

2018 Mid-Year Market Forecast



July 10, 2019

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Economic **Fundamentals**

Economic fundamentals remain solid



GDP **3.1%**
2019-Q1



Consumption **0.9%**
2019-Q1



Core CPI **2.0%**
May 2019



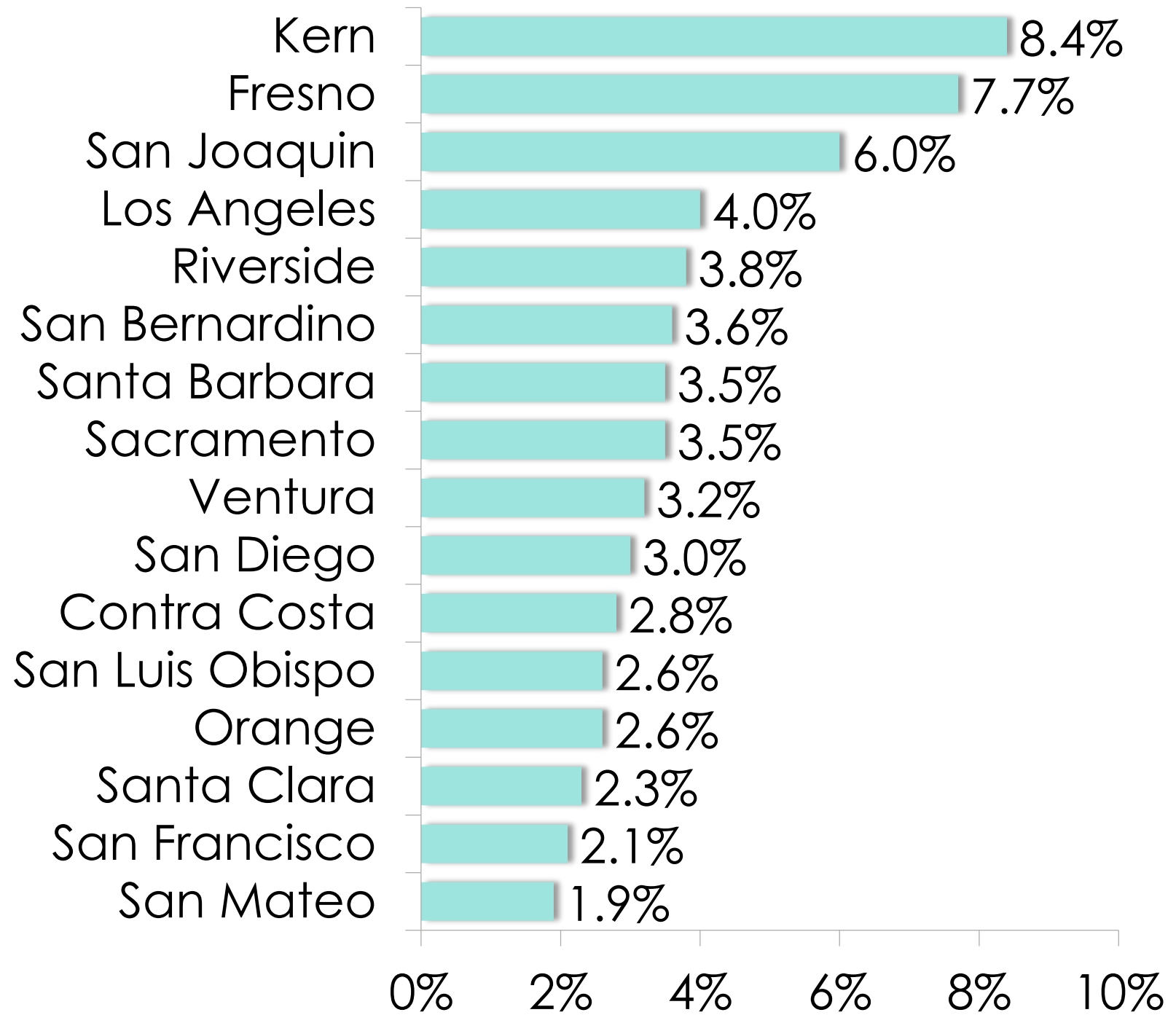
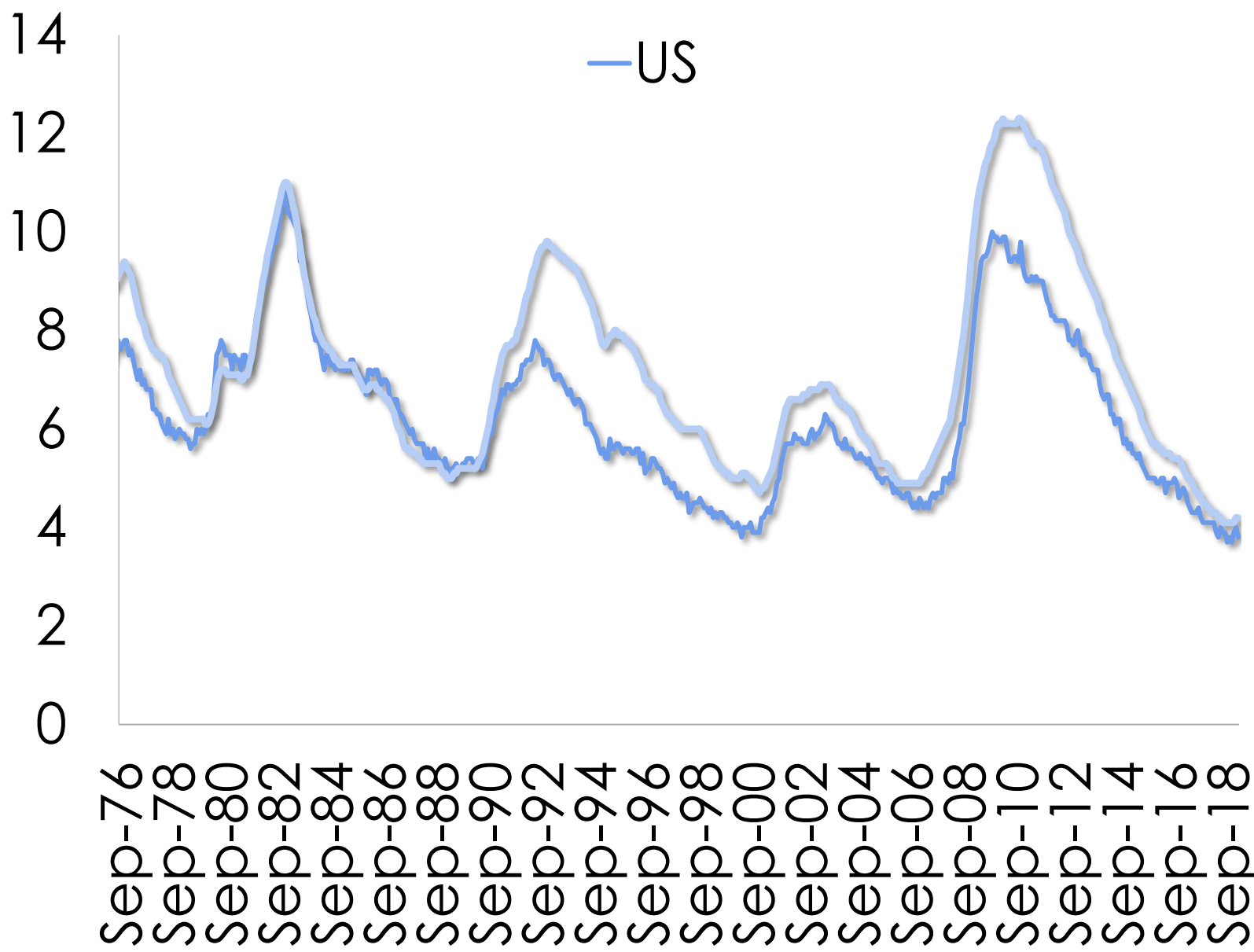
Unemployment **3.7%**
June 2019



