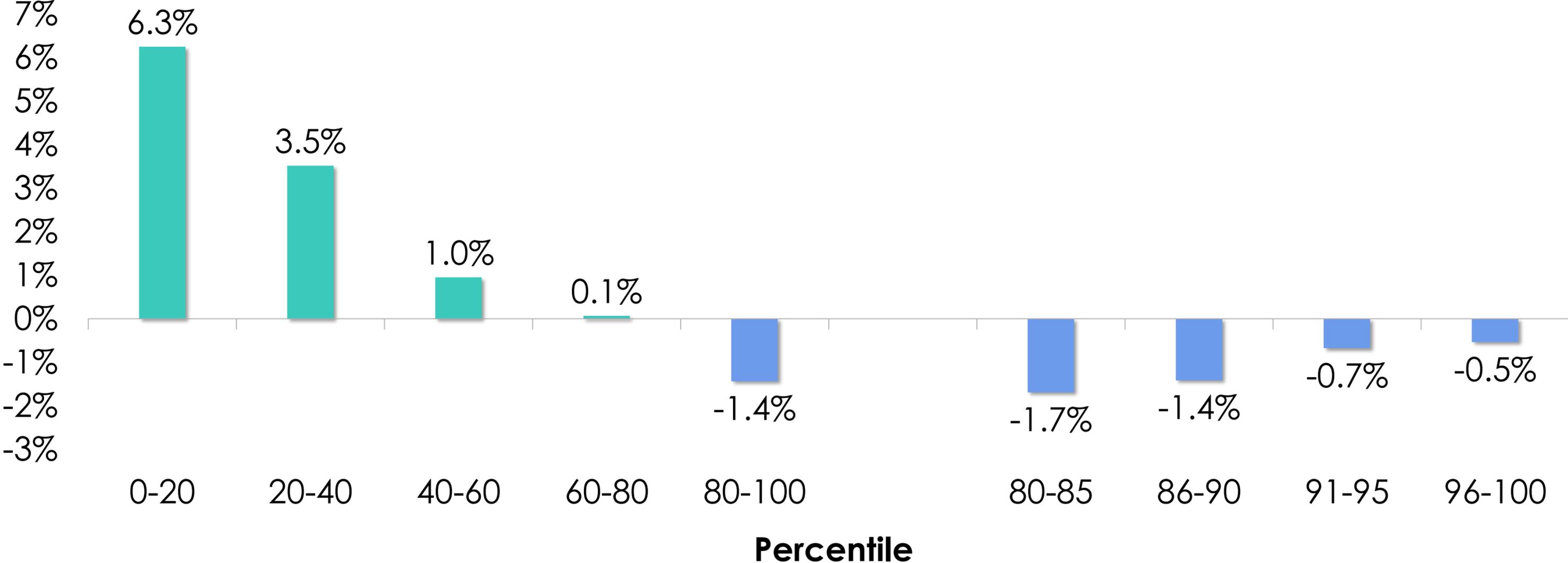


# Price hit new high but slow growth



# Soft at the high-end

## California Year-over-Year Price Growth by Quintile (May 2019)



# Median price – Bay Area

County	May-18	May-19	YTY% Chg.
Alameda	\$1,025,000	\$959,000	-6.4%
Contra Costa	\$687,500	\$700,355	1.9%
Marin	\$1,415,000	\$1,400,000	-1.1%
Napa	\$702,500	\$725,000	3.2%
San Francisco	\$1,620,000	\$1,697,500	4.8%
San Mateo	\$1,600,000	\$1,766,500	10.4%
Santa Clara	\$1,400,000	\$1,335,000	-4.6%
Solano	\$451,000	\$446,000	-1.1%
Sonoma	\$698,500	\$666,000	-4.7%

# Median price – Southern California

County	May-18	May-19	YTY% Chg.
Los Angeles	\$536,940	\$539,480	0.5%
Orange	\$838,000	\$845,000	0.8%
Riverside	\$409,920	\$420,000	2.5%
San Bernardino	\$285,000	\$315,000	10.5%
San Diego	\$640,000	\$650,000	1.6%
Ventura	\$670,000	\$659,500	-1.6%

# Median price – Central Valley

County	May-18	May-19	YTY% Chg.
Fresno	\$279,980	\$284,900	1.8%
Glenn	\$230,000	\$245,000	6.5%
Kern	\$247,750	\$252,000	1.7%
Kings	\$235,000	\$260,000	10.6%
Madera	\$259,000	\$270,000	4.2%
Merced	\$262,000	\$285,000	8.8%
Placer	\$499,650	\$514,900	3.1%
Sacramento	\$375,000	\$385,000	2.7%
San Benito	\$579,900	\$600,000	3.5%
San Joaquin	\$367,860	\$380,000	3.3%
Stanislaus	\$325,000	\$335,000	3.1%
Tulare	\$234,950	\$248,000	5.6%

# Median price – Central Coast

County	May-18	May-19	YTY% Chg.
Monterey	\$677,000	\$639,000	-5.6%
San Luis Obispo	\$638,660	\$640,000	0.2%
Santa Barbara	\$680,000	\$696,000	2.4%
Santa Cruz	\$865,000	\$935,000	8.1%

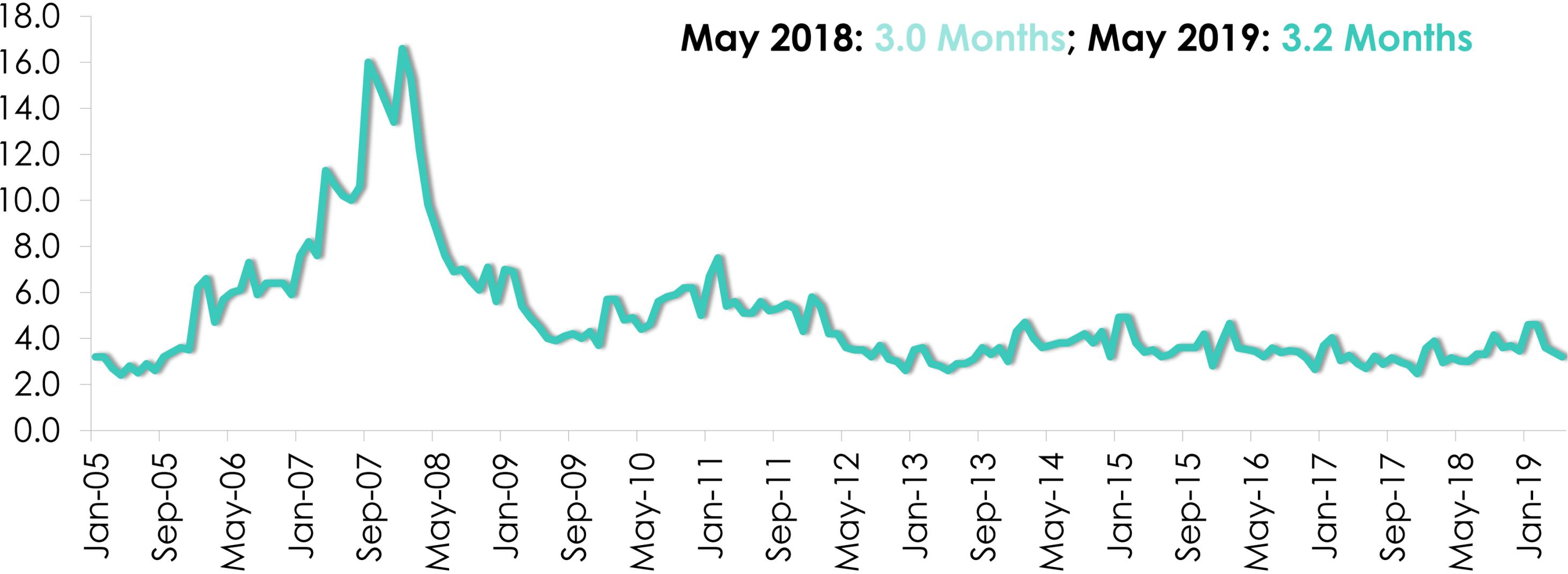
# Median price – Other counties

County	May-18	May-19	YTY% Chg.
Butte	\$324,100	\$359,000	10.8%
Calaveras	\$329,000	\$375,000	14.0%
Del Norte	\$214,000	\$256,850	20.0%
El Dorado	\$552,000	\$521,380	-5.5%
Humboldt	\$314,900	\$315,000	0.0%
Lake	\$263,400	\$267,000	1.4%
Lassen	\$215,000	\$205,000	-4.7%
Mariposa	\$320,000	\$295,000	-7.8%
Mendocino	\$420,000	\$388,500	-7.5%
Mono	\$852,500	\$564,500	-33.8%

# Median price – Other counties

County	May-18	May-19	YTY% Chg.
Nevada	\$404,000	\$420,000	4.0%
Plumas	\$310,000	\$350,500	13.1%
Shasta	\$264,000	\$285,000	8.0%
Siskiyou	\$210,000	\$235,000	11.9%
Sutter	\$281,000	\$319,900	13.8%
Tehama	\$197,500	\$243,000	23.0%
Tuolumne	\$300,000	\$310,000	3.3%
Yolo	\$476,500	\$469,500	-1.5%
Yuba	\$297,500	\$311,000	4.5%

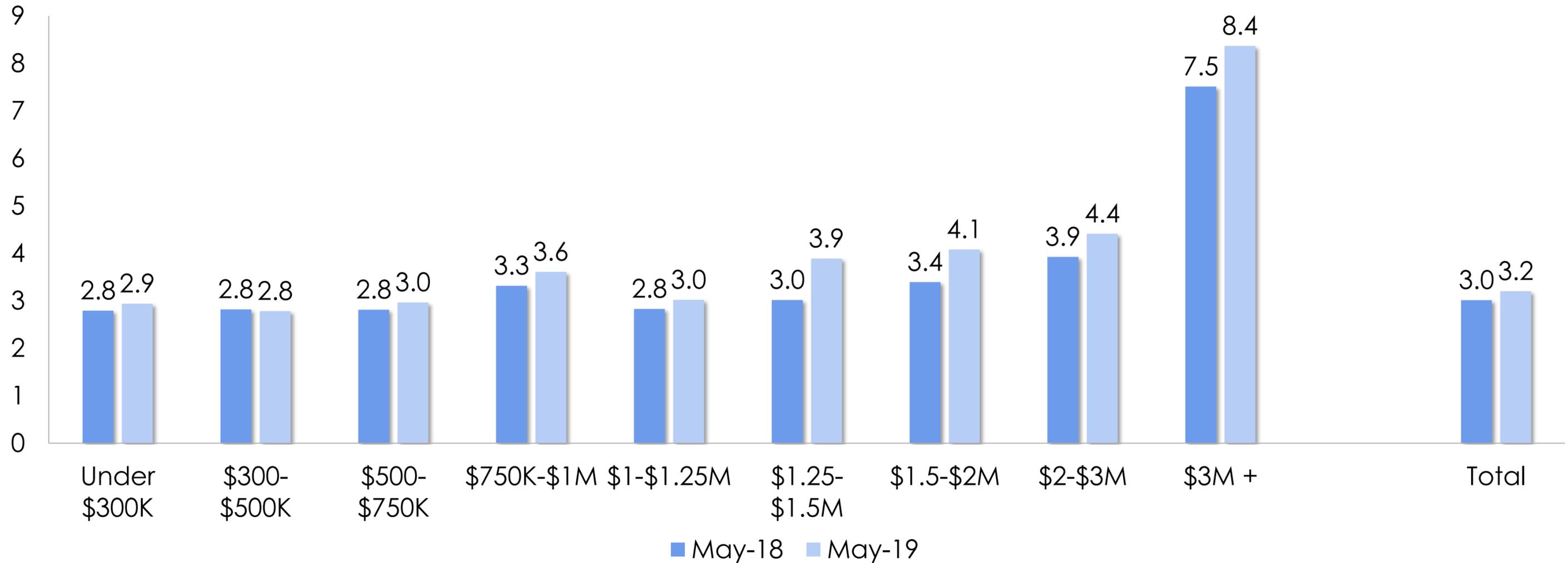
# Inventory Index up due primarily to increase in active listings



