

CALIFORNIA  
ASSOCIATION  
OF REALTORS®

# 2019 Economic & Market Forecast



Santa Clara County Association of Realtors

November 16, 2018

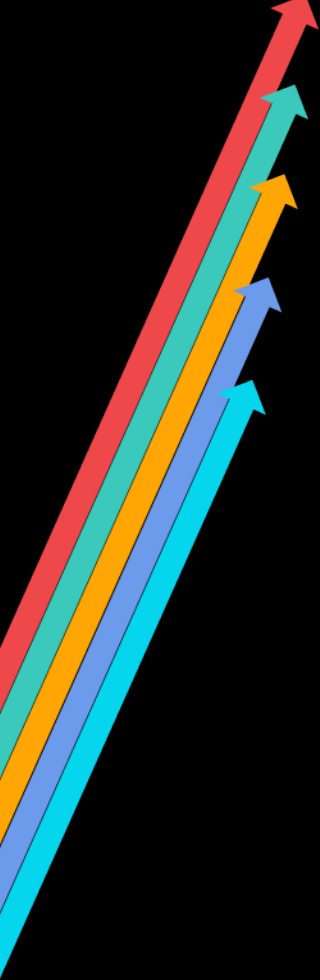
Leslie Appleton-Young

SVP & Chief Economist



# Value of Strategic Thinking:

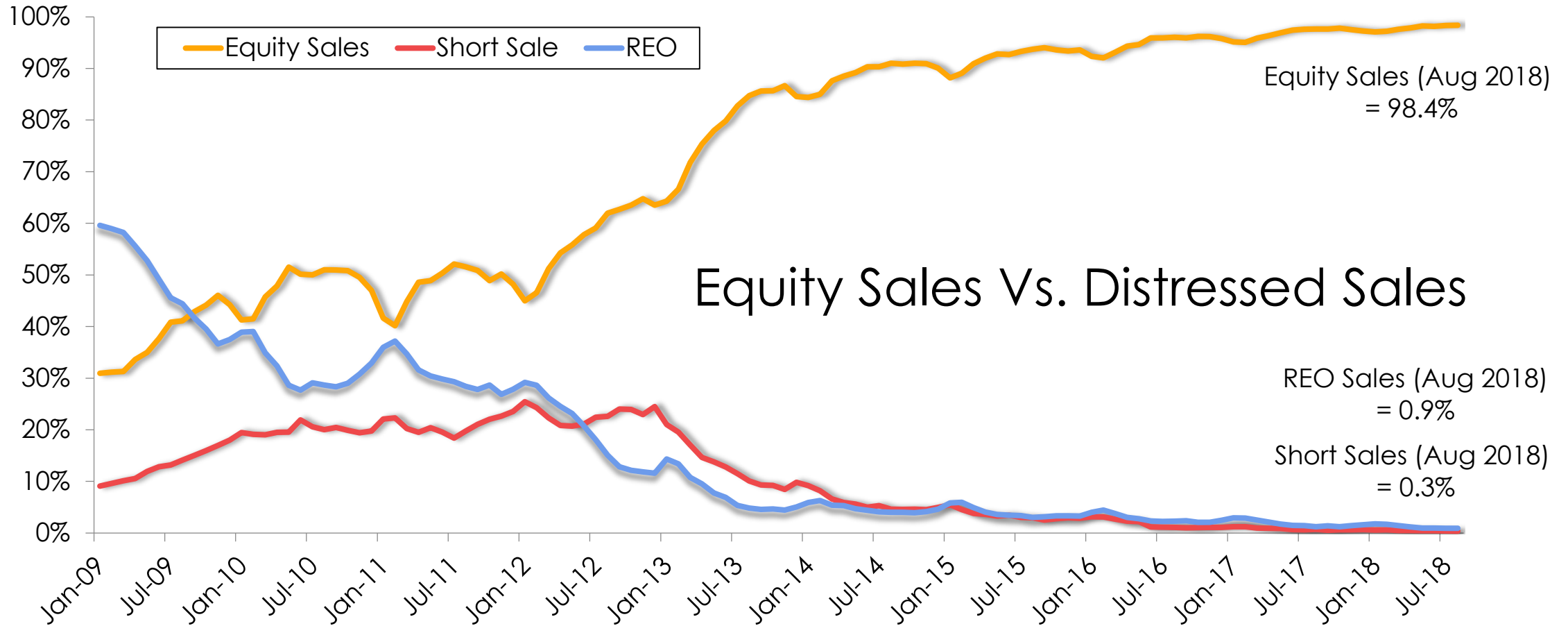
*“You will be surprised by the future, but you won’t be surprised that you are surprised”*



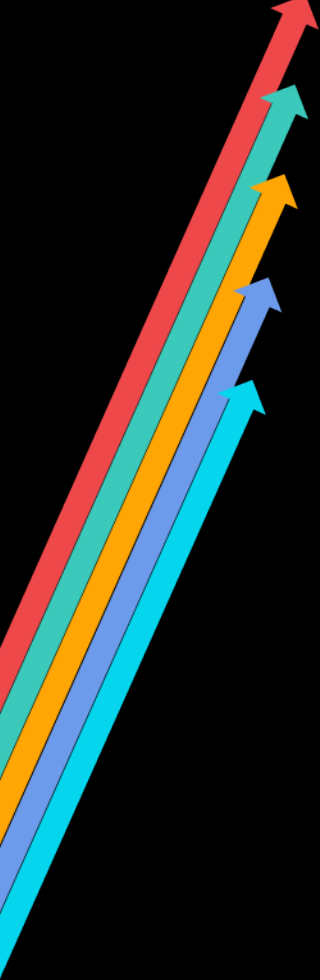
2008



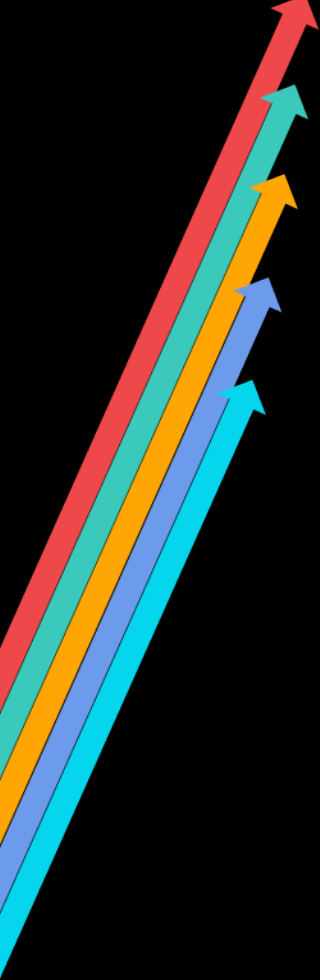
# The CA Housing Market Recovery



Note: Not including transactions in foreclosure.



2018



# Macro Economic Update



# U.S. Economy: Our Biggest Strength

**3.5%**



GDP 2018-Q3

**4.0%**



Consumption  
2018-Q3

**2.2%**



Core CPI  
September 2018

**3.7%**



Unemployment  
October 2018

**1.7%**

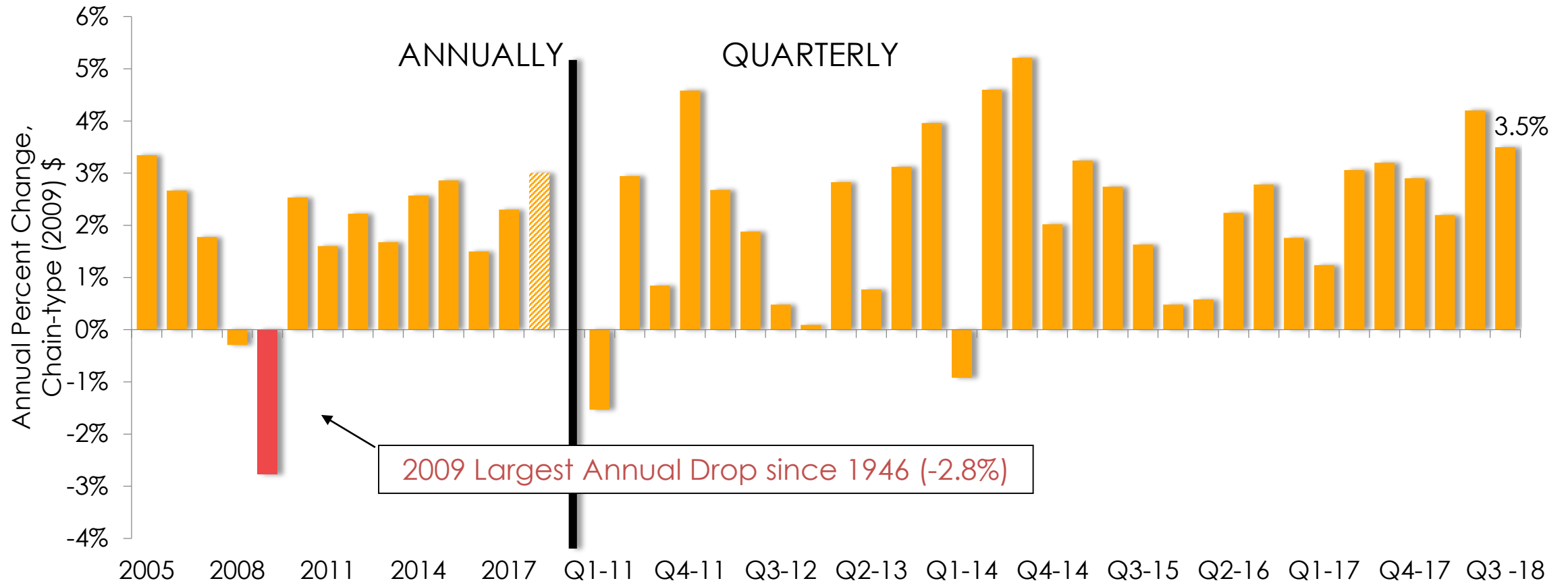


Job Growth  
October 2018



# Growth Reflects Strong Fiscal Stimulus

GDP - 2017: 2.3%; 2018 Q3: 3.5%

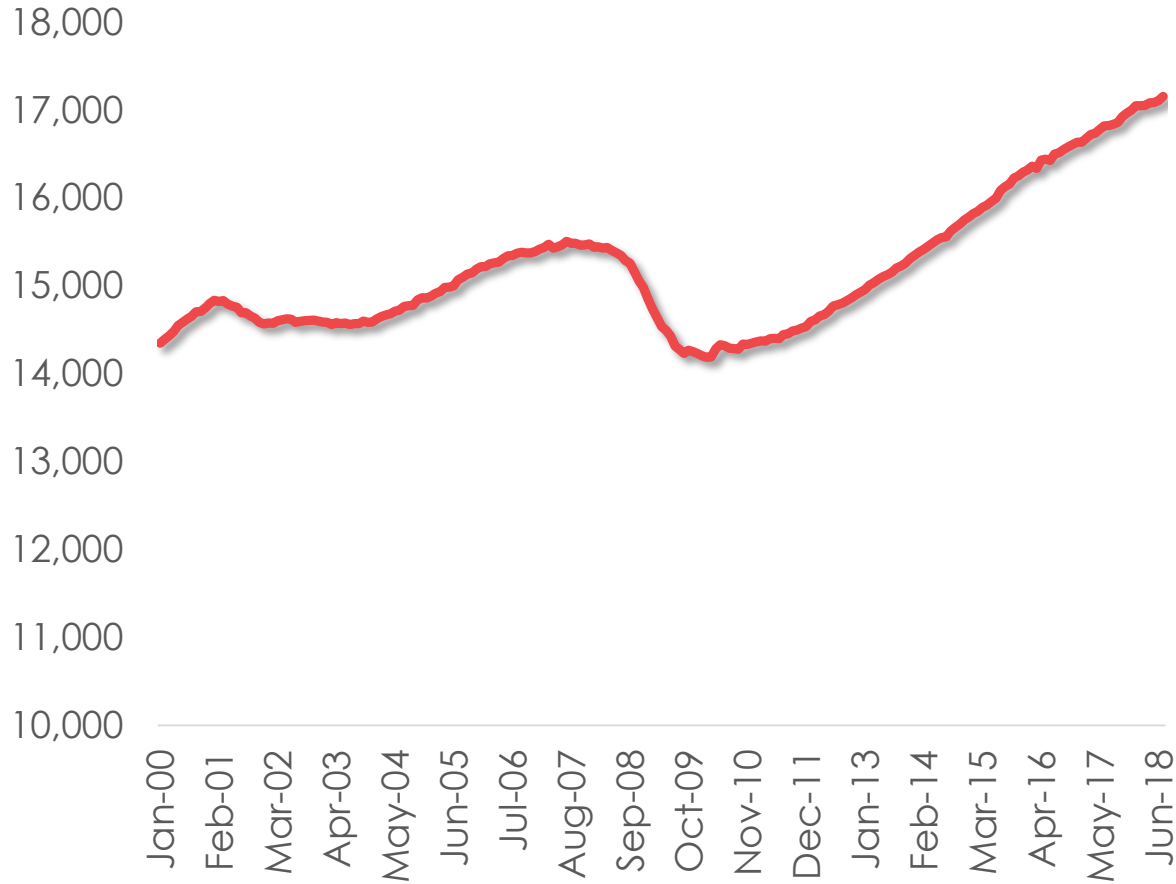




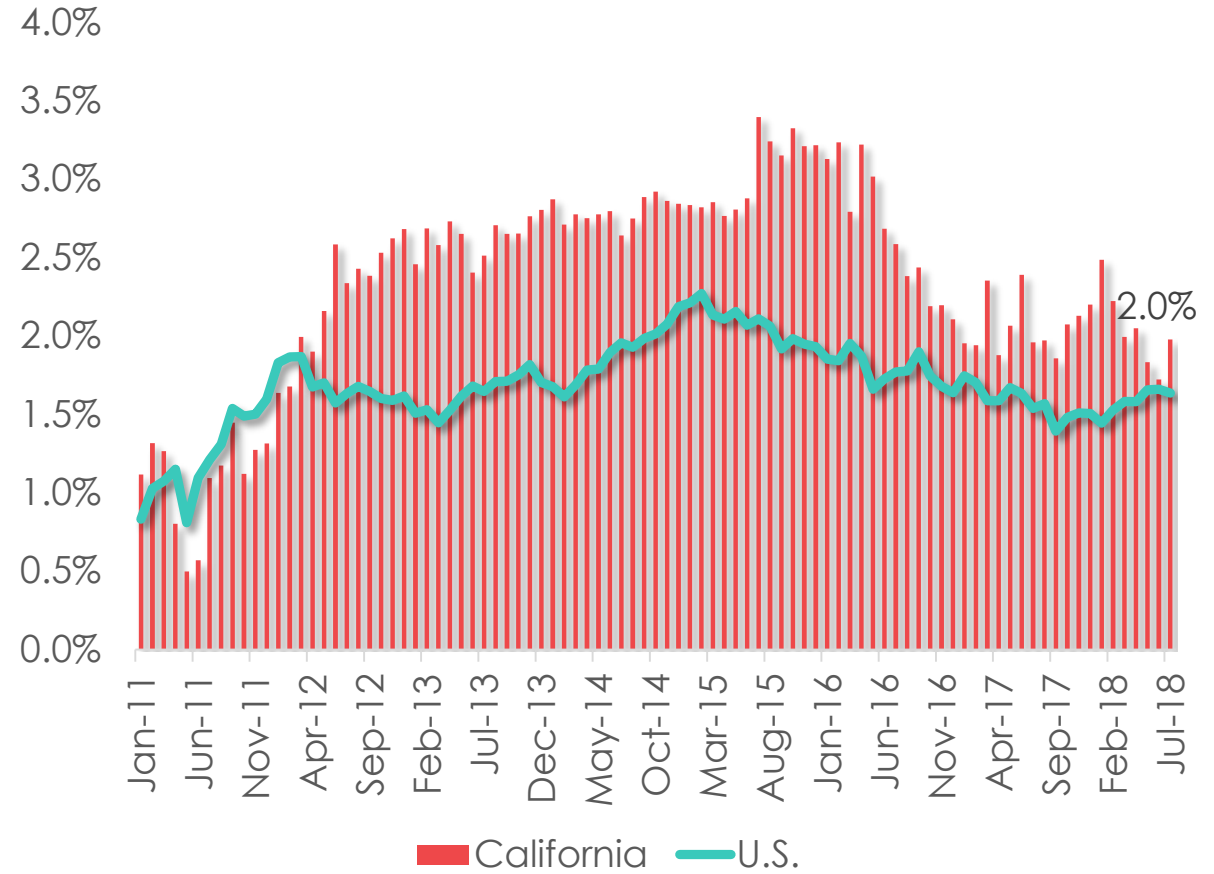


# CA Employment: All-Time High

### California Nonfarm Employment



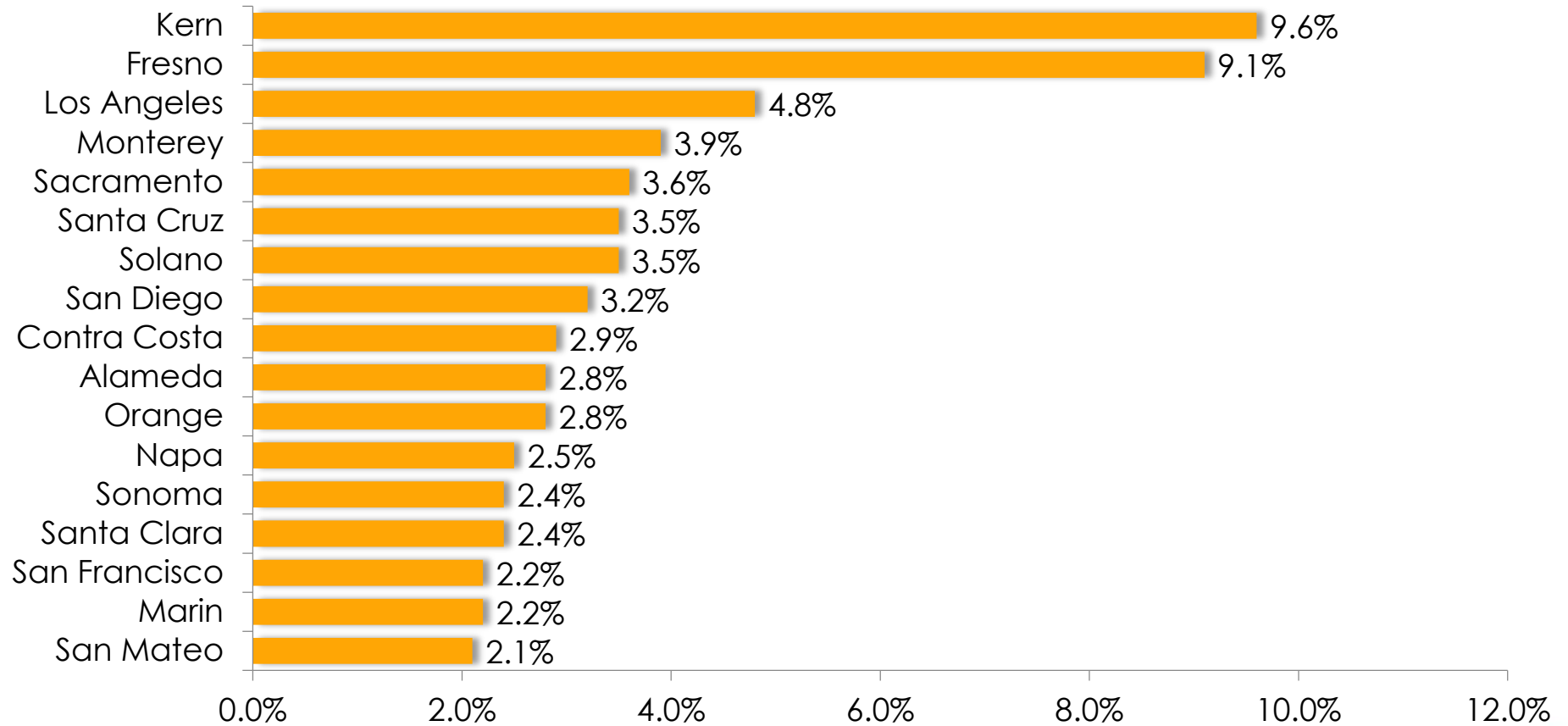
### Nonfarm Employment Growth





# Unemployment Lowest in 40+ Years

September 2018 Unemployment Rates

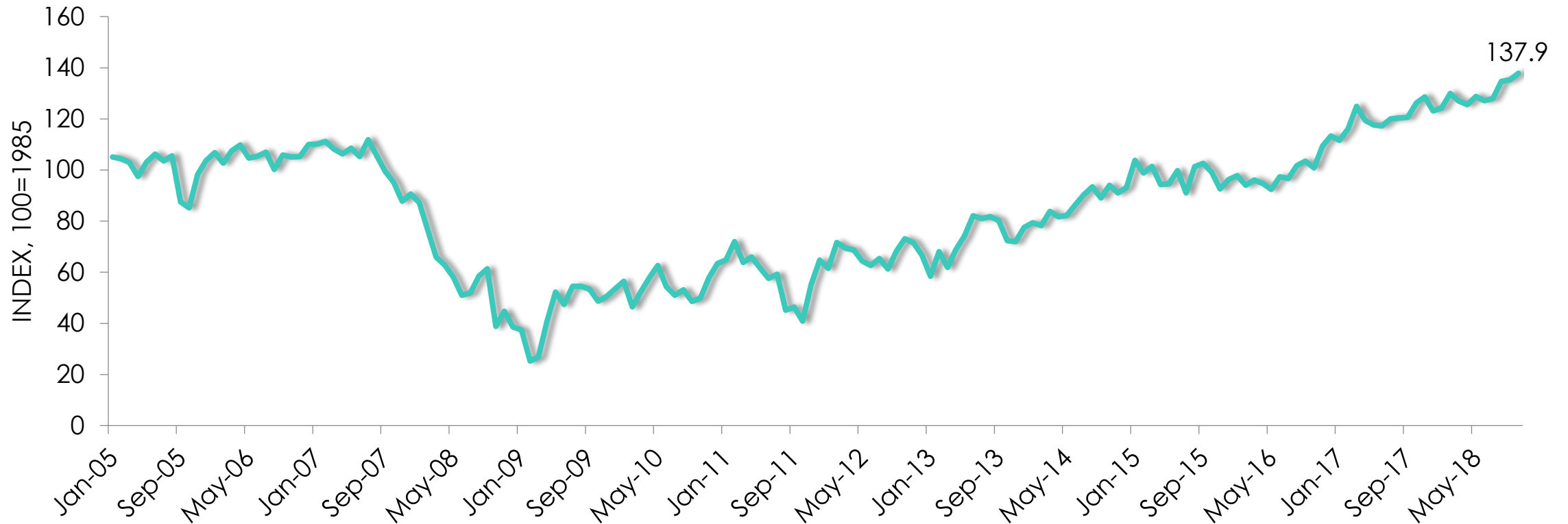


SERIES: Civilian Unemployment Rate  
SOURCE: CA Employment Development Division



# Consumer Confidence Highest in 18 Years

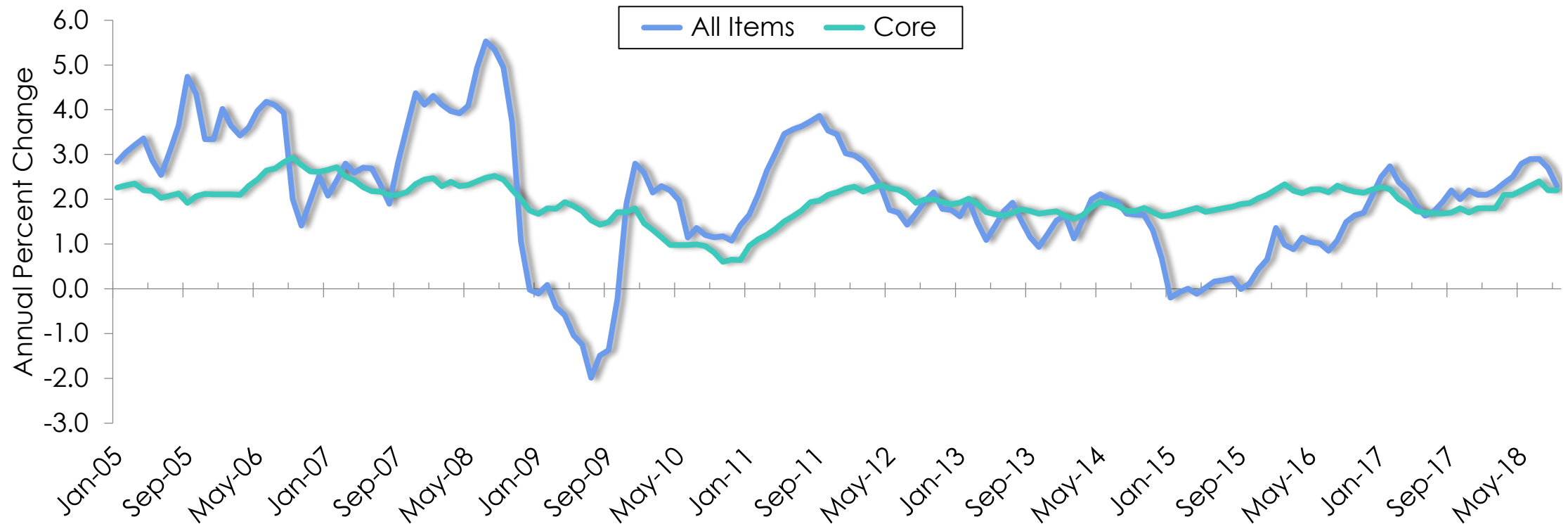
October 2018: 137.9





# Inflation Remains Low

September 2018: All Items 2.3% YTY; Core +2.2% YTY





# Rates in 2018: 30 Yr. Now Above 5% 1<sup>st</sup> Time since 2011



SERIES: Average 30 Yr. Fixed Mortgage Rates  
SOURCE: Mortgage News Daily



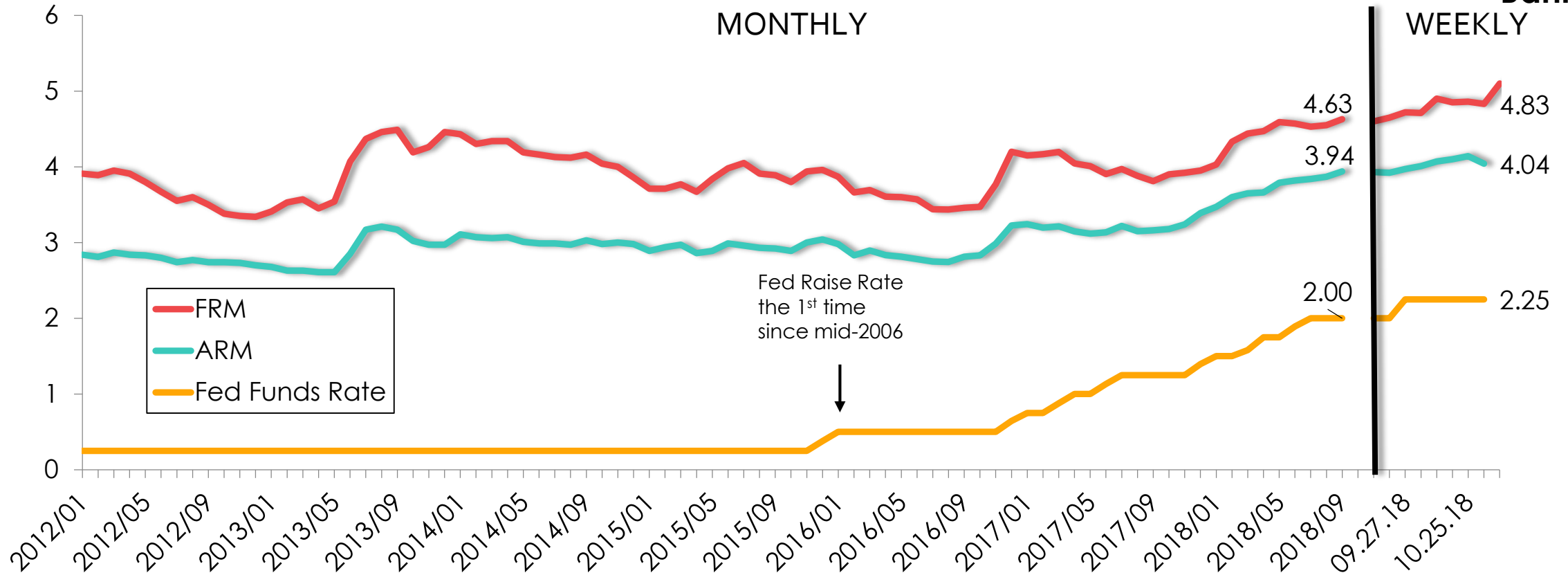
# Fed Has Raised rates 8 Times Since Dec 2015

## January 2012 – November 2018

MONTHLY

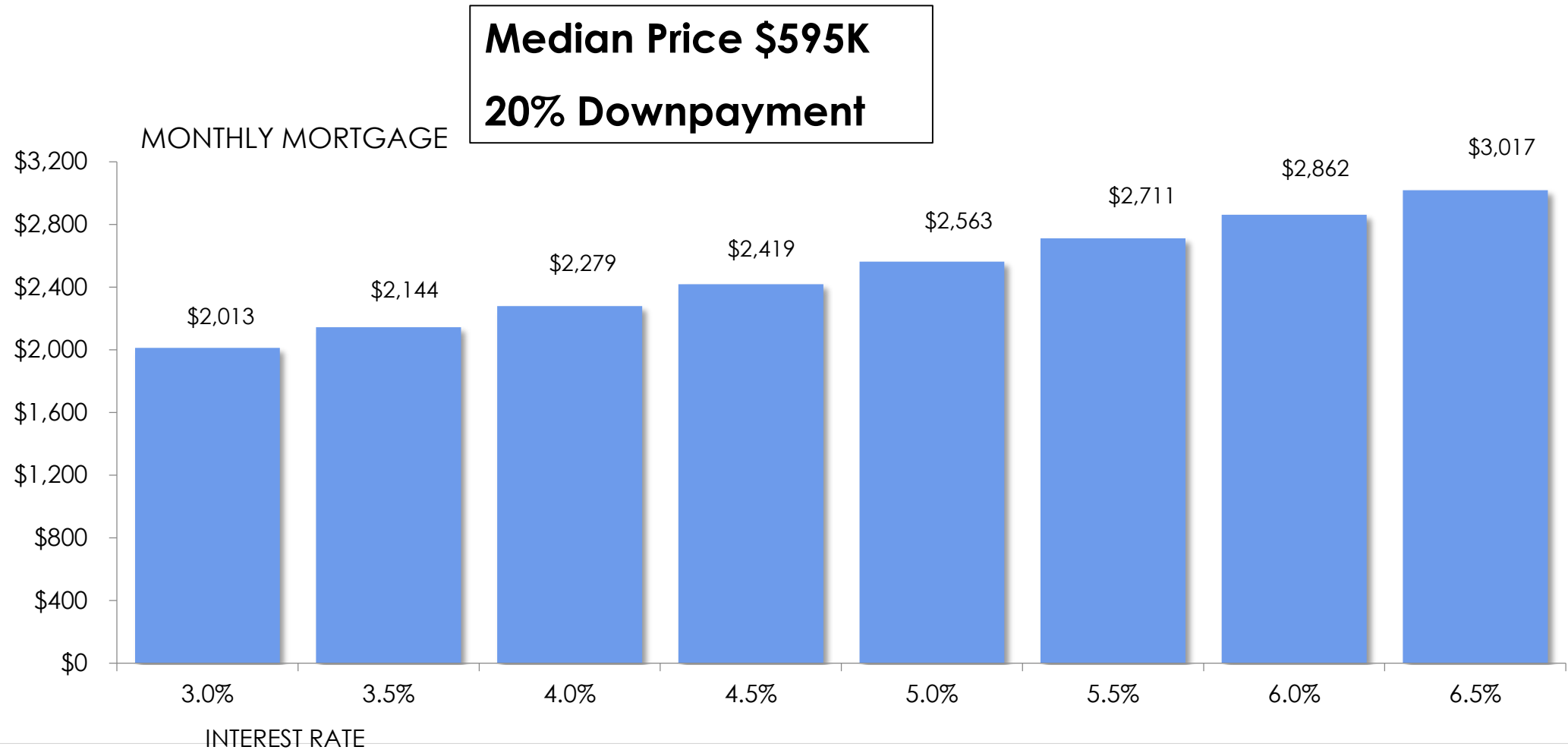
WEEKLY

**5.10%**  
**Bankrate**





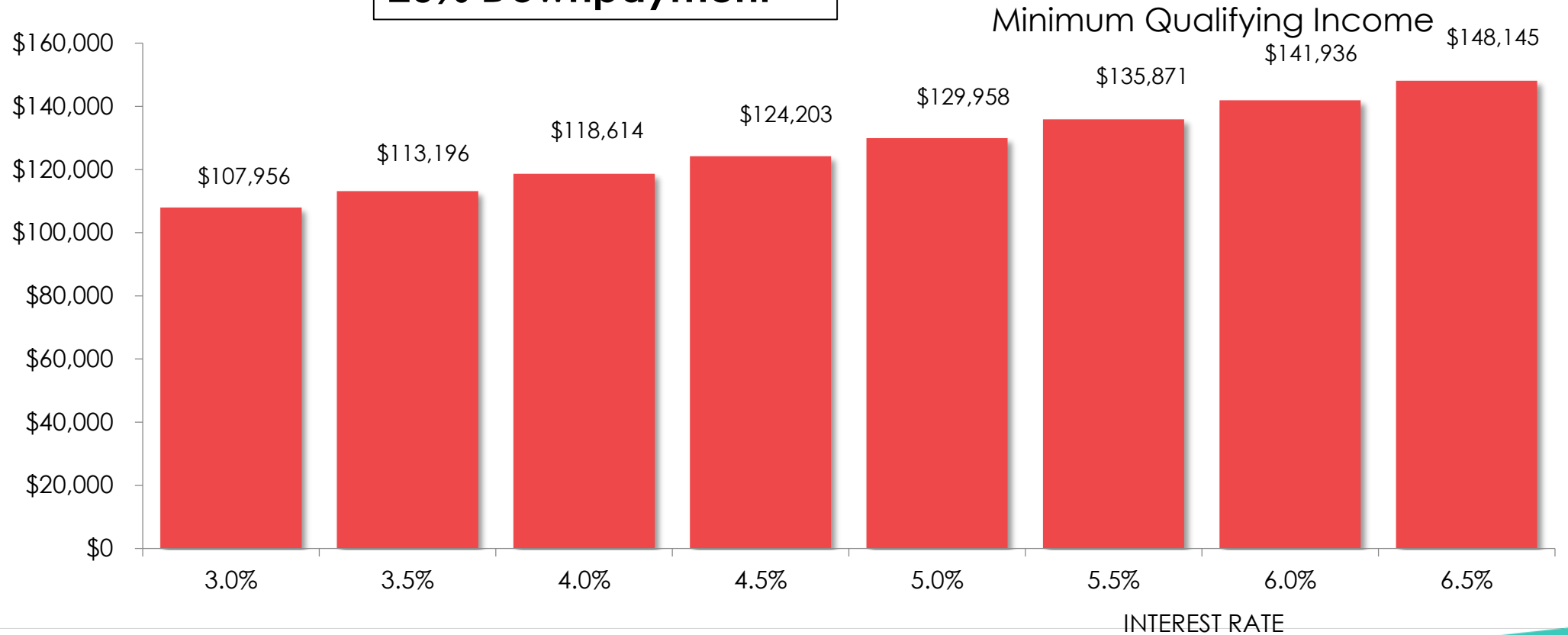
# RISING Rates Hit Pocketbooks Hard





# RISING Rates Hit Pocketbooks Hard

**Median Price \$595K**  
**20% Downpayment**







# Tax Reform: Homeownership Took a Hit

- 7 tax brackets
  - **0%, 10%, 12%, 22%, 24%, 32%, 35%, and 37%**
- MID Caps at \$750K
  - Existing loans grandfathered
- SALT capped at \$10K
- Double standard deduction
- Expand child tax credit \$2K
- 401K still deductible
- 2<sup>nd</sup> Homes survived
- Eliminate HELOC deduction
- Cap gains exclusion survives
- 1031 exchange survives
- Pass-through income deduction of 20%
- Maintains expense deductions
- Corporate rate of 21%



# Consequences?

- Lock in effect on MID cap
  - Less supply, eroded affordability
- Raises costs for \$937K +
  - Less price pressure at top end
- Rents rise at bottom end
  - More money in pockets
  - Might not translate to prices at bottom -> **no incentive to own**
- SALT cap will affect roughly half of the market – not totally offset by lower tax rates