Job Growth **1.5%**
June 2019

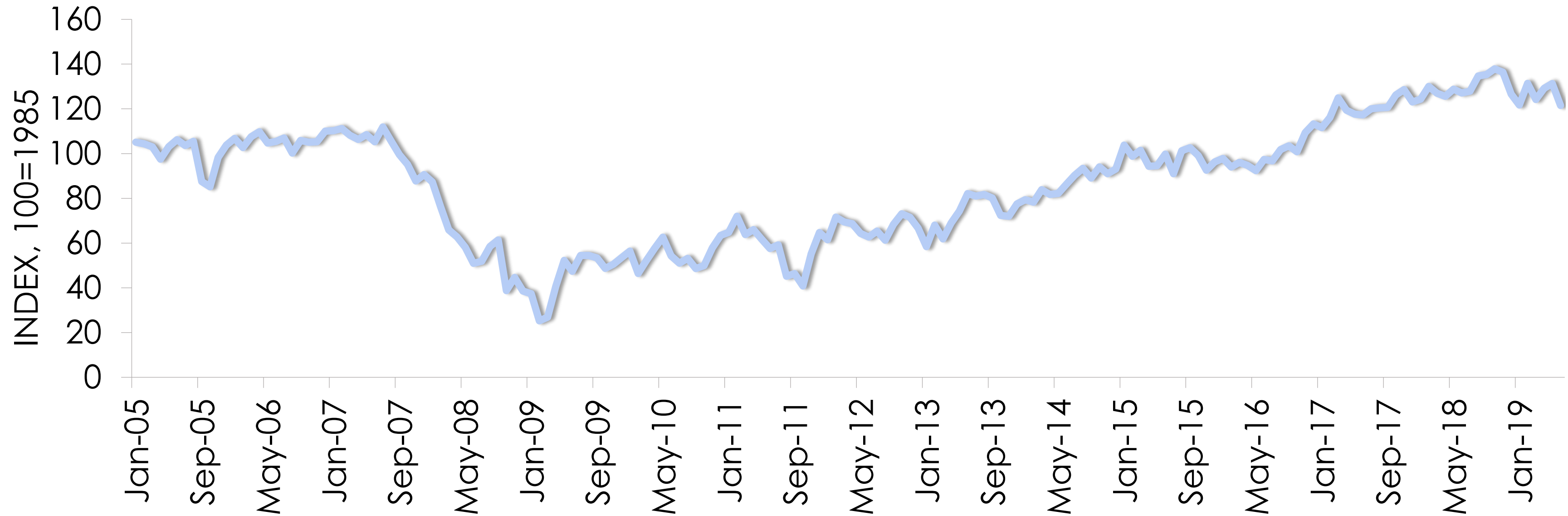


Unemployment at lowest rate in 50 years



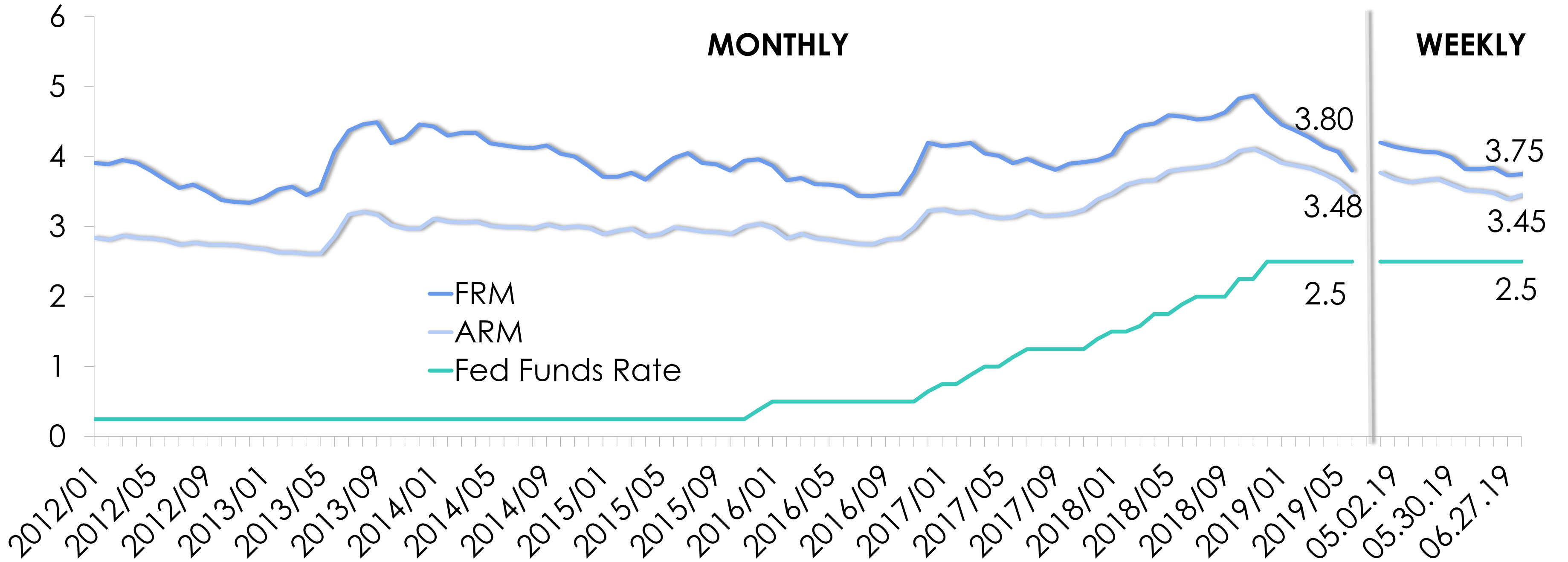