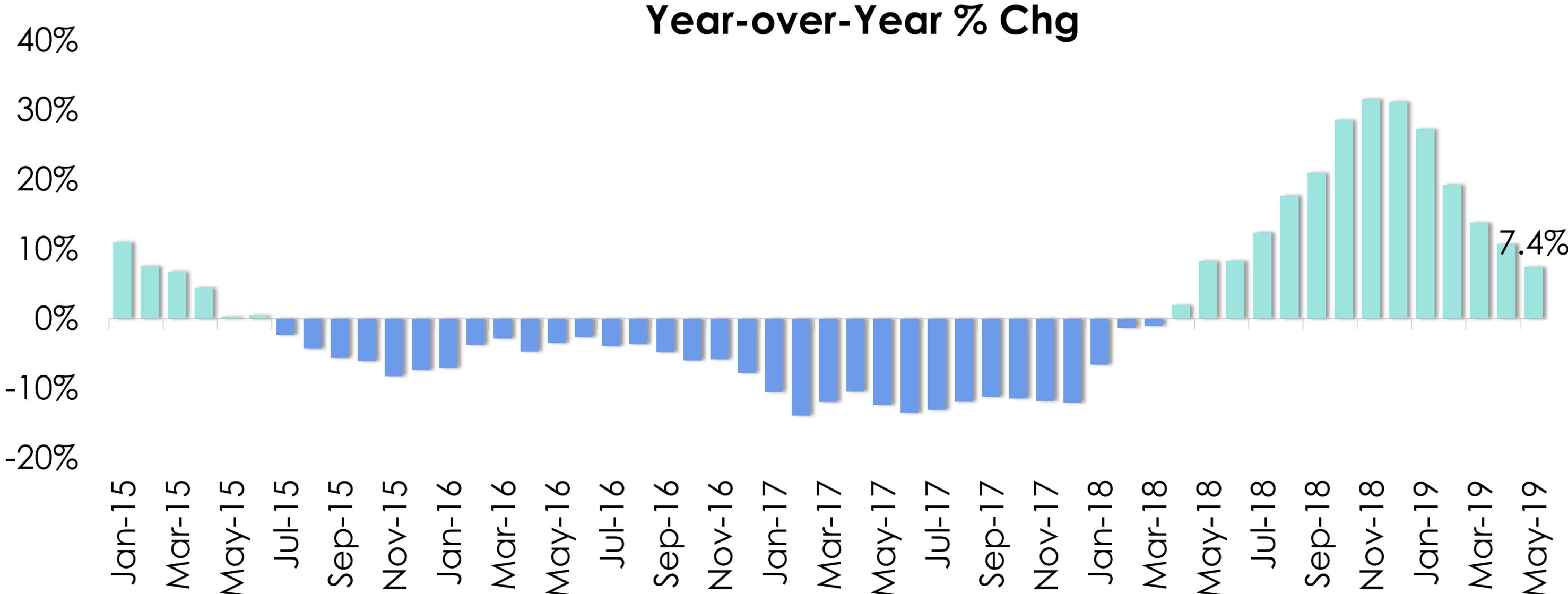
SERIES: Unsold Inventory Index of Existing Single Family Homes  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

# Inventory Index Highest in Millions

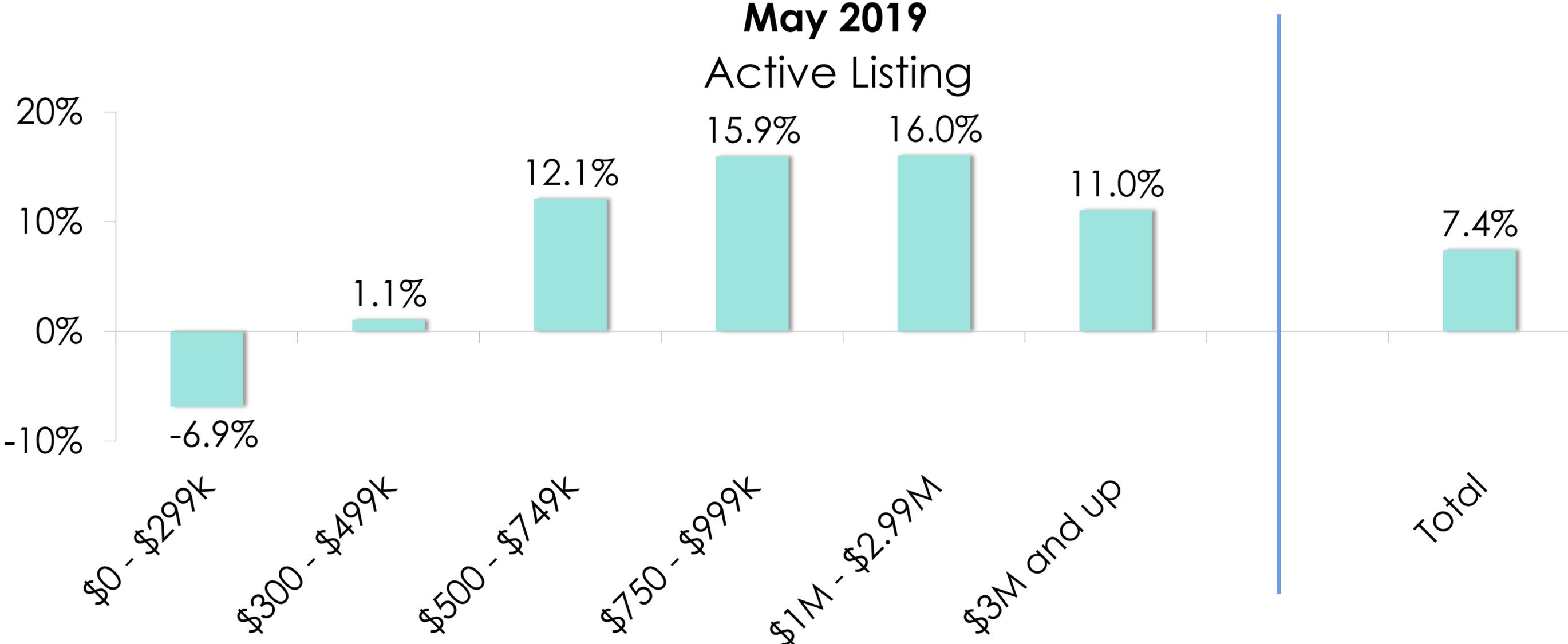
## California Unsold Inventory Index by Segment



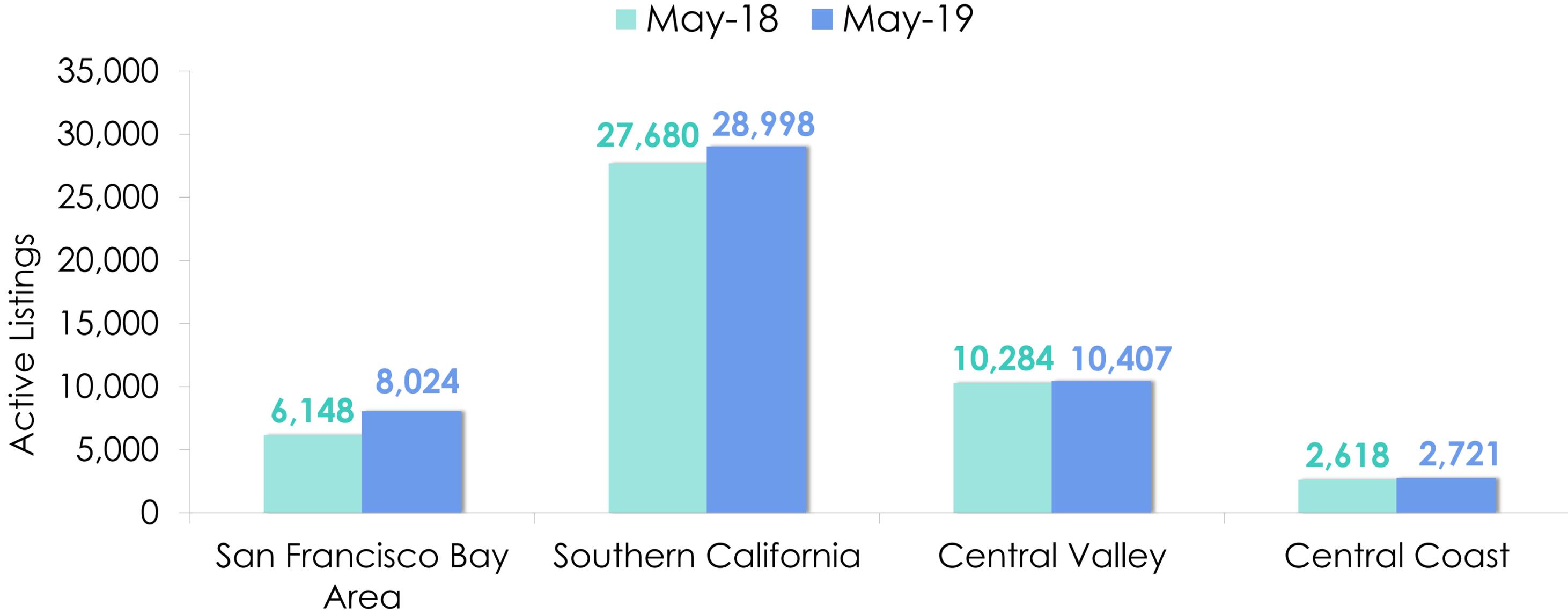
# Active listings had smallest growth since April 2018



# Supply improved in all but the lowest price segment



# Active listings increased in all regions

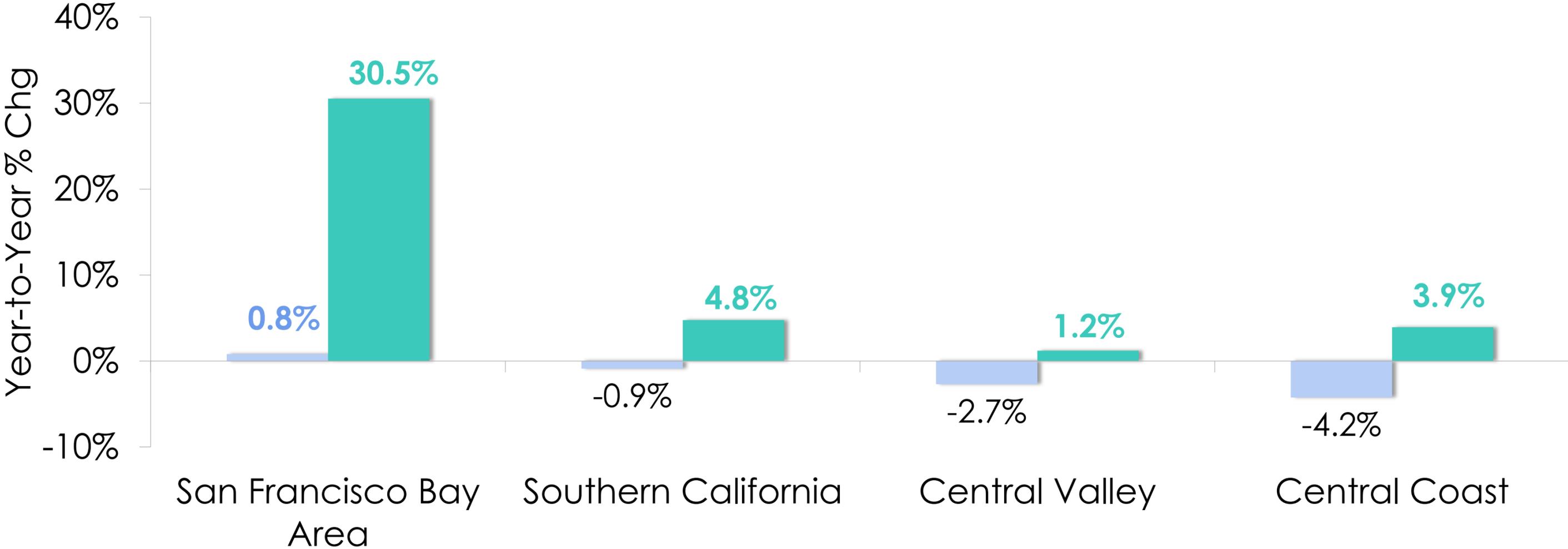


SERIES: Active Listings of Existing Single Family Homes  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