# Growth is good, but has its side effects too

Higher  
Demand

Full  
Employment

Potential  
Inflation



# There's also the bond market to consider



Tax Cuts



Bigger  
Deficits

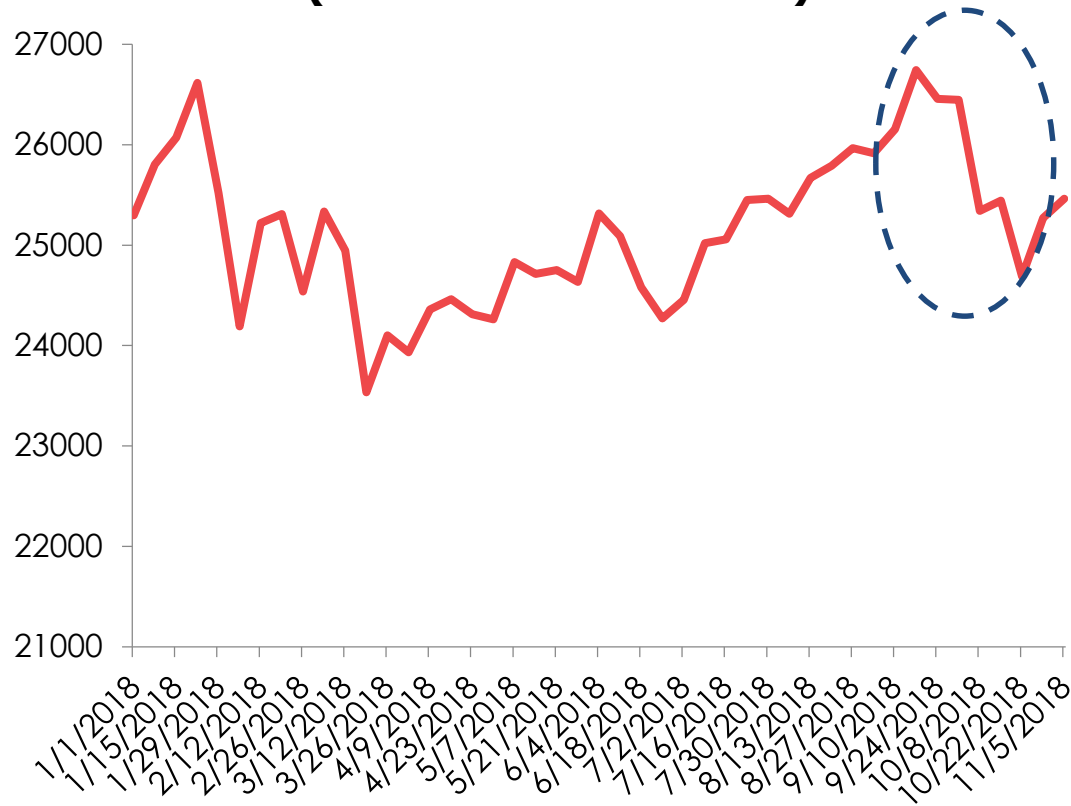


More  
Potential  
Inflation

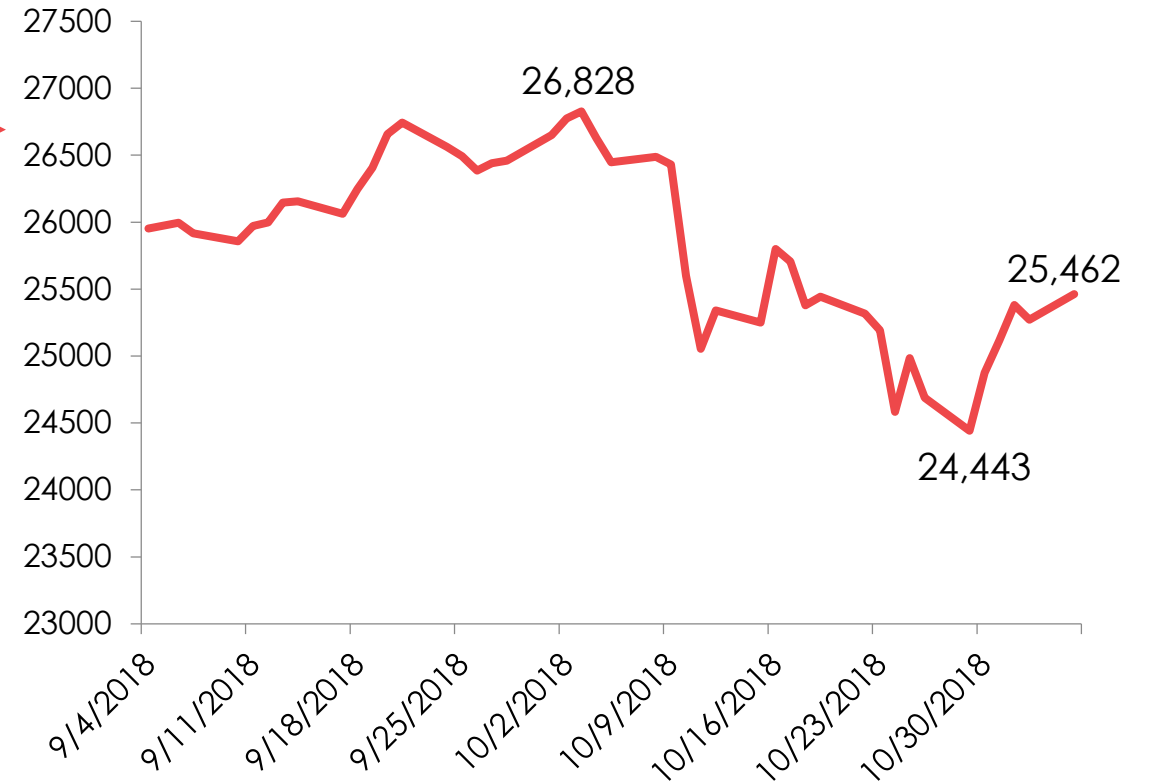


# And then there's this...

(Jan 2018 – Nov 2018)



(9/1/18 – 11/5/18)





## SEPTEMBER HOUSING SNAPSHOT

### EXISTING-HOME SALES

# 5.15 million

SALES

↓ (MoM)  
-3.4%

↓ (YoY)  
-4.1%

MEDIAN  
SALES PRICE

# \$258,100

↑ (YoY)  
4.2%

INVENTORY

# 4.4 months\*

4.2 months in September 2017

\*Six months of inventory is considered a balanced market that equally benefits buyers and sellers.

 NATIONAL ASSOCIATION of REALTORS®



# Market Shift: Home Sales Softening

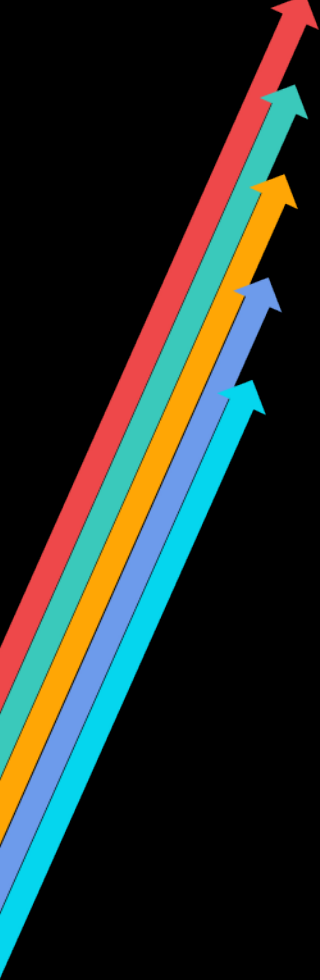
Region	Aug-18	Jul-18	Aug-17	MTM	YTY
<b>U.S.</b>	4,750,000	4,750,000	4,800,000	0.0%	-1.0%
<b>Northeast</b>	600,000	560,000	610,000	7.1%	-1.6%
<b>Midwest</b>	1,210,000	1,180,000	1,210,000	2.5%	0.0%
<b>South</b>	1,950,000	1,970,000	1,920,000	-1.0%	1.6%
<b>West</b>	990,000	1,040,000	1,060,000	-4.8%	-6.6%



# Regional Price Gains Slowing

Region	Aug-18	Jul-18	Aug-17	MTM	YTY
<b>U.S.</b>	\$267,300	\$271,900	\$254,800	-1.7%	4.9%
<b>Northeast</b>	\$291,300	\$310,800	\$286,200	-6.3%	1.8%
<b>Midwest</b>	\$210,200	\$210,900	\$203,100	-0.3%	3.5%
<b>South</b>	\$234,200	\$239,600	\$225,600	-2.3%	3.8%
<b>West</b>	\$397,400	\$397,700	\$378,100	-0.1%	5.1%





Q: How long can the  
economy be strong if  
housing isn't?



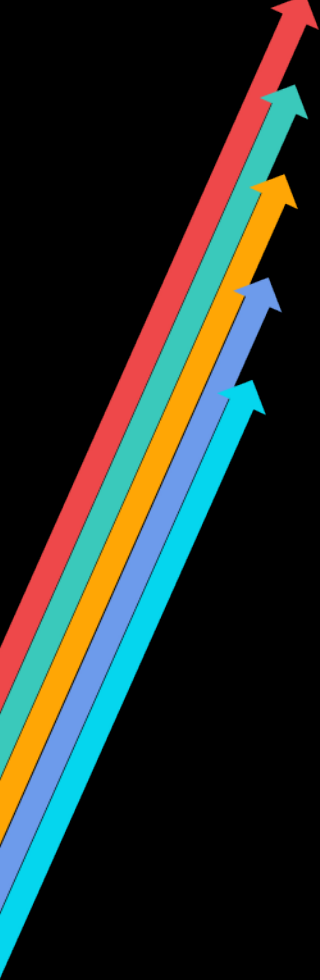
# Concerns Going Forward

- Fiscal stimulus wears off
- Global growth outlook weakening
- US growth outpacing global growth – strong dollar hurts emerging market economies
- Trade wars/Immigration restrictions (H-1B visas)
- Stock market sell-off – could impact financial conditions that slow growth
- Markets hate uncertainty



# Bay Area Economic Profile

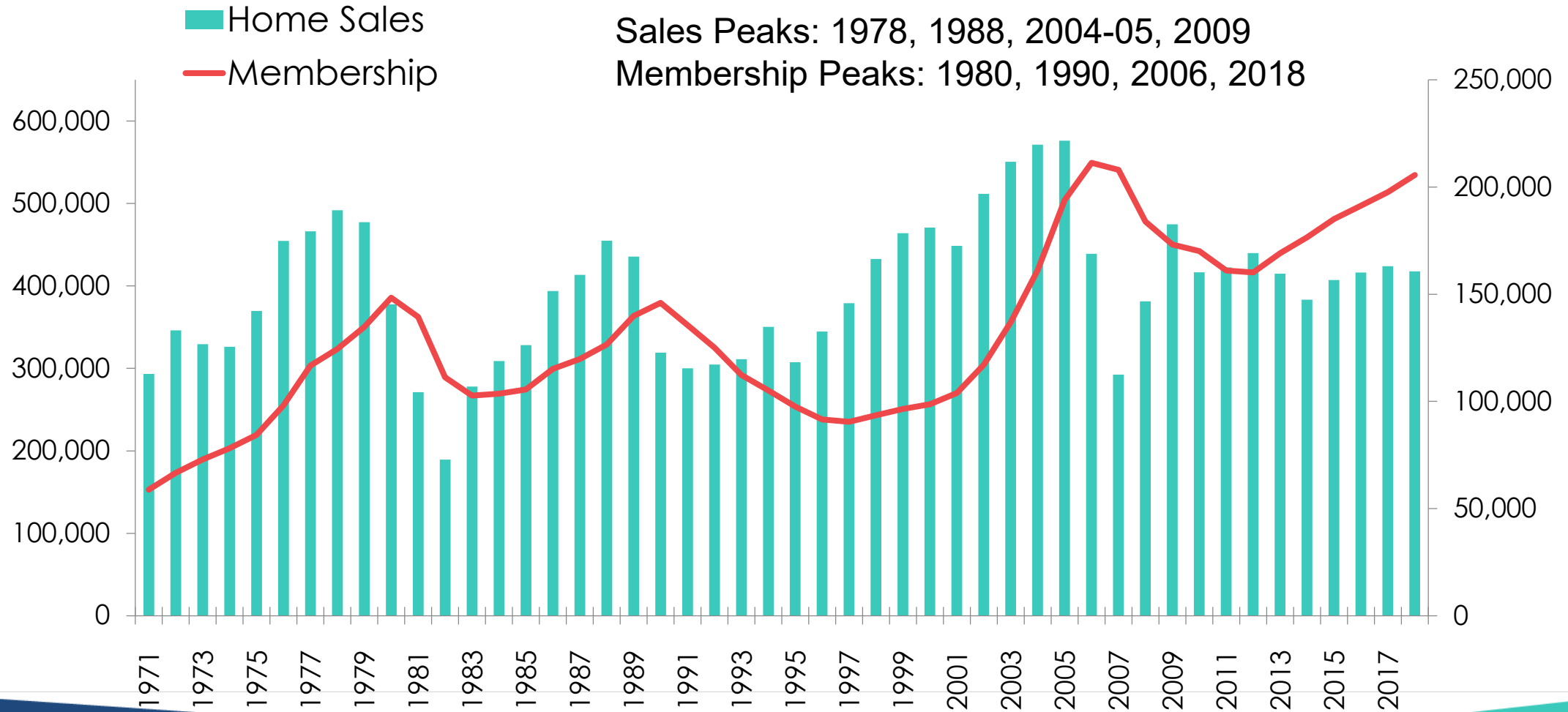
- 19<sup>th</sup> largest economy - \$748B GDP
- Per capital GDP = \$80,000 Highest of any similar MSA
- 4.3% growth over last 3 years -- 2X as fast as U.S.
- +26% employment growth since last recession
- 750,000 tech workers as of July 2017
- July 2016-July 2017
  - Net outflow of 45,670 to other parts of U.S.
  - Net inflow of 58,156 from outside of the U.S.



# California Realtors & Their Industry



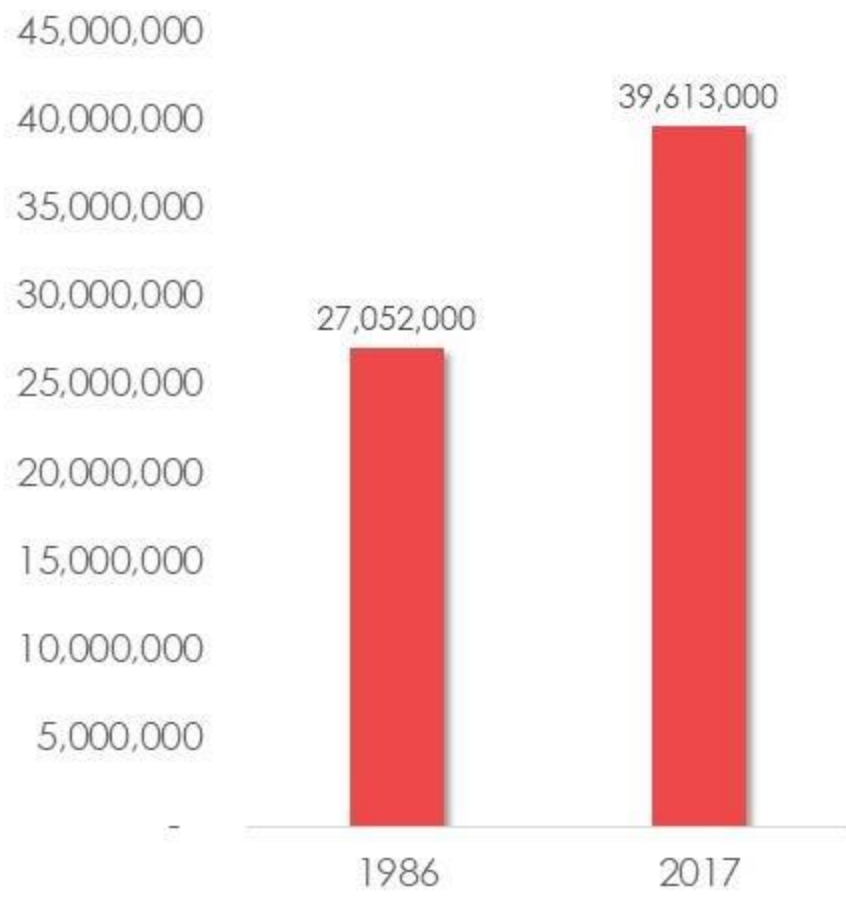
# C.A.R. Membership Up & Sales Flat



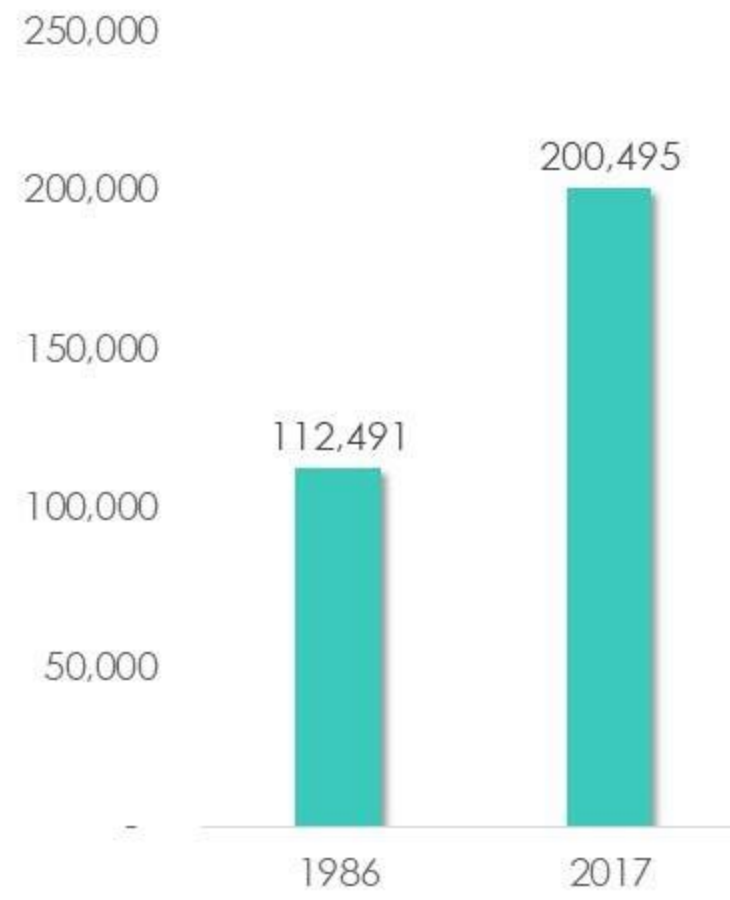


# More of everything, except sales...

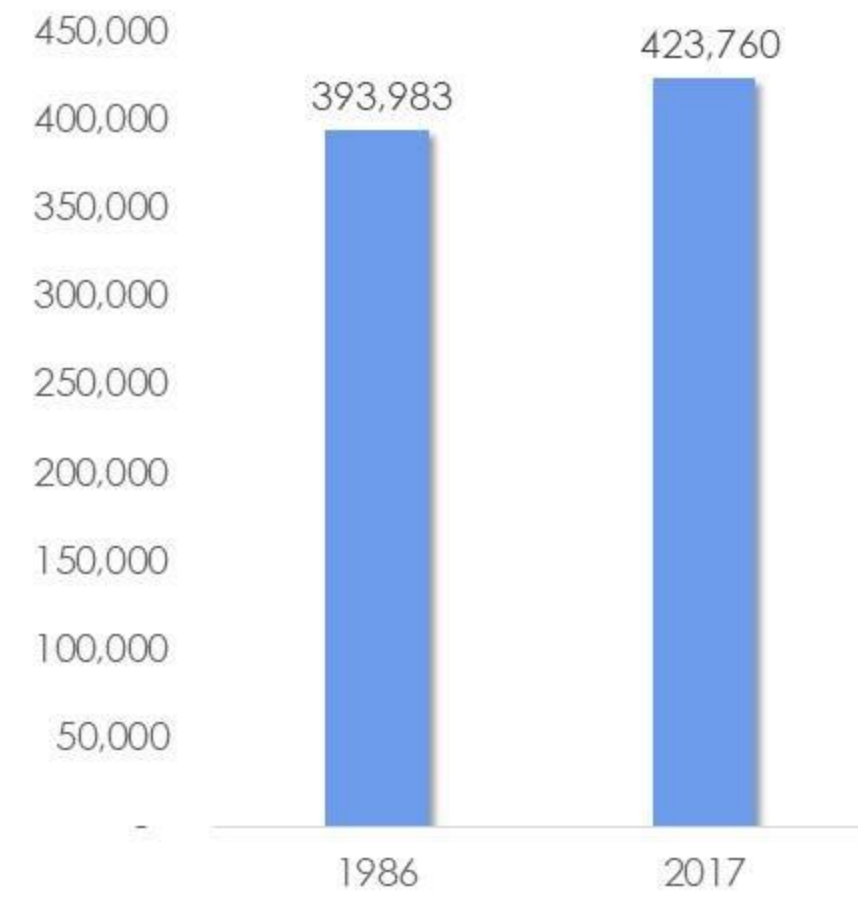
California Population



California REALTORS®

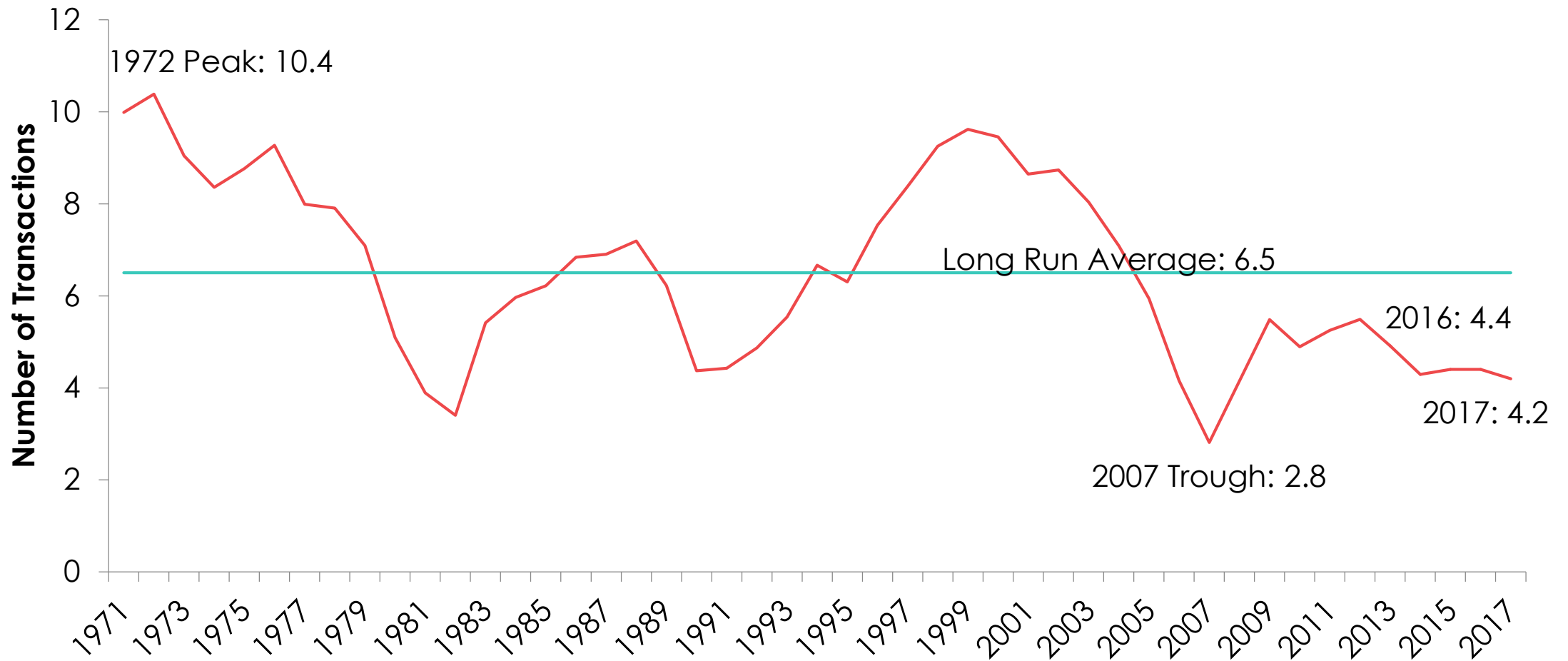


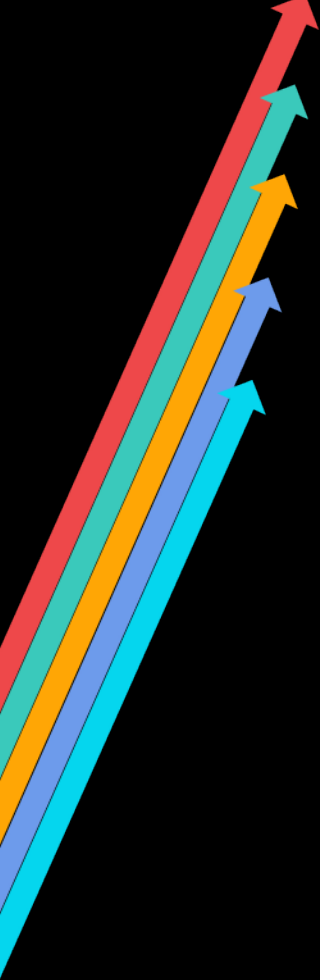
California Home Sales





# Member Productivity is Low $\frac{1}{2}$ What It Was in 1972





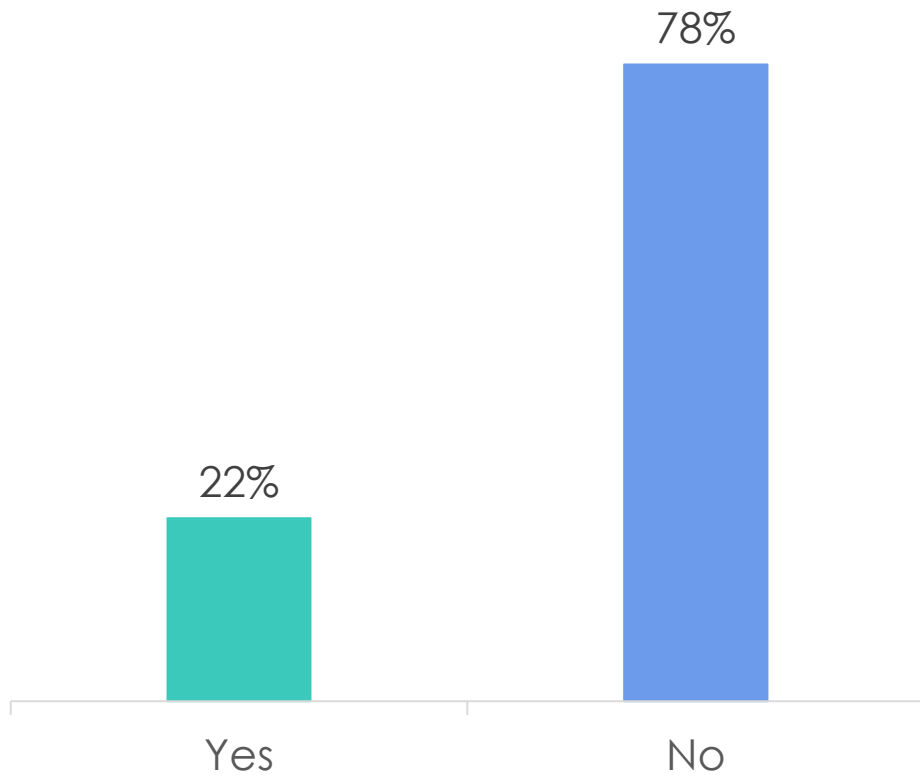
# CA Housing Market: “A Shift is Afoot”



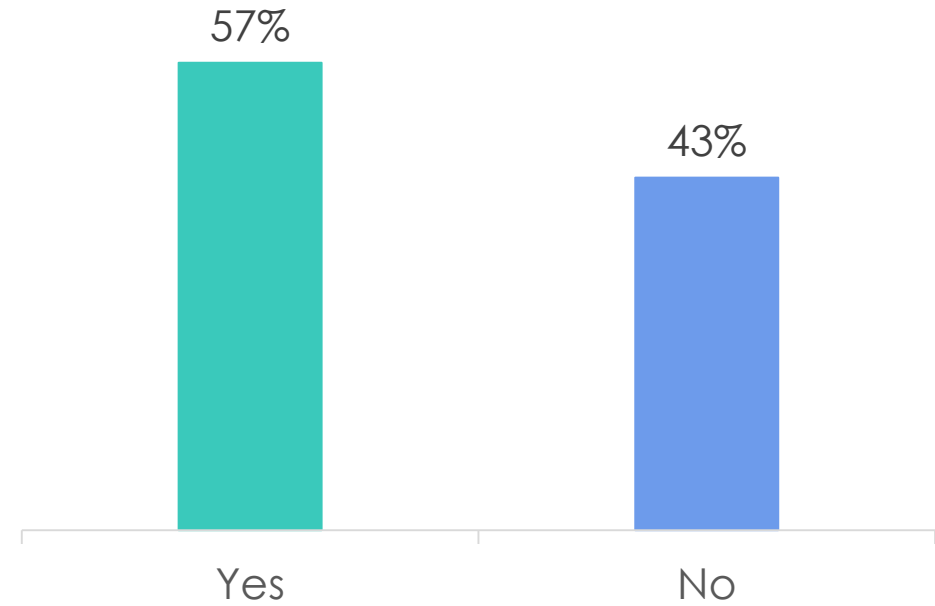


# CA Buyers On the Sidelines

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



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





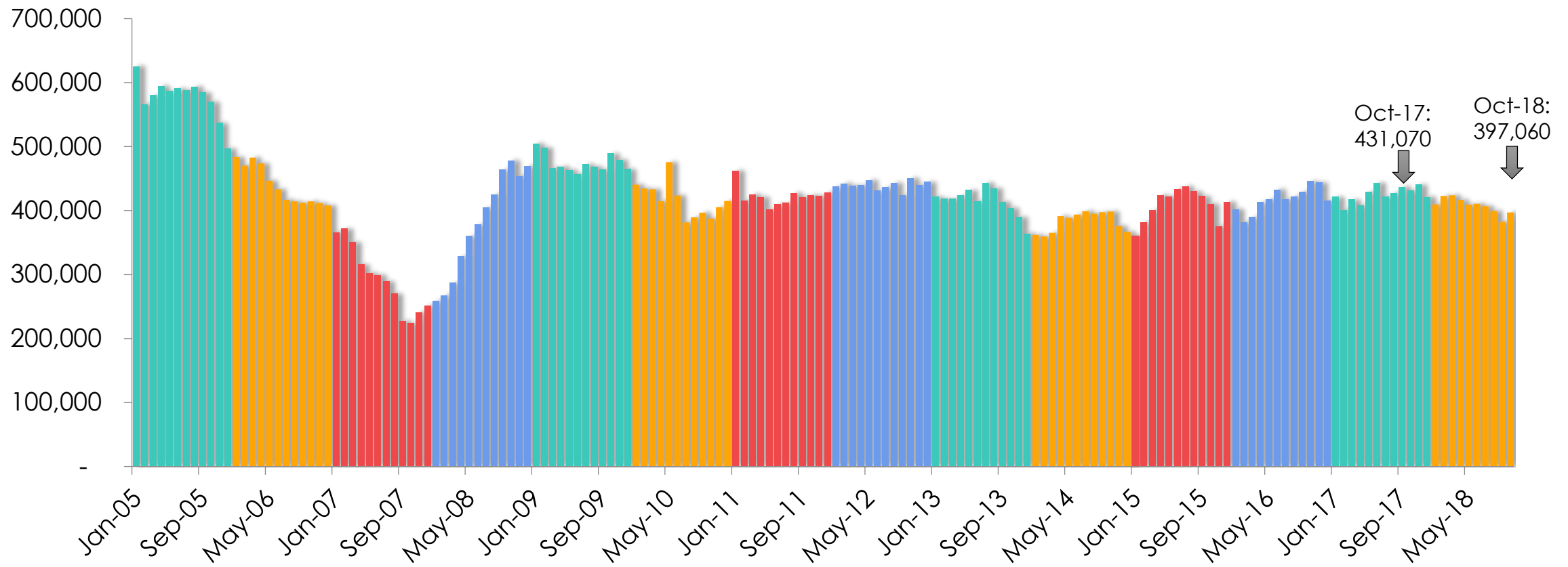
# October Market Snapshot

- Sales: 397,060 down for 6 consecutive months
- YTD down 3.7%
- Below 400,000 for the last three
- Price: \$572,000 gains in mid-single digits
- Unsold inventory 3.6 months



# October Sales Off 7.9% YTY 6 months of declines

CA October 2018 Sales: 397,060 Units, -3.7% YTD, -7.9% YTY

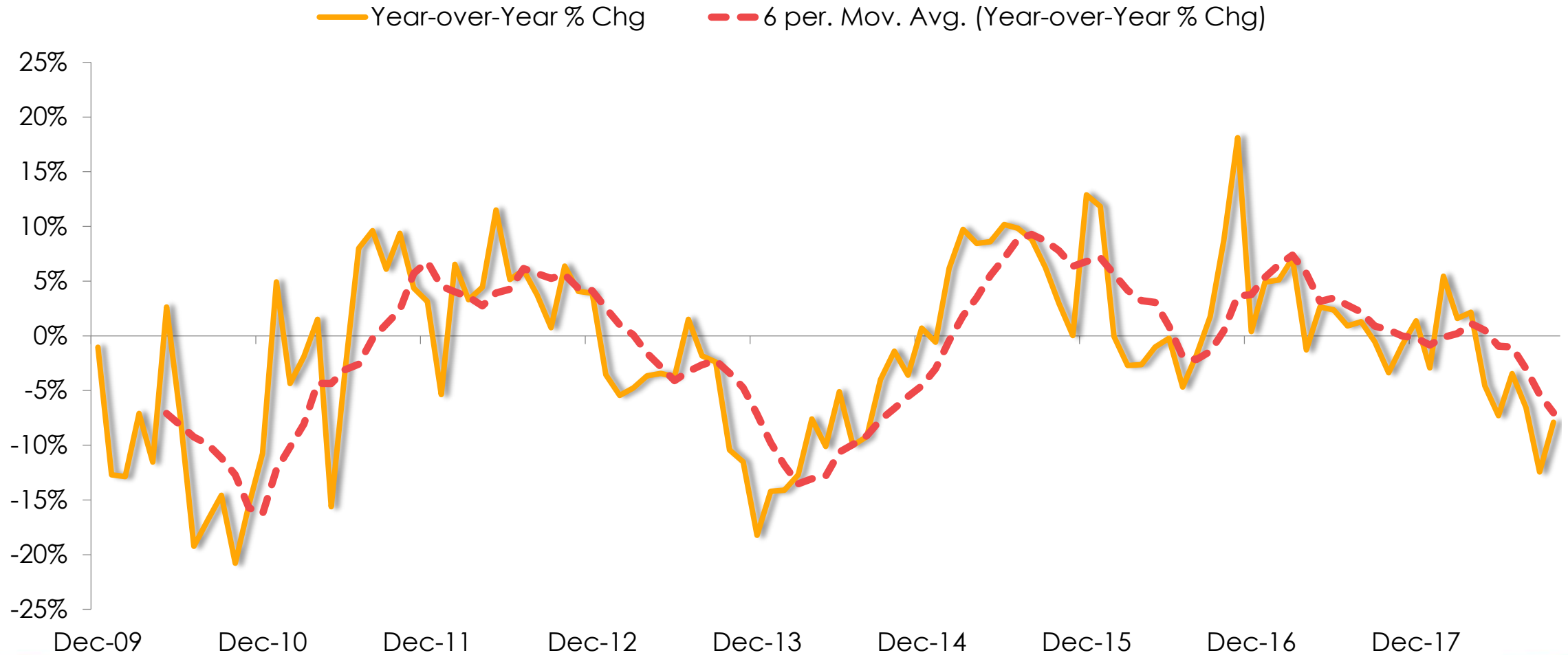


SERIES: Sales of Existing Single Family Homes  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