Consumers confidence remained elevated

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

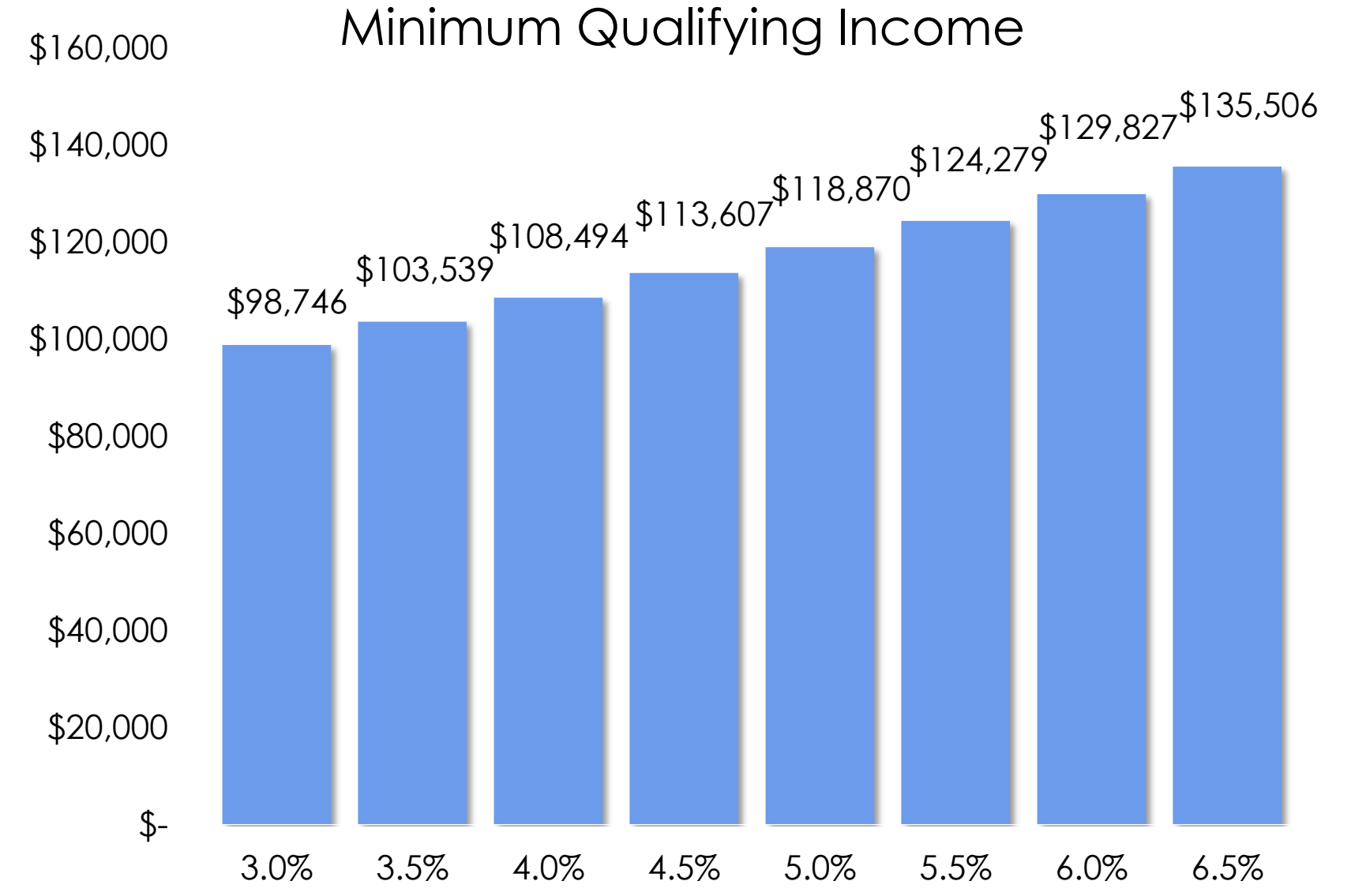
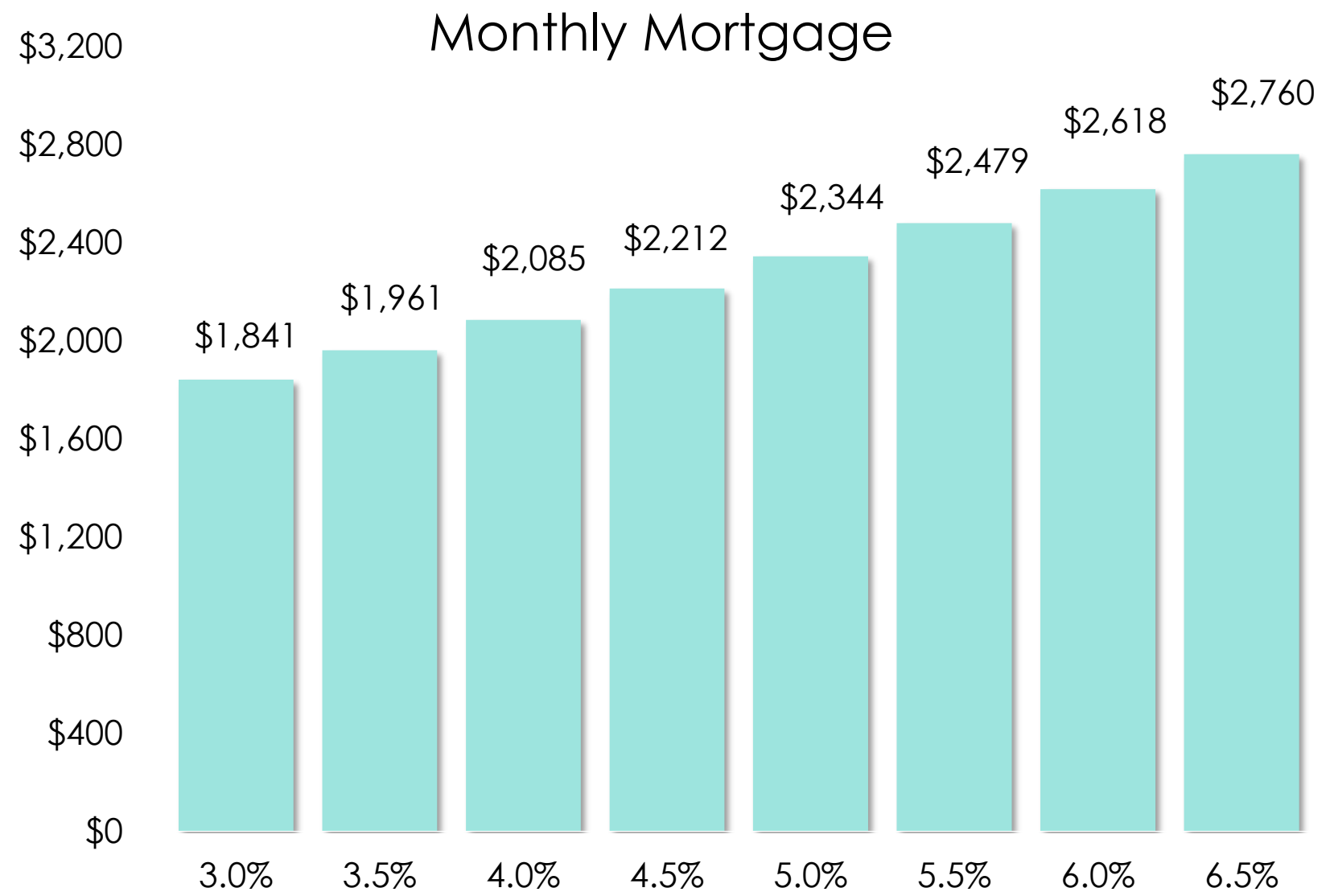