# Active listings increased in all regions

May 2019

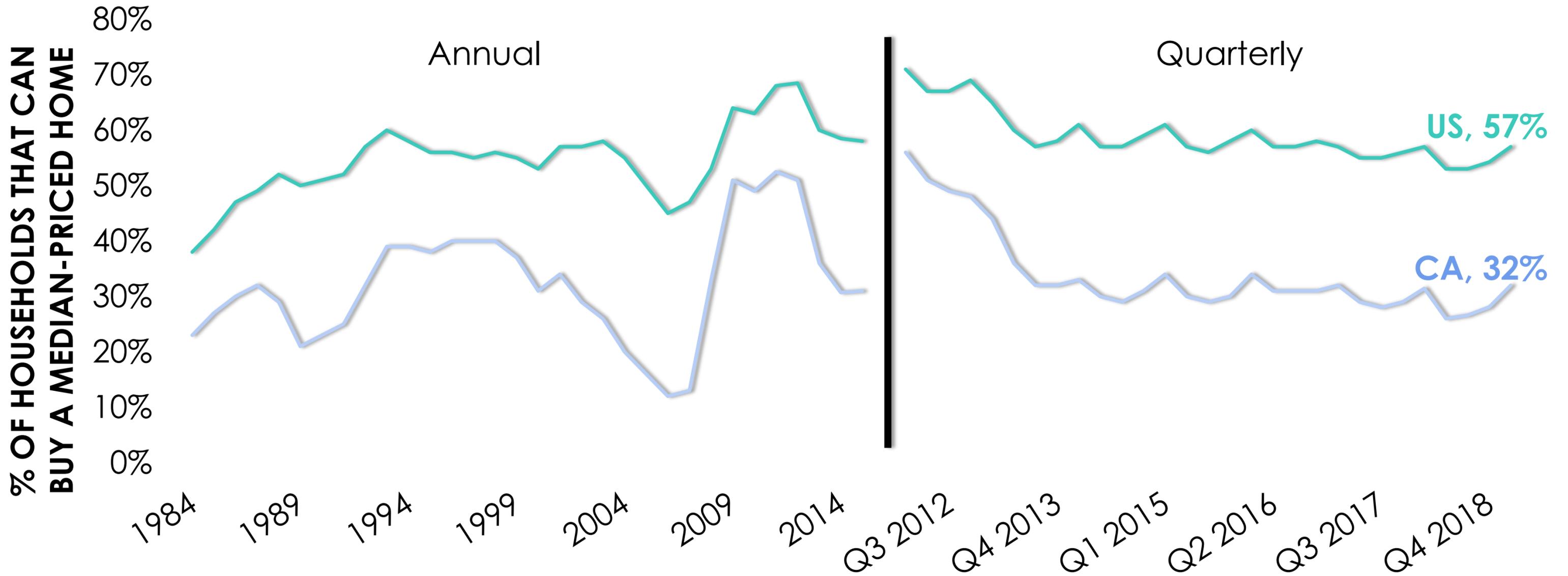
■ Sales ■ Active Listings



SERIES: Sales and Listings of Existing Single Family Homes  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

# Housing affordability remains an issue

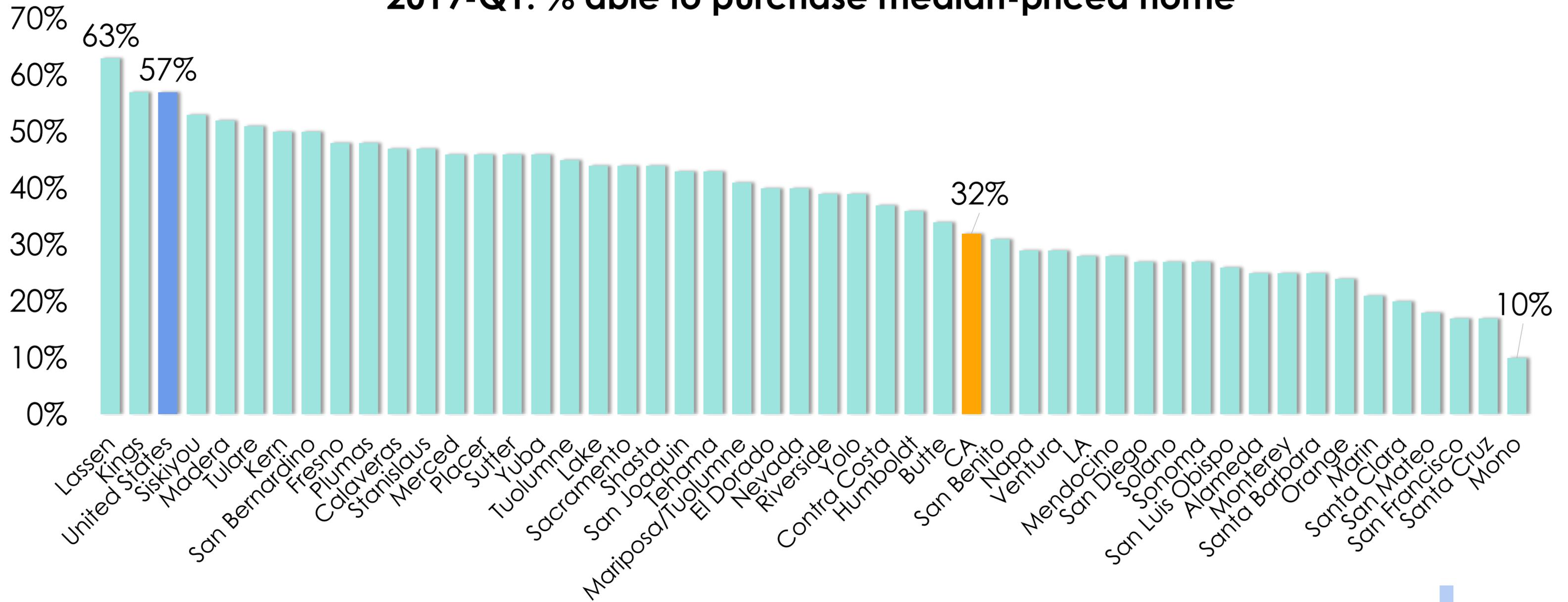
## California, 1984-2019



SERIES: Housing Affordability Index of Traditional Buyers  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