\*Sales are seasonally adjusted and annualized



# CA: Declining Trend in Home Sales

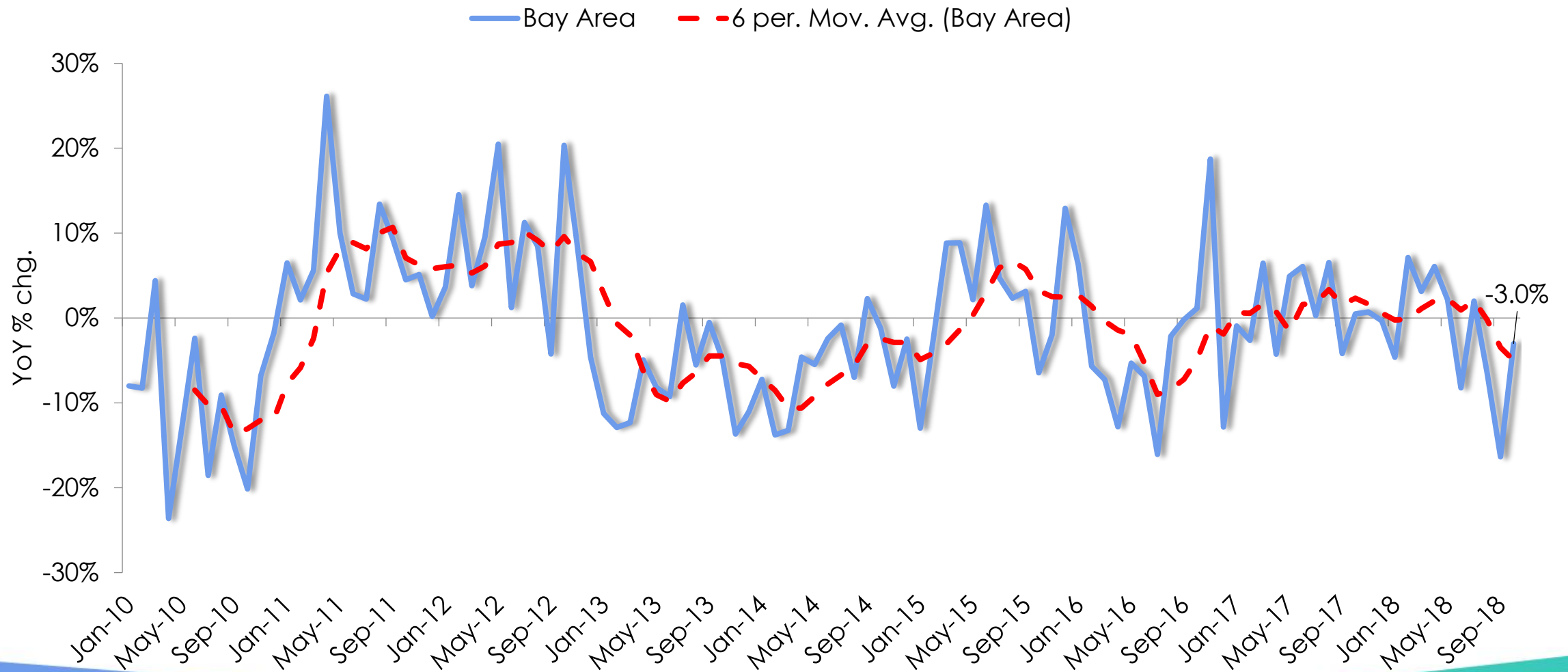


SERIES: Sales of Existing Single Family Homes  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

\*Sales are seasonally adjusted and annualized



# Bay Area Sales Down 3% from Last Year



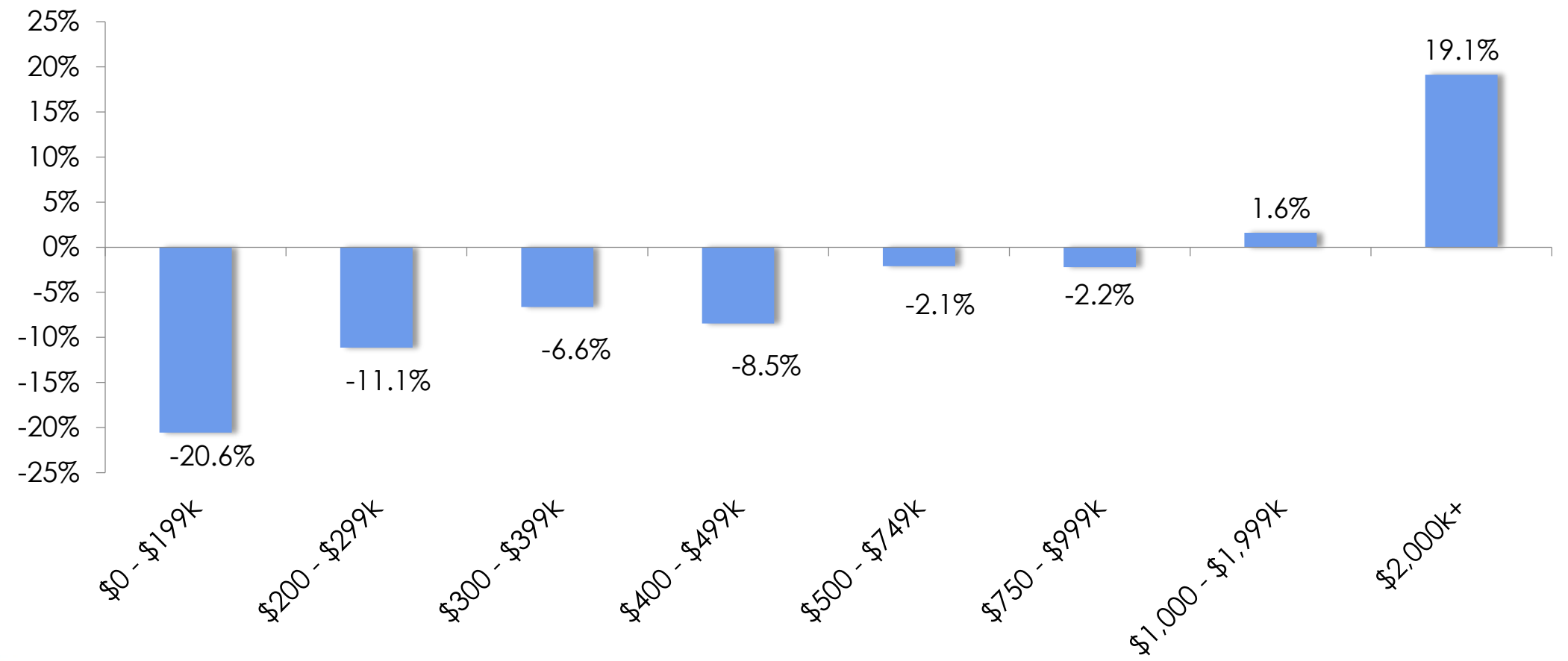
SERIES: Sales of Existing Single Family Homes  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

\*Sales are not seasonally adjusted and annualized



# Sales Declined in Sub-Million Dollar Markets

October 2018 (Year-to-Year)



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



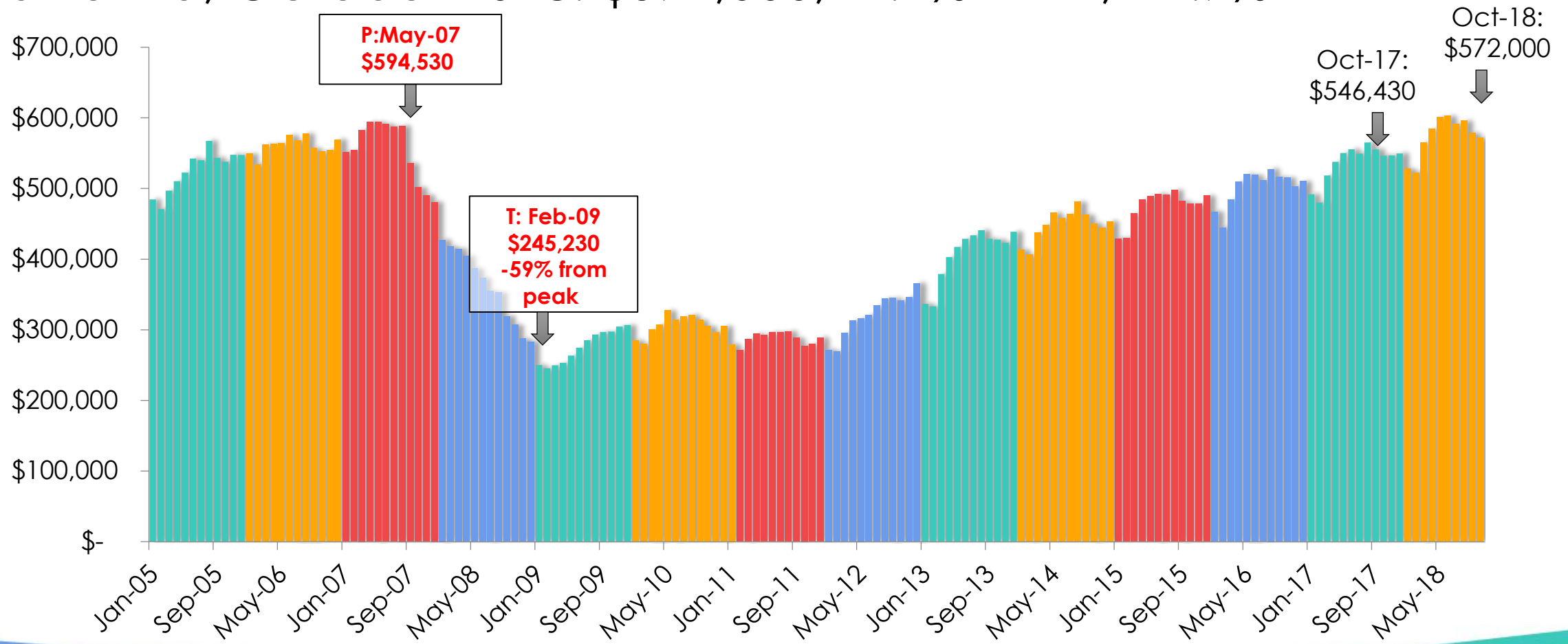
# Bay Area: 4 Counties are up YTD but not by much

Region	Oct-17	Oct-18	YTD % Chg.	YTY% Chg.
Alameda	981	897	1.9%	-8.6%
Contra Costa	946	851	-2.4%	-10.0%
Marin	170	202	2.4%	18.8%
Napa	80	104	-1.3%	30.0%
San Francisco	230	242	-0.6%	5.2%
San Mateo	378	429	0.3%	13.5%
Santa Clara	878	827	6.6%	-5.8%
Solano	424	333	-7.5%	-21.5%
Sonoma	349	416	-2.2%	19.2%
<b>Bay Area</b>	<b>4,436</b>	<b>4,301</b>	<b>-2.4%</b>	<b>-3.0%</b>



# Home Prices Still Rising – Gains Moderating

California, October 2018: \$572,000, -1.2% MTM, +4.7% YTY

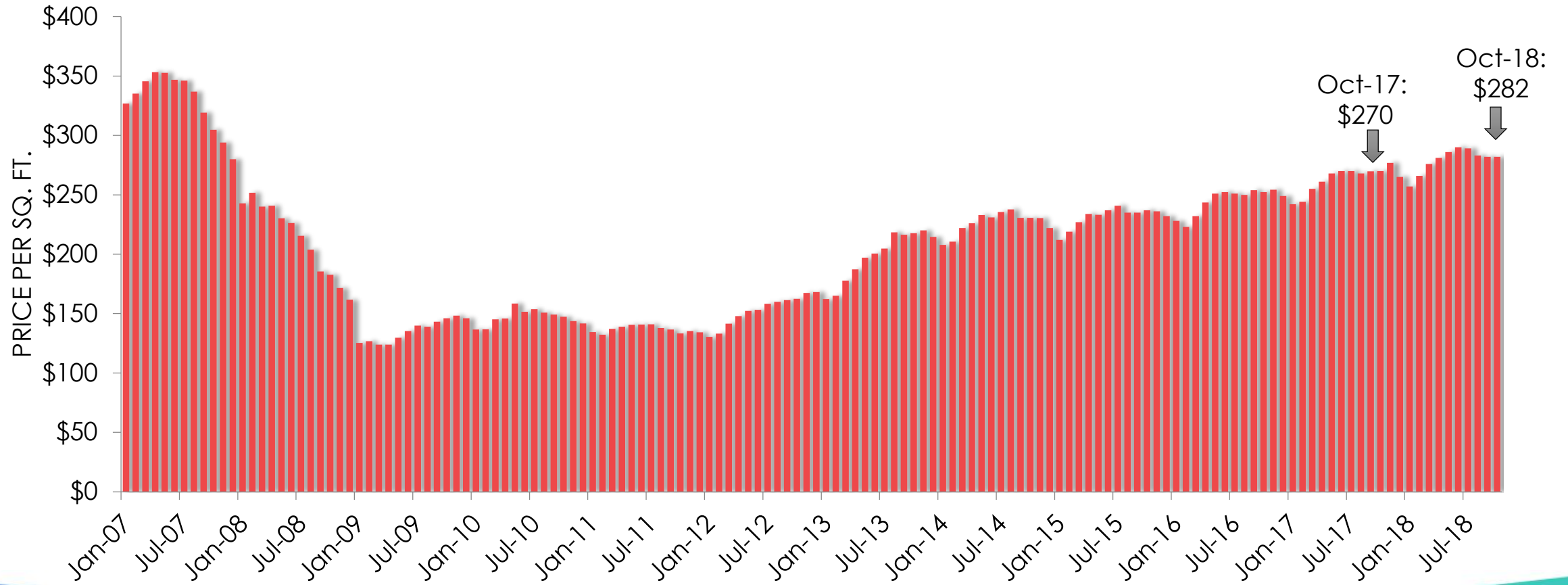






# Price Per Square Increased from Last Year, but Virtually Unchanged from September

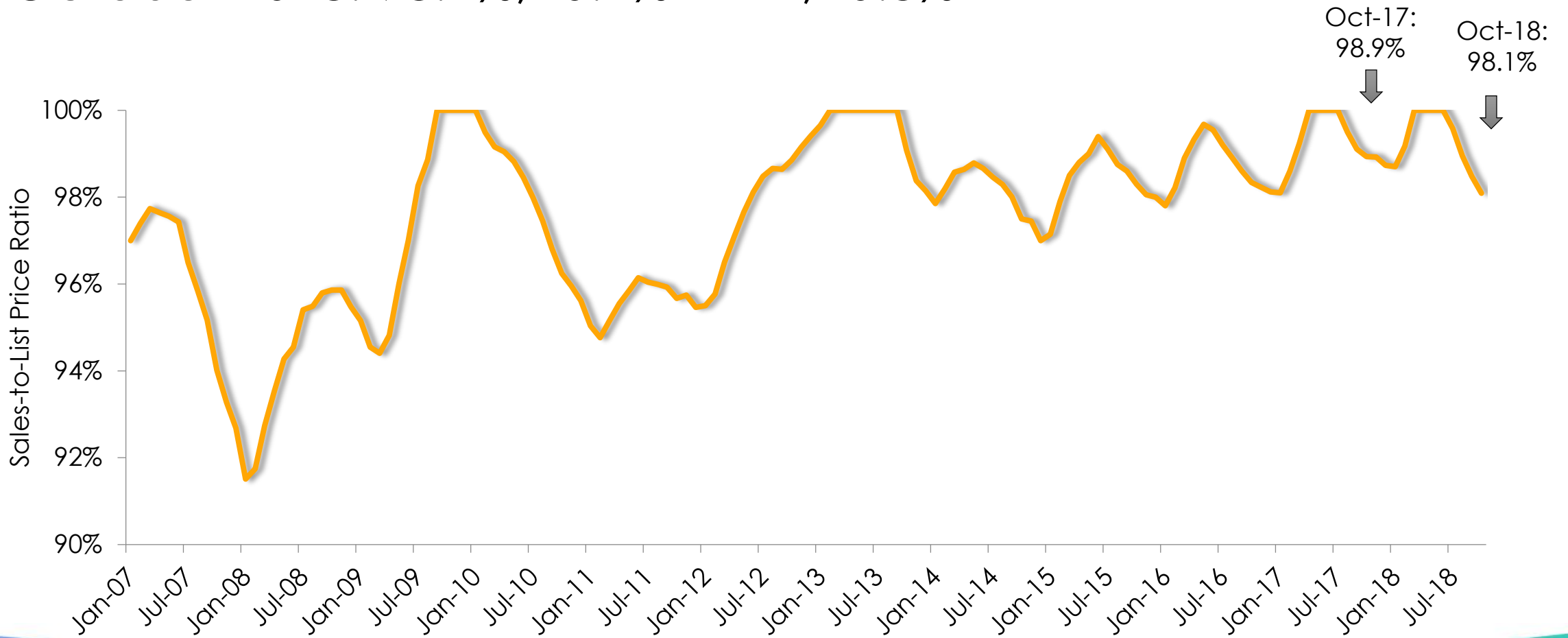
October 2018: \$282, Down 0.0% MTM, Up 4.4% YTY





# Sales Price -to-List Price Hit the Lowest Level in 21 Months

October 2018: 98.1%, -0.4% MTM, -0.8% YTY



SERIES: Sales to List Ratio of Existing Single Family Homes  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



# Bay Area: Peak v. Current Price

Region	Peak Month	Peak Price	Oct-18	%Chg Fr Peak
Alameda	May-07	\$709,420	\$900,000	26.9%
Contra Costa	May-07	\$698,420	\$657,000	-5.9%
Marin	Jun-07	\$1,149,390	\$1,450,000	26.2%
Napa	Jun-07	\$729,170	\$709,500	-2.7%
San Francisco	May-07	\$972,010	\$1,600,000	64.6%
San Mateo	Oct-07	\$1,020,000	\$1,588,000	55.7%
Santa Clara	Oct-07	\$865,000	\$1,290,000	49.1%
Solano	Jun-07	\$492,800	\$430,000	-12.7%
Sonoma	Jan-06	\$650,330	\$650,000	-0.1%
<b>Bay Area</b>	<b>May-07</b>	<b>\$789,250</b>	<b>\$958,800</b>	<b>21.5%</b>



# So Cal: Orange & SD Above Prior Peak

Region	Peak Month	Peak Price	Aug-18	%Chg Fr Peak
Orange	Jun-07	\$775,420	\$838,500	8.1%
San Diego	May-06	\$622,380	\$660,000	6.0%
Los Angeles	Sep-07	\$625,812	\$607,490	-2.9%
<b>So CA</b>	<b>Jun-07</b>	<b>\$589,710</b>	<b>\$555,000</b>	<b>-5.9%</b>
Ventura	Aug-06	\$710,910	\$660,000	-7.2%
Riverside	Jun-06	\$431,710	\$400,750	-7.2%
San Bernardino	Aug-06	\$350,290	\$290,000	-17.2%



# Central Coast: SC & SLO

Region	Peak Month	Peak Price	Aug-18	%Chg Fr Peak
Santa Cruz	Oct-07	\$865,000	\$917,500	6.1%
San Luis Obispo	Oct-05	\$619,950	\$630,000	1.6%
Monterey	Aug-07	\$777,000	\$599,000	-22.9%
Santa Barbara	Jul-07	\$878,120	\$572,500	-34.8%



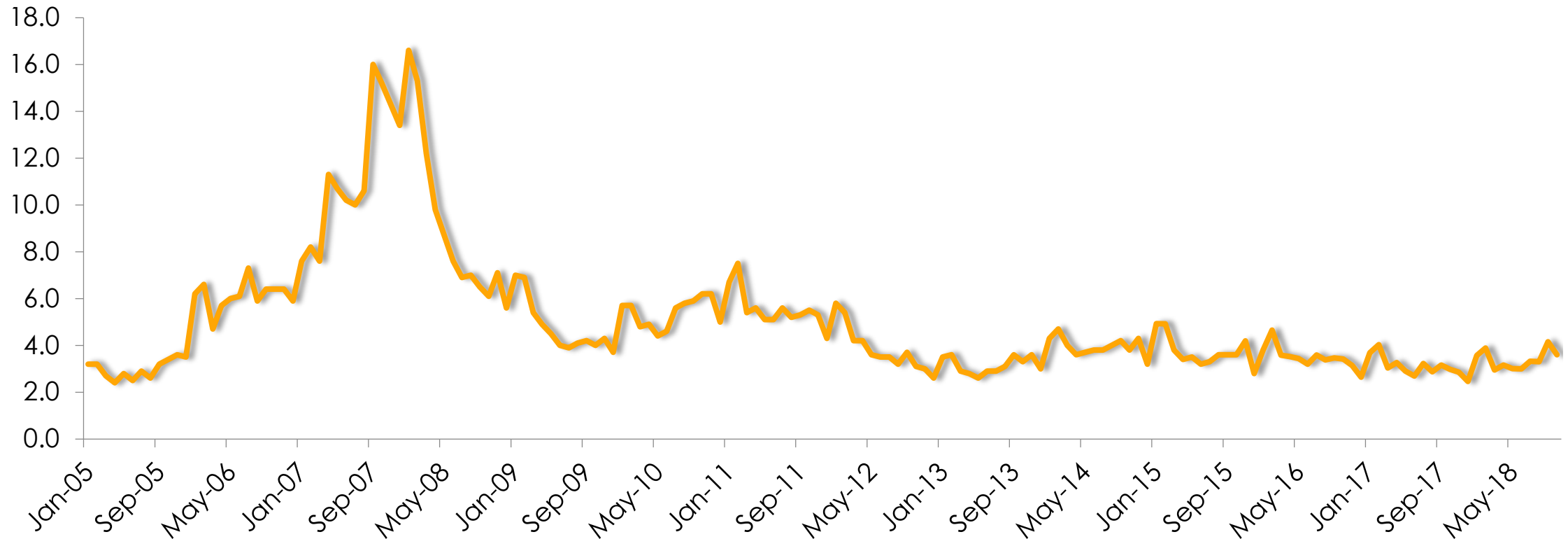
# Central Valley: All Below Prior Peak

Region	Peak Month	Peak Price	Aug-18	%Chg Fr Peak
Sacramento County	Aug-05	\$394,450	\$369,950	-6.2%
Madera County	Feb-08	\$275,000	\$254,900	-7.3%
Placer County	Aug-05	\$527,990	\$475,000	-10.0%
Fresno County	Jun-06	\$313,500	\$280,000	-10.7%
San Joaquin County	Jun-06	\$426,830	\$380,000	-11.0%
Tulare County	Dec-05	\$269,710	\$239,000	-11.4%
Stanislaus County	Sep-05	\$370,100	\$319,900	-13.6%
San Benito County	May-05	\$671,190	\$575,000	-14.3%
Kings County	Mar-06	\$268,050	\$227,750	-15.0%
Merced County	Oct-05	\$344,610	\$288,396	-16.3%
Kern County	Jun-06	\$299,920	\$247,000	-17.6%
Glenn County	Feb-07	\$312,500	\$225,500	-27.8%



# Inventory Index Dipped in October

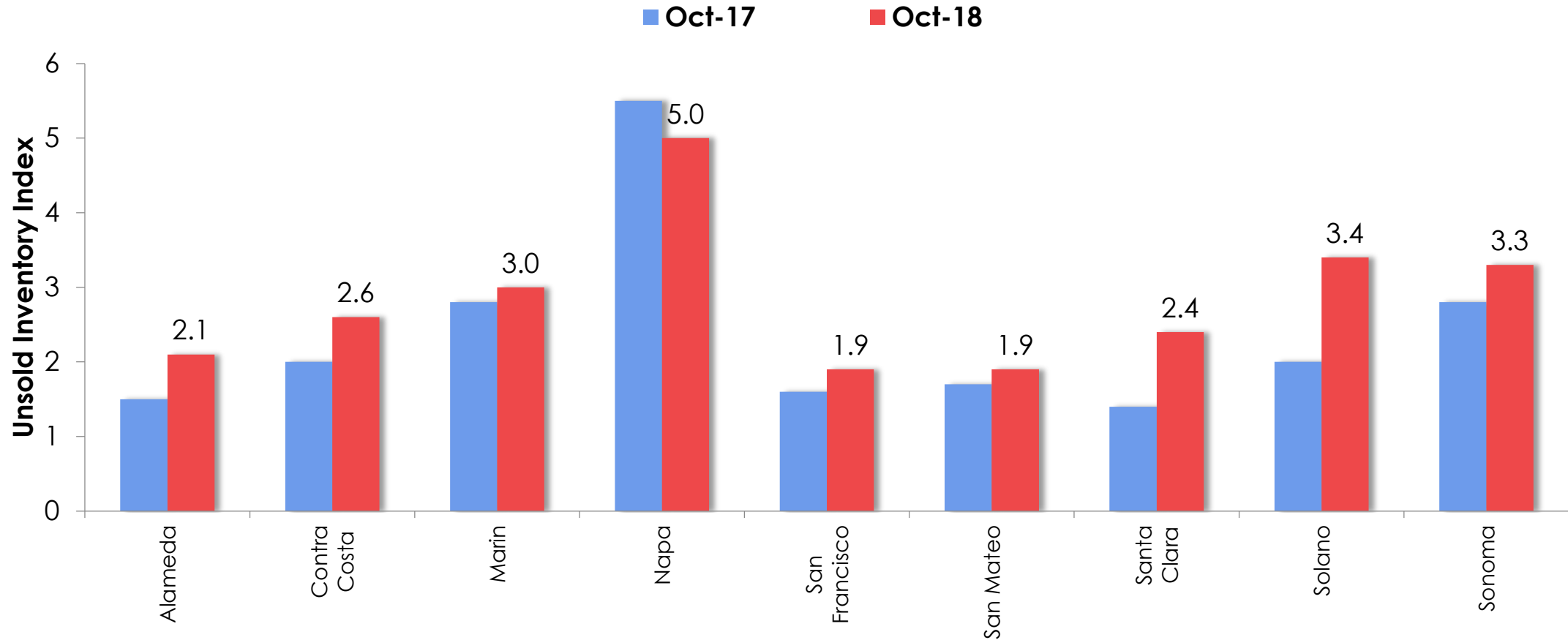
October 2017: 3.0 Months; **October 2018: 3.6 Months**



Note: "Unsold Inventory Index" represents the number of months it would take to sell the remaining inventory for the month in question. The remaining inventory for the month is defined as the number of properties that were "Active", "Pending", and "Contingent" (when available) and divide the sum by the number of "Sold" properties for the month in question.