CALIFORNIA ASSOCIATION OF REALTORS®

Rates drop lower mortgage payment

Q1-2019 Median Price \$545,820

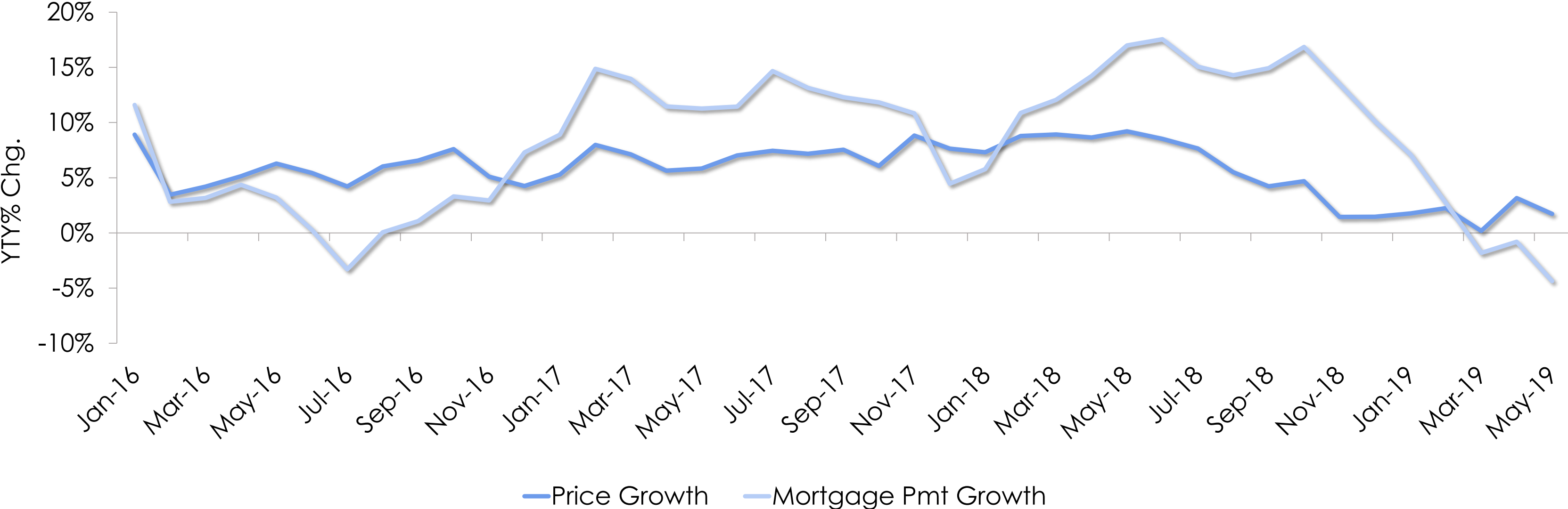
20% Downpayment



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
- 1st 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



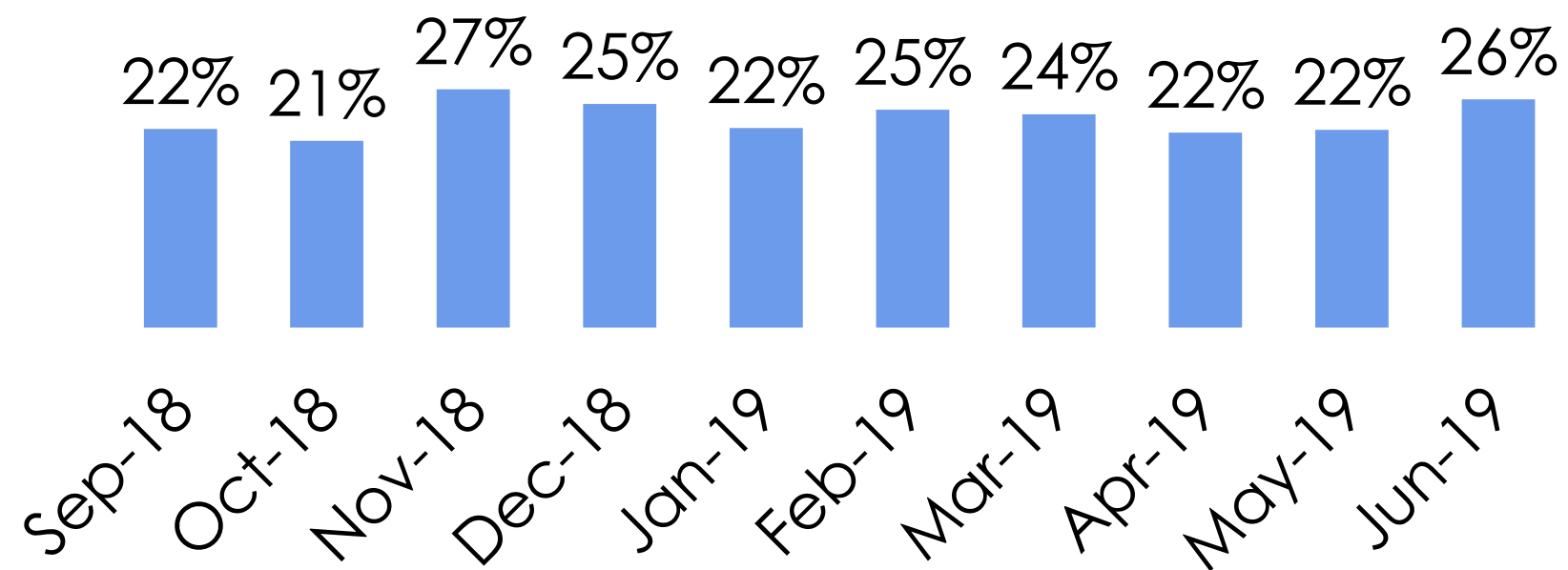


Let's Talk Housing?