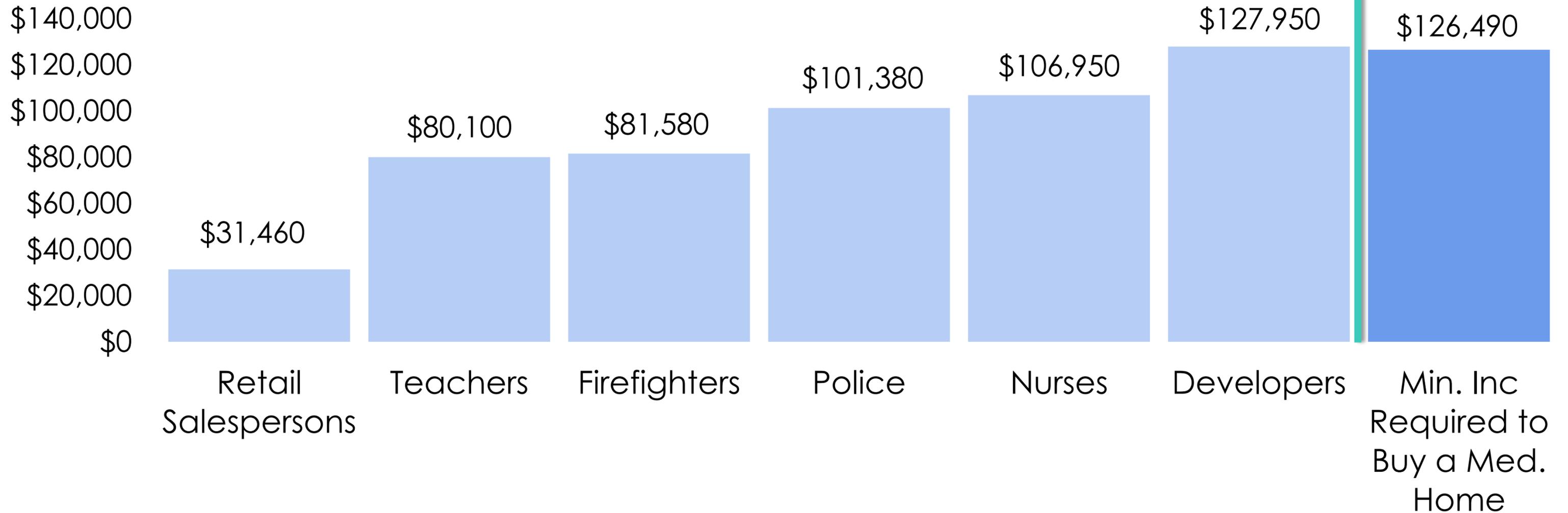
# Many simply can't afford to buy

2019-Q1: % able to purchase median-priced home

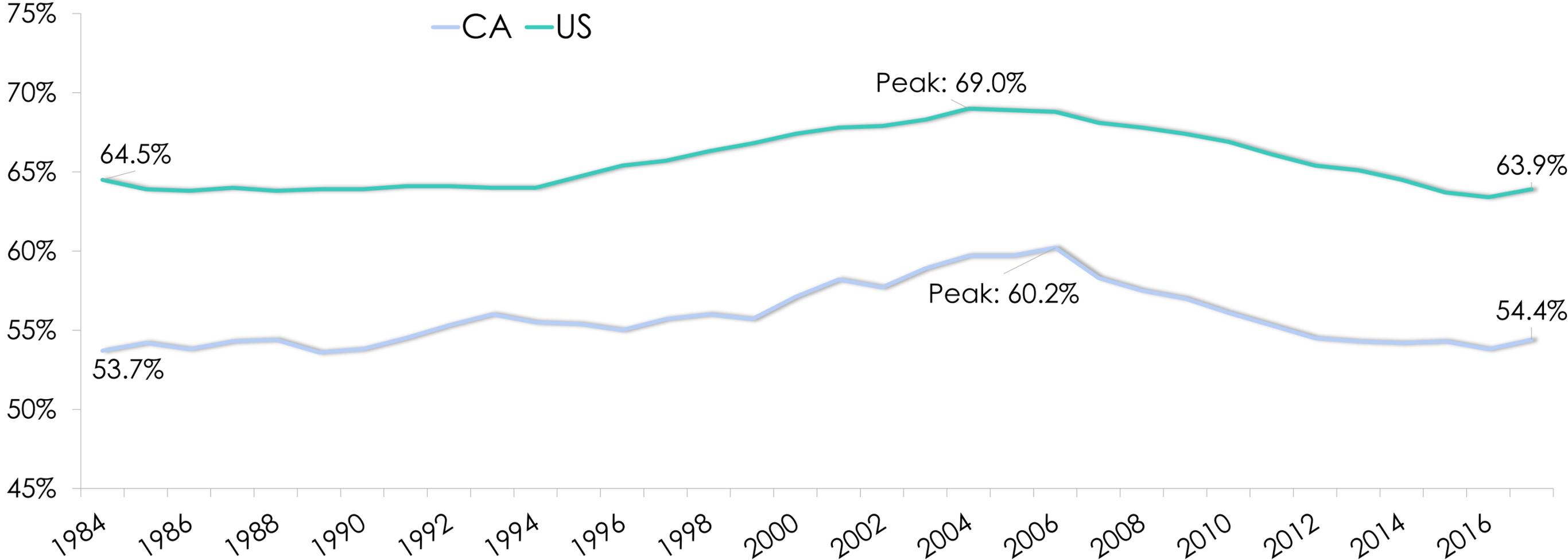


# How wages stack up against prices?

## California 2018 Annual Mean Wage

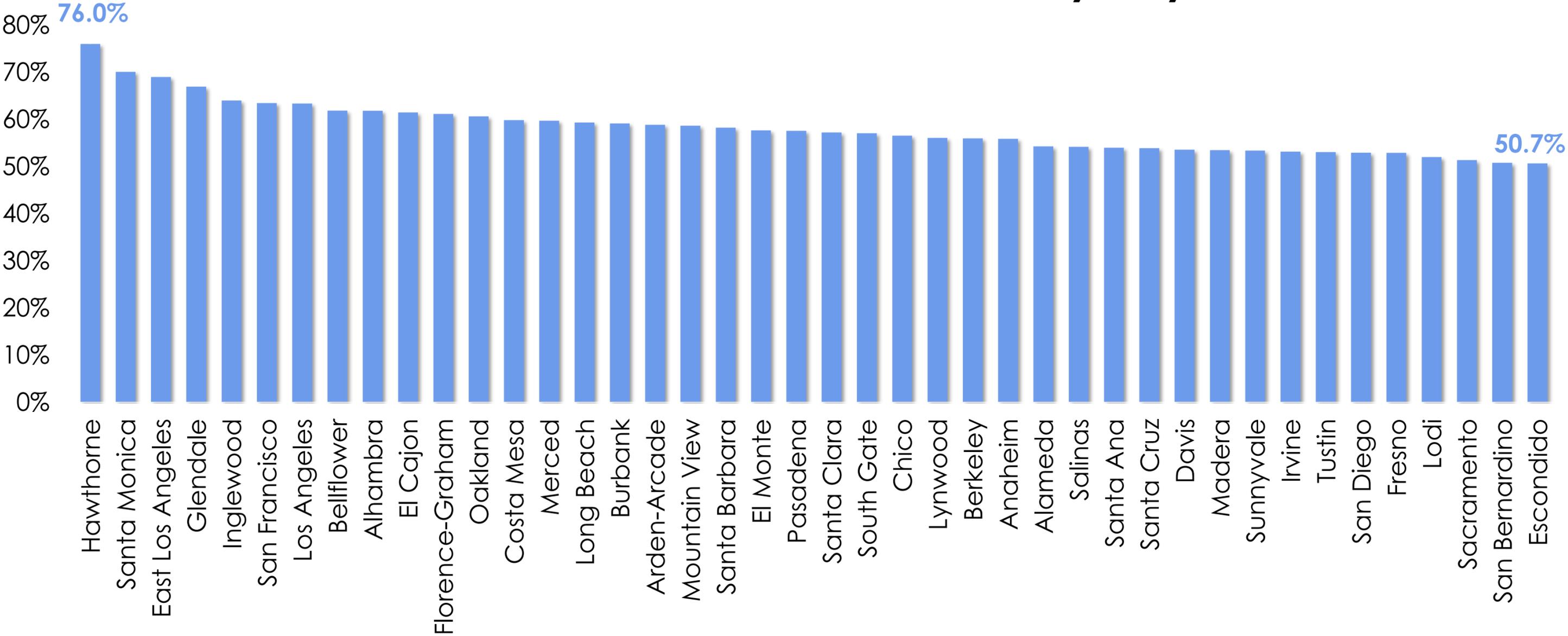


# CA's Homeownership < U.S.



# Majority renter cities will surprise you

## 2017 California Renter Rate by City

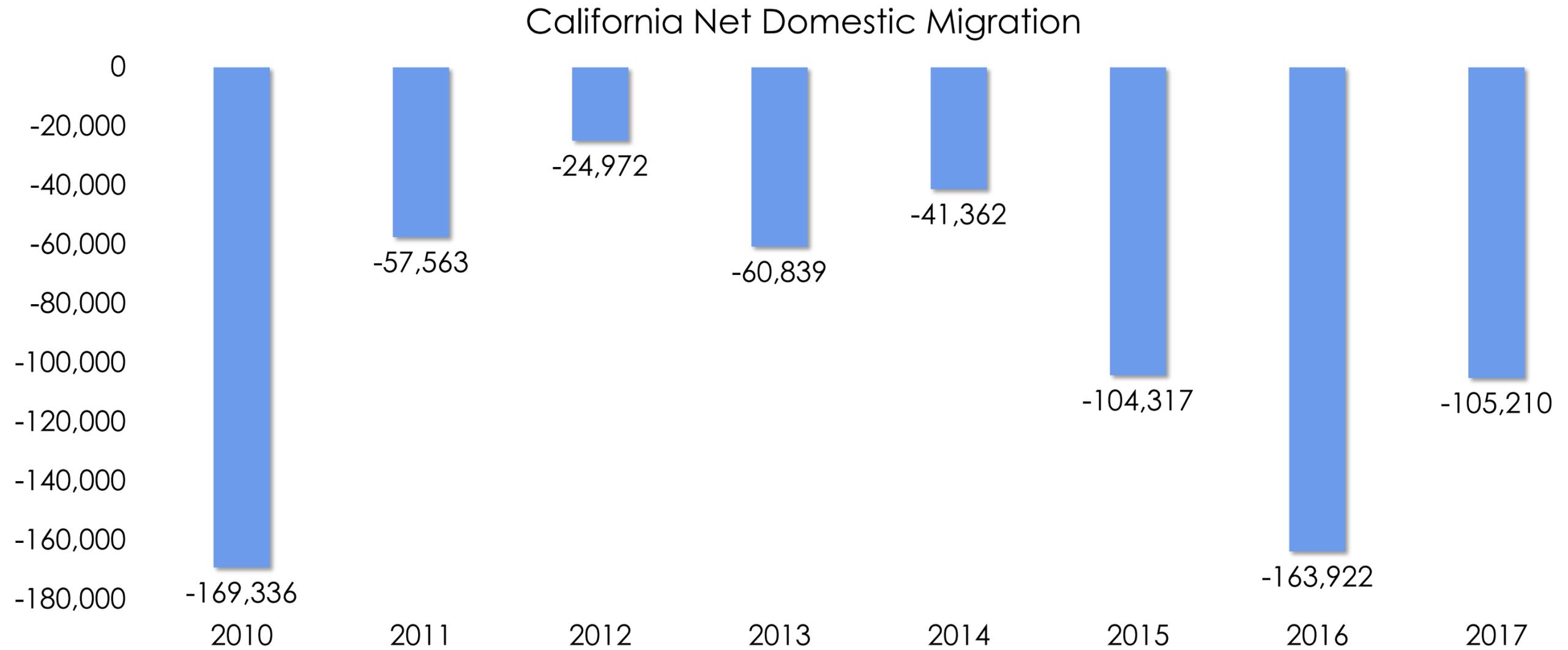


SERIES: Homeownership Rates  
SOURCE: U.S. Census Bureau  
CALIFORNIA ASSOCIATION OF REALTORS®

Here's the problem:

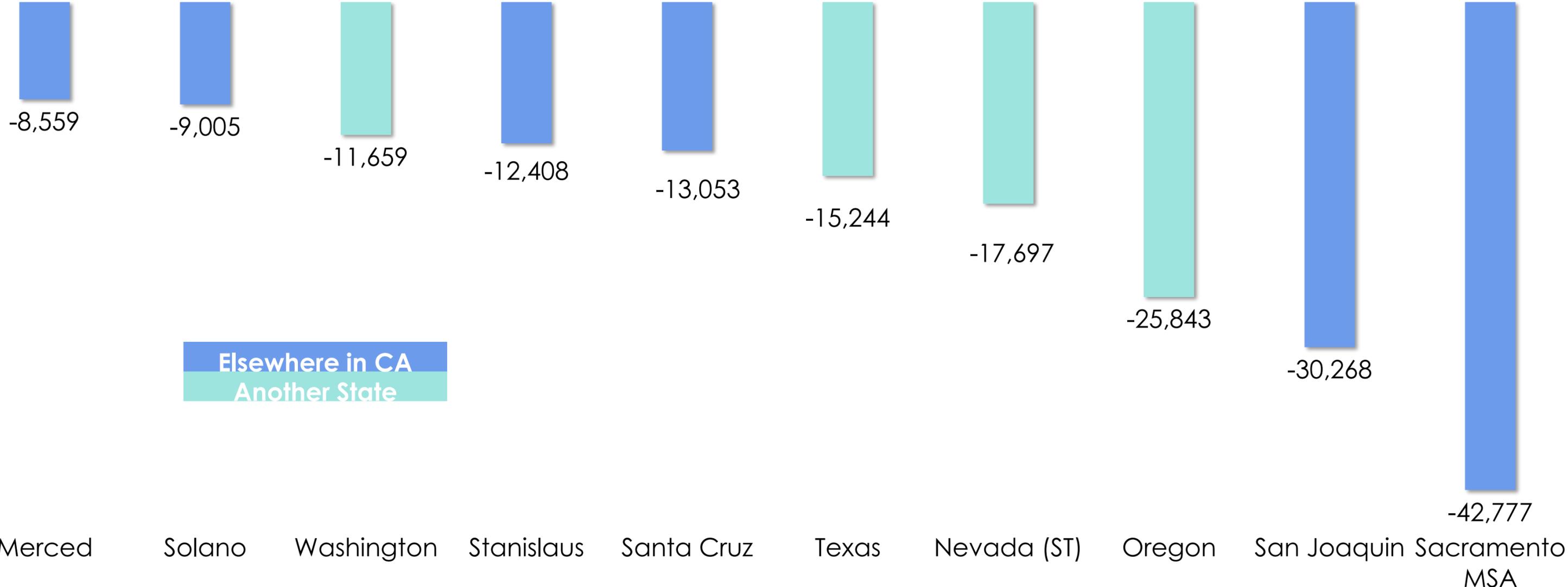
*At some point a supply problem becomes a demand problem.*