# Unsold Inventory by Bay Area County

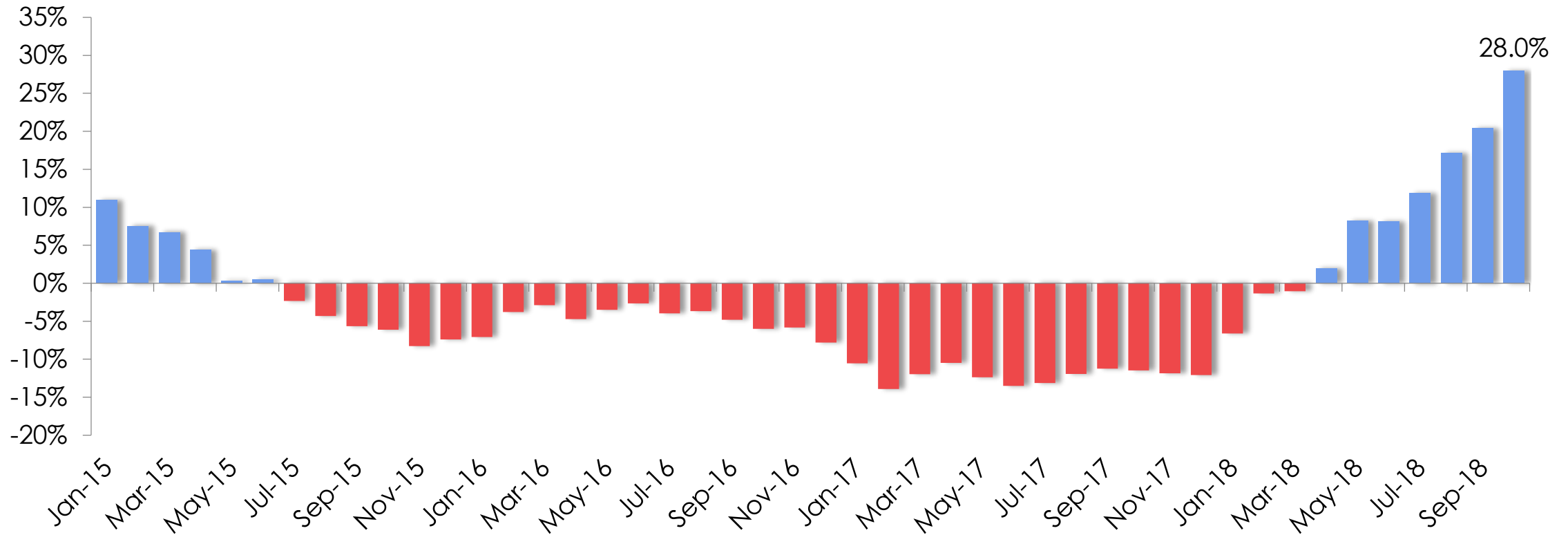






# Active Listings: Up 7<sup>th</sup> Consecutive Month

## Year-over-Year % Chg

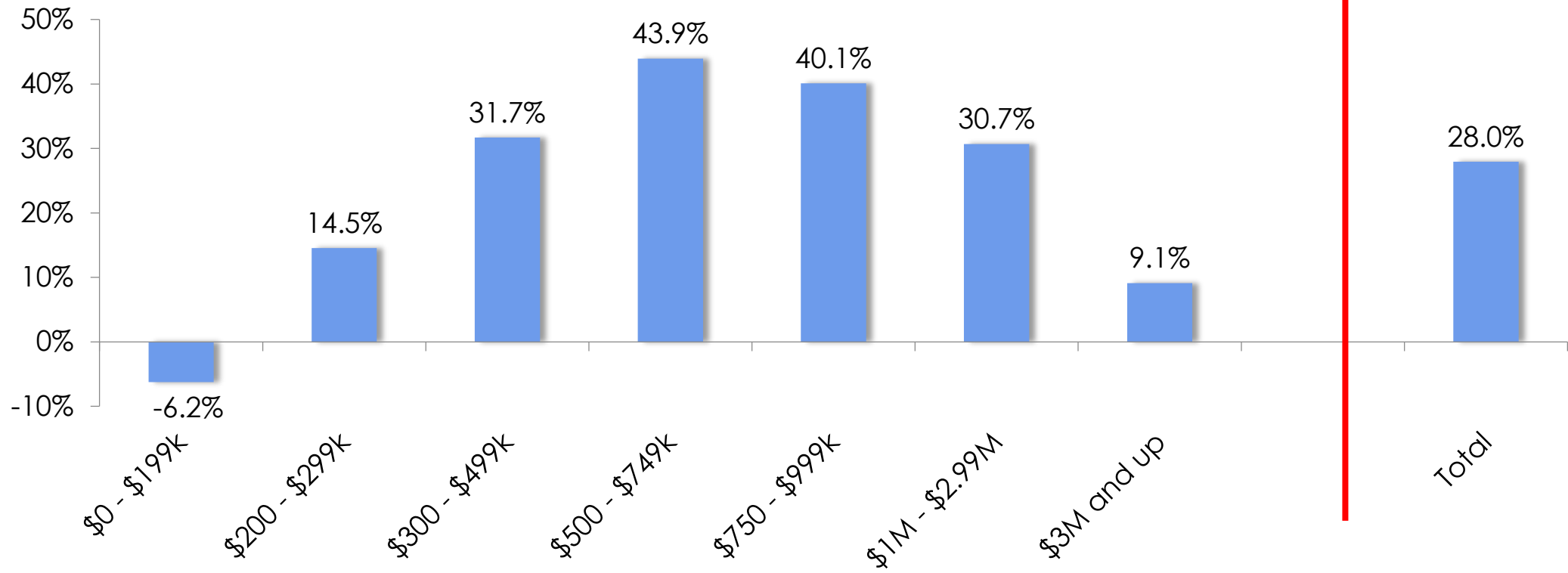




# Statewide Inventory Up Across the Board

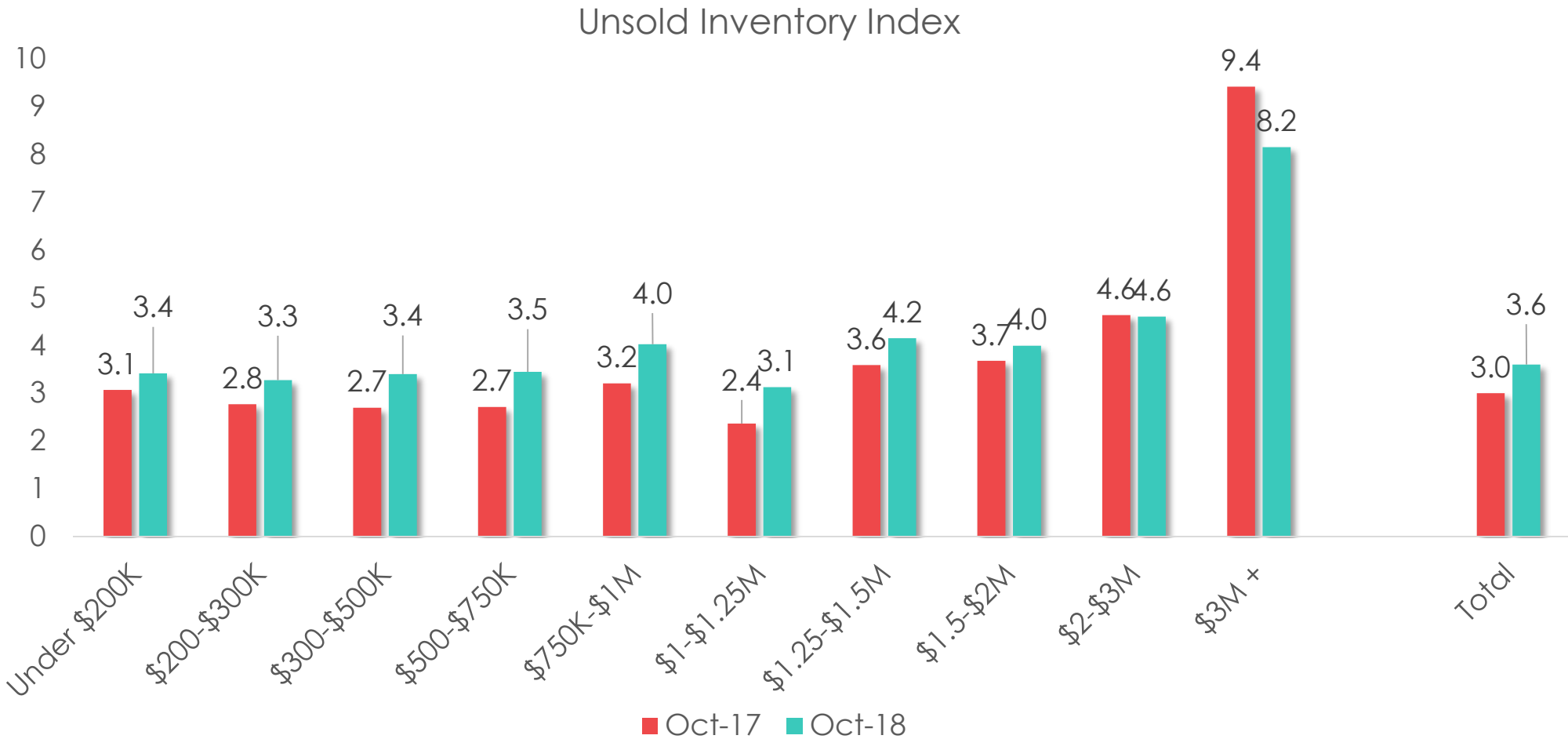
Oct 2018

Active Listing





# Inventory Highest at High End

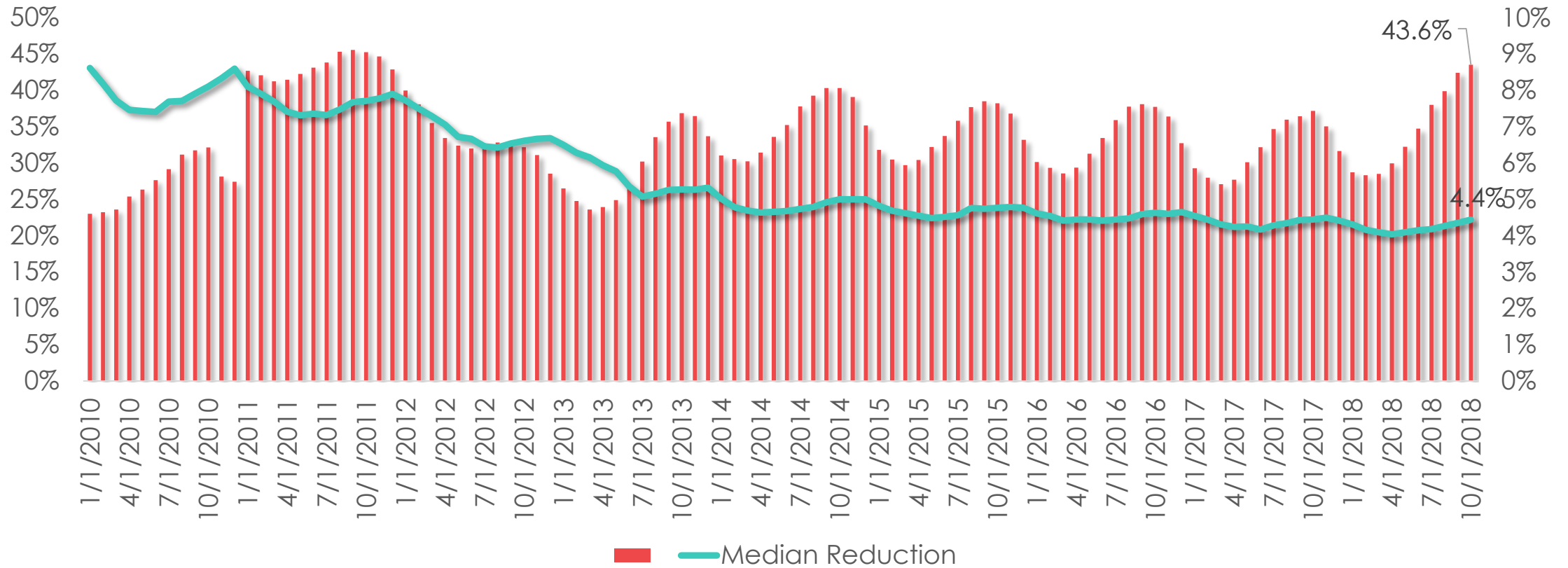




# Reduced-Price Listings Rise With Actives

Share of Listings with a Reduced Price: 43.6%; Median Reduction Amount: -4.4%

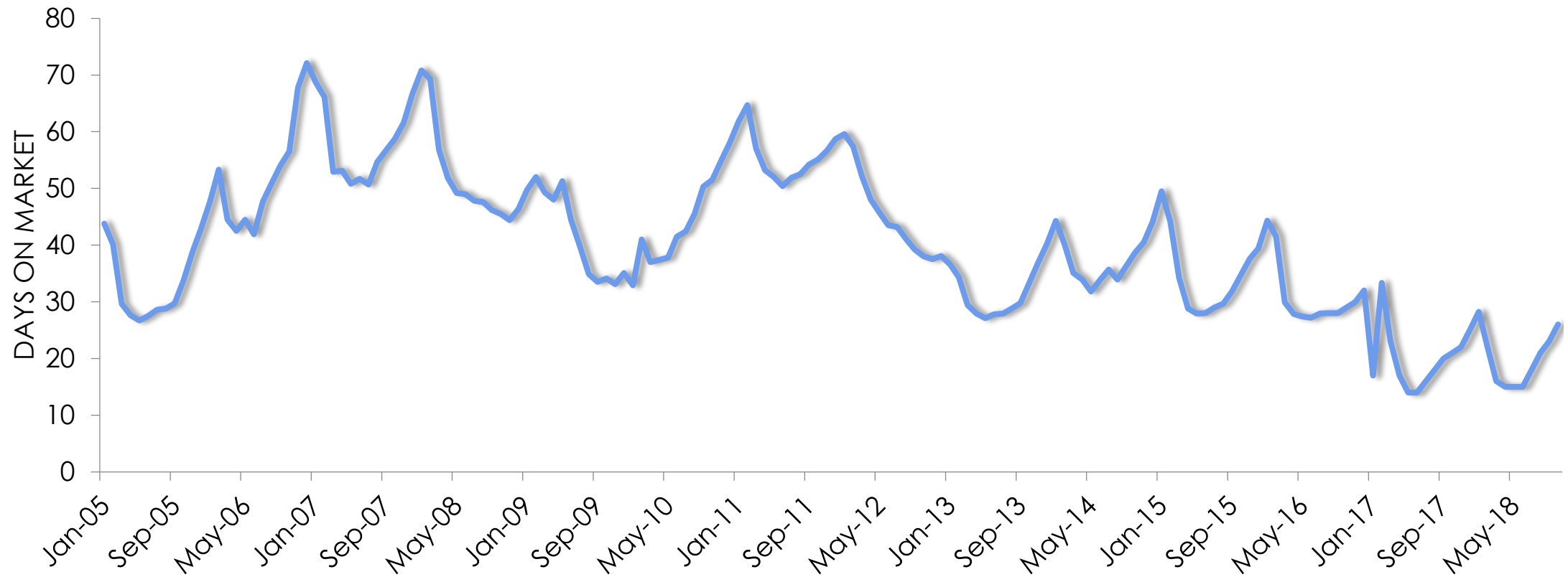
### Reduced-Price Listings





# Days on Market Rising as Market Slows

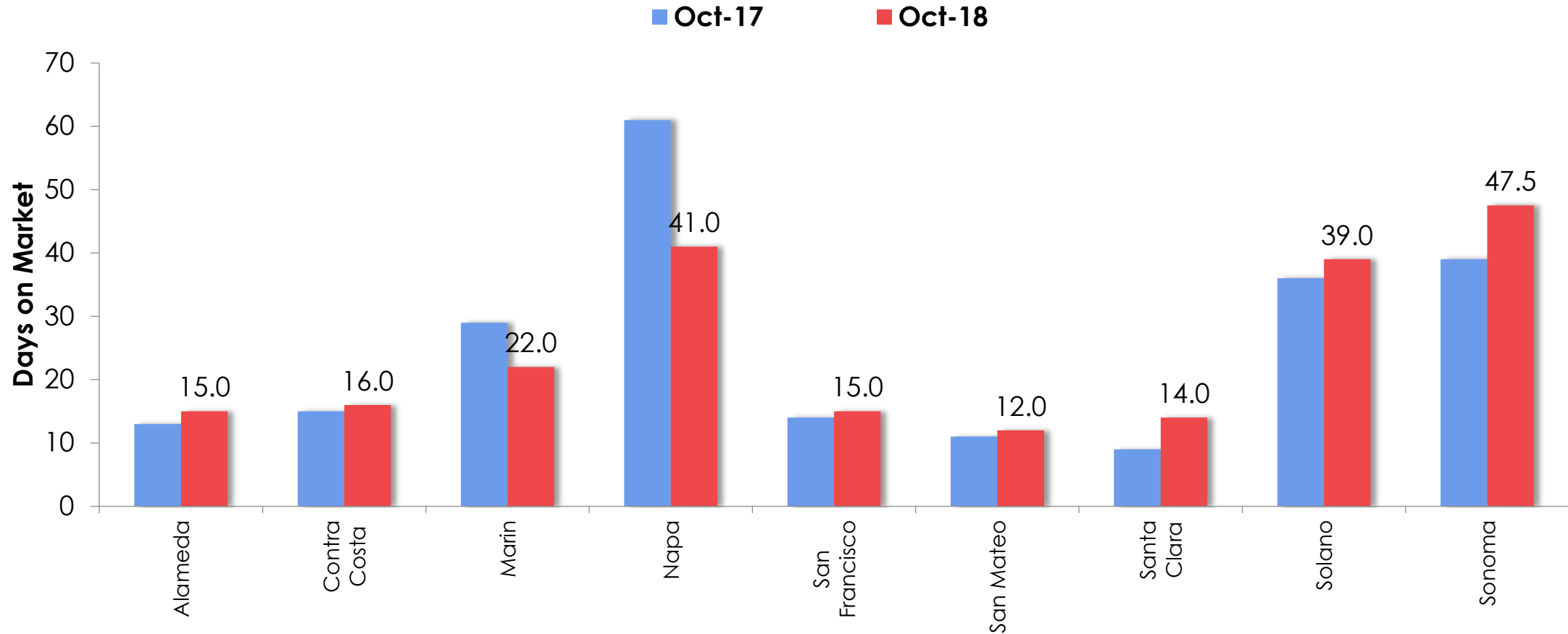
California, October 2018: 26.0 Days



SERIES: Median Time of Market of Existing Single Family Homes  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



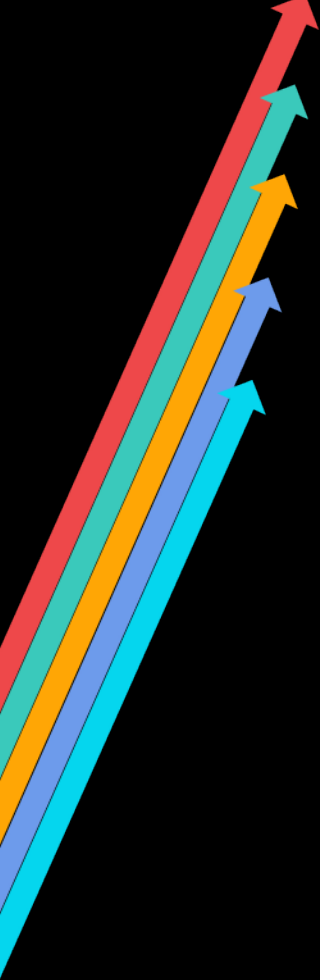
# Days on Market by County





“At some point a supply problem becomes a demand problem.”

Joel Singer, CEO C.A.R.



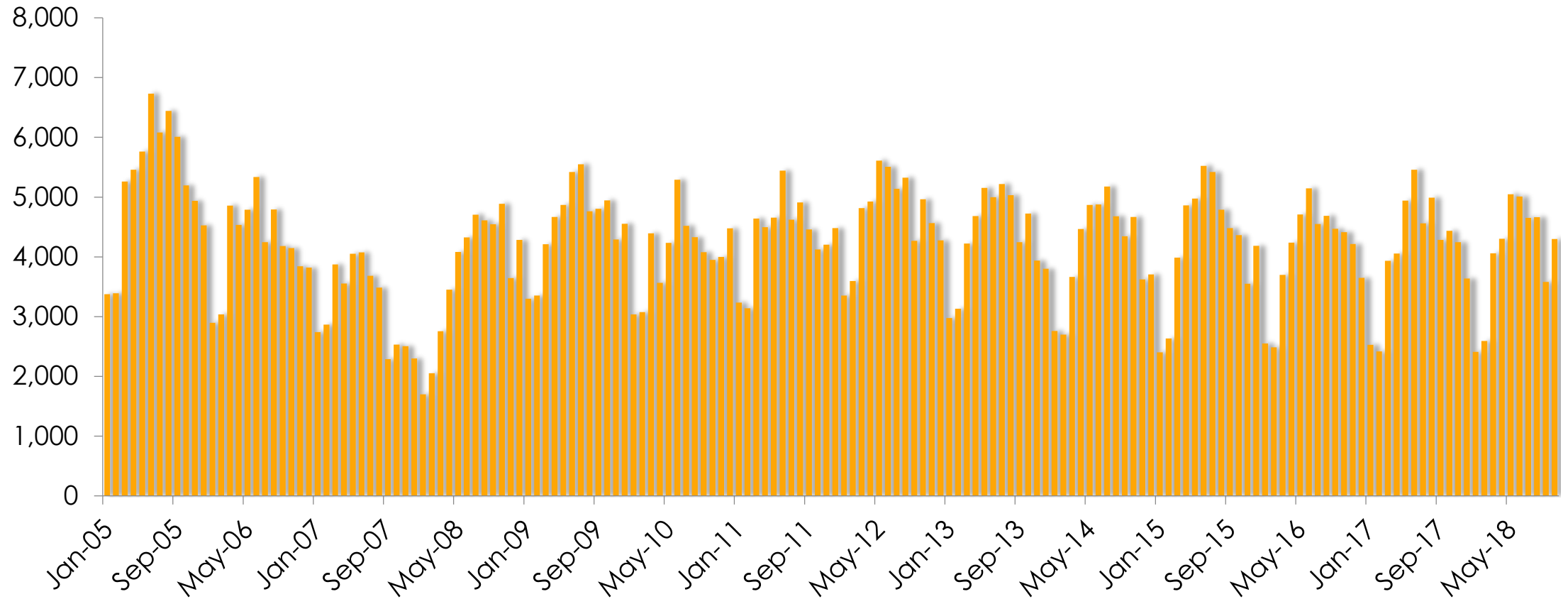
# San Francisco Bay Area





# Sales Lagging -2.4% YTD

SF Bay Area, Oct. 2018 Sales: 4,301 Units, -2.4% YTD, -3.0% YTY





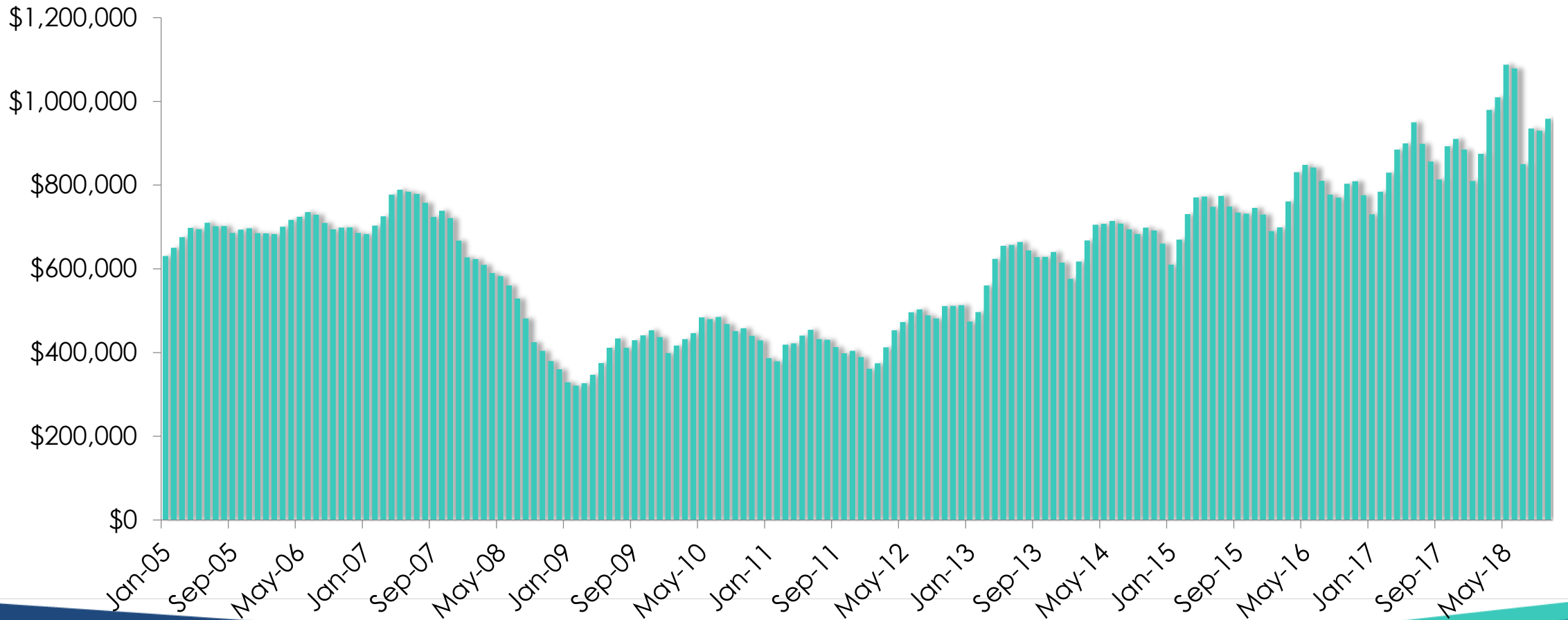
# Bay Area: Sales off 2.4% YTD

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Alameda	981	897	1.9%	-8.6%
Contra Costa	946	851	-2.4%	-10.0%
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San Francisco	230	242	-0.6%	5.2%
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<b>Bay Area</b>	<b>4,436</b>	<b>4,301</b>	<b>-2.4%</b>	<b>-3.0%</b>



# Median Price of Existing Detached Homes

SF Bay Area, October 2018: \$958,800, Up 7.9% YTY



SERIES: Median Price of Existing Single Family Homes  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



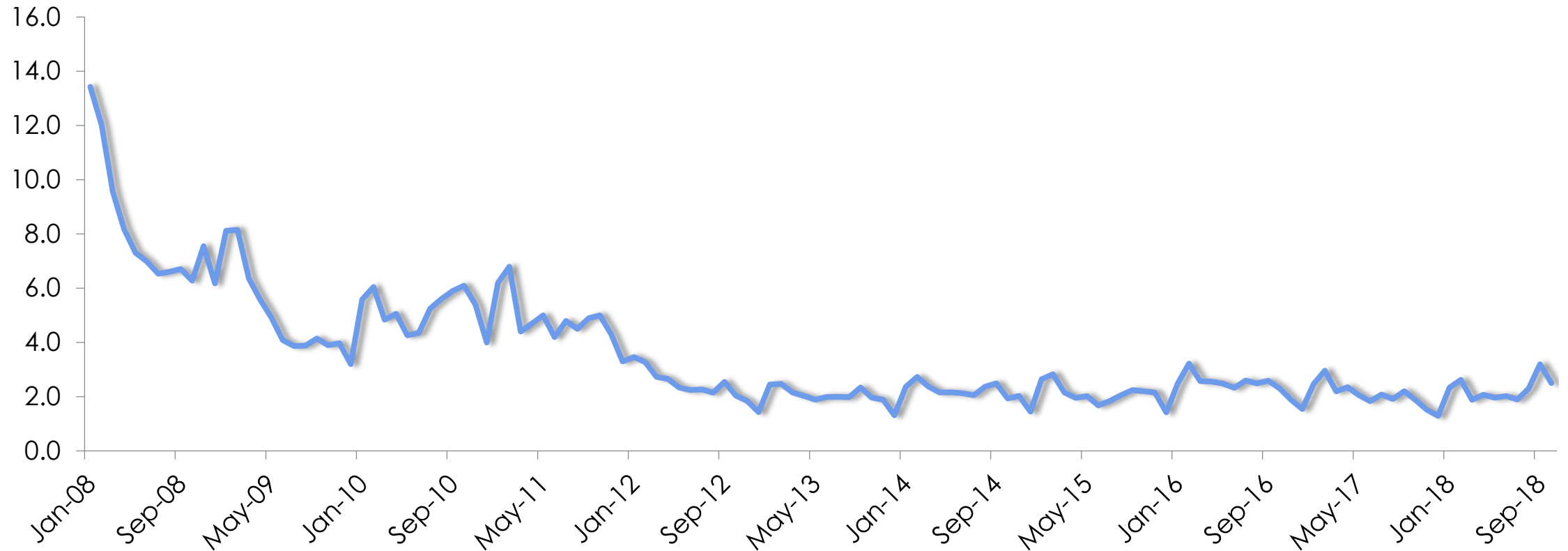
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Marin	Jun-07	\$1,149,390	\$1,450,000	26.2%
Napa	Jun-07	\$729,170	\$709,500	-2.7%
San Francisco	May-07	\$972,010	\$1,600,000	64.6%
San Mateo	Oct-07	\$1,020,000	\$1,588,000	55.7%
Santa Clara	Oct-07	\$865,000	\$1,290,000	49.1%
Solano	Jun-07	\$492,800	\$430,000	-12.7%
Sonoma	Jan-06	\$650,330	\$650,000	-0.1%
<b>Bay Area</b>	<b>May-07</b>	<b>\$789,250</b>	<b>\$958,800</b>	<b>21.5%</b>



# Unsold Inventory Index

SF Bay Area, October 2018: 2.5 Months



Note: The Unsold Inventory Index represents the number of months it would take to deplete the remaining inventory at the end of a particular month with the sales rate of the month in consideration. Inventory includes listings with "Active", "Pending", and "Contingent" (when available) statuses.

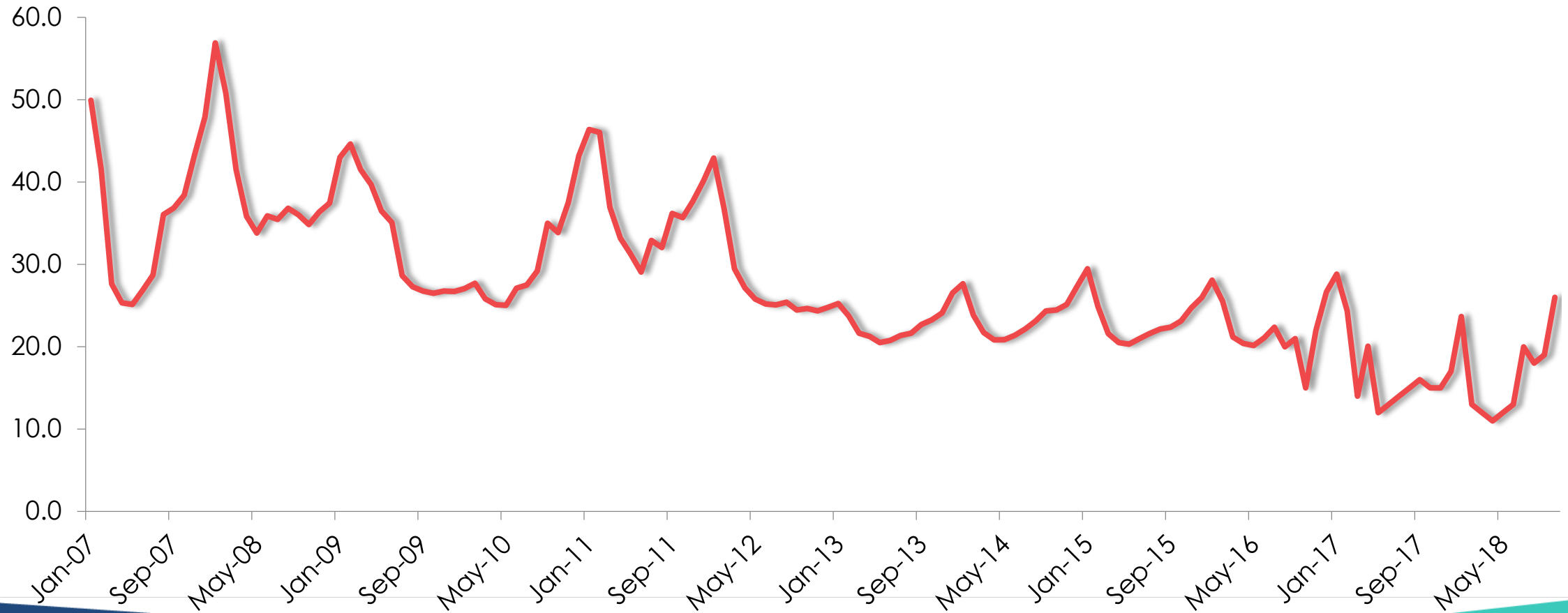
SERIES: Unsold Inventory Index of Existing Single Family Homes

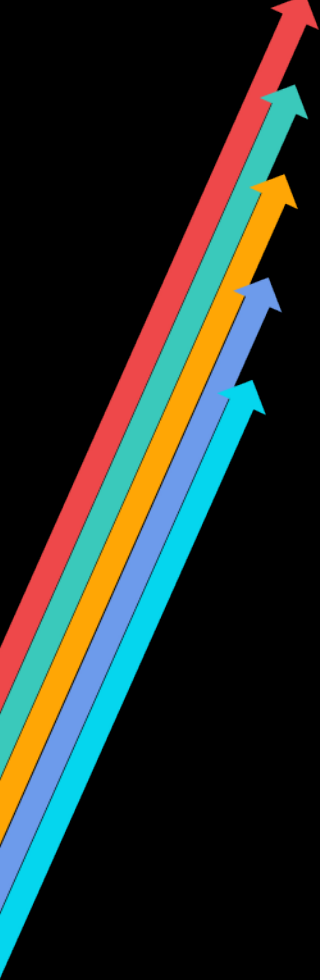
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



# Median Time on the Market

SF Bay Area, October 2018: 26 Days





# Santa Clara County



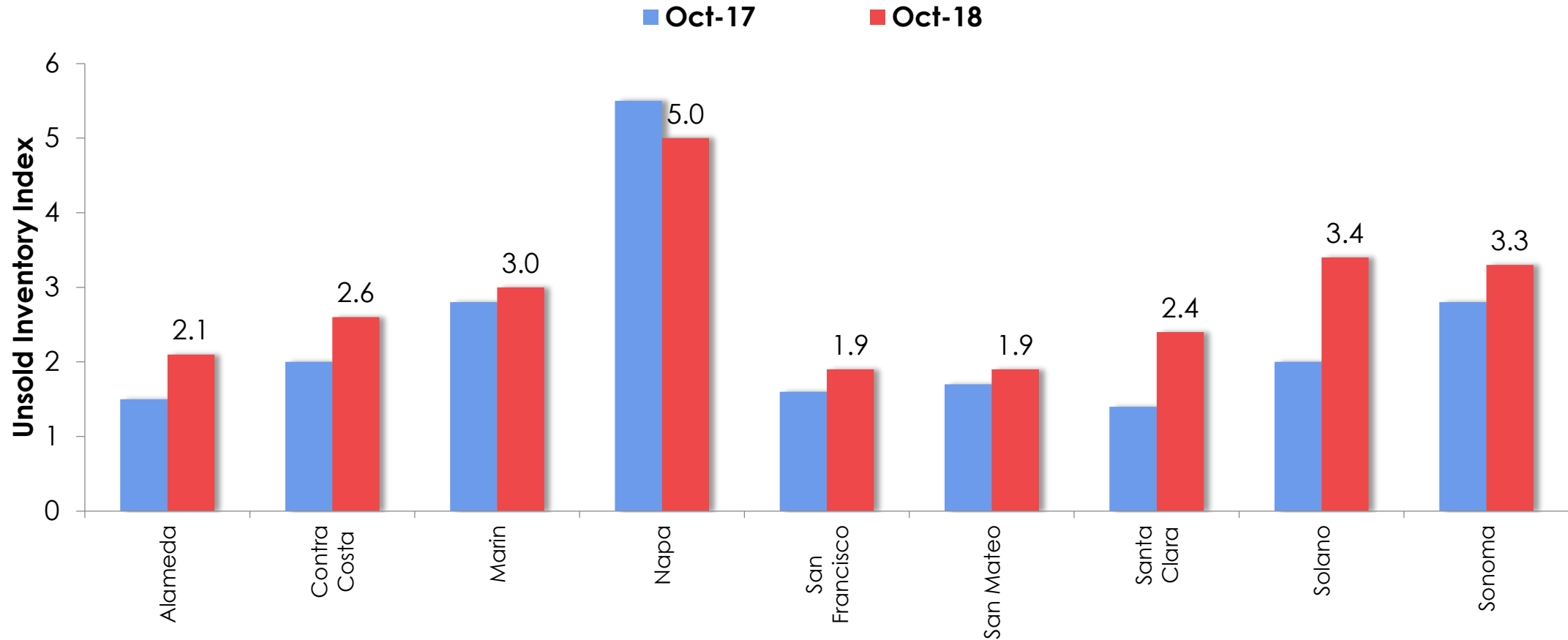
# What's Up? From Great to Good

- Sales tapering
- Price gains moderating
- Active listings increasing
- Price reductions increasing
- Time on market increasing



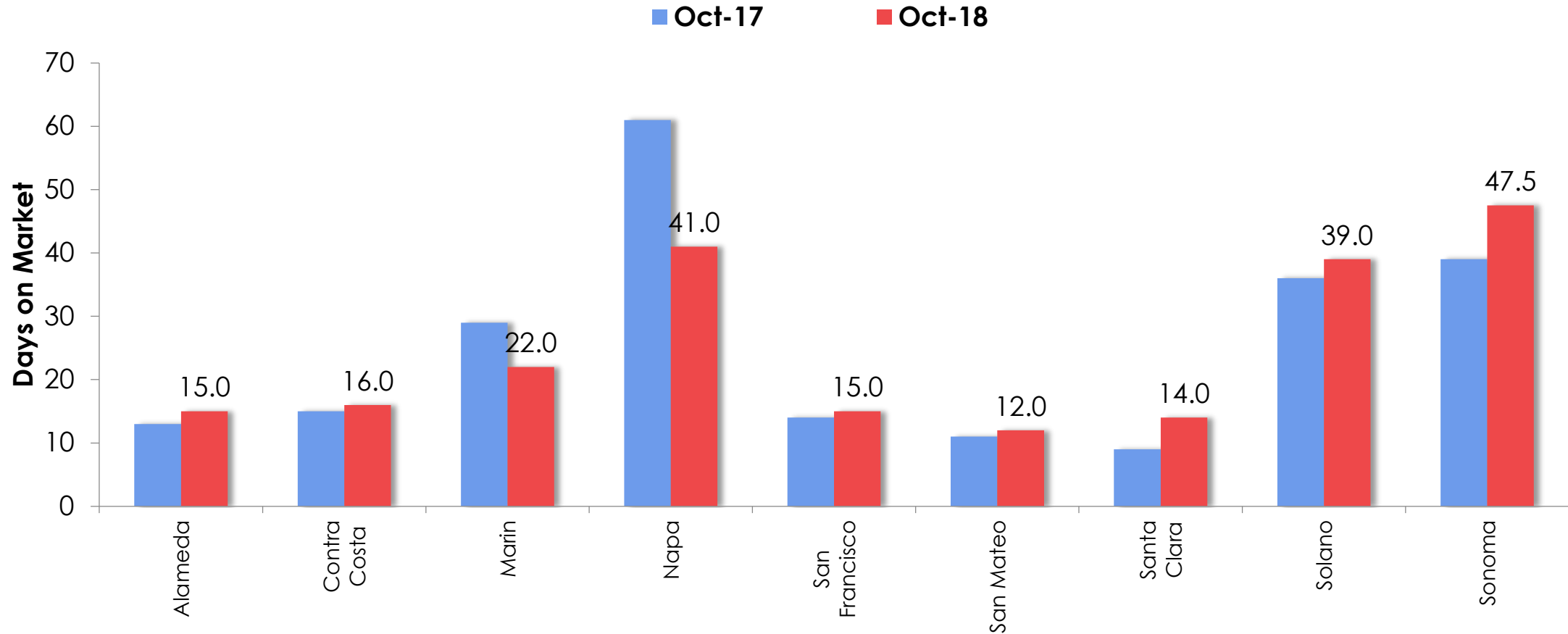


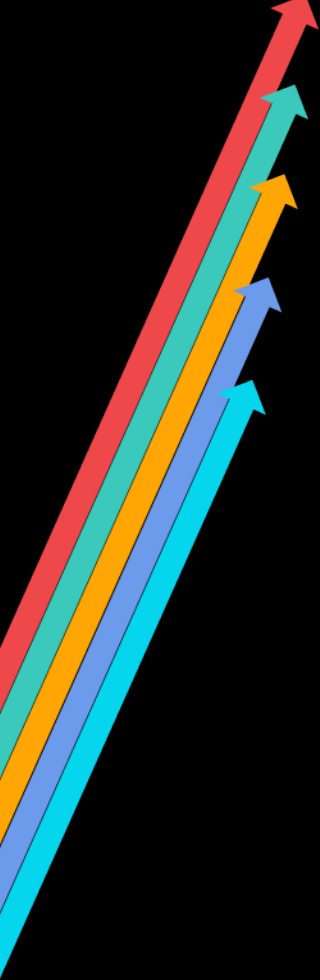
# Unsold Inventory by County





# Days on Market by County



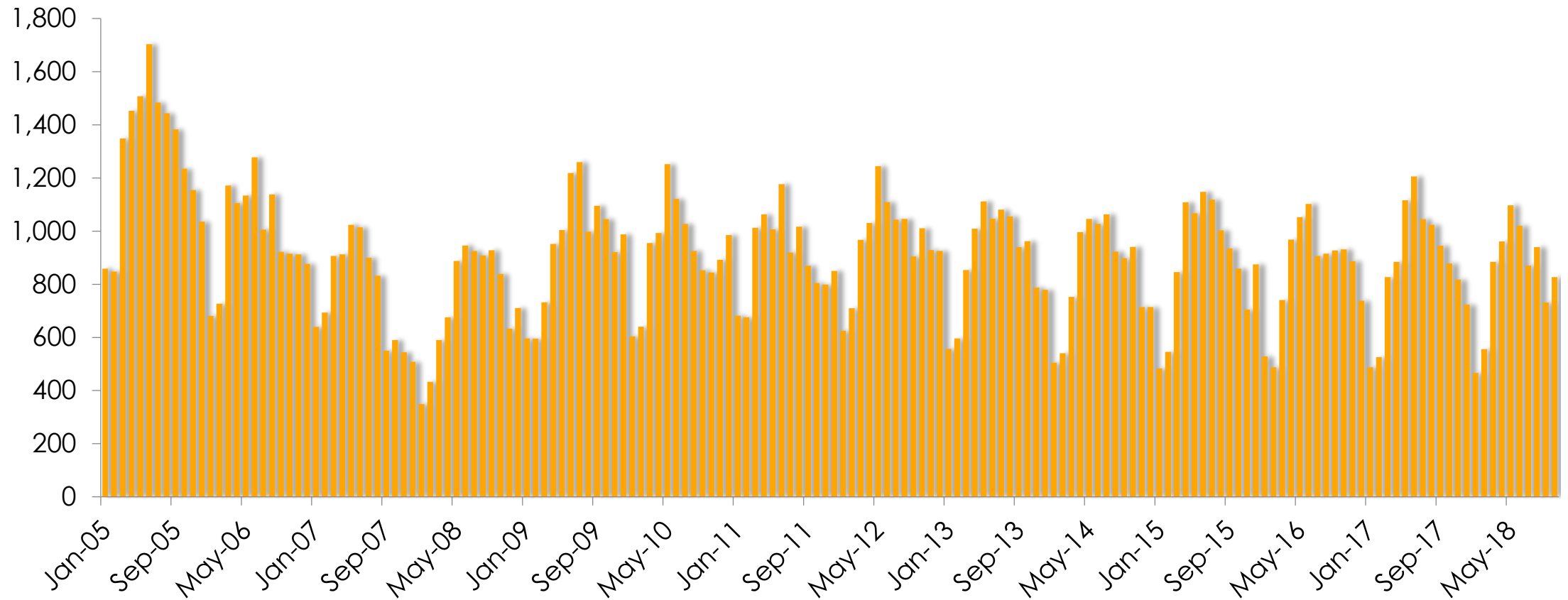


# Santa Clara County



# Sales of Existing Detached Homes

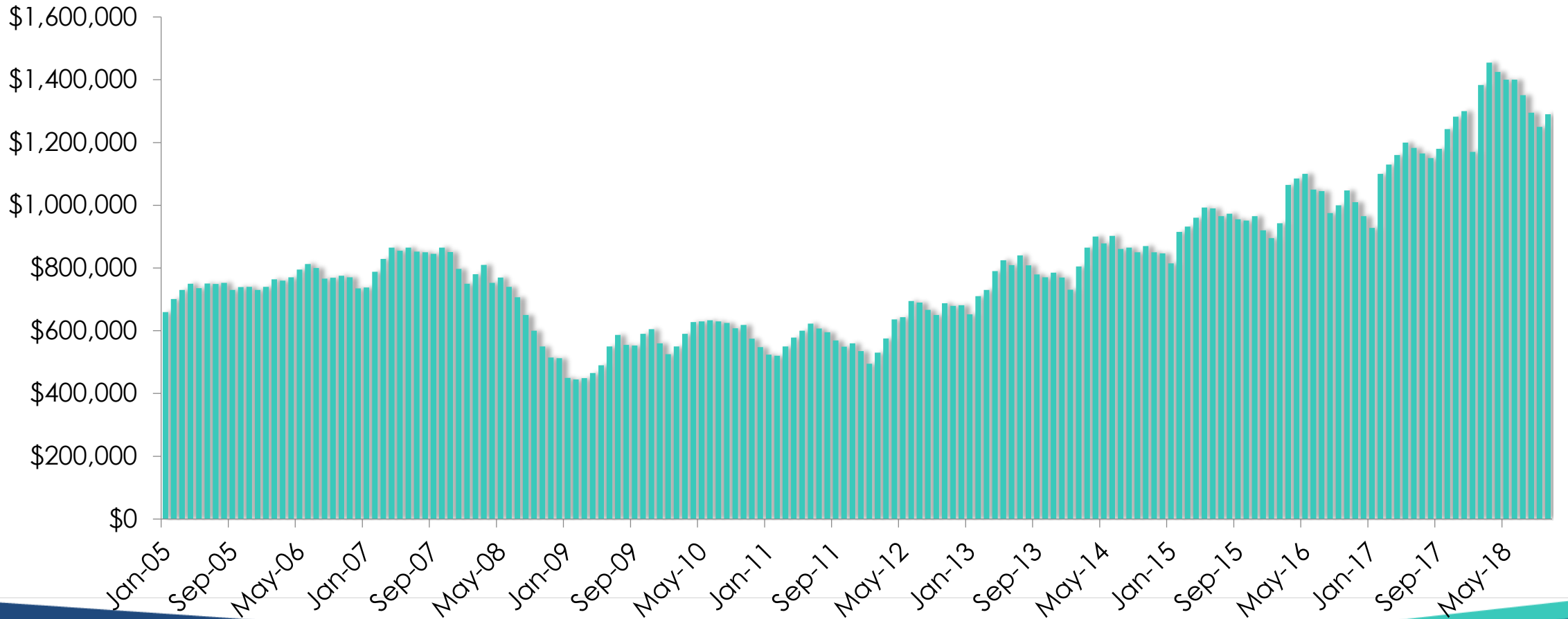
Santa Clara County, Oct 2018 Sales: 827 Units, -6.6% YTD, -5.8% YTY





# Median Price of Existing Detached Homes

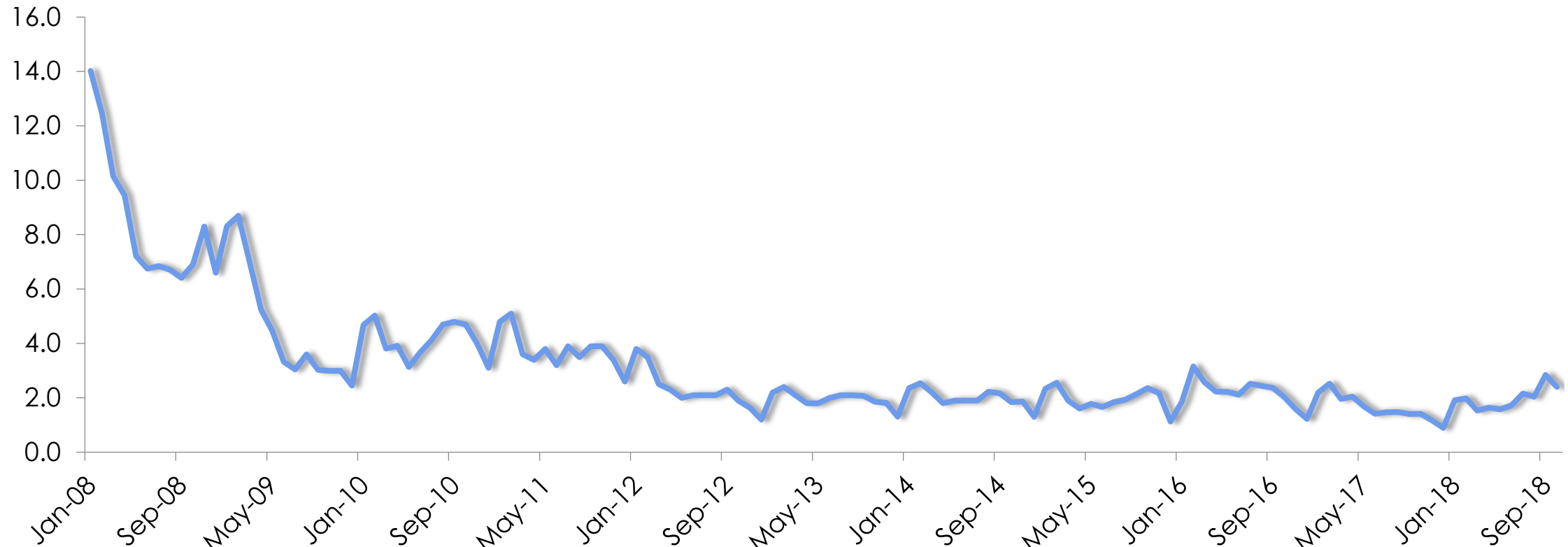
Santa Clara County, Oct 2018: \$1,290,000, Up 3.8% YTY





# Unsold Inventory Index

Santa Clara County, October 2018: 2.4 Months



Note: The Unsold Inventory Index represents the number of months it would take to deplete the remaining inventory at the end of a particular month with the sales rate of the month in consideration. Inventory includes listings with "Active", "Pending", and "Contingent" (when available) statuses.