Attitude towards buying and selling

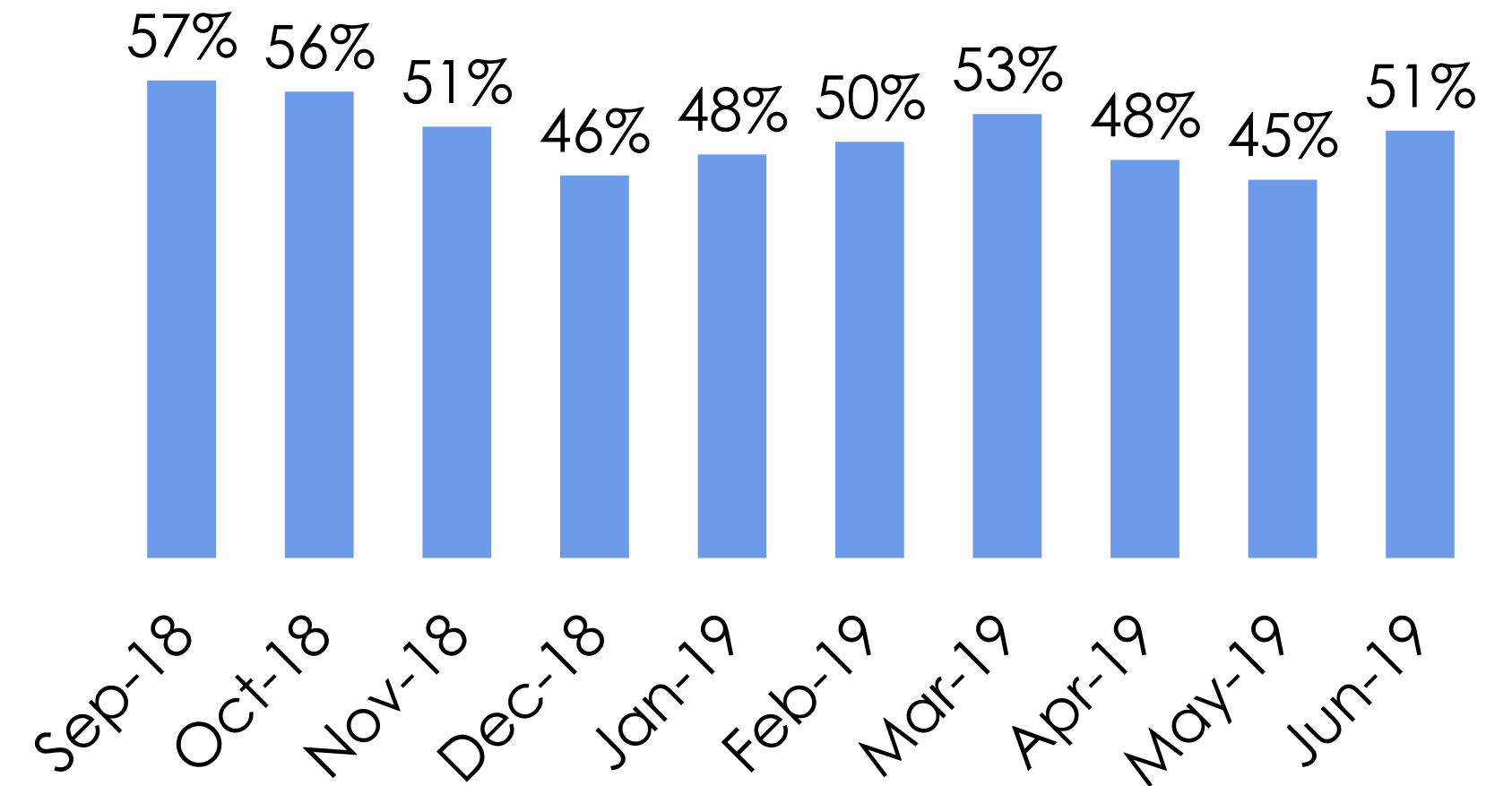
Do you think it's a good time to **buy** a home in California?