# ~750k people have left since 2010



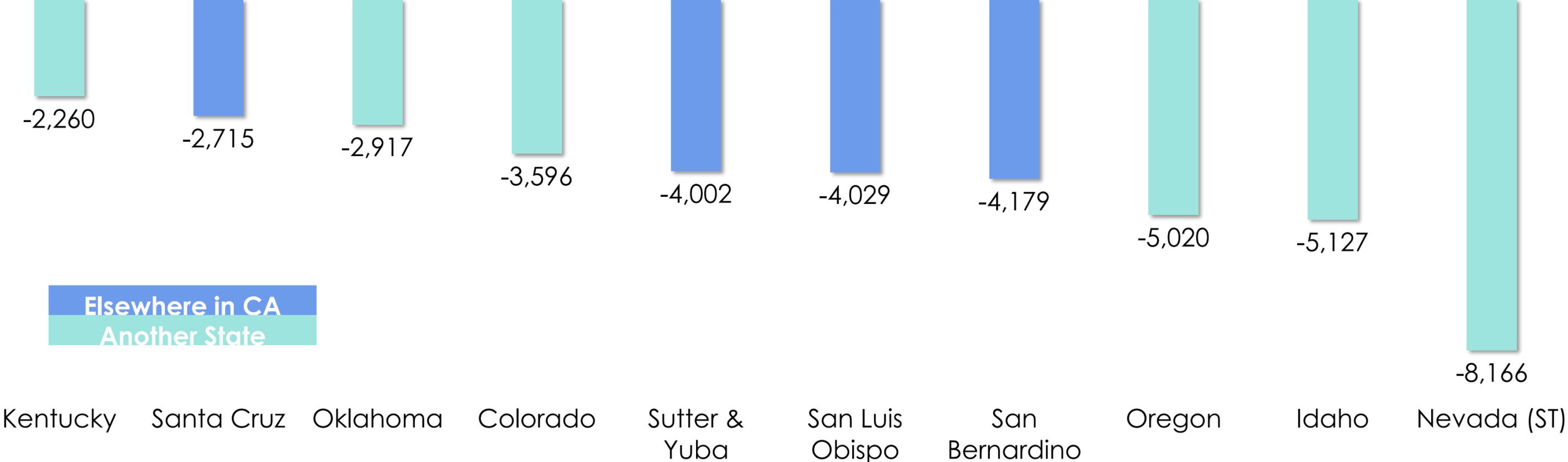
# Step 1: SF Bay to Cheaper Markets

Core San Francisco Bay Area Out Migration (2010-2016)

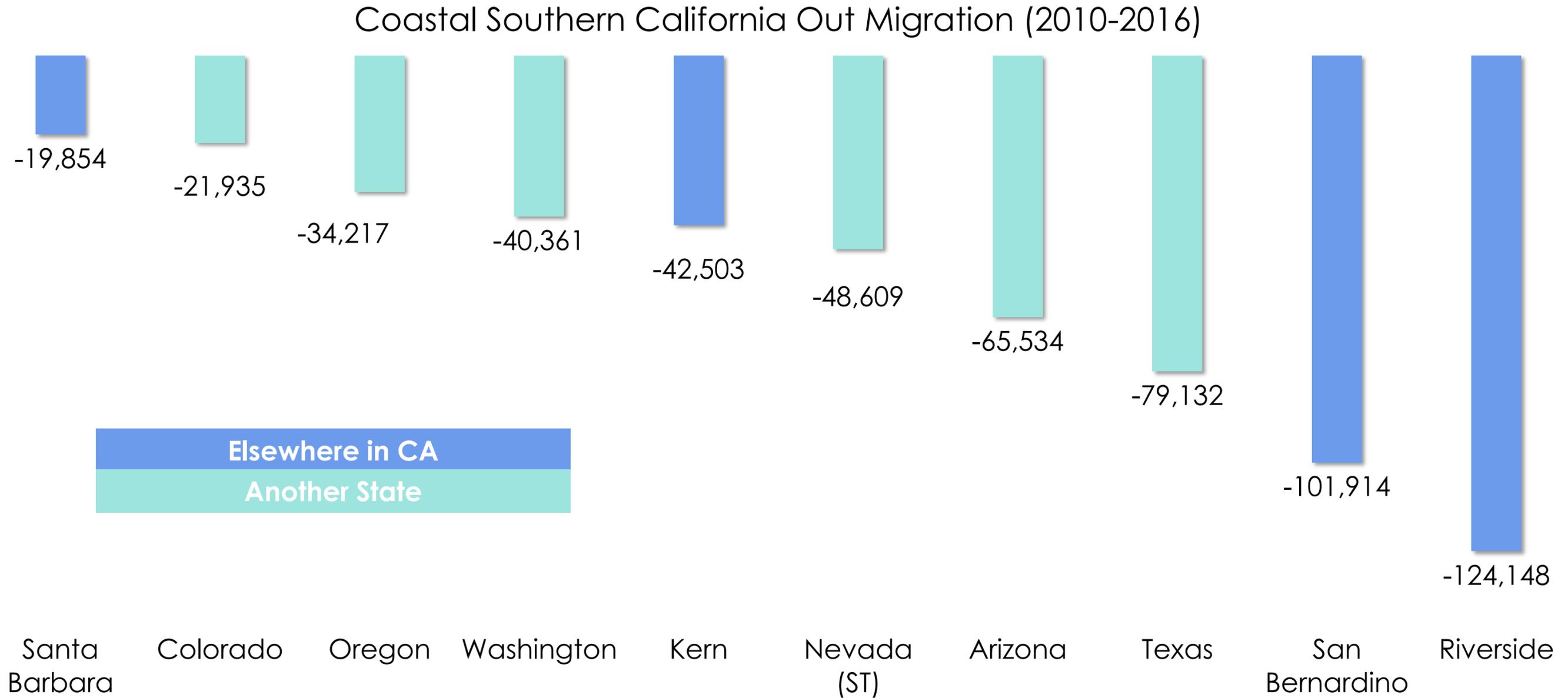


# Step 2: Pricing Prior Residents Out of State

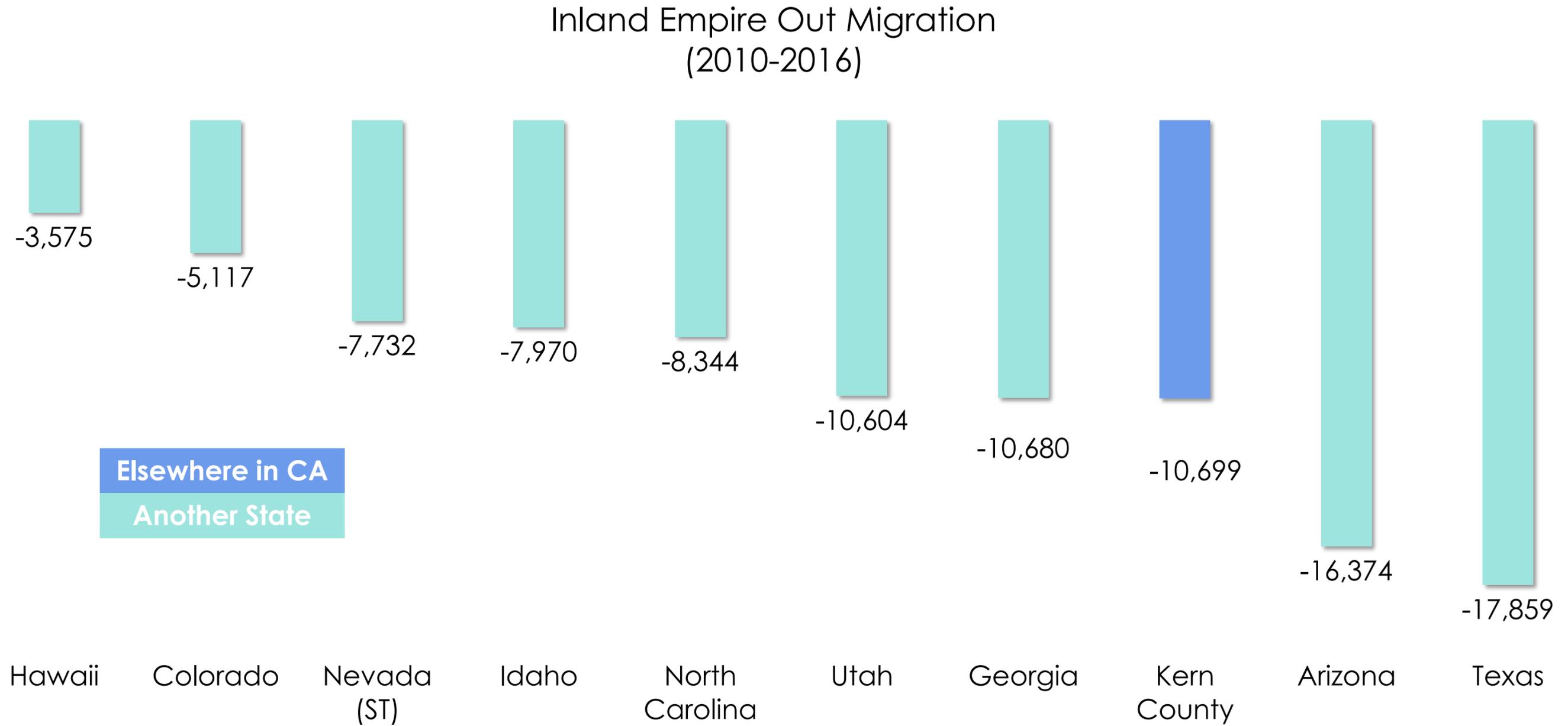
Sacramento MSA Out Migration (2010-2016)



# Step 1: SoCal coastal to cheaper markets



# Step 2: pricing prior residents out of state



# Best performing cities are everywhere

Milken Institute Annual Report 2018



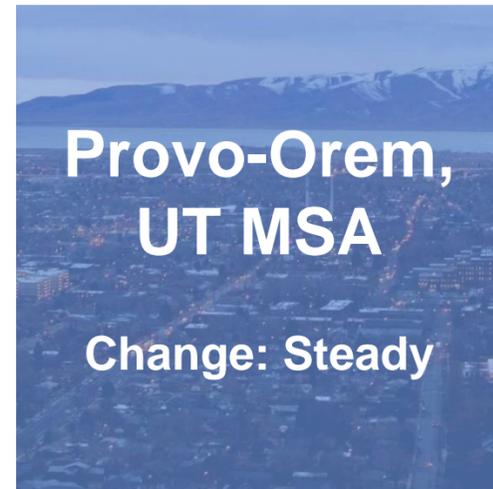


the rules of the game are changing and it's all  
about jobs and housing. not just about the  
coasts anymore



# Top 10 best performing large cities

1



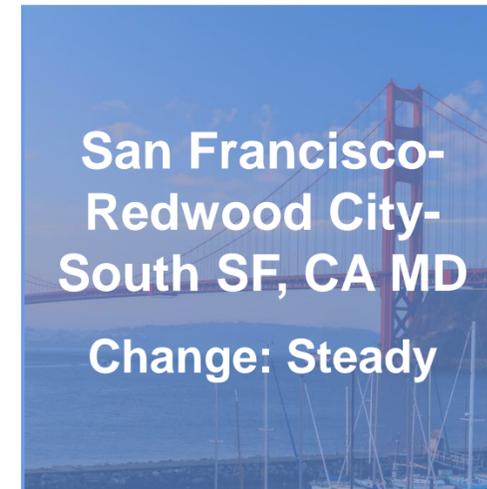
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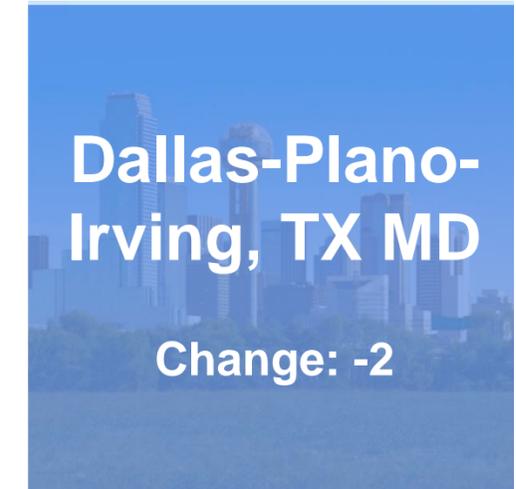
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4