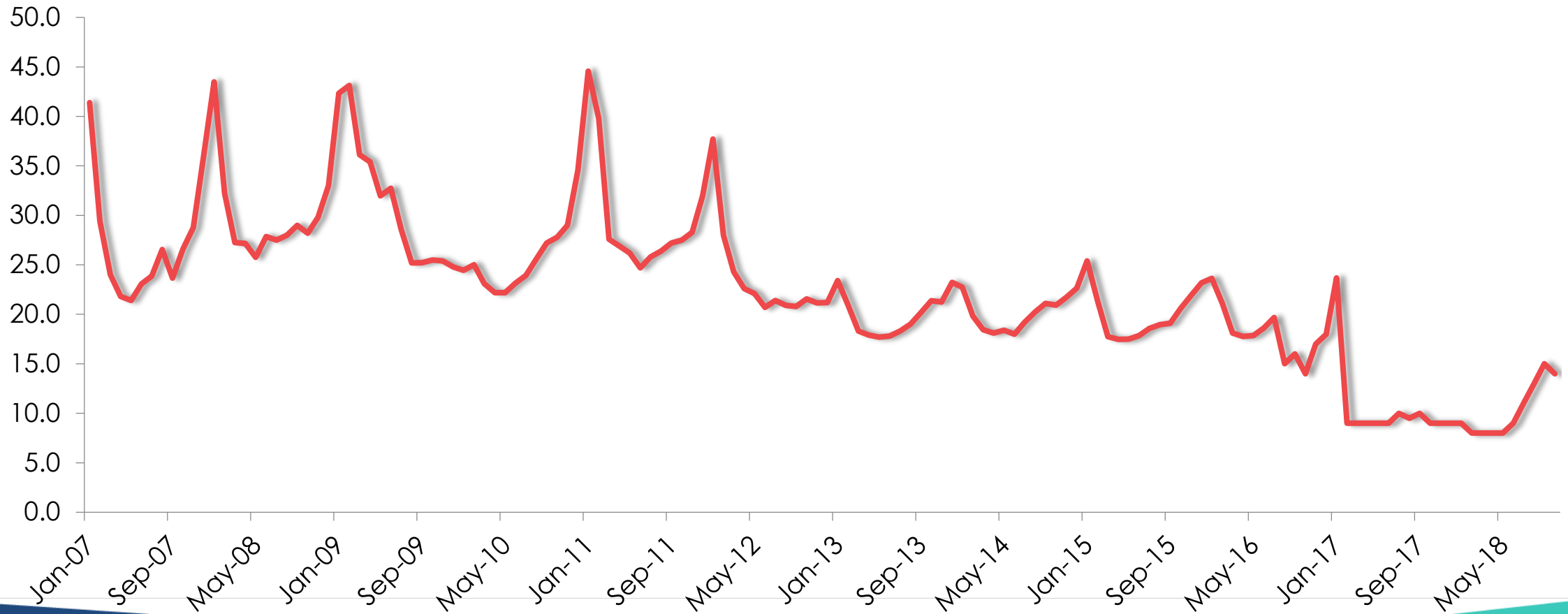
SERIES: Unsold Inventory Index of Existing Single Family Homes

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



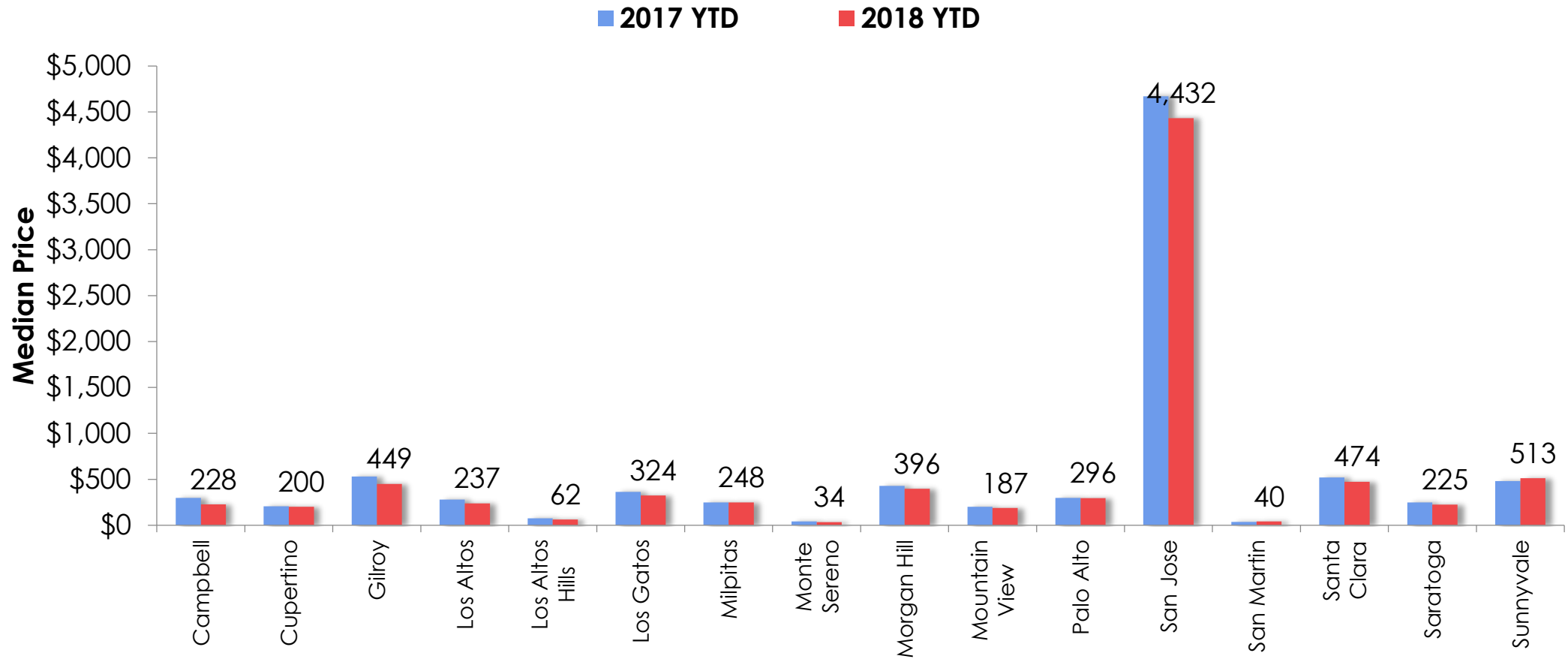
# Median Time on the Market

Santa Clara County, October 2018: 14.0 Days





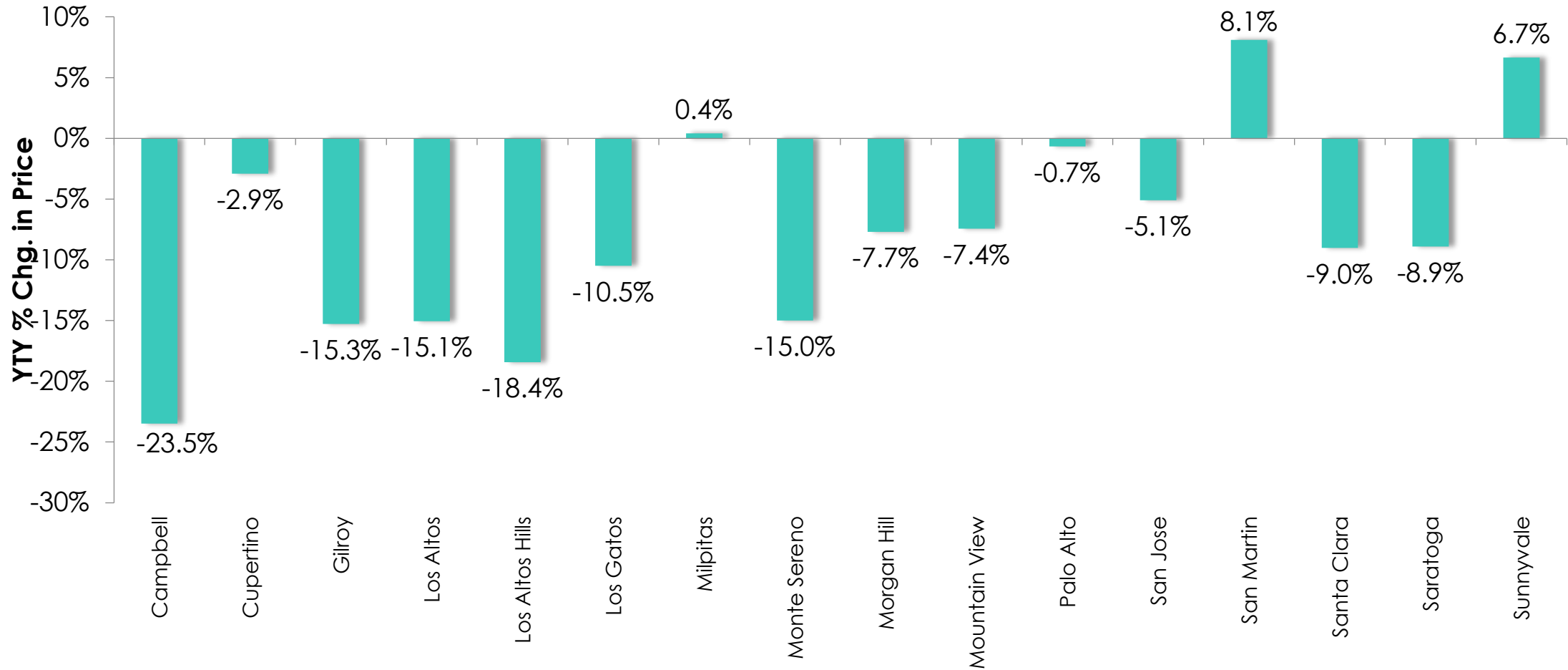
# Sales Dropping Across the Board





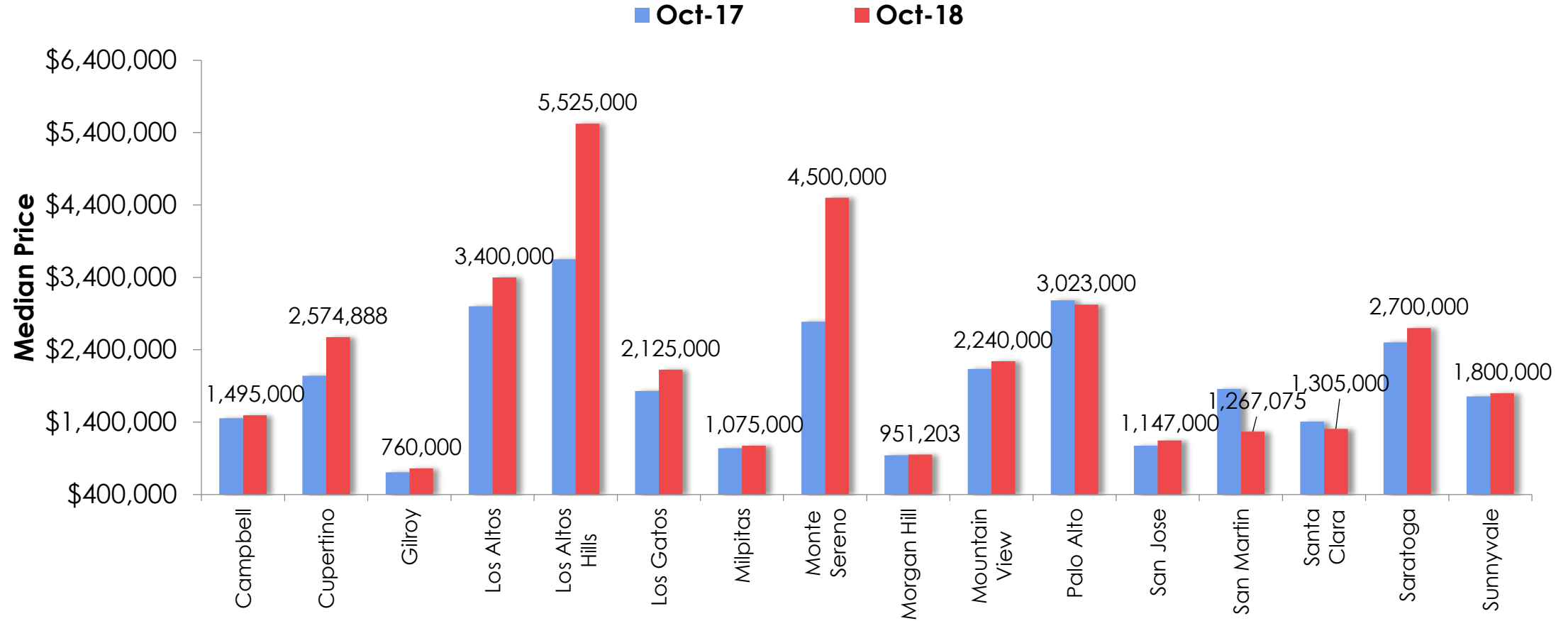


# Declined Big in Some Markets



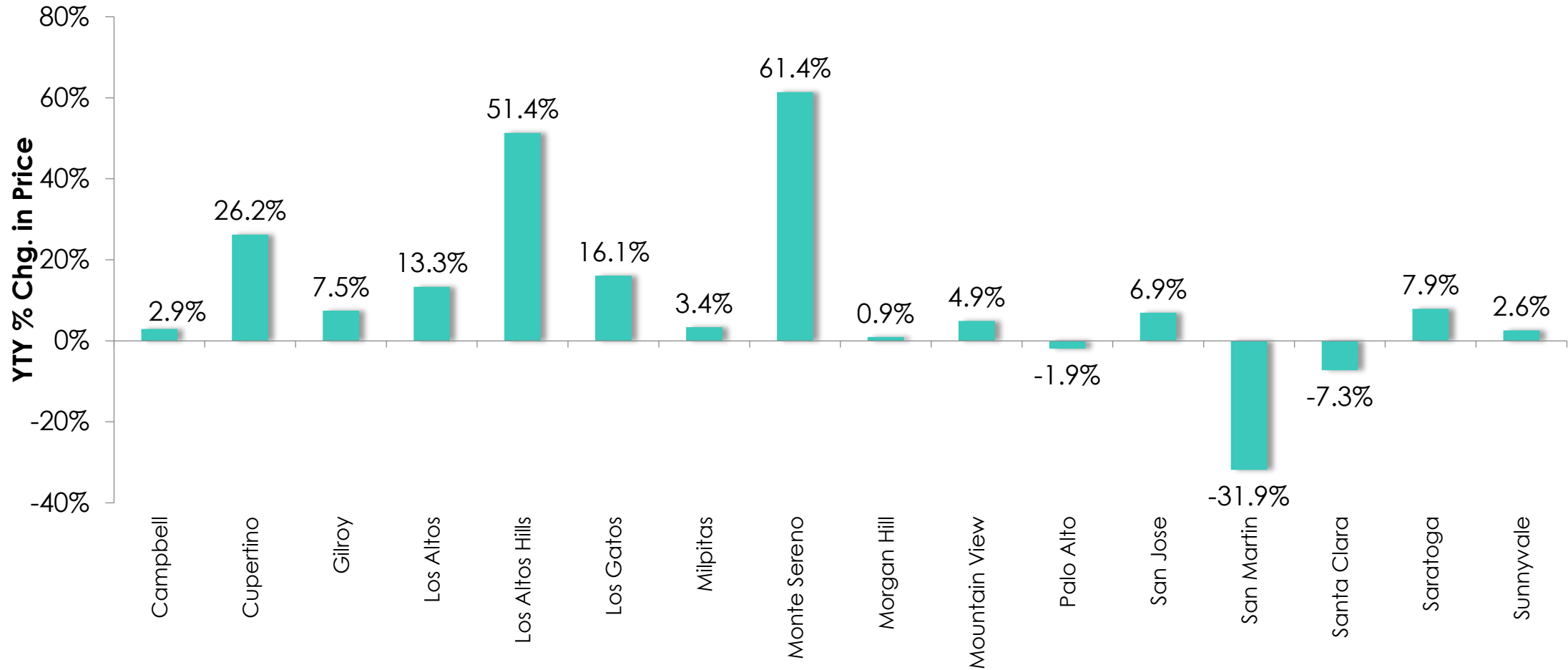


# Home Prices Increased in Most Cities



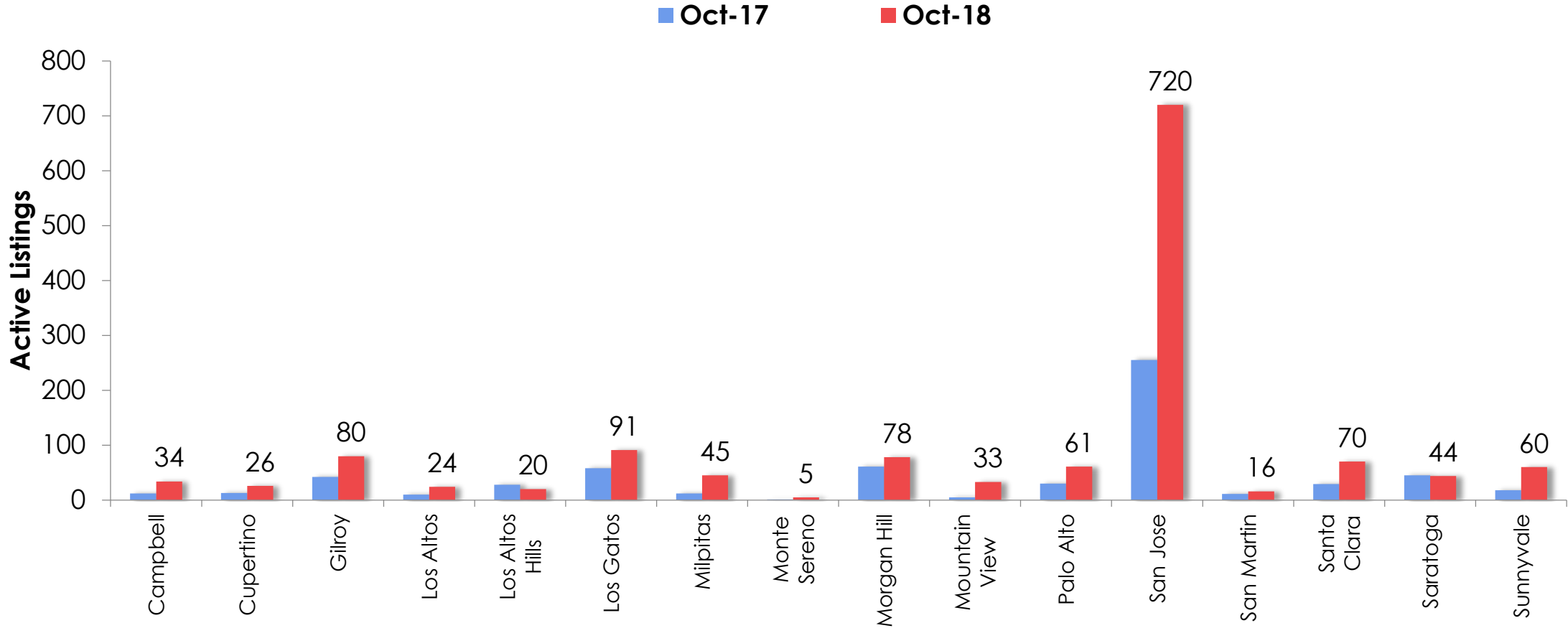


# Price Growth Is Slowing in Many Markets



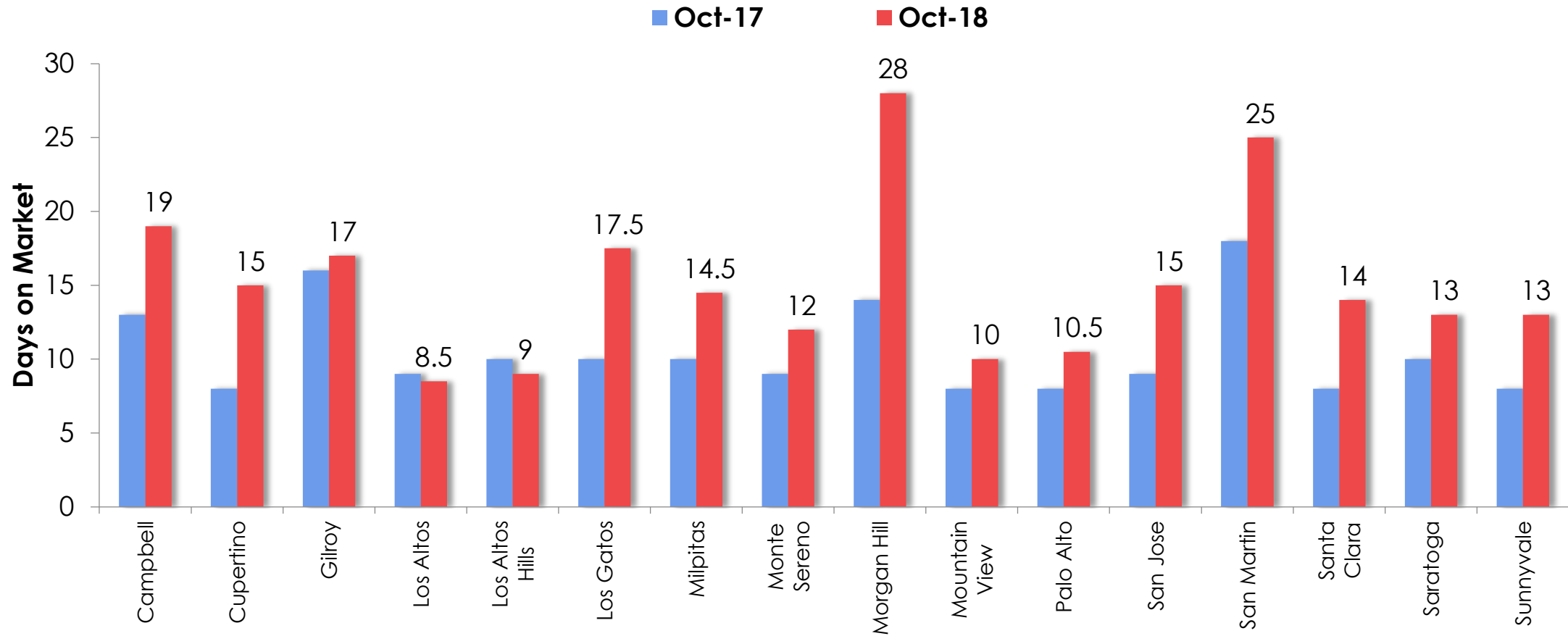


# Active Listings Up for All Markets





# Listings on the Market Longer



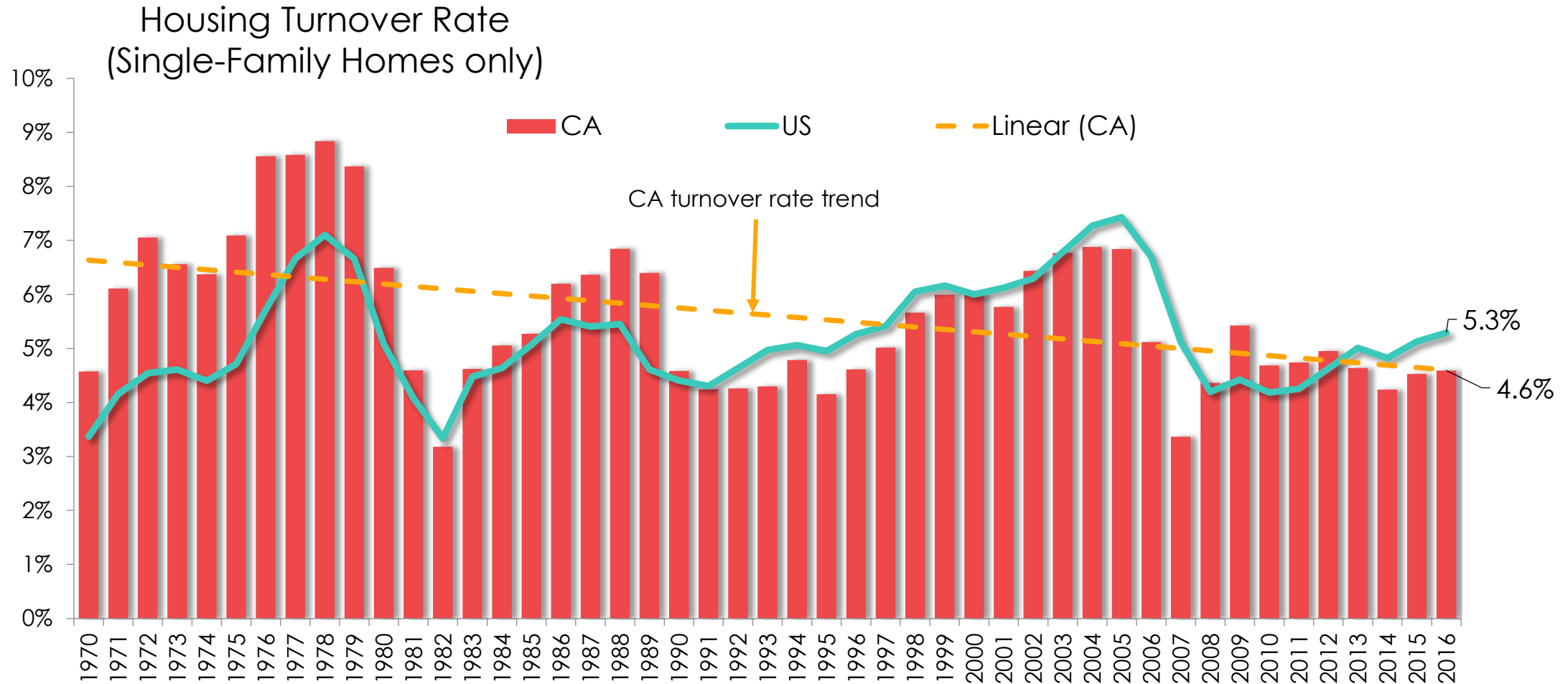


“Housing affordability is the Achilles heel of the California Economy”

Joel Singer, CEO C.A.R. 1982



# CA v US: Lower Housing Turnover – New Normal?

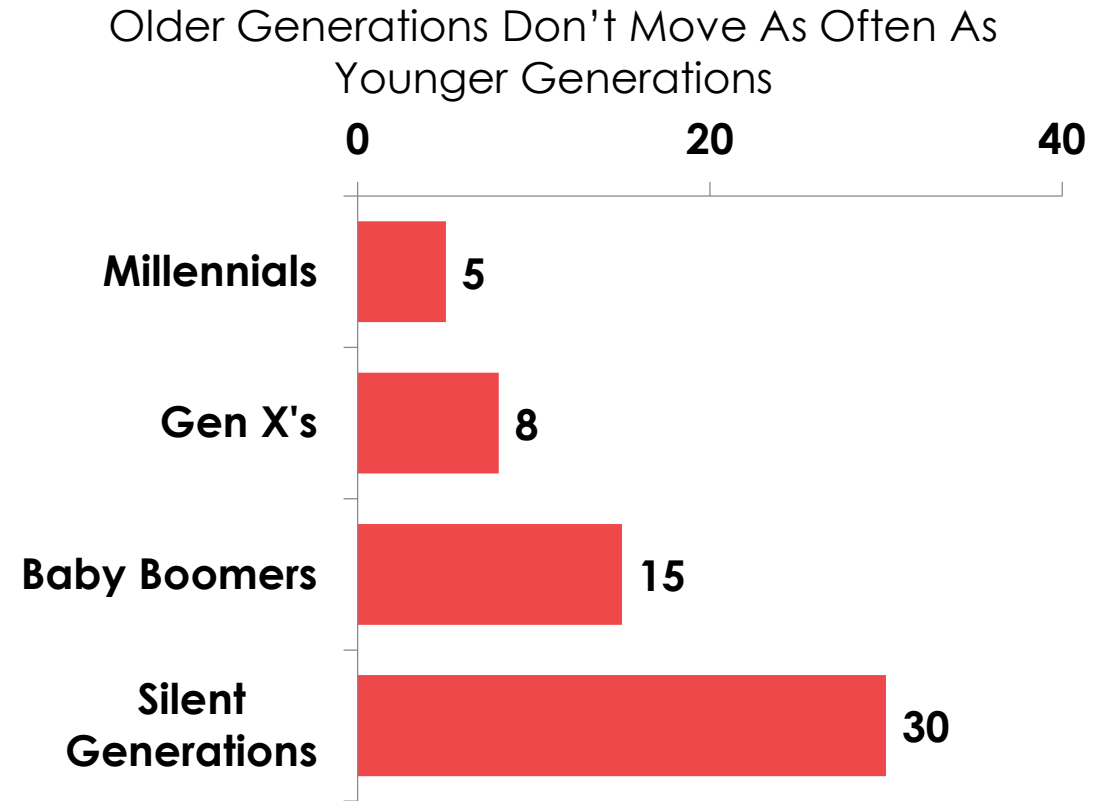
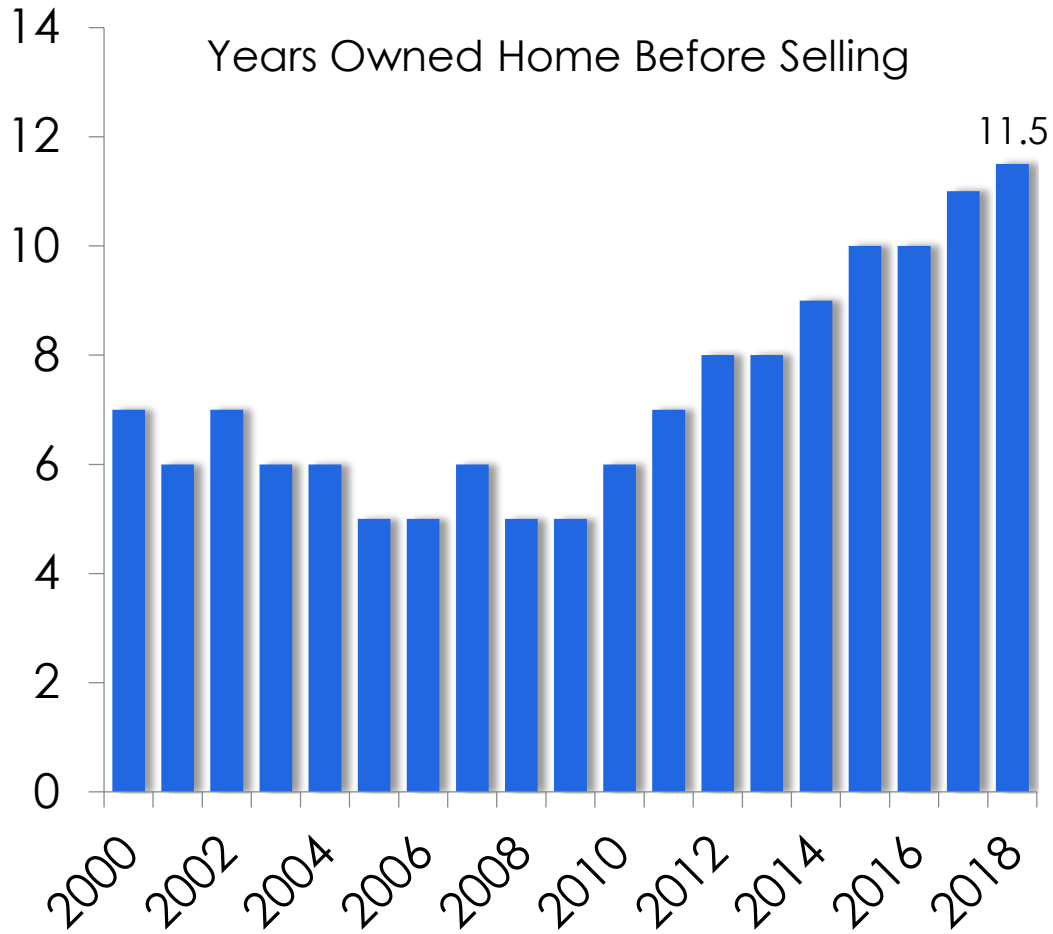


SERIES: Percent of existing single-family homes being sold

SOURCE: Census Bureau, American Community Survey, Moody's Analytics, C.A.R.