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



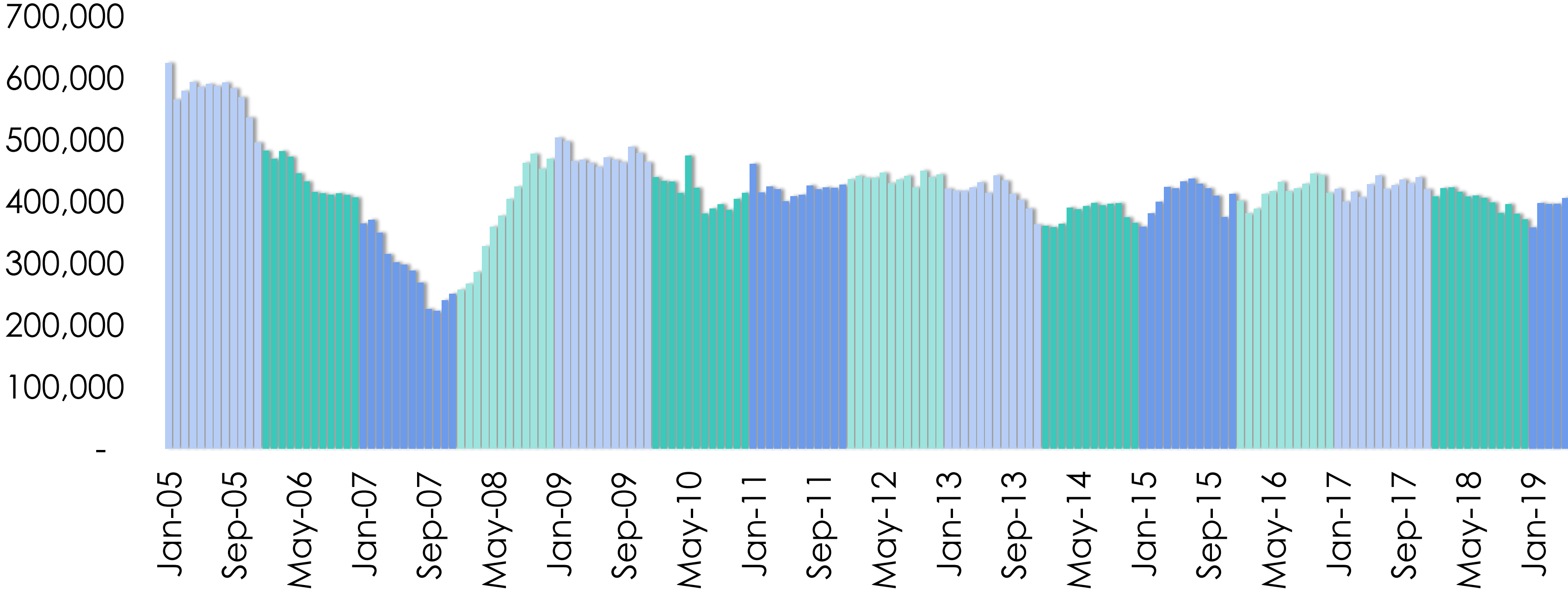
Sales Price to
List Price Ratio

99.3%
-0.7% Y2Y



Sales above 400k for the first time in 10 months

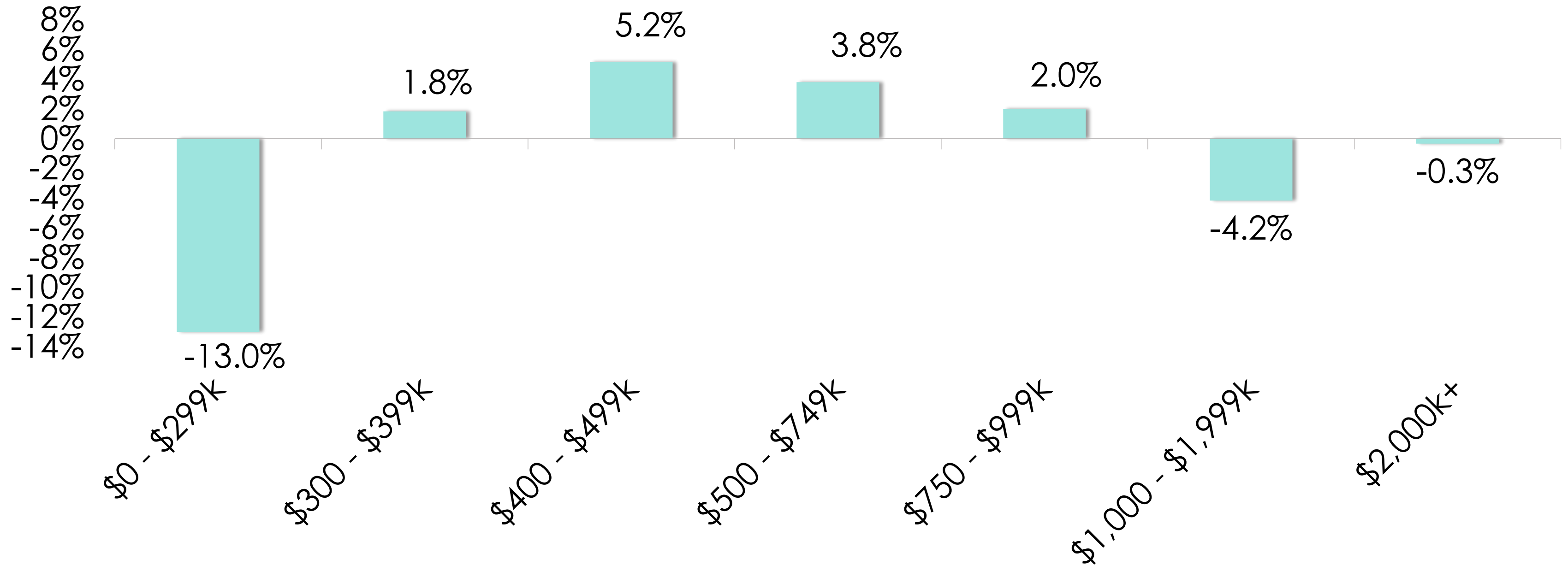
California, May 2019 Sales: 406,960 Units



*Sales are seasonally adjusted and annualized

Underperform in low and high price ranges

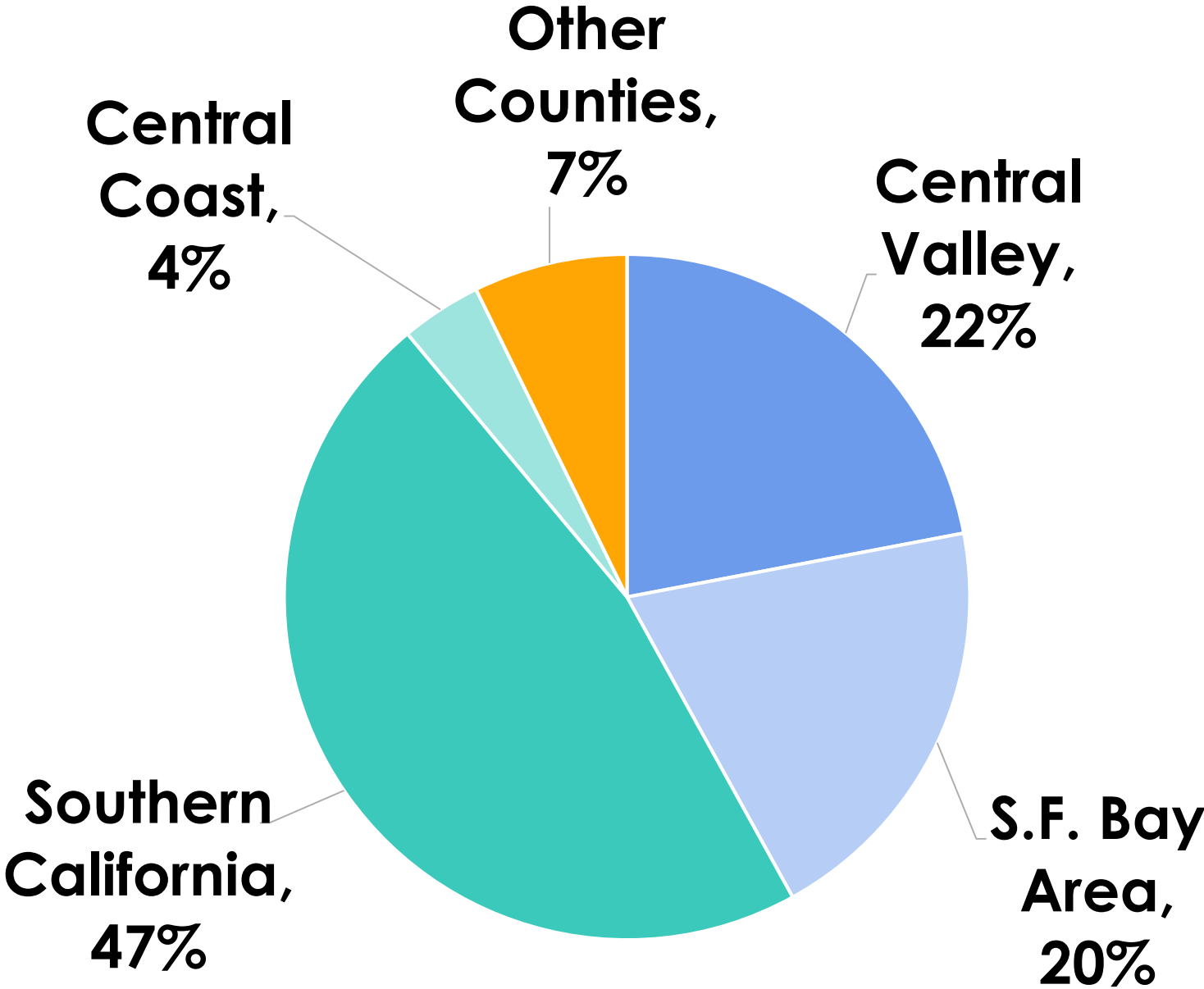
May 2019 (YTY% Chg.)