5



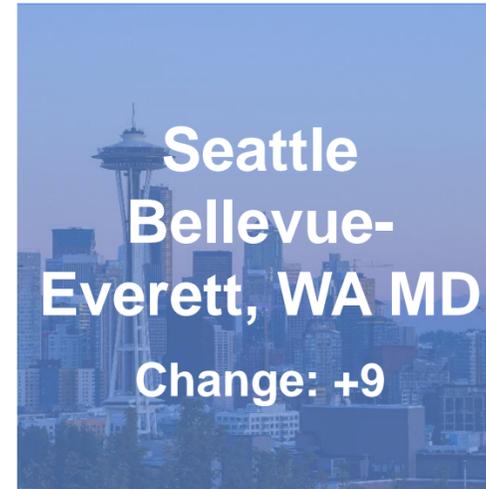
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7



8



9

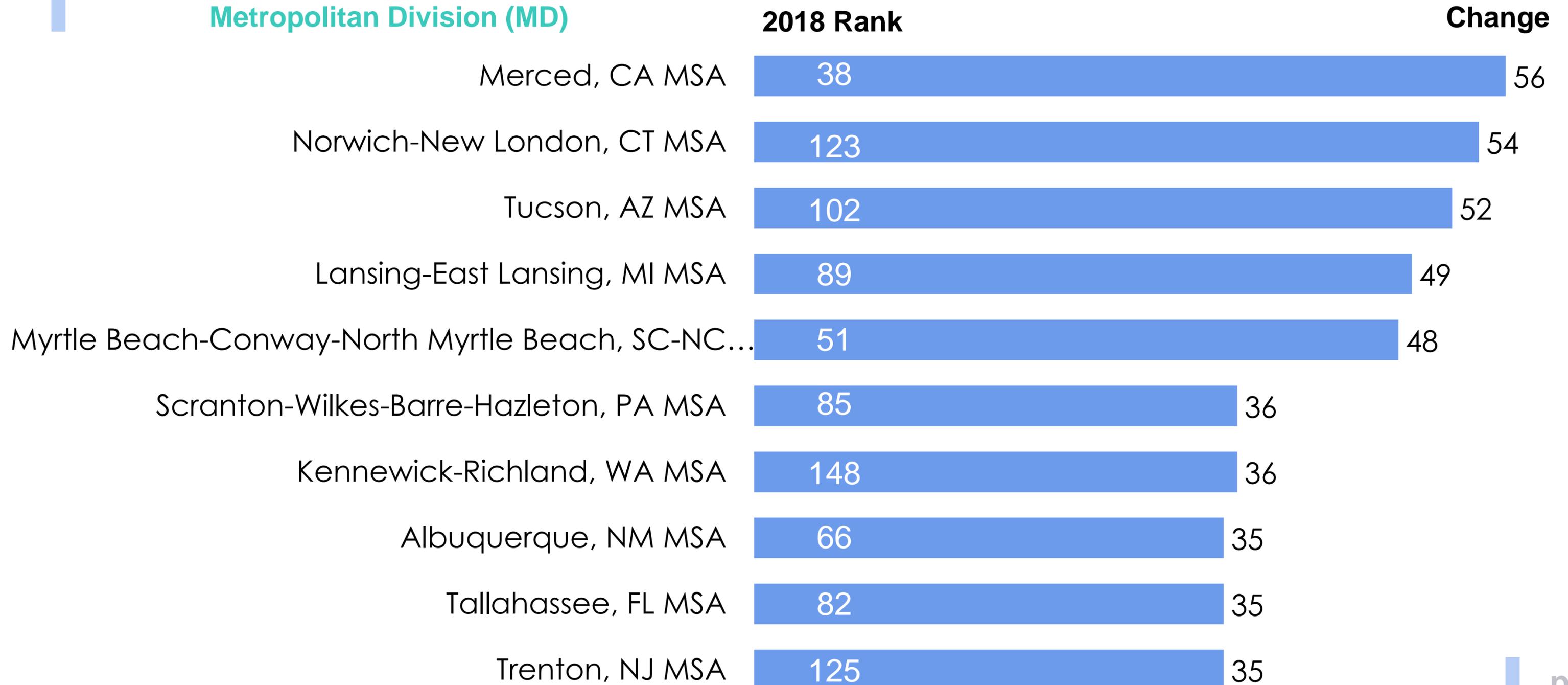


10



# Biggest gains among large cities

Metropolitan Statistical Area (MSA)/  
Metropolitan Division (MD)



# Top 10 best performing small cities

1



2



3



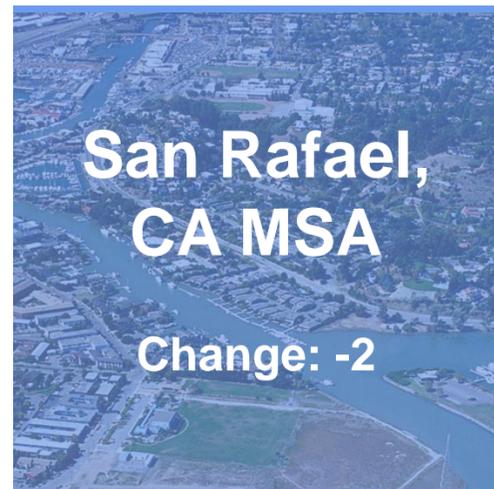
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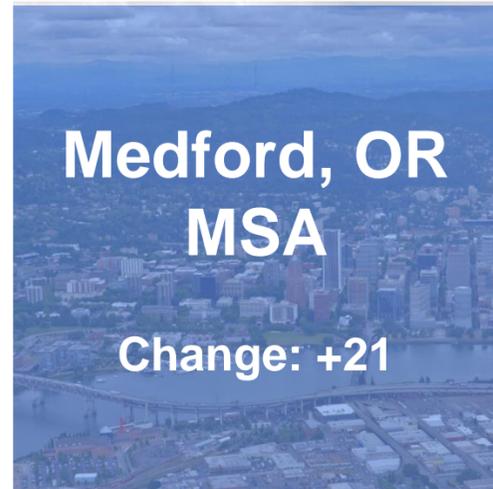
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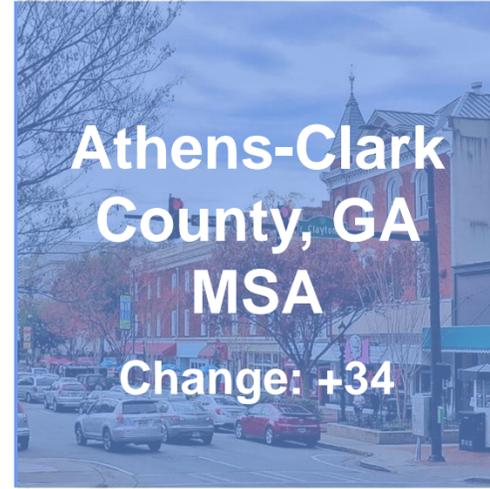
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7



8



9



10



## Homeownership? Aspirational v. Attainable

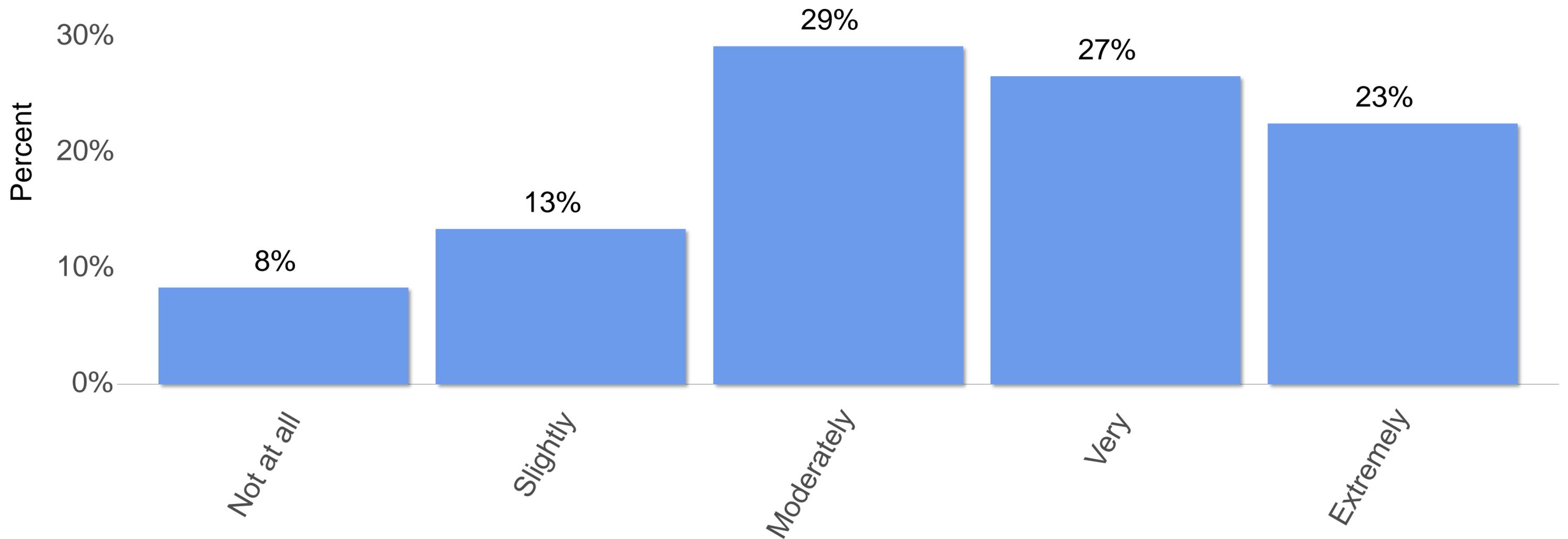
- The desire for homeownership remains strong
- First-time buyers face often insurmountable obstacles
- Government policies do not support housing as in the past
- More Millennials are making the difficult choice to leave
- Their ability to build wealth over time is compromised
- Where will our children live?