# Sellers Moving Less Frequently



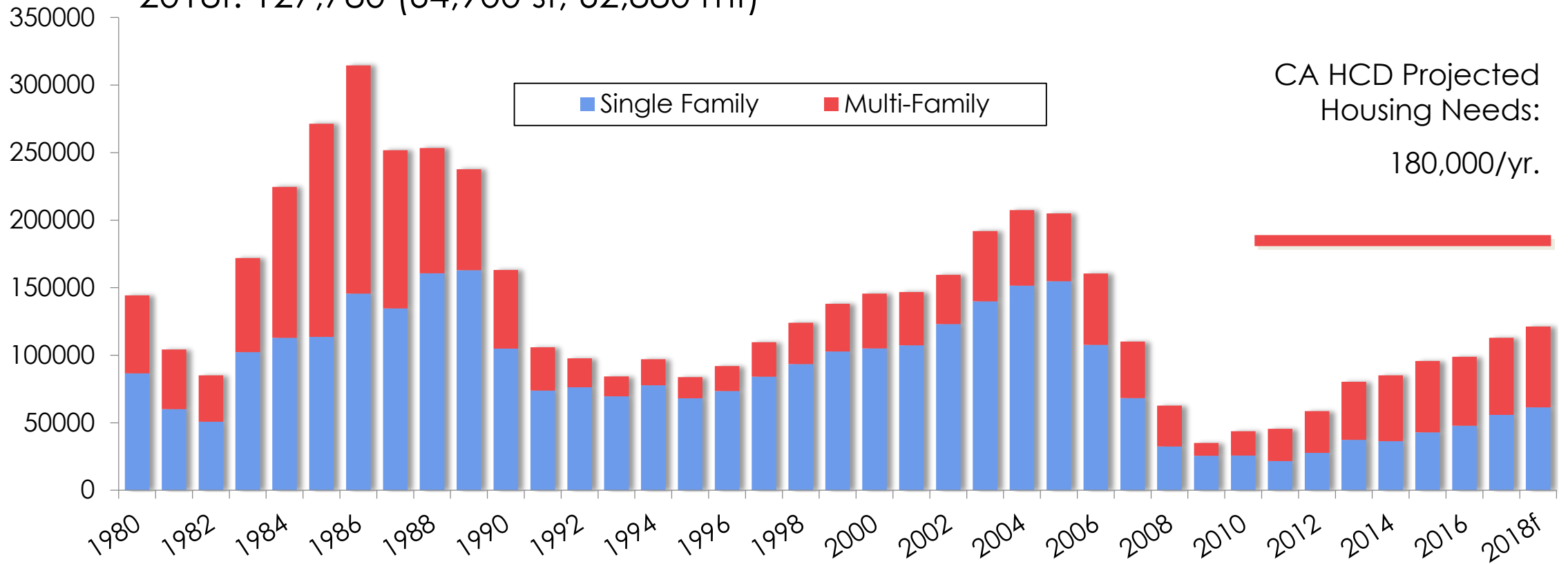




# And California Is Not Building Enough

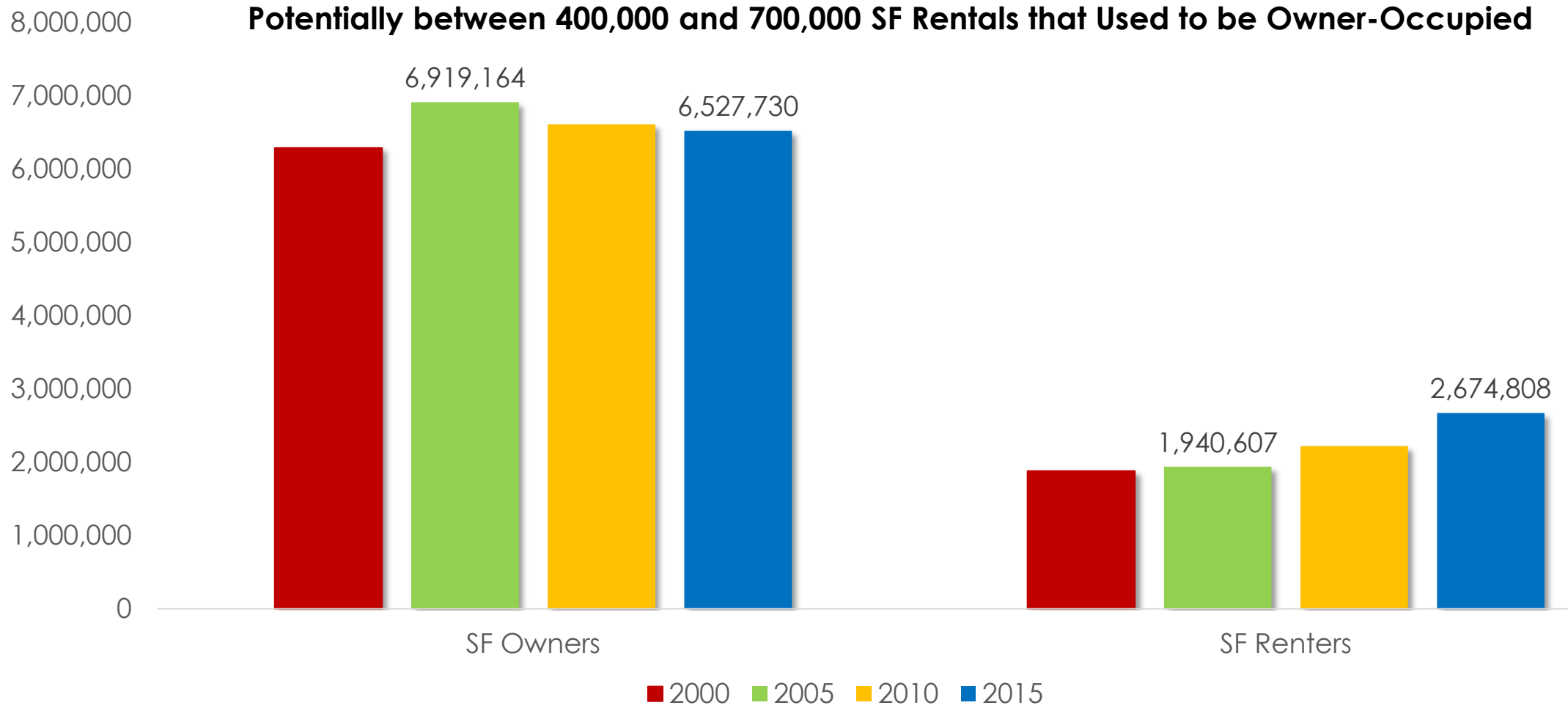
2017: 112,886 (55,779 sf, 57,107 mf )

2018f: 127,780 (64,900 sf, 62,880 mf)





# CA Example: More Single Family Units Now Rentals

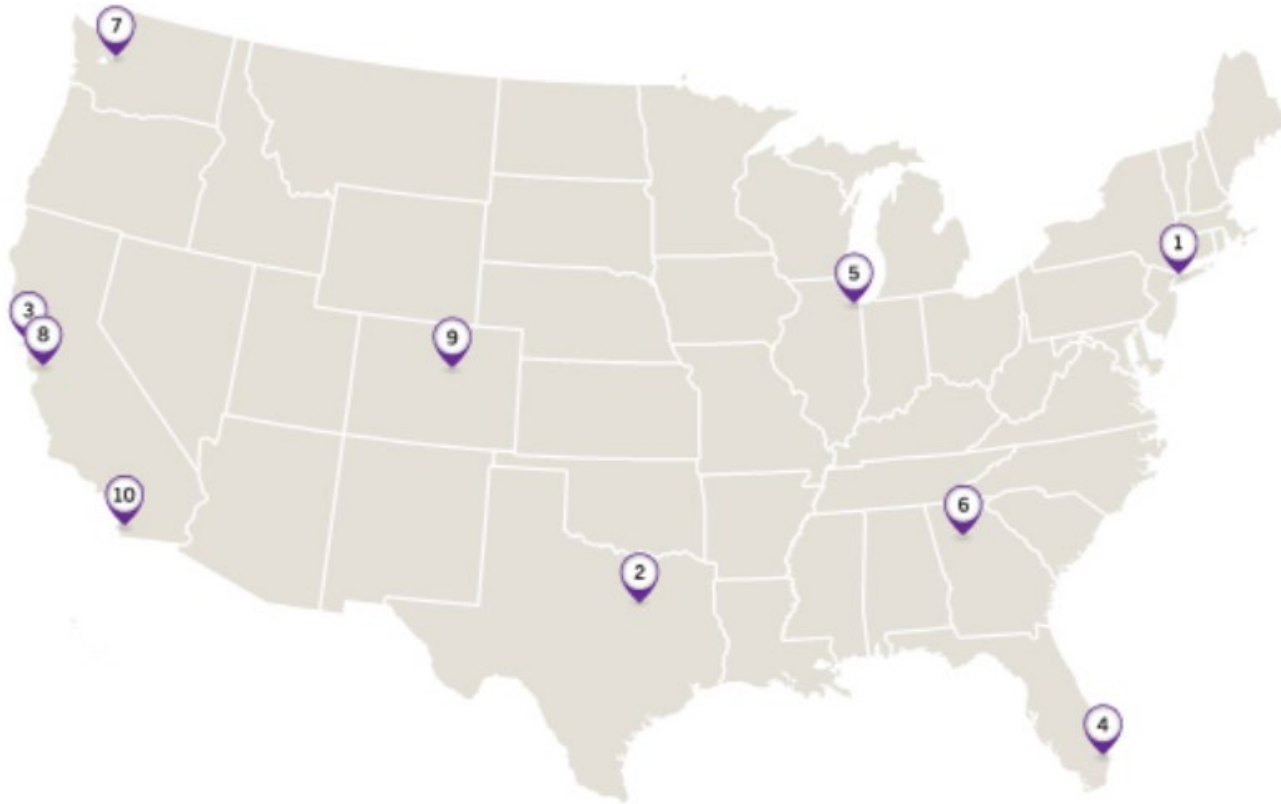


SOURCE: U.S. Census Bureau, Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS). Downloaded from the National Bureau of Economic Research (NBER)



# Top 10 Markets in Need of More Housing

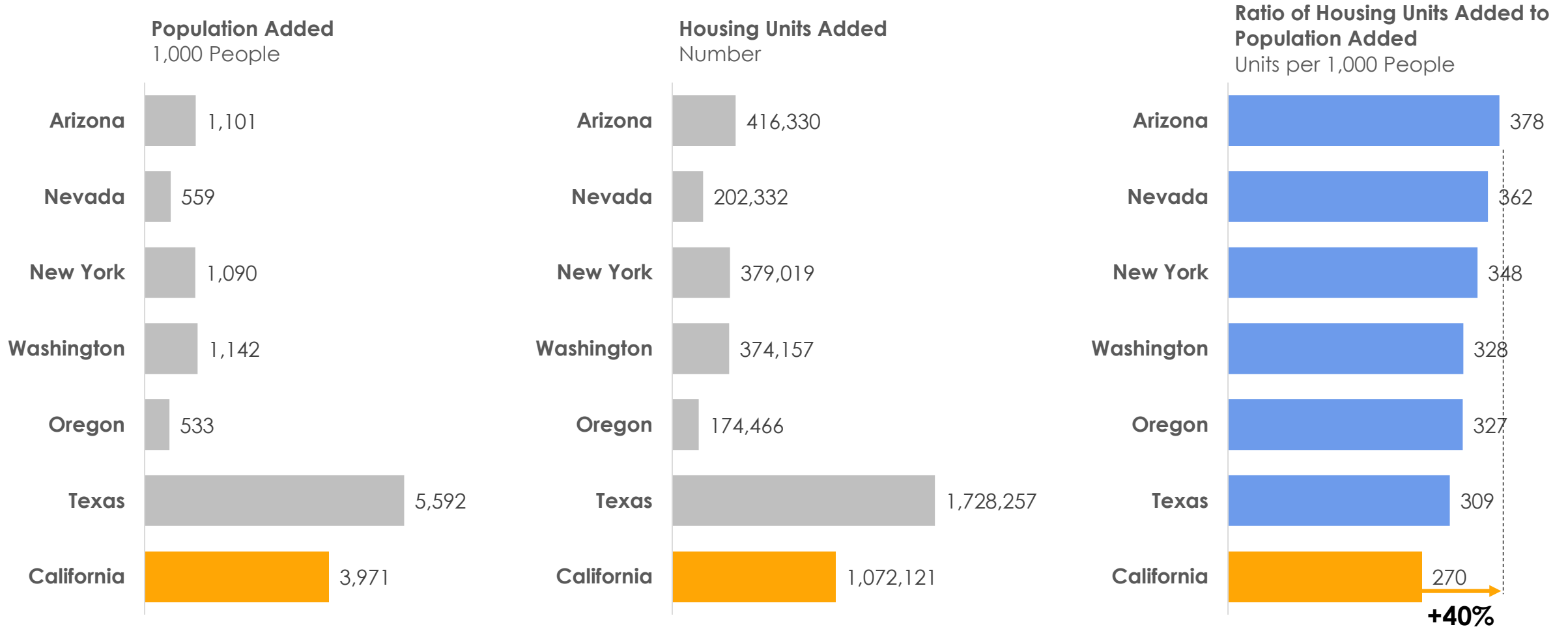
## Top 10 Markets in Need of More Single-Family Housing Starts



Metro Area	# of permits required
1. New York	218,541
2. Dallas	132,482
3. San Francisco	127,412
4. Miami	118,937
5. Chicago	94,457
6. Atlanta	93,627
7. Seattle	73,135
8. San Jose, CA	69,042
9. Denver	67,403
10. San Diego	55,825



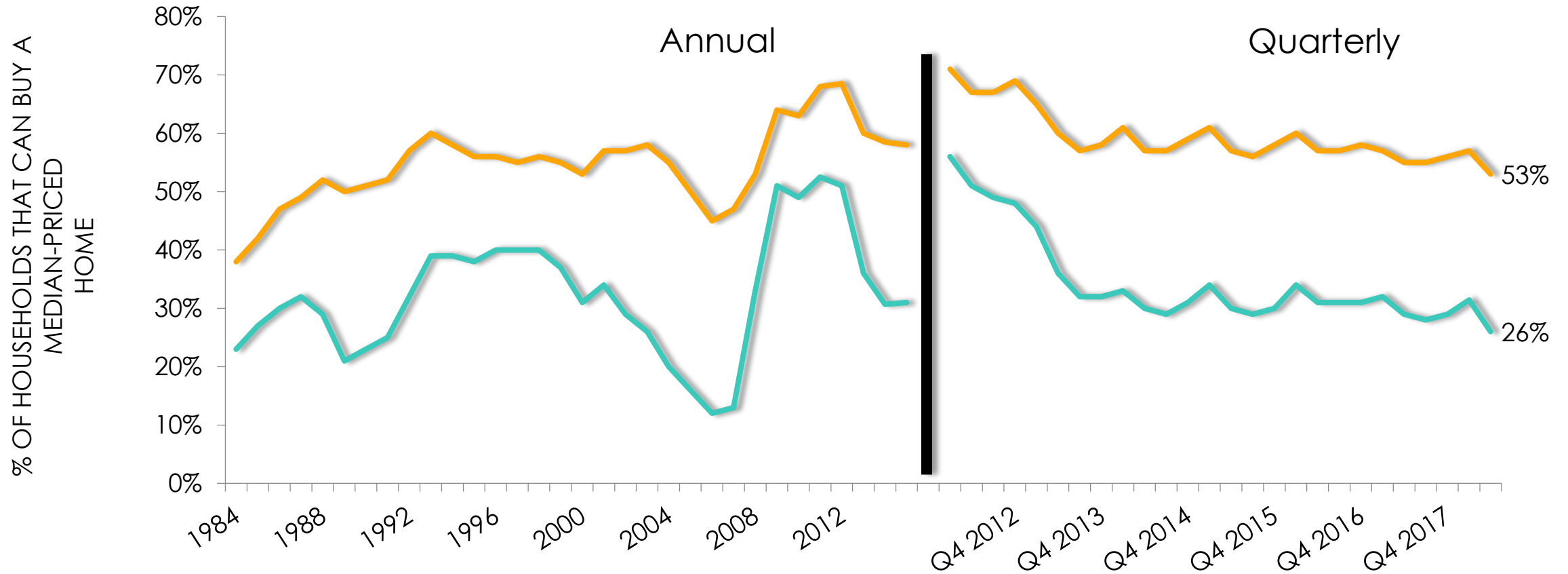
# CA building less housing per capita than: AZ, NV, WA, OR, NY (2005 – 2016)





# Housing Affordability Peaked at Q1 2012

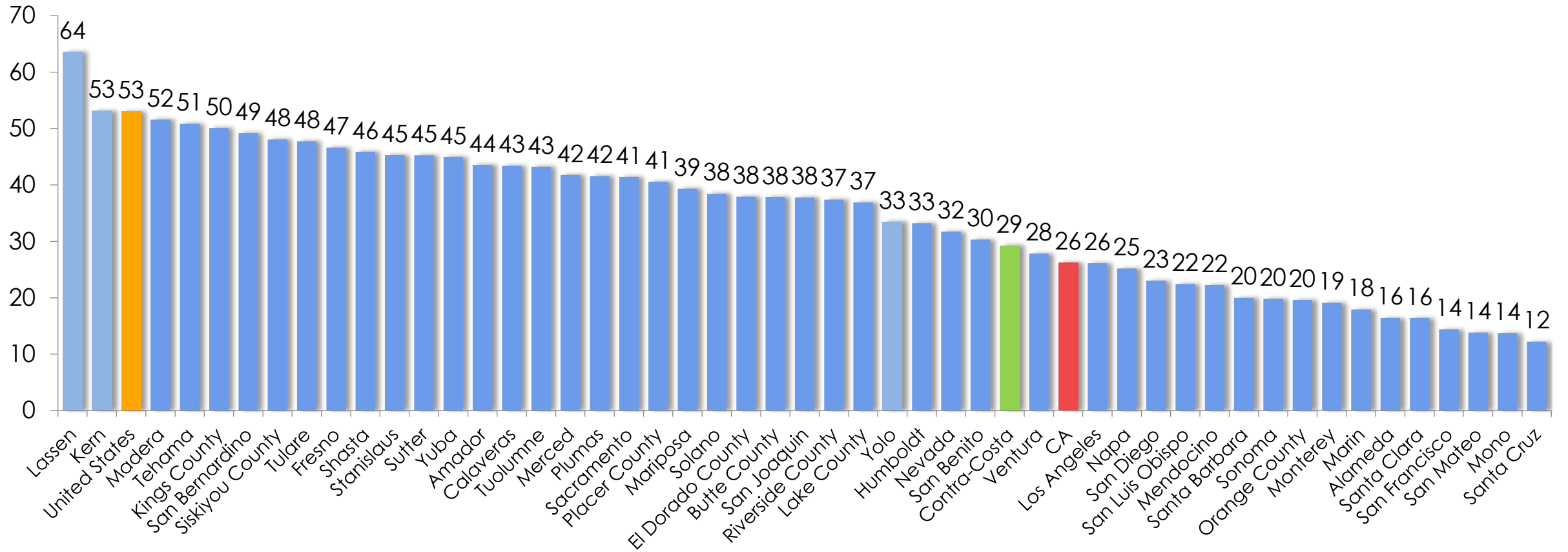
## California, 1984-2018





# Housing Affordability In CA: By County

2018-Q2: % able to purchase median-priced home



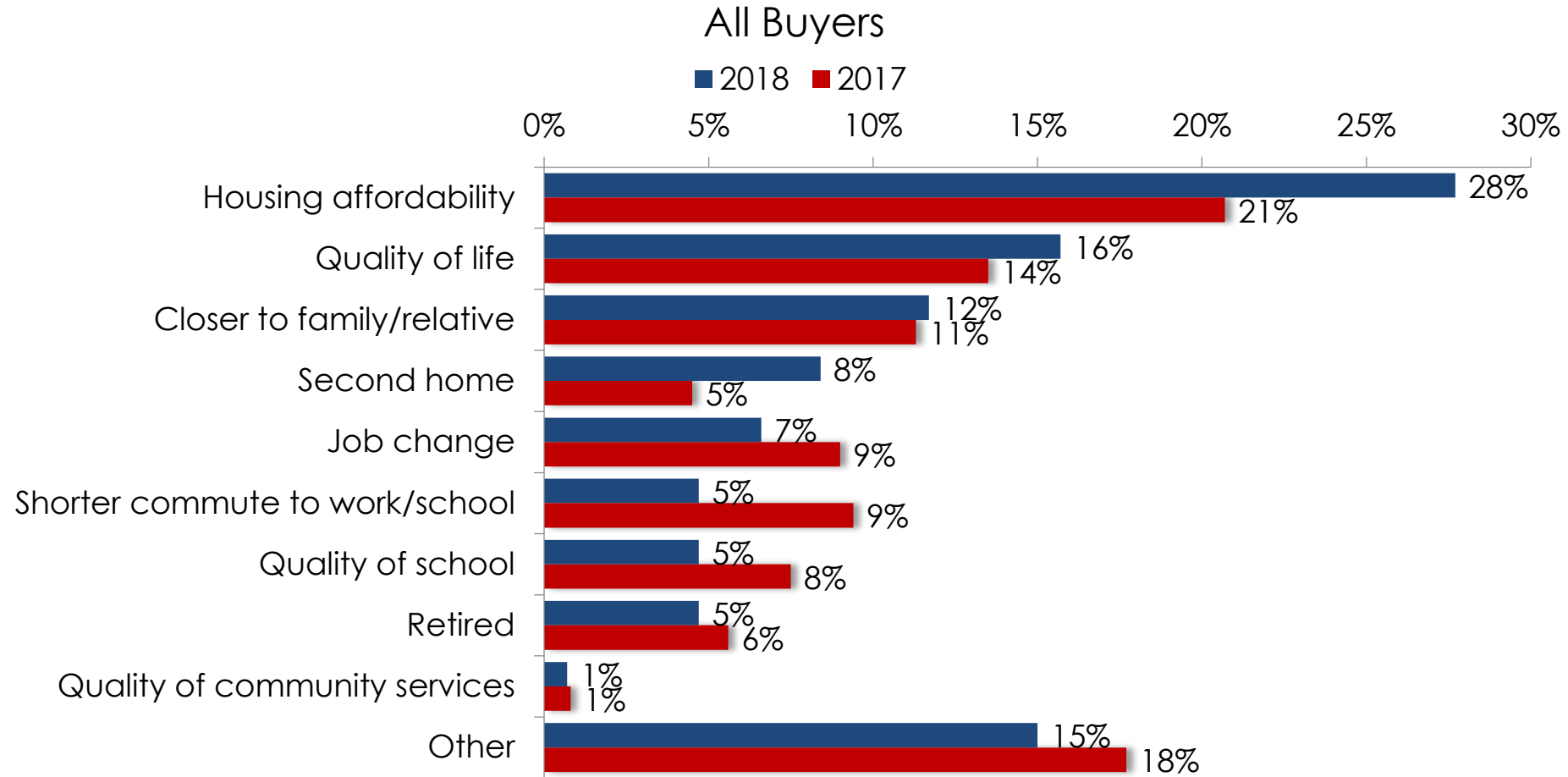


# Minimum Annual Income Required During Affordability Peak vs. Current

Region	2012 Q1	2018 Q2	% CHG
CA SFH	\$56,320	\$126,490	124.6%
CA Condo/Townhomes	\$44,440	\$101,270	127.9%
Los Angeles Metropolitan Area	\$53,780	\$112,340	108.9%
Inland Empire	\$35,170	\$76,310	117.0%
S.F. Bay Area	\$90,370	\$219,380	142.8%
US	\$32,000	\$57,020	78.2%



# Housing Affordability Still the Main Reason for Outmigration

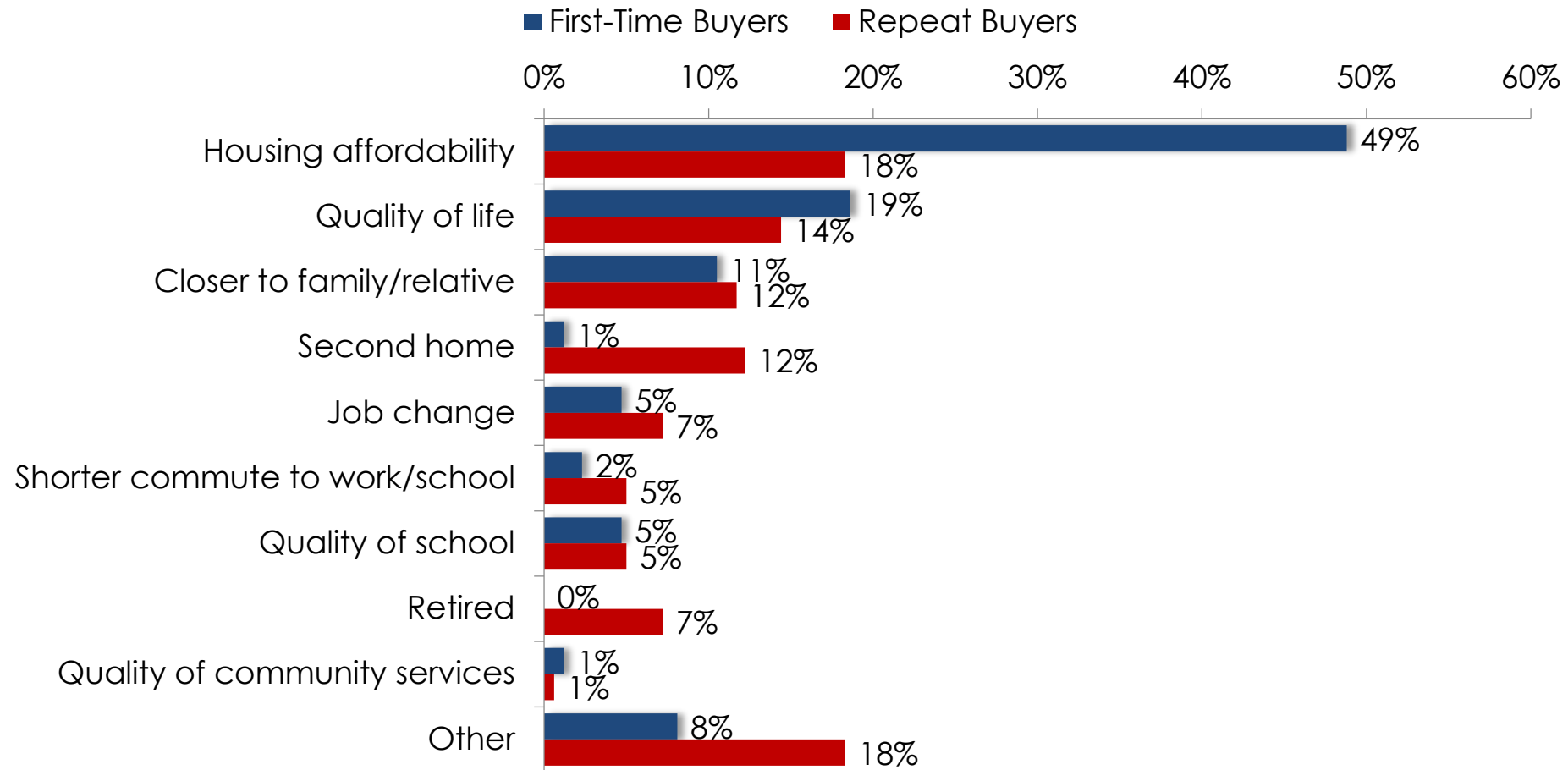


Q. What was the primary reason for changing county?





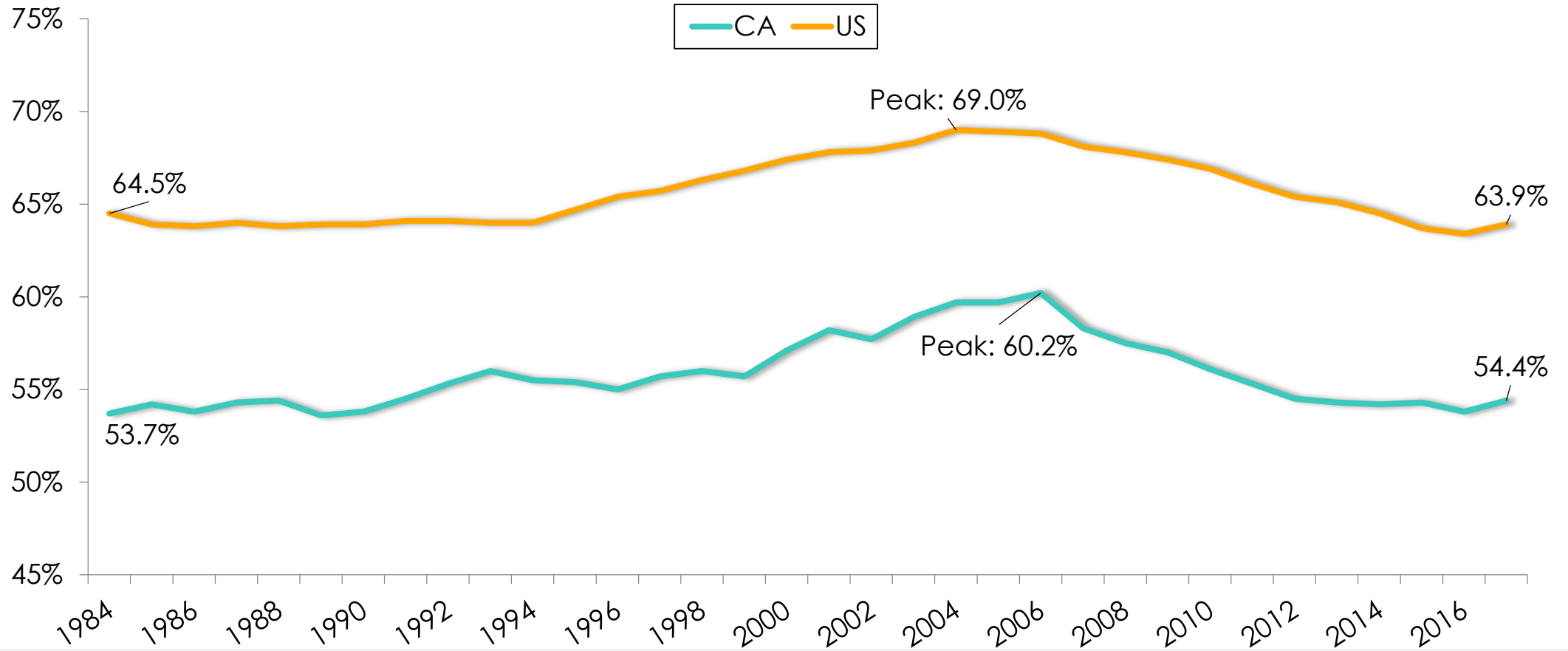
# It's a Much Bigger Problem for First-Time Buyers





# Homeownership update – CA inched up from 2016 but remained at low level

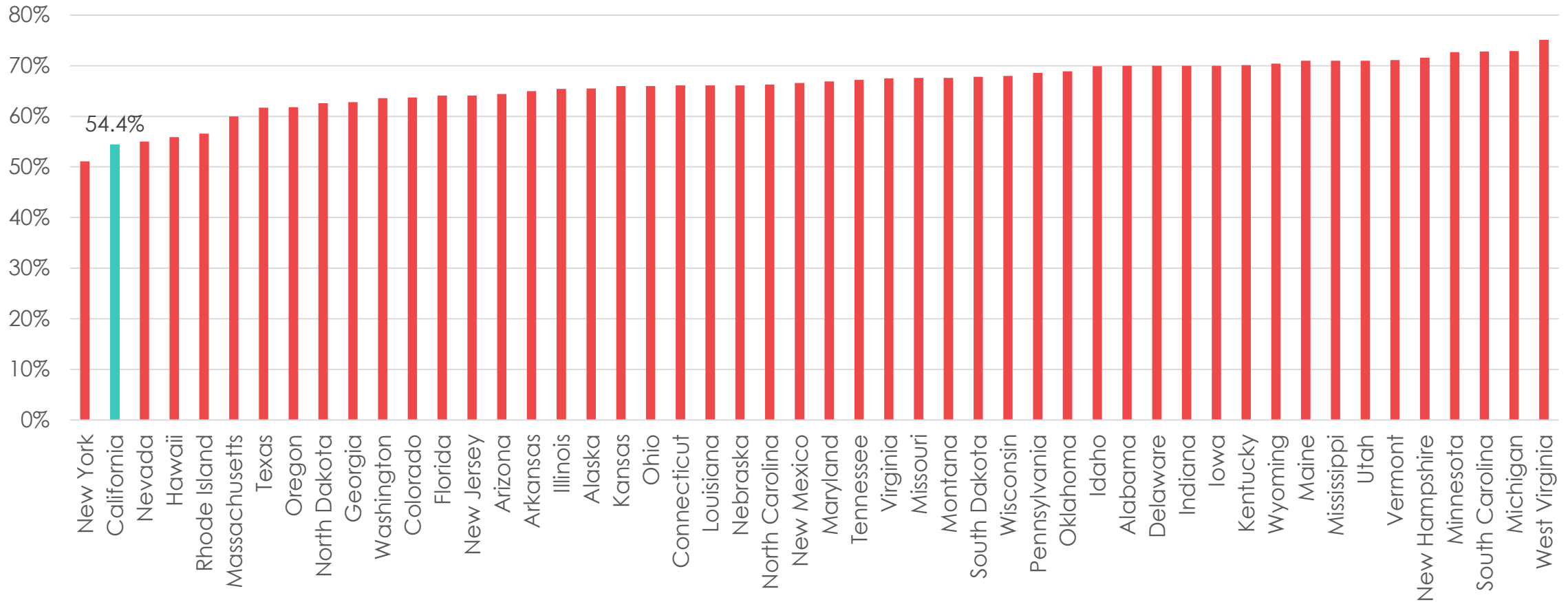
## California Vs. U.S. – 9.5% gap in 2017





# California still ranked the 2<sup>nd</sup> lowest amongst all states

Homeownership Rate



SERIES: Homeownership Rates

SOURCE: U.S. Census Bureau (Current Population Survey)

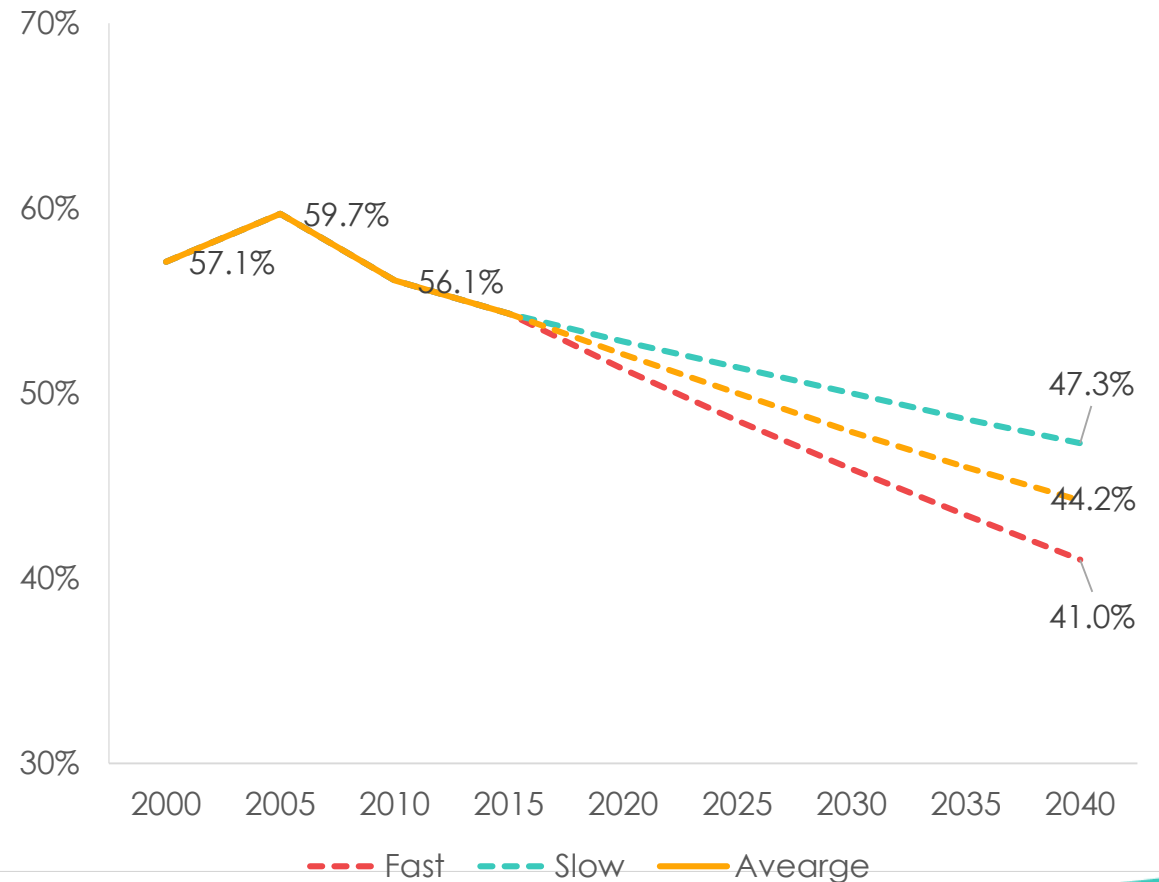


# Homeownership will deteriorate further if the trend continues

Despite the slight bounce back, homeownership will remain low in the next couple years due to:

- Interest rate hike
- Price growth
- Low turn-over rates
- Lack of new constructions
- Short-term Costa-Hawkins Repeal Impact

## California Homeownership Rate



SERIES: Homeownership Rate

SOURCE: U.S. Census Bureau, American Community Survey, C.A.R. projection



# More Sellers Continue to Move out of California; Highest since 2007

## Location of Seller's New Home

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Within the same county	38%	41%	37%	45%	47%	42%	49%	49%	46%	44%	44%	40%	38%	36%
In another county in California	23%	18%	24%	17%	21%	21%	19%	18%	20%	21%	20%	21%	20%	21%
In another state	31%	28%	29%	27%	19%	20%	20%	22%	19%	22%	22%	25%	28%	29%
Out of US	1%	2%	1%	1%	2%	1%	1%	1%	0%	1%	1%	1%	1%	1%
Don't Know/Not sure	7%	11%	9%	10%	12%	16%	10%	10%	15%	13%	13%	13%	14%	13%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%



# Case Study: Seller Leaving California

## Seller's Profile

Age: 56  
Marital Status: Married Couple with Dependents  
Income: \$200,000  
Yrs. Owned: 25  
Net cash gain: \$1,050,000  
Reason for selling: Desired larger home  
State moving to: Utah

## Characteristics of Home

Size: 1,948 sq. ft  
Property Type: Single-Family Home  
Location: Los Angeles County  
Price: \$1,175,000

*"We doubled the size of our house and lowered our mortgage payment."\**

*"L.A would have been my first choice, and I didn't want to have to leave California. I couldn't afford to stay there"\**

\*Lopez, S. (2017) 'They're leaving California for Las Vegas for find middle-class life that eluded them'. Los Angeles Times, 3 December

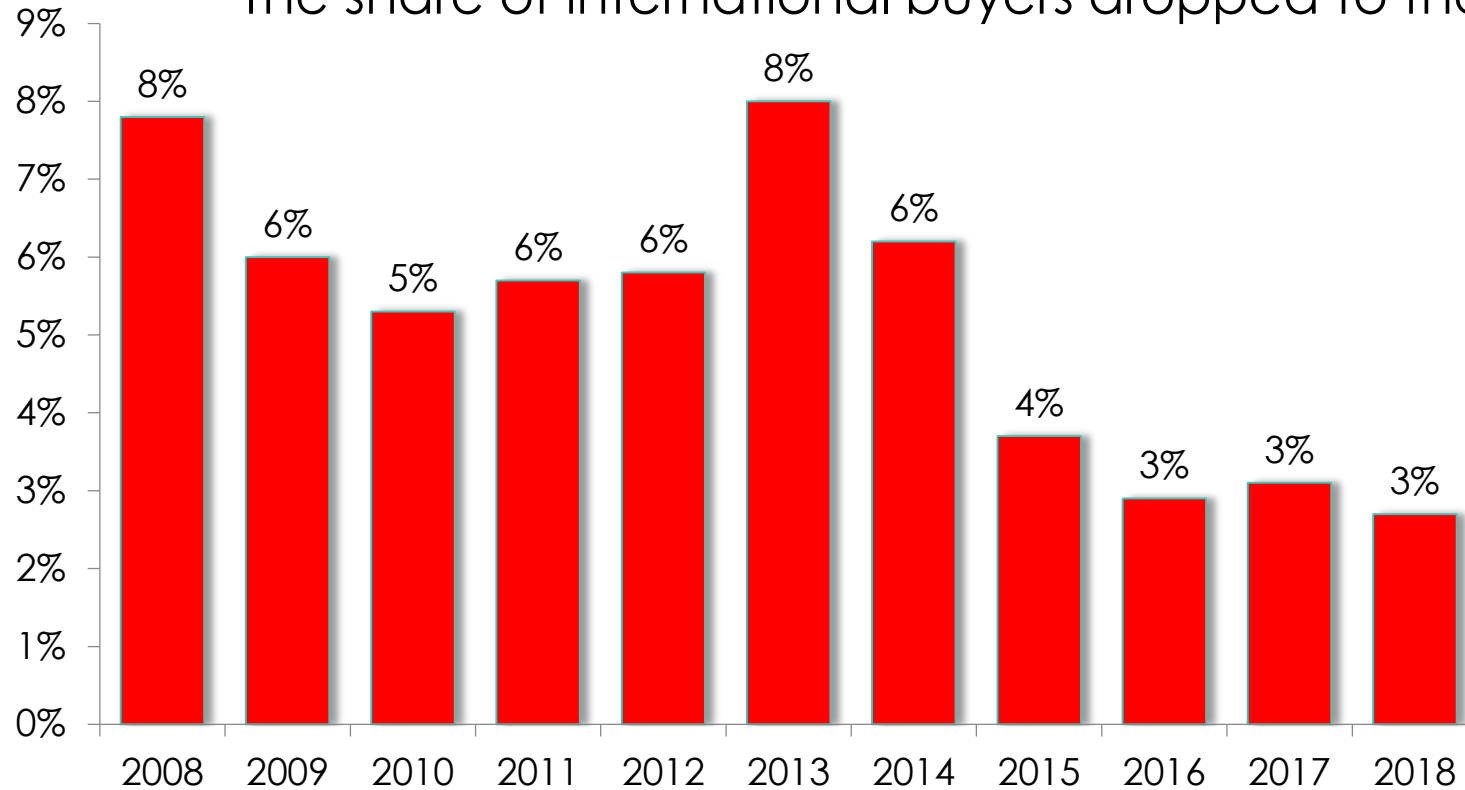


# Global Housing Demand Has Softened



# International Buyers for CA Housing: Flat for 3 Years; Peaked in 2013

The share of international buyers dropped to the lowest level in at least ten years



Q. Was the buyer an international buyer – a person who was a citizen of another country who wished to purchase residential real estate in the U.S.?