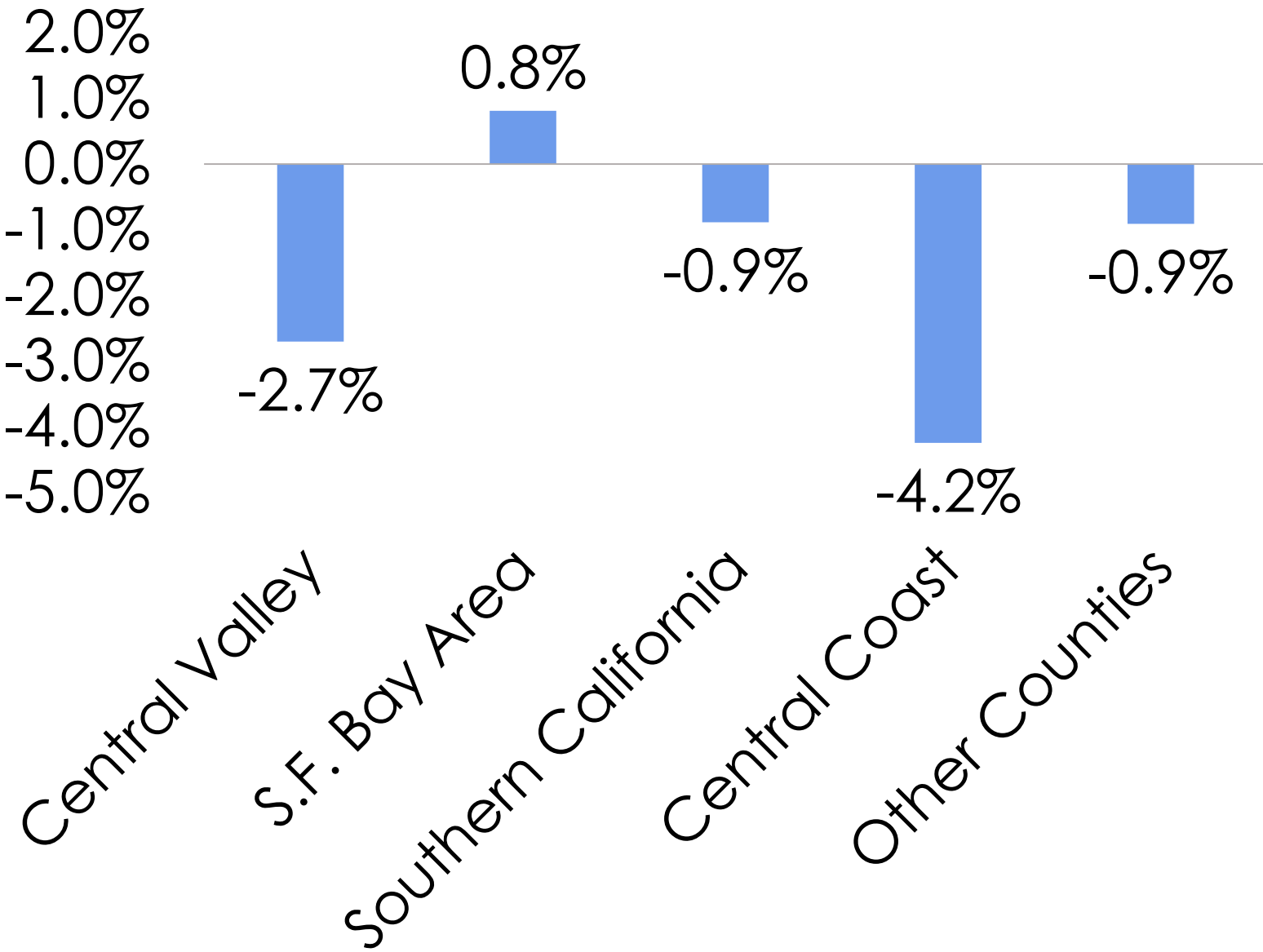
SERIES: Sales of Existing Detached Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