# Homeownership still aspirational

## How important is homeownership to you?

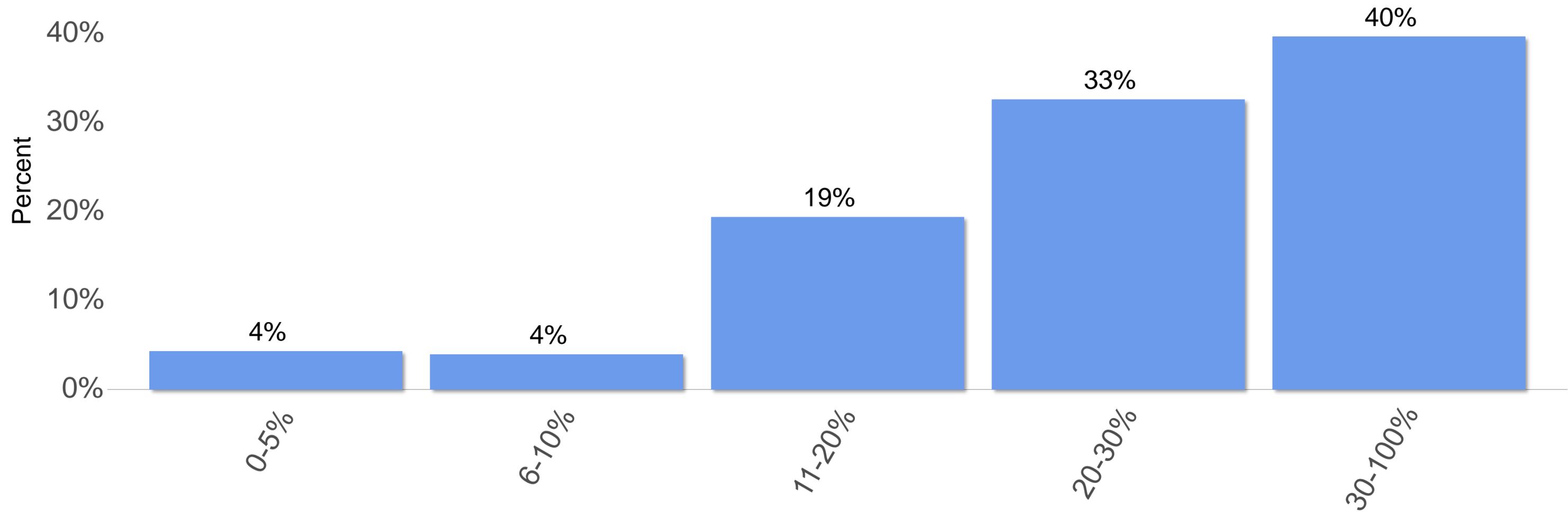
n: 1663



# But vastly over-estimate downpayment

## How much downpayment is required to purchase a home?

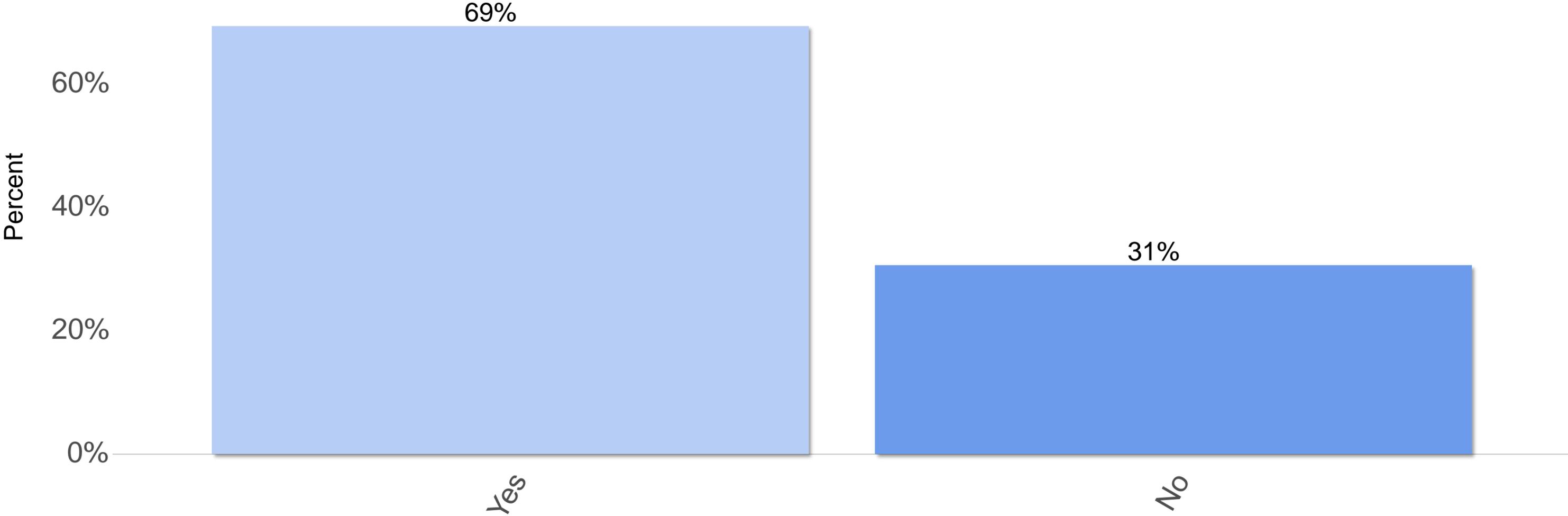
n: 1681



# Most renters would buy with little down

If you could qualify for a mortgage with a much lower down-payment would you buy?