# Top 20 Markets for International Traffic

Rank	Market
1	Miami-Fort Lauderdale-West Palm Beach, FL
2	LA-Long Beach - Anaheim, CA
3	Bellingham, WA
4	Santa Cruz – Watsonville, CA
5	Orlando-Kissimmee-Sanford, FL
6	New York-Newark-Jersey City, NY/NJ/PA
7	Kahului-Wailuku-Lahaina, HI
8	Urban Honolulu, HI
9	Houston- The Woodlands-Sugar Land, TX
10	El Centro, CA

September 2018 – realtor.com  
Search Data

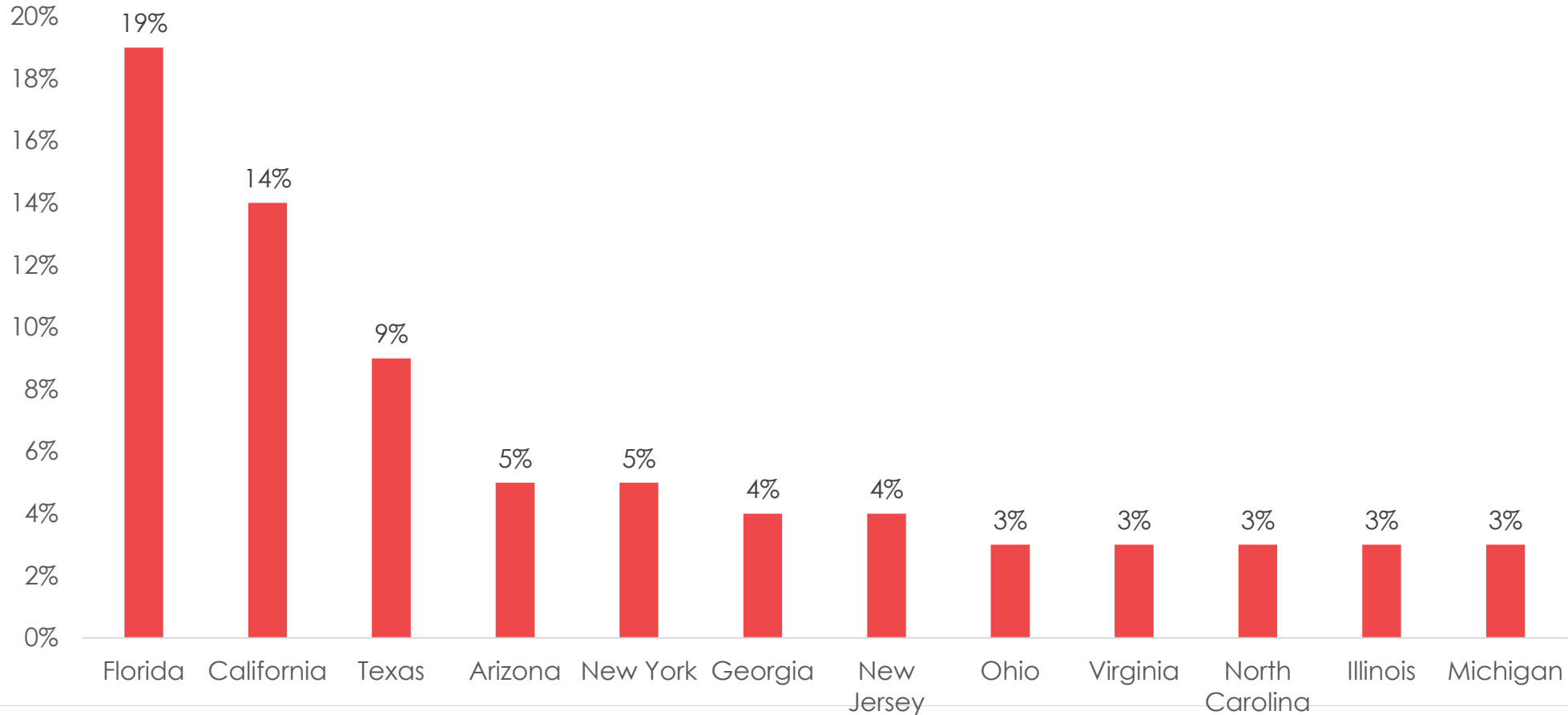


Rank	Market
11	Tampa-St. Petersburg-Clearwater, FL
12	Phoenix-Mesa-Scottsdale, AZ
13	Cape Coral-Fort Myers, FL
14	San Francisco – Oakland - Hayward, CA
15	Washington-Arlington-Alexandria, DC-VA-MD-WV
16	Dallas-Fort Worth-Arlington, TX
17	Seattle-Tacoma-Bellevue, WA
18	Lakeland-Winter Haven, FL
19	Naples-Immokalee –Macro Island, FL
20	Chicago-Naperville-Elgin, IL-IN-WI



# Five States Accounted for 52% of Foreign Purchases

Share of All Foreign Buyers





# Dollar Volume of Sales to Foreign Buyers Declined in 2018 (Billions)

	Canada	China	India	Mexico	United Kingdom	All Foreign Buyers	Share of Top 5
2010	\$17.1	\$11.2	\$5.0	\$6.5	\$12.1	\$65.9	79%
2011	\$13.0	\$7.0	\$5.1	\$4.2	\$6.5	\$66.4	54%
2012	\$15.9	\$12.0	\$5.2	\$6.5	\$4.4	\$82.5	53%
2013	\$11.8	\$12.8	\$3.9	\$3.6	\$4.2	\$68.2	53%
2014	\$13.8	\$22.0	\$5.8	\$4.5	\$5.8	\$92.2	56%
2015	\$11.4	\$28.1	\$7.9	\$4.9	\$3.9	\$103.9	54%
2016	\$8.9	\$27.3	\$6.1	\$4.8	\$5.5	\$102.6	51%
2017	\$19.0	\$31.7	\$7.8	\$9.3	\$9.5	\$153.0	51%
2018	\$10.5	\$30.4	\$7.2	\$4.2	\$7.3	\$121.0	49%

China includes buyers from the People's Republic of China, Hong Kong, and Taiwan.

Estimates from 2010 through 2015 include some commercial transactions. From 2016, the estimates include only residential transactions



# Number of Sales to Foreign Buyers Down

	Canada	China	India	Mexico	United Kingdom	All Foreign Buyers	Share of Top 5
2010	69,100	27,100	15,000	30,100	27,100	300,600	56%
2011	48,500	19,000	14,800	14,800	14,800	210,800	53%
2012	49,500	24,700	12,400	16,500	12,400	206,200	56%
2013	43,900	23,100	10,400	15,800	9,500	192,500	53%
2014	43,700	37,200	12,600	20,000	11,600	232,600	54%
2015	29,900	33,800	17,200	17,900	8,500	208,900	51%
2016	26,900	29,200	14,500	17,900	9,200	214,900	45%
2017	33,800	40,600	14,900	28,500	12,900	284,500	46%
2018	27,400	40,400	13,100	20,200	9,000	266,800	41%

China includes buyers from the People's Republic of China, Hong Kong, and Taiwan.

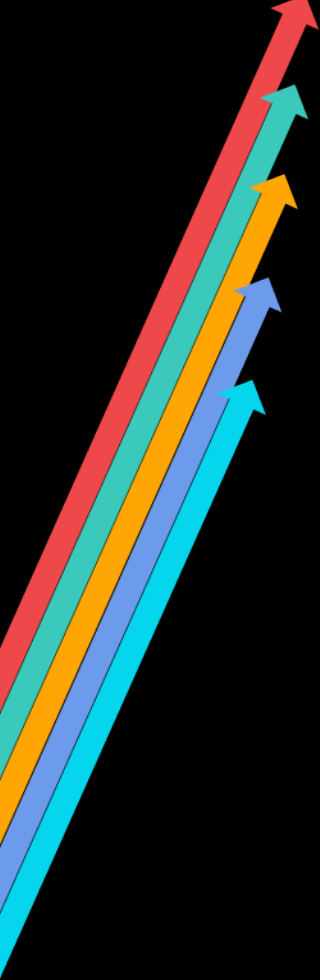
Estimates from 2010 through 2015 include some commercial transactions. From 2016, the estimates include only residential transactions



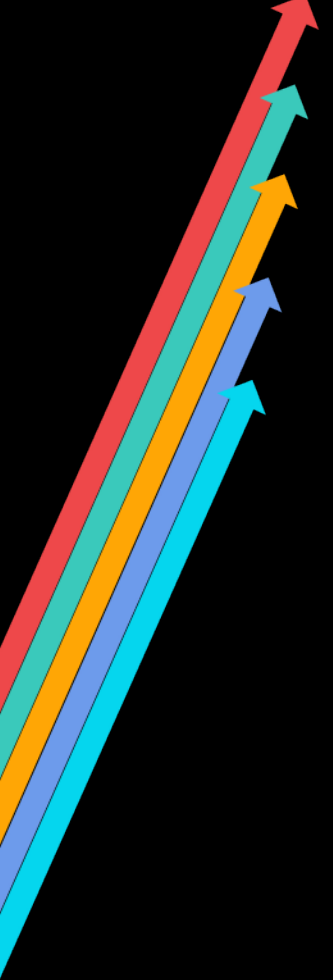
# Average Purchase Price for Foreign Buyers

	Canada	China	India	Mexico	United Kingdom	All Foreign Buyers
2010	\$247,300	\$412,200	\$333,300	\$214,700	\$447,100	\$311,400
2011	\$269,100	\$370,900	\$346,400	\$283,000	\$438,900	\$315,000
2012	\$321,700	\$484,000	\$419,000	\$396,200	\$355,900	\$400,000
2013	\$269,100	\$555,900	\$372,700	\$225,500	\$440,800	\$354,193
2014	314,700	\$590,800	\$459,000	\$224,100	\$499,200	\$396,200
2015	\$380,300	\$831,800	\$460,200	\$274,800	\$455,600	\$499,600
2016	\$332,100	\$936,600	\$420,400	\$266,200	\$598,200	\$477,500
2017	\$560,800	\$781,800	\$522,440	\$326,800	\$741,900	\$536,900
2018	\$383,900	\$752,600	\$547,700	\$208,800	\$806,300	\$454,400

China includes buyers from the People's Republic of China, Hong Kong, and Taiwan.  
Estimates from 2010 through 2015 include some commercial transactions. From 2016, the estimates include only residential transactions



Where Are We?

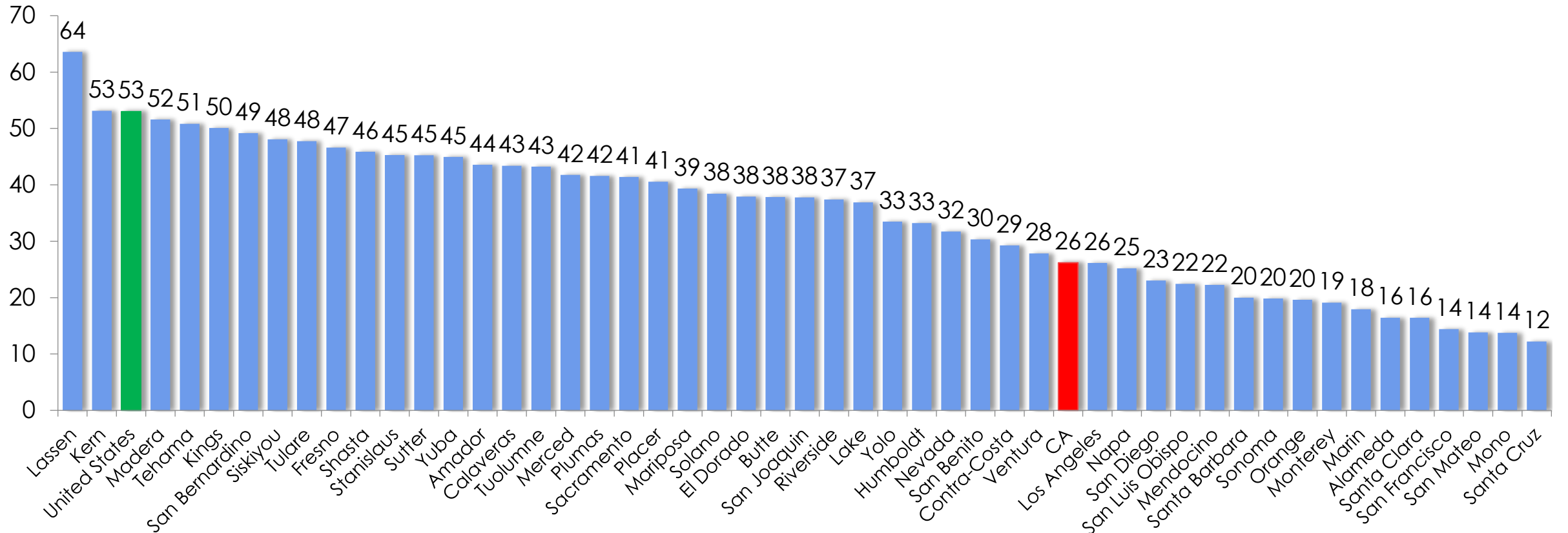


1. CA is NOT Affordable

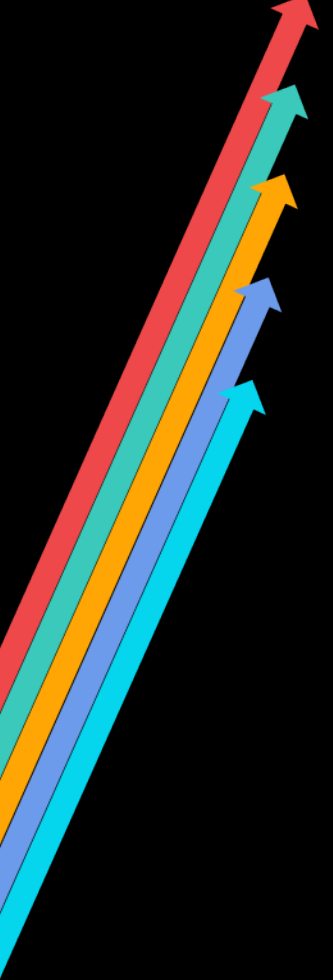


# Only Lassen County Beats US Affordability

2018-Q2: % able to purchase median-priced home





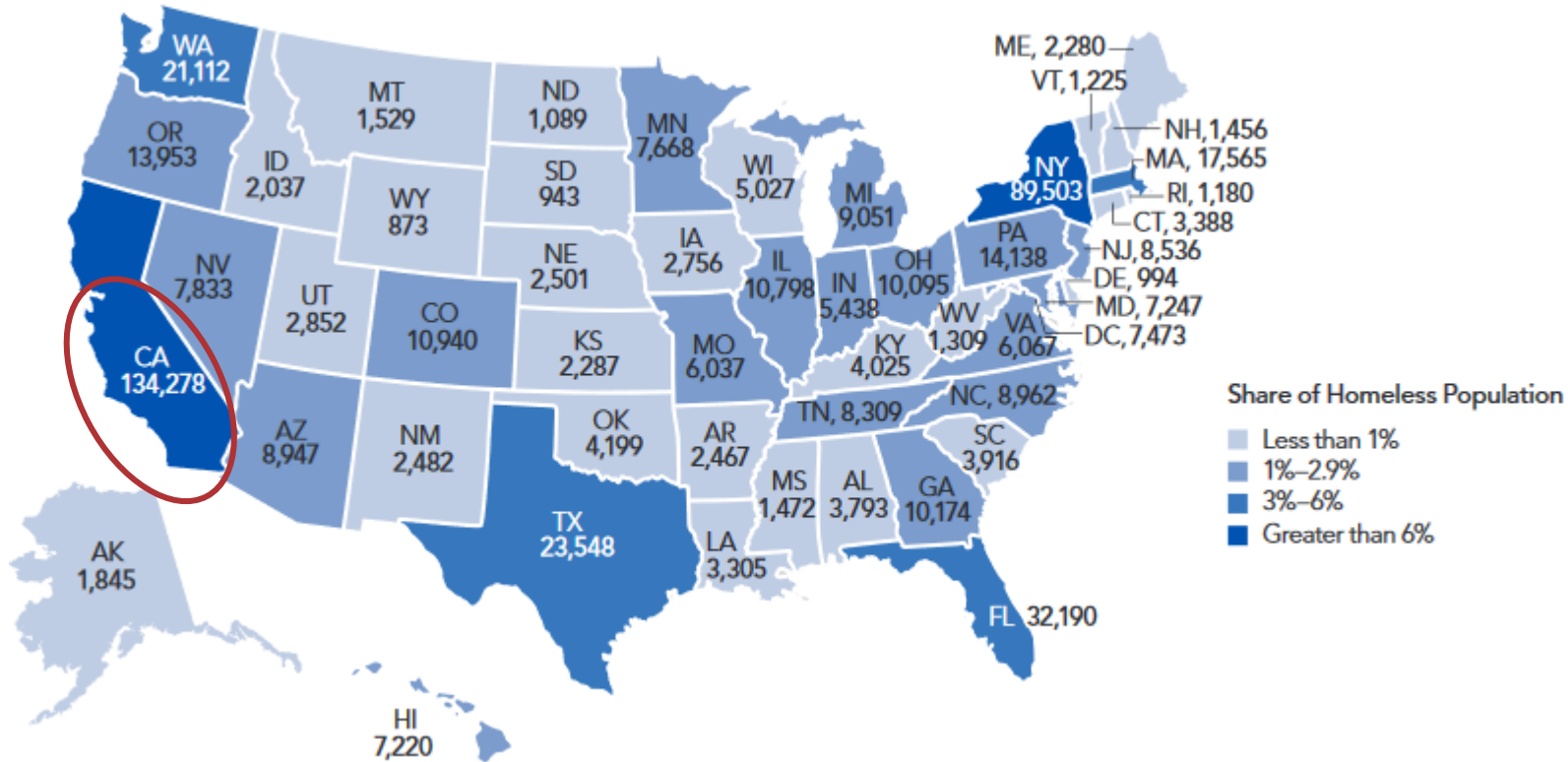


## 2. CA is Home to Record Number of Homeless



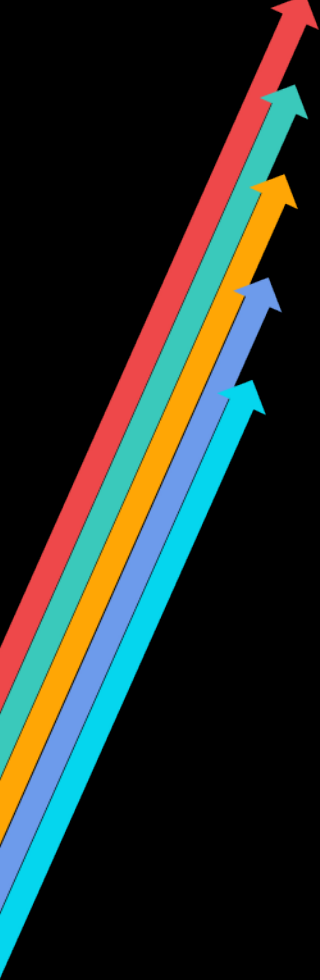
# Largest Number of Homeless People

Estimates of Homeless People – By State, 2017



## Top 5 State with Largest Increases (2016 – 2017)

- California 16,136/13.7%
- New York 3,151/3.6%
- Oregon 715/5.4%
- Nevada 435/5.9%
- Texas 426/1.8%

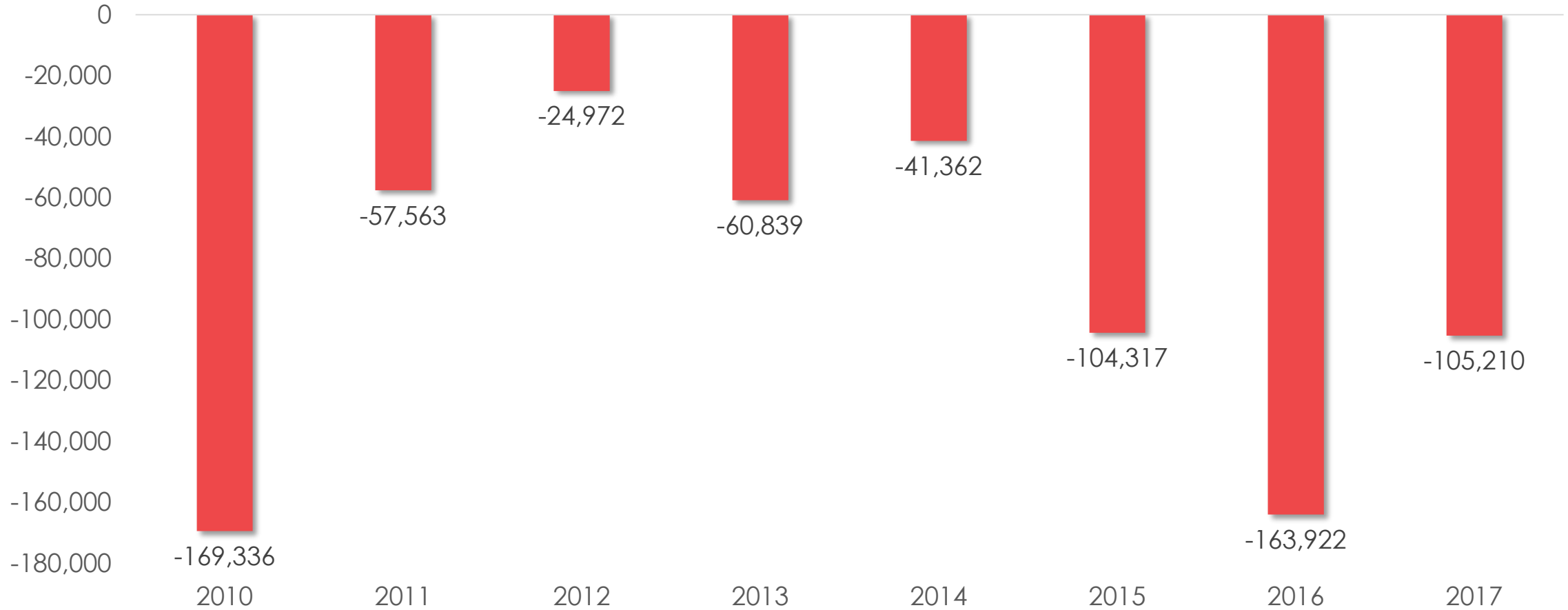


### 3. CA is Losing Workers to More Affordable States: Two Step



# ~750K People Have Left Since 2010

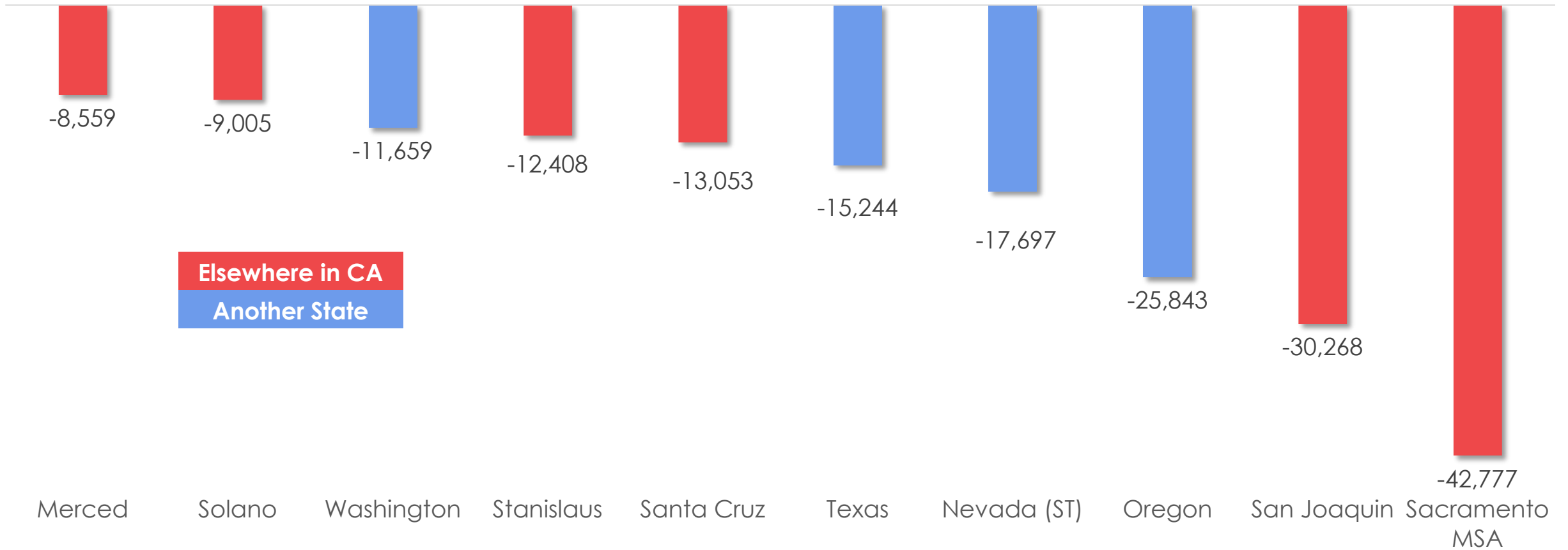
California Net Domestic Migration





# Step 1: Coastal to Cheaper Markets

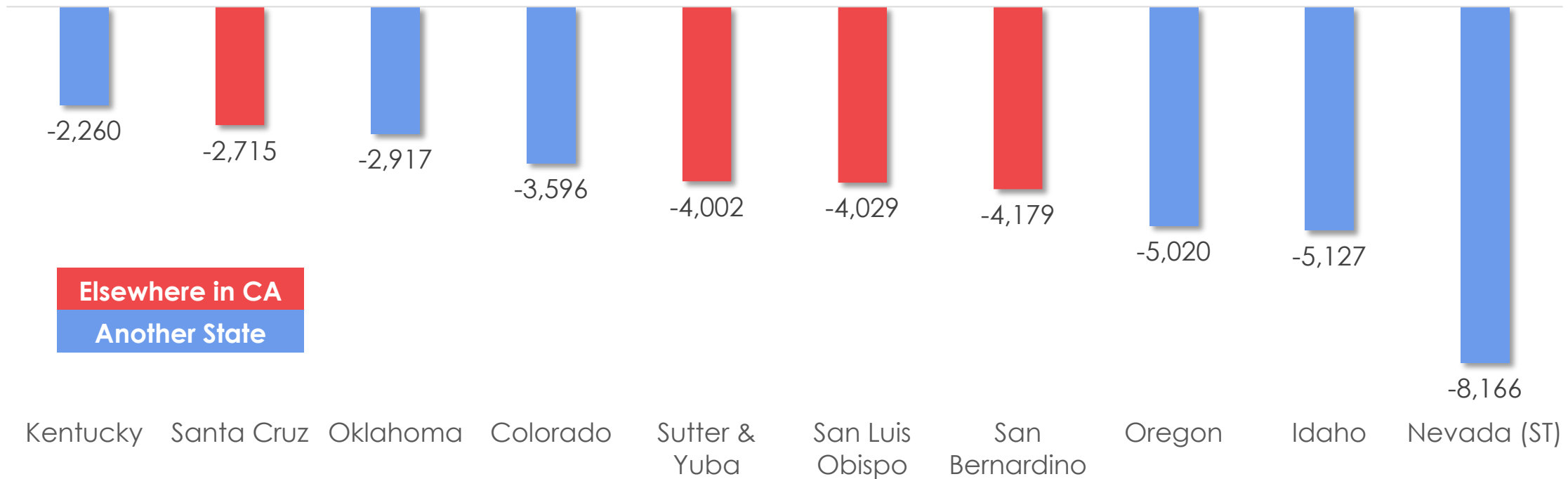
## Core San Francisco Bay Area Out Migration (2010-2016)





# Step 2: Pricing Prior Residents Out of State

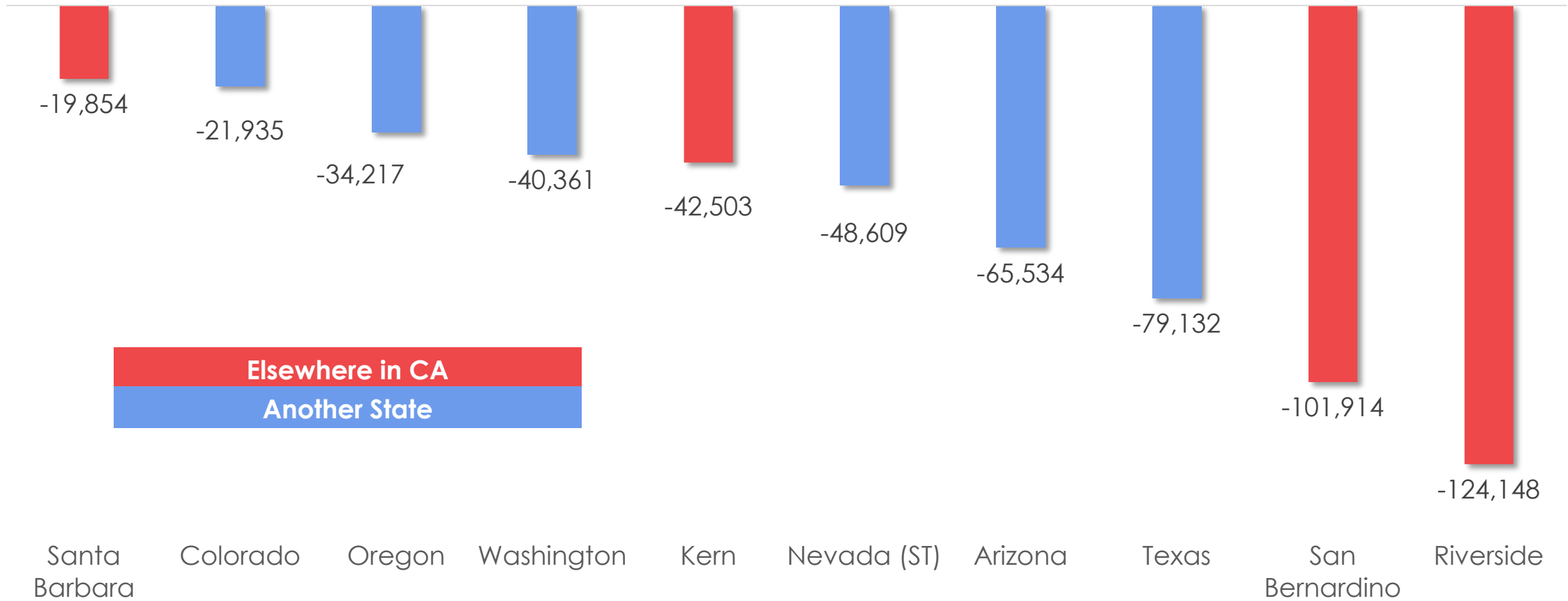
## Sacramento MSA Out Migration (2010-2016)





# Step 1: Coastal to Cheaper Markets

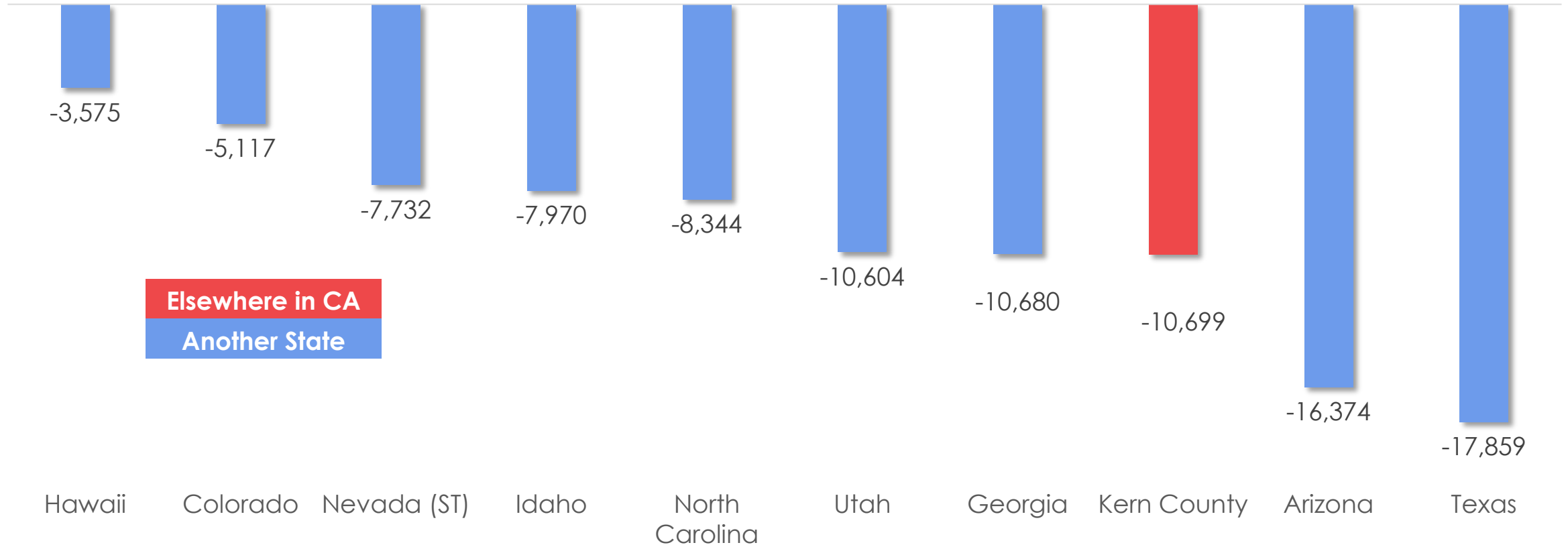
## Coastal Southern California Out Migration (2010-2016)