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% |



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

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% |

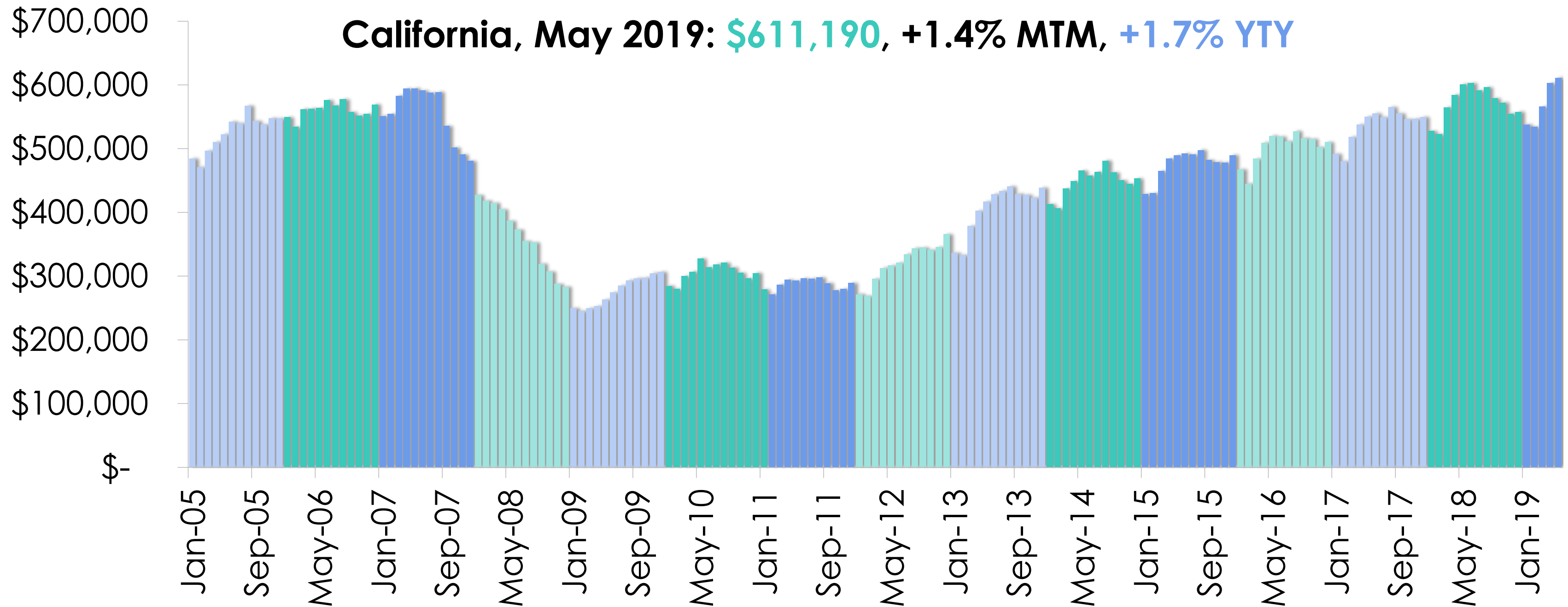


Sales of existing single-family homes – Other counties

| 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% |

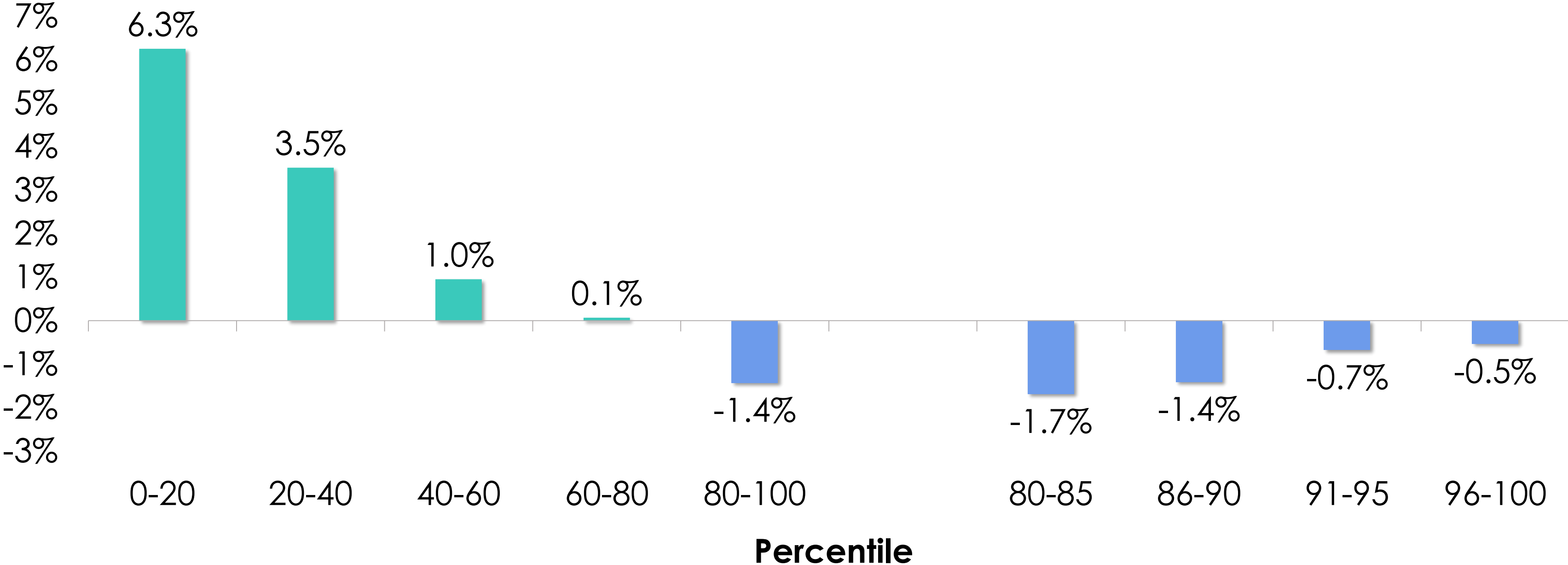


Price hit new high but slow growth



Soft at the high-end

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



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

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% |

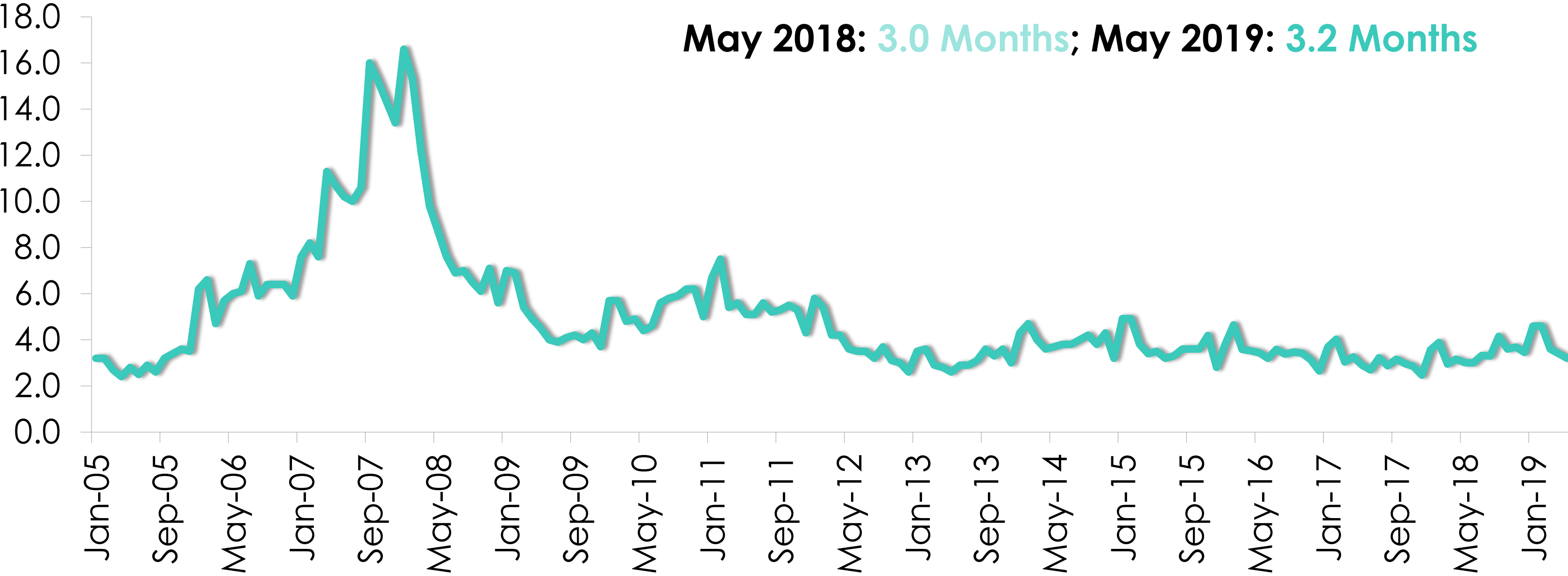
Median price – Other counties

| 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% |

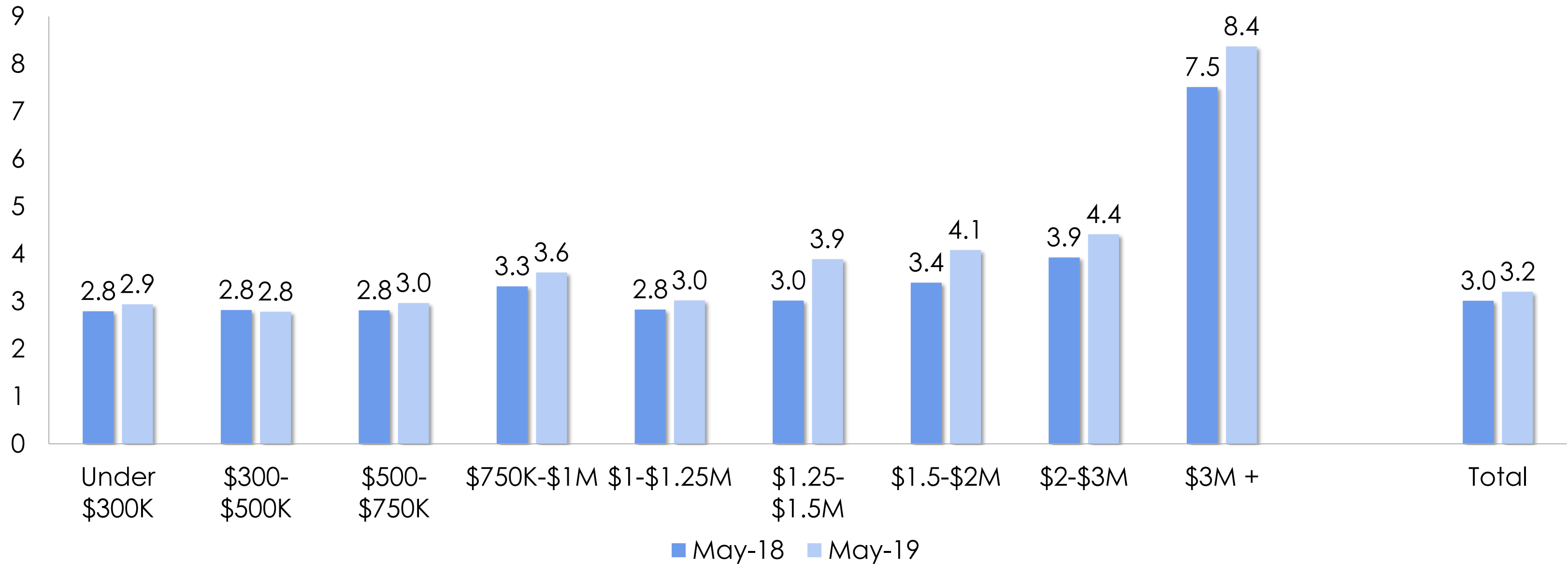
Inventory Index up due primarily to increase in active listings