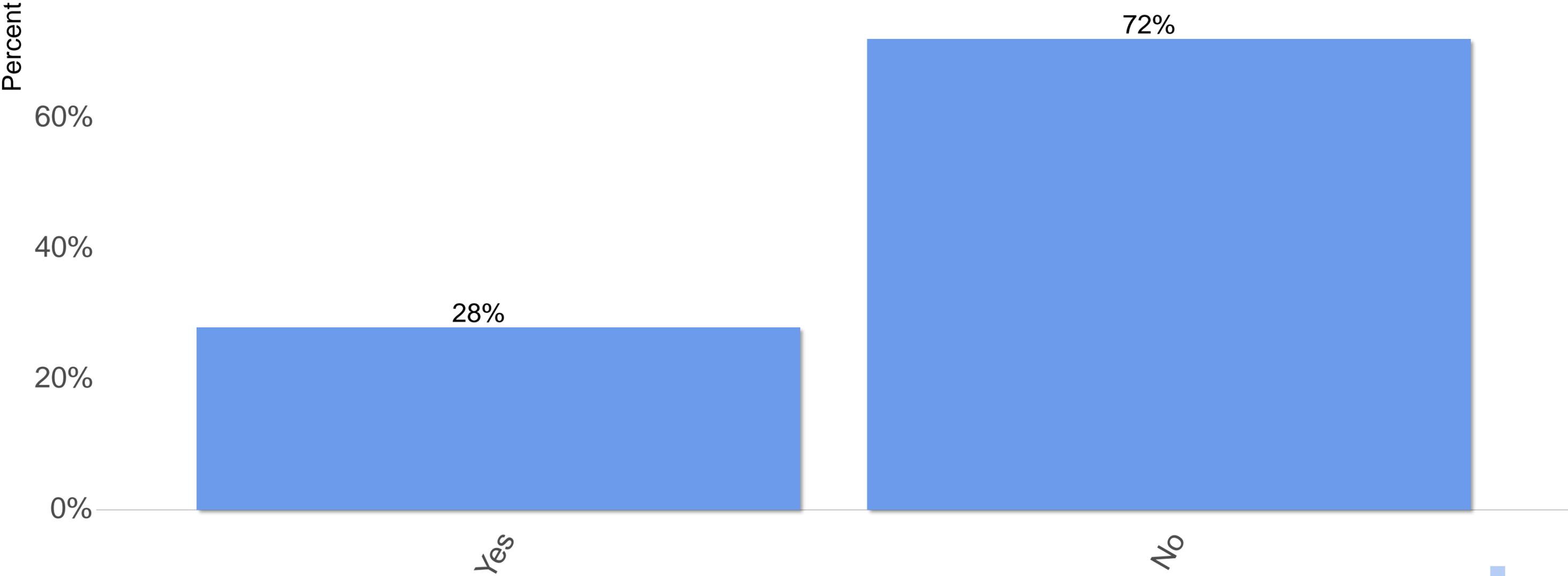
n: 1716



# Only 30% know of low-down loans

Are you aware of (FHA) backed loans that require only a 3.5% downpayment

n: 1716

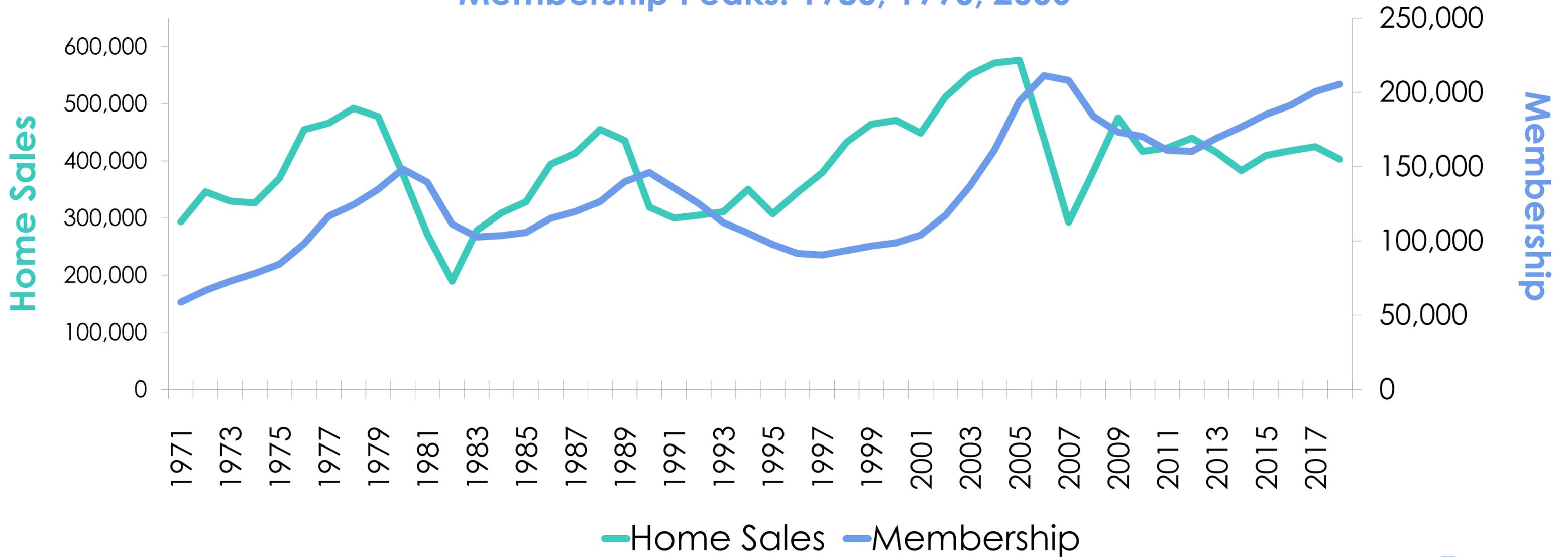




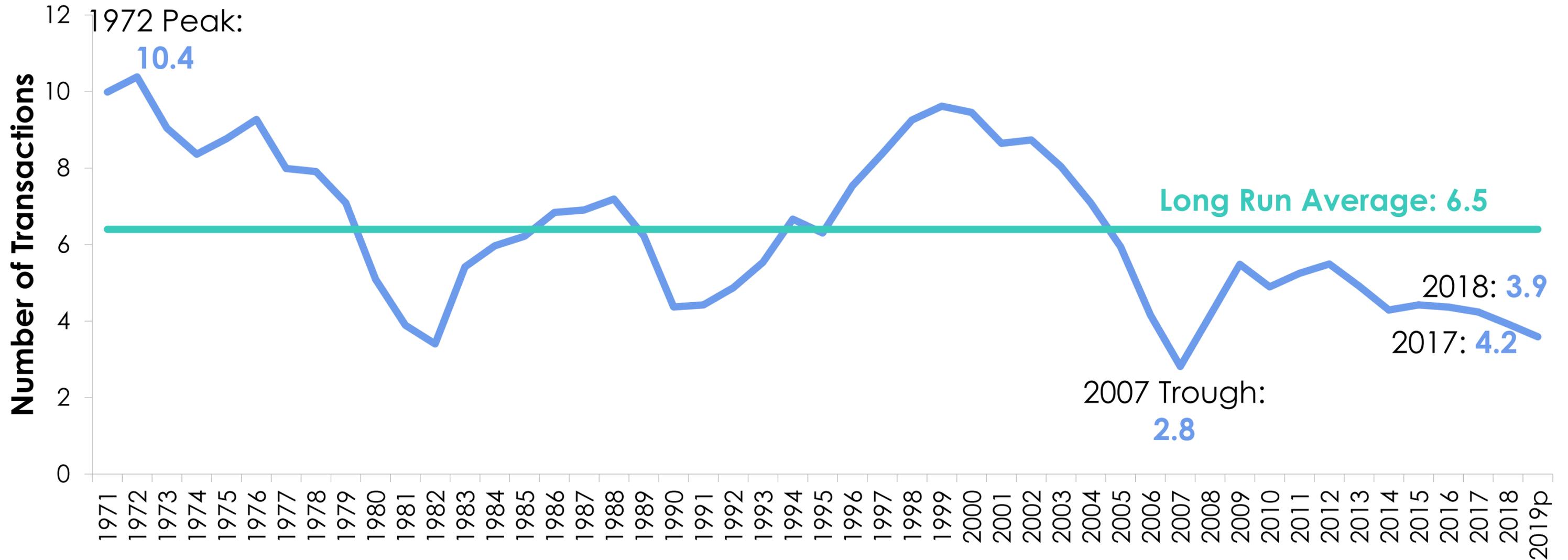
# The Industry

# Membership gains outstripping sales

Sales Peaks: 1978, 1988, 2004-05  
 Membership Peaks: 1980, 1990, 2006

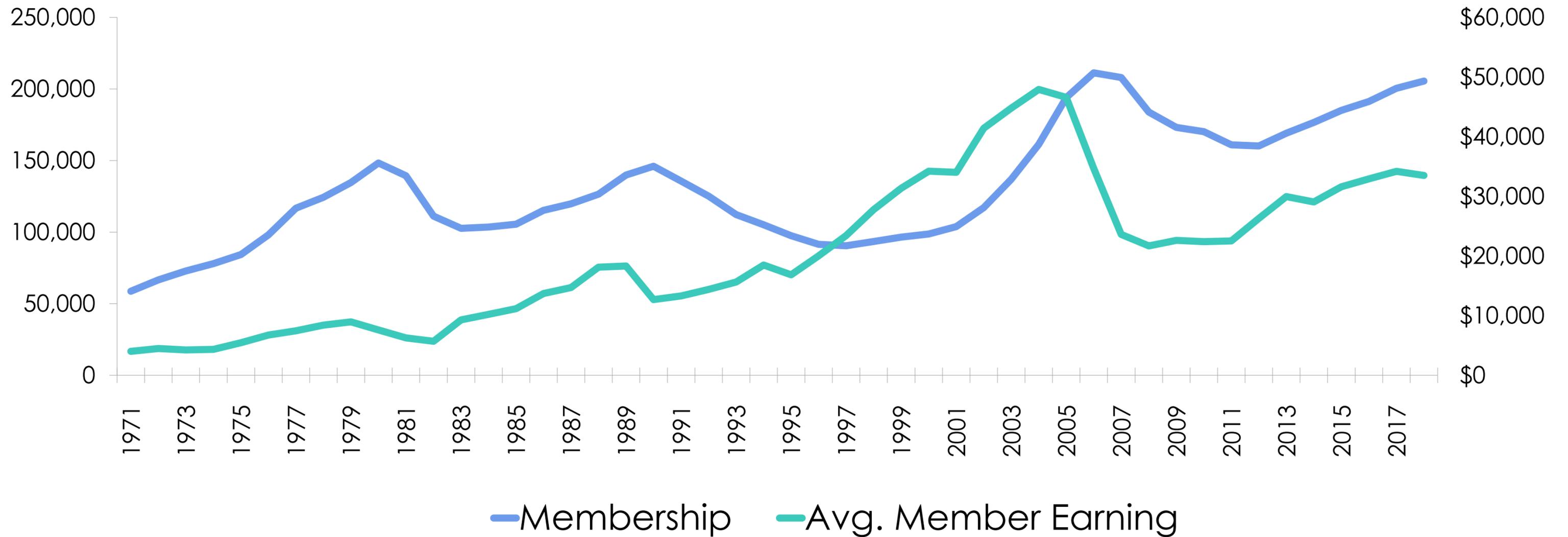


# Member productivity has started declining



# ... drop in average earning triggers drop in membership

Earnings Peaks: 1978, 1988, 2004-05  
Membership Peaks: 1980, 1990, 2006



# Your Competition:

*You yesterday and every agent  
working harder than you do.  
Don't let them.*



# The Forecast

# U.S. economic outlook

	2015	2016	2017	2018	2019f
US GDP	2.6%	1.6%	2.3%	2.9%	2.4%
Nonfarm Job Growth	2.1%	1.8%	1.4%	1.6%	1.5%
Unemployment	5.3%	4.9%	4.4%	3.9%	3.7%
CPI	0.1%	1.4%	2.0%	2.4%	2.0%
Real Disposable Income, % Change	3.4%	2.7%	2.1%	2.9%	2.4%
30-Yr FRM	3.9%	3.6%	4.0%	4.5%	4.0%



# California housing market outlook

	2015	2016	2017	2018	2019p	2019p (revised)
SFH Resales (000s)	409.4	417.7	424.9	402.8	375.1	385.5
% Change	7.0%	2.0%	1.7%	-5.2%	-6.9%	-4.3%
Median Price (\$000s)	\$476.3	\$502.3	\$537.9	\$570.0	\$568.8	\$593.0
% Change	6.6%	5.4%	7.1%	6.0%	-0.2%	4.0%
Housing Affordability Index	31%	31%	29%	28%	32%	32%
30-Yr FRM	3.9%	3.6%	4.0%	4.5%	4.4%	4.0%

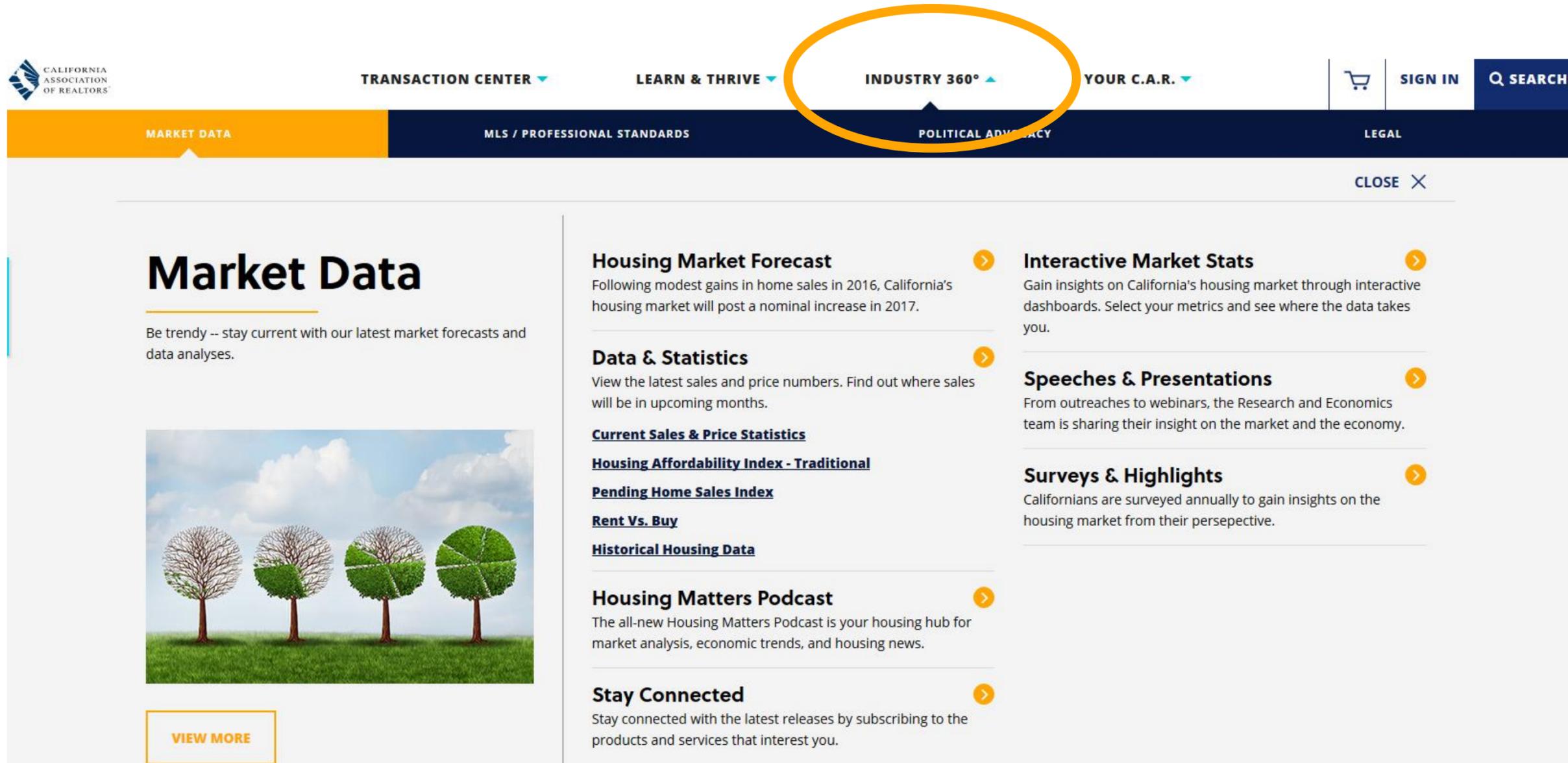


# Key takeaways

- Low rates help sales but is the momentum is sustainable
- Price set new high but growth will remain soft to modest
- Uncertainties put downward pressure on rates; possible rate cuts in H219
- Many want to buy but affordability remains an issue
- Market remains competitive, productivity/earning likely to decline



# Where is the market data?



The screenshot shows the top navigation bar of the California Association of Realtors website. The 'INDUSTRY 360°' menu item is circled in orange. Below the navigation bar, the 'MARKET DATA' section is highlighted in orange. The main content area features a 'Market Data' section with a 'VIEW MORE' button and a list of related topics including 'Housing Market Forecast', 'Data & Statistics', 'Current Sales & Price Statistics', 'Housing Affordability Index - Traditional', 'Pending Home Sales Index', 'Rent Vs. Buy', 'Historical Housing Data', 'Housing Matters Podcast', and 'Stay Connected'. On the right side, there are three more sections: 'Interactive Market Stats', 'Speeches & Presentations', and 'Surveys & Highlights'.

**MARKET DATA**

## Market Data

Be trendy -- stay current with our latest market forecasts and data analyses.



[VIEW MORE](#)

- Housing Market Forecast**  
Following modest gains in home sales in 2016, California's housing market will post a nominal increase in 2017.
- Data & Statistics**  
View the latest sales and price numbers. Find out where sales will be in upcoming months.
  - [Current Sales & Price Statistics](#)
  - [Housing Affordability Index - Traditional](#)
  - [Pending Home Sales Index](#)
  - [Rent Vs. Buy](#)
  - [Historical Housing Data](#)
- Housing Matters Podcast**  
The all-new Housing Matters Podcast is your housing hub for market analysis, economic trends, and housing news.
- Stay Connected**  
Stay connected with the latest releases by subscribing to the products and services that interest you.
- Interactive Market Stats**  
Gain insights on California's housing market through interactive dashboards. Select your metrics and see where the data takes you.
- Speeches & Presentations**  
From outreaches to webinars, the Research and Economics team is sharing their insight on the market and the economy.
- Surveys & Highlights**  
Californians are surveyed annually to gain insights on the housing market from their perspective.



monthly market report

# Ventura, California



monthly market report  
March 2019

## Median Price

\$608K

## Home Sales

51

## Active Listings

144



## Market Competition

Median  
Days on  
Market

41

Offers  
to List  
Price %

98.6%

Active  
Listings  
Reduced

41.0%





# Housing Matters Podcast





**Thank You**

This presentation can be found on  
[www.car.org/marketdata](http://www.car.org/marketdata)  
Speeches & Presentations  
[lesliea@car.org](mailto:lesliea@car.org)