# Step 2: Pricing Prior Residents Out of State

## Inland Empire Out Migration (2010-2016)





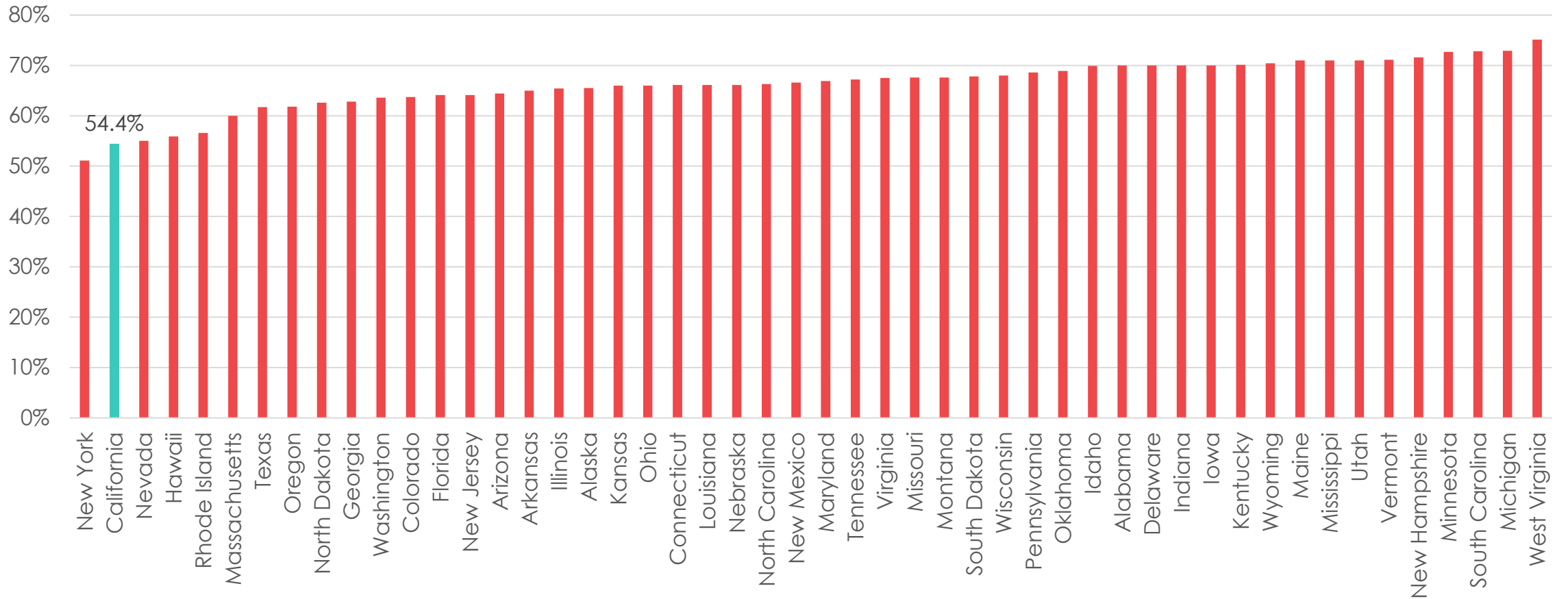


4. CA will soon be a majority renter state



# California: 2<sup>nd</sup> lowest in nation

## Homeownership Rate



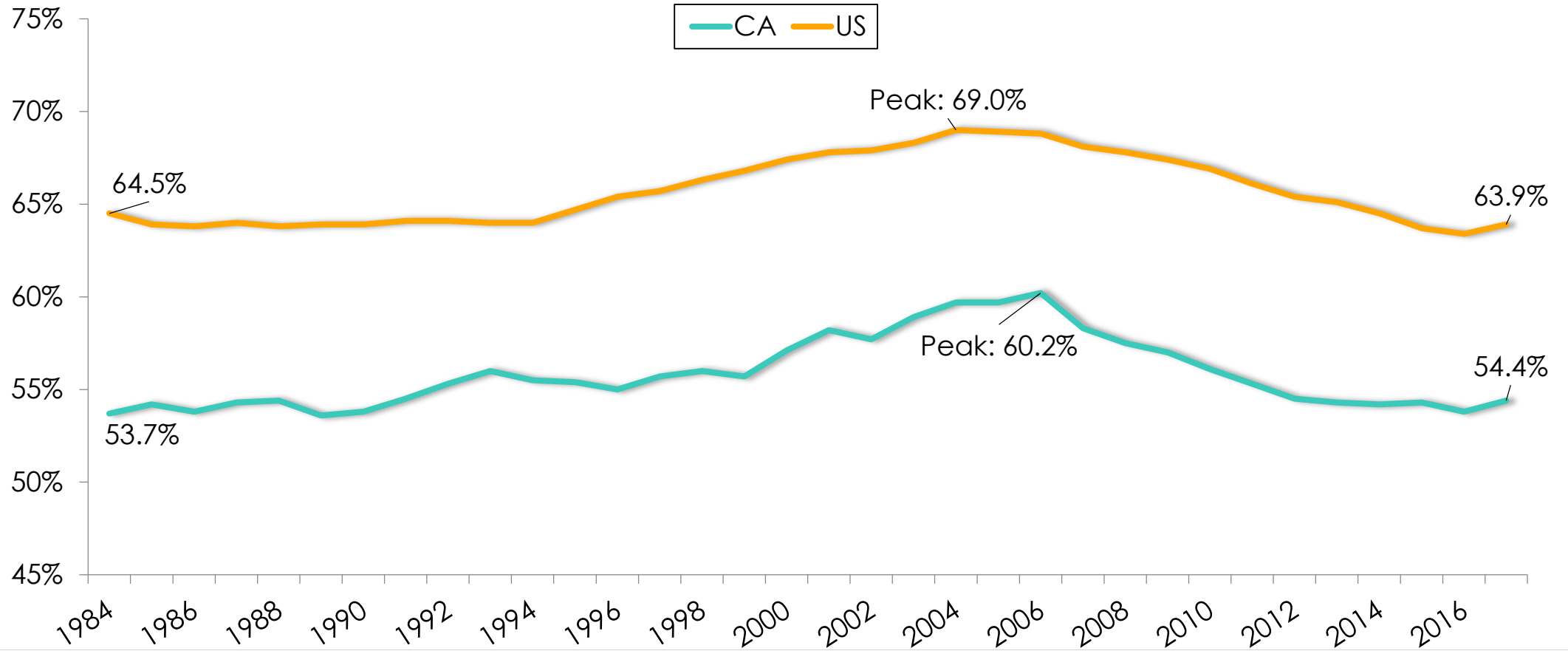
SERIES: Homeownership Rates

SOURCE: U.S. Census Bureau (Current Population Survey)



# Homeownership Rates

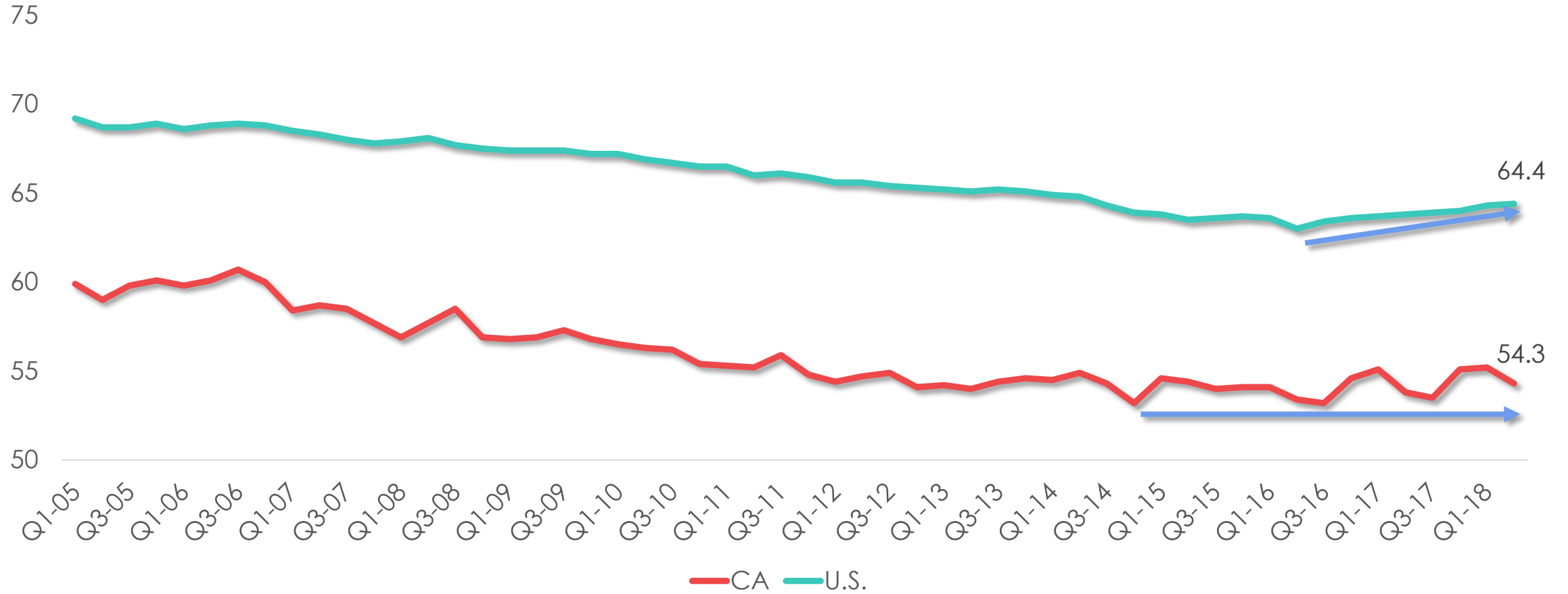
California Vs. U.S. – 9.5% gap in 2017





# CA: Ownership Rebound?

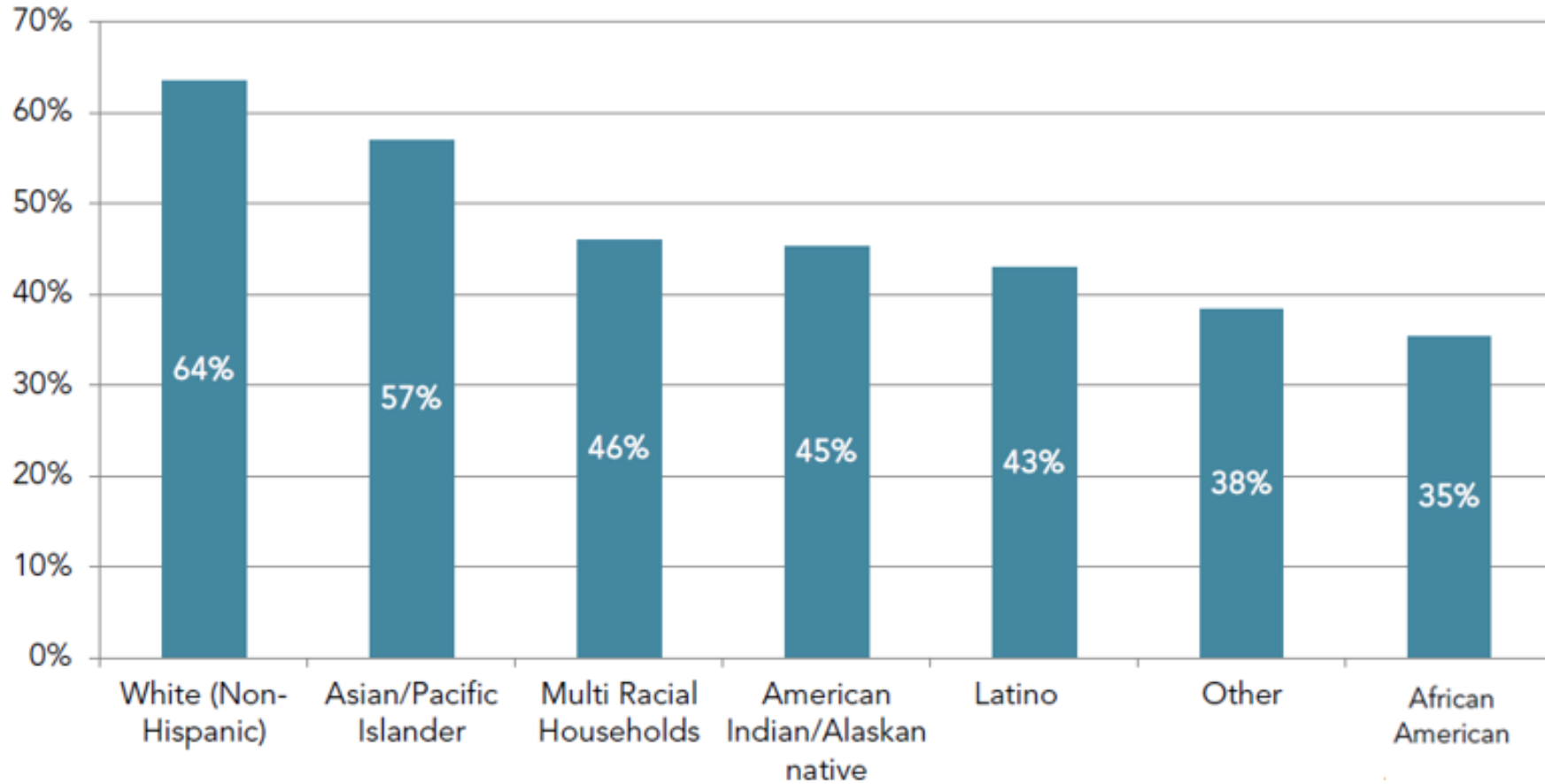
Homeownership Rate





# ... Homeownership Varies Sharply by Ethnicity

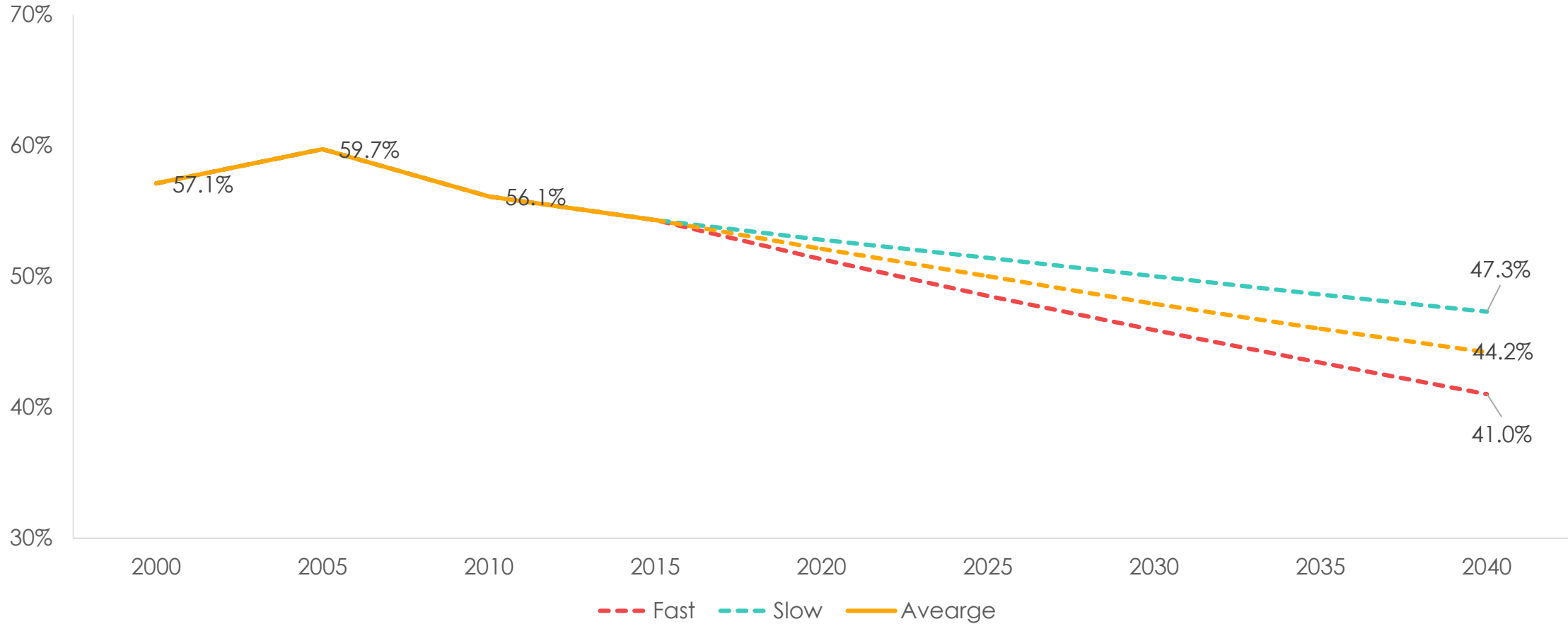
California Homeownership Rates by Race and Ethnicity (2010-2014 Average)





# CA: Majority Renter State by 2025

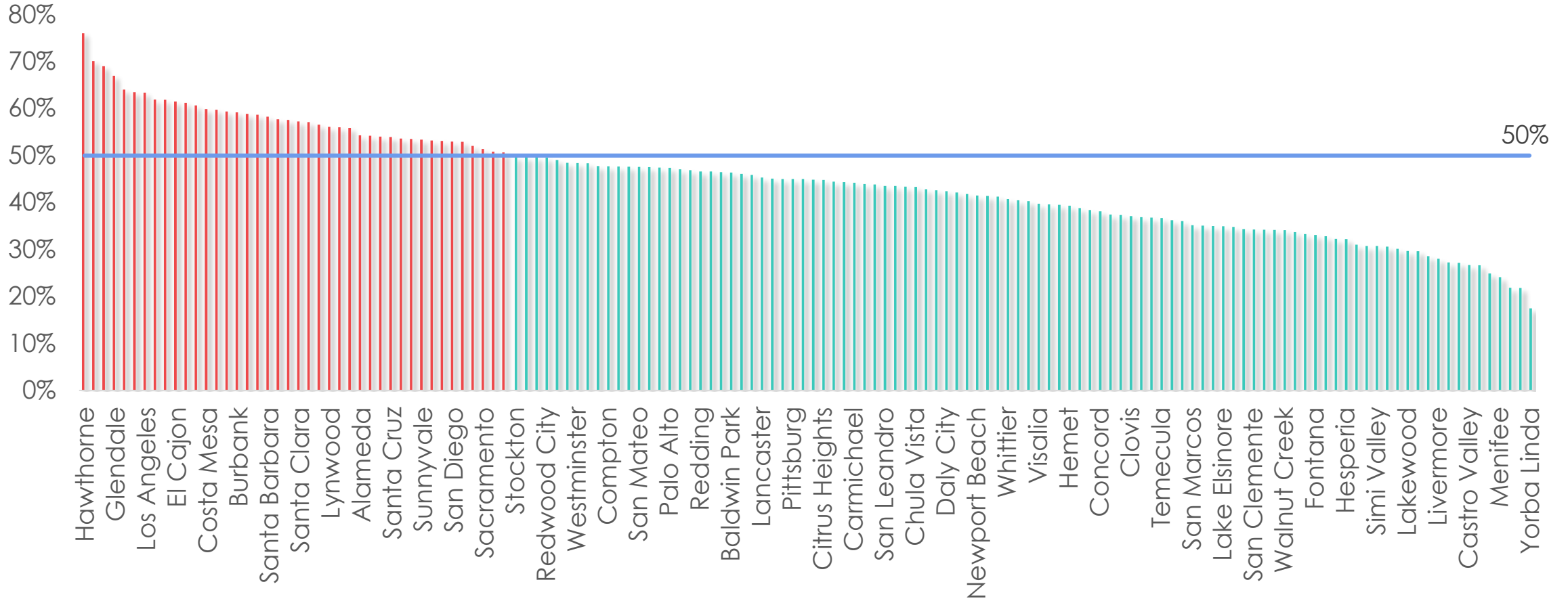
## California Homeownership Rate





# 42 of 142 Big Cities ALREADY Majority Renter

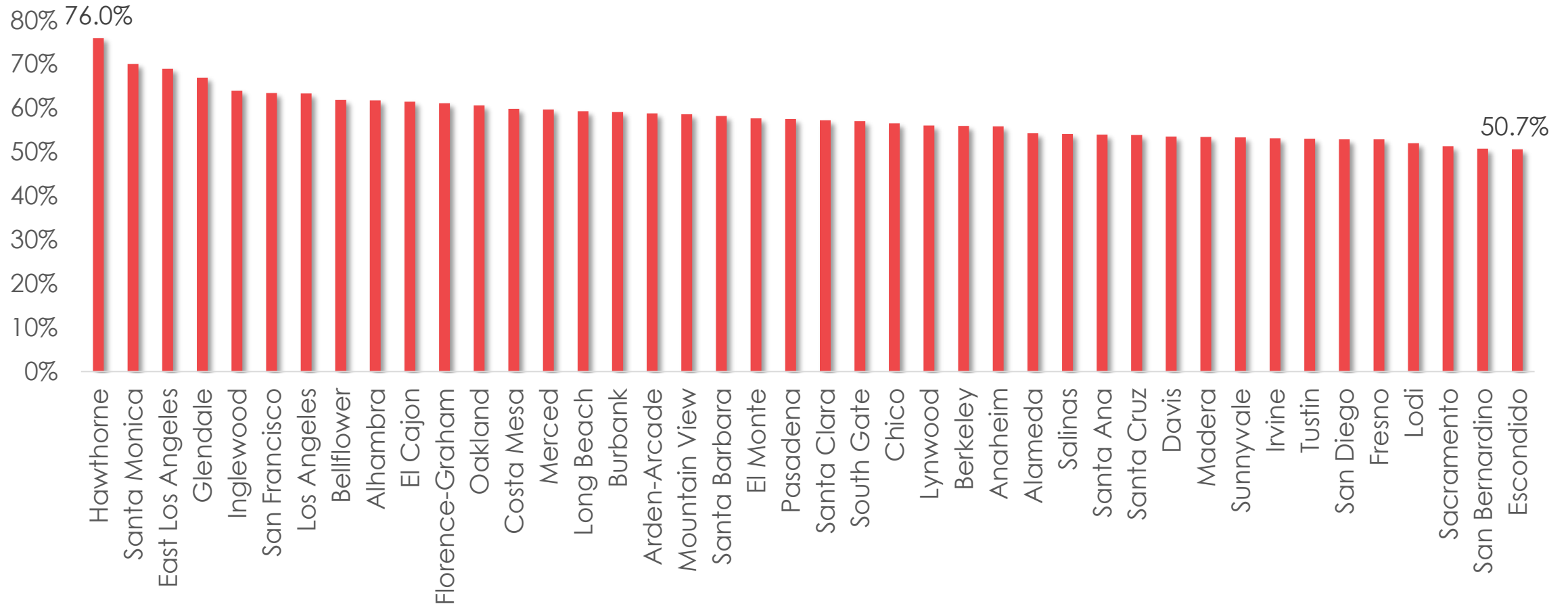
2017 California Renter Rate by City





# Majority Renter Cities

2017 California Renter Rate by City







Q: What needs to be  
done?

A: Build More Housing



# Lakewood CA 1950





# Global Capitals Do Density



#10 Shanghai



#43 London



#69 Paris



#35 Rio de Janeiro



#27 Mexico City



# U.S. Cities Ranked by Density

#90 Los Angeles

#104 San Francisco/Oakland

#107 San Jose

#119 Honolulu

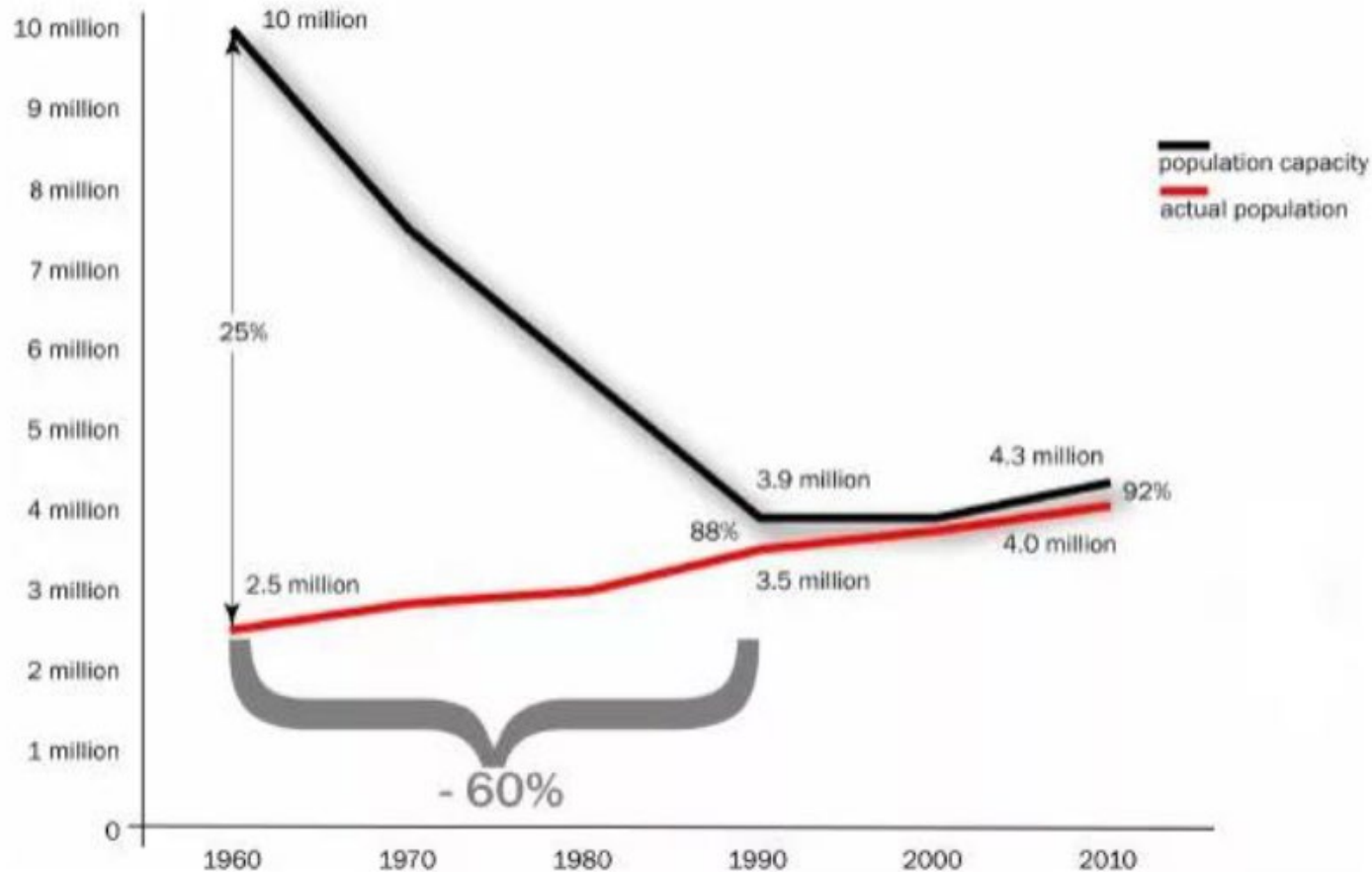
#120 Las Vegas

#121 Miami



# Case Study: Restrictive Zoning in L.A.

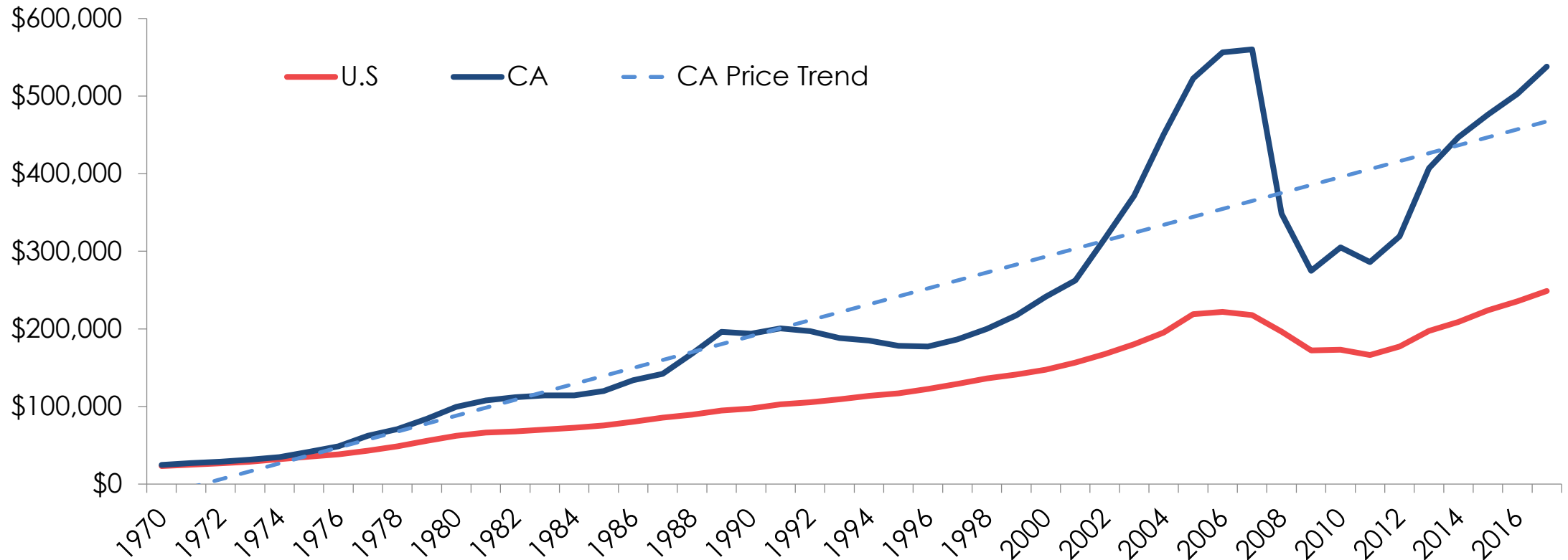
Los Angeles Zoned Residential Capacity



- 1960: Los Angeles zoned to accommodate 10 million people
- Today: LA is zoned for only 4.3 million people after decades of population growth and increase in housing demand.



# CA vs US Median Price

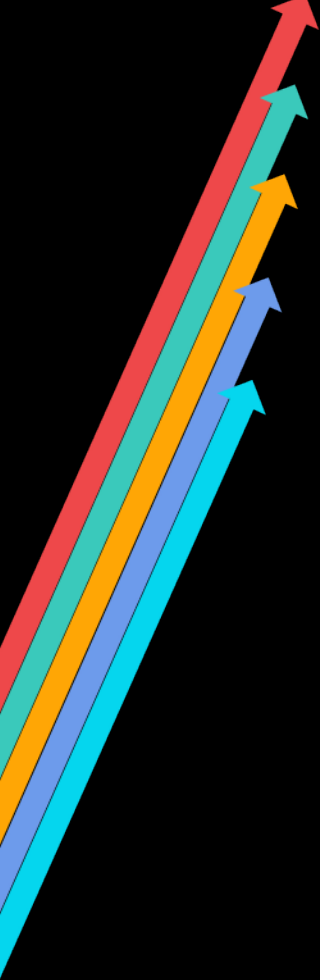


SERIES: Median Price of Existing Single-Family Homes  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



USC Dornsife/LA Times Poll (10/18)

*Only 13% of CA voters think too little home building is a primary contributor to the state's affordability issues.*



# The Forecast





# U.S. Economic Outlook

	2013	2014	2015	2016	2017	2018p	2019f
US GDP	1.7%	2.4%	2.6%	1.6%	2.3%	3.0%	2.4%
Nonfarm Job Growth	1.7%	1.9%	2.1%	1.8%	1.4%	1.6%	1.3%
Unemployment	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%	3.7%
CPI	1.5%	1.6%	0.1%	1.4%	2.0%	2.5%	2.4%
Real Disposable Income, % Change	-1.4%	2.7%	3.4%	2.7%	2.1%	2.8%	2.6%
30-Yr FRM	4.0%	4.2%	3.9%	3.6%	4.0%	4.7%	5.2%



# California Economic Outlook

	2013	2014	2015	2016	2017	2018p	2019f
Nonfarm Job Growth	3.0%	2.2%	2.7%	2.3%	1.6%	2.0%	1.4%
Unemployment	8.9%	7.5%	6.2%	5.5%	4.8%	4.3%	4.3%
CA Population (Million)	38.4	38.7	39.1	39.4	39.6	39.9	40.2
Population Growth	0.9%	1.0%	0.8%	0.6%	0.8%	0.7%	0.7%
Real Disposable Income, % Change	-2.1%	5.6%	3.9%	1.6%	1.6%	2.4%	3.0%



# CA Housing Market Outlook – Most Likely Case

	2013	2014	2015	2016	2017	2018p	2019f
SFH Resales (000s)	414.9	382.7	409.4	417.7	424.1	398.4	371.1
% Change	-5.9%	-7.8%	7.0%	2.0%	1.5%	-6.2%	-6.9%
Median Price (\$000s)	\$407.2	\$446.9	\$476.3	\$502.3	\$538.0	\$575.7	\$574.5
% Change	27.5%	9.8%	6.6%	5.4%	7.2%	7.0%	-0.2%
Housing Affordability Index	36%	30%	31%	31%	29%	28%	26%
30-Yr FRM	4.0%	4.2%	3.9%	3.6%	4.0%	4.7%	5.2%



# Opportunities

- Listings are up & prices are favorable for sellers
- Call frustrated potential buyers and tell them the good news
- Rates are rising – don't wait
- Provide sellers a teachable moment
- Know where people are moving and why and work your referral network
- Get involved in the political process – this is your future



# Read This: California's Housing Future





THE INSTANT NEW YORK TIMES BESTSELLER

.....THE TRUTH ABOUT.....

# YOUR FUTURE

.....

## THE MONEY GUIDE YOU NEED NOW, LATER, AND MUCH LATER

.....

**#1 NEW YORK TIMES**  
BESTSELLING AUTHOR OF  
*THE TRUTH ABOUT MONEY* **RIC EDELMAN**

..... •FOREWORD BY PETER DIAMANDIS• .....

**WE NEED TO TALK**

HOW TO HAVE CONVERSATIONS THAT MATTER

**CELESTE HEADLEE**

PETER H. DIAMANDIS and STEVEN KOTLER

# BOLD

HOW TO GO BIG, CREATE WEALTH, AND IMPACT THE WORLD

From the *New York Times* bestselling authors of *ABUNDANCE*

"A guide to exponential digital chutzpah from a master of the art of 'going big.'"  
—FINANCIAL TIMES



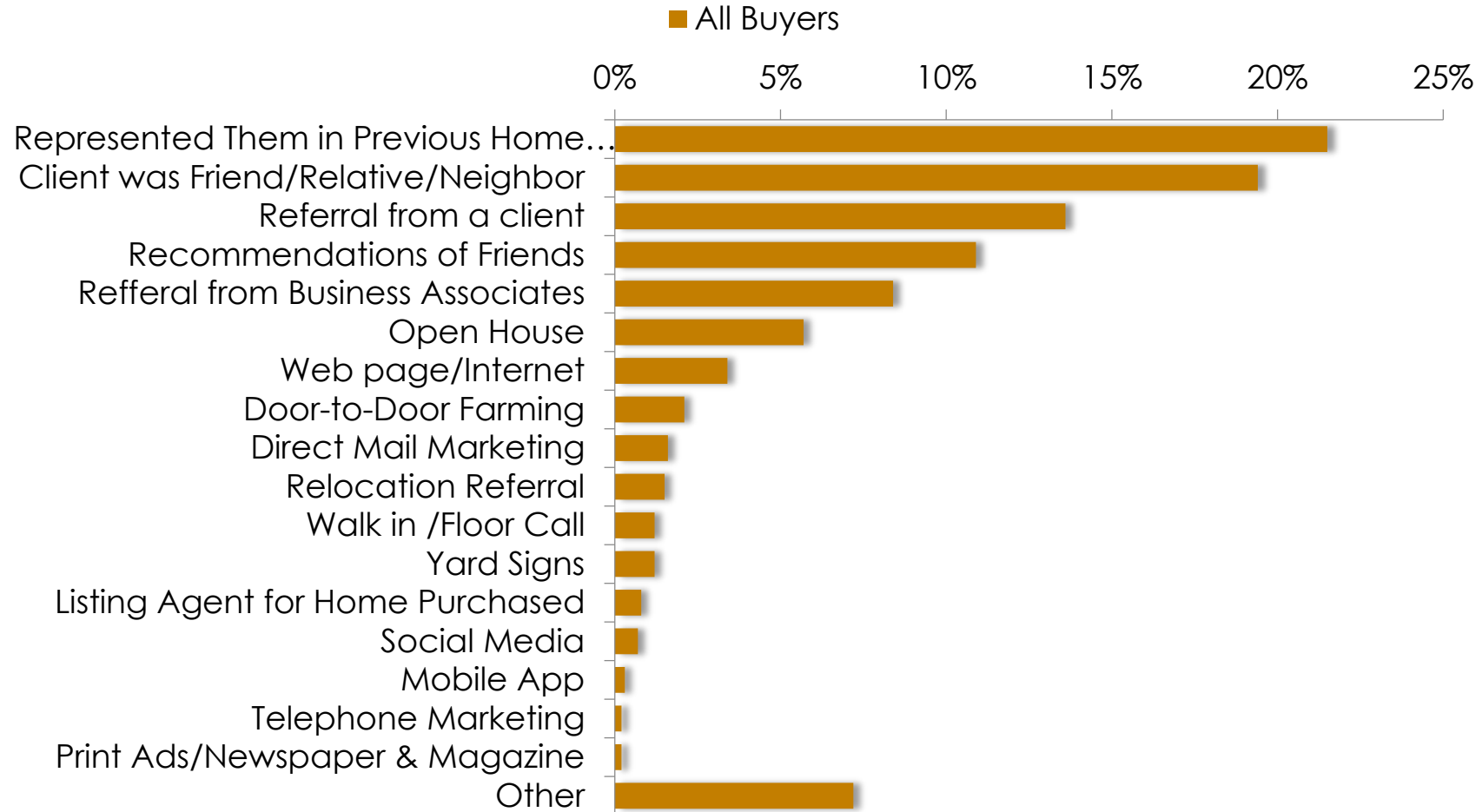
# Jeff Bezos: Amazon

"I very frequently get the question: 'What's going to change in the next 10 years?' I almost never get the question: 'What's not going to change in the next 10 years?' And I submit to you that that second question is actually the more important of the two — because you can build a business strategy around the things that are stable in time..... Customers want:

- Large selection
- Low Prices
- Fast Delivery



# How Client Found Their Agent



Q. How did your client find and select you to represent them?





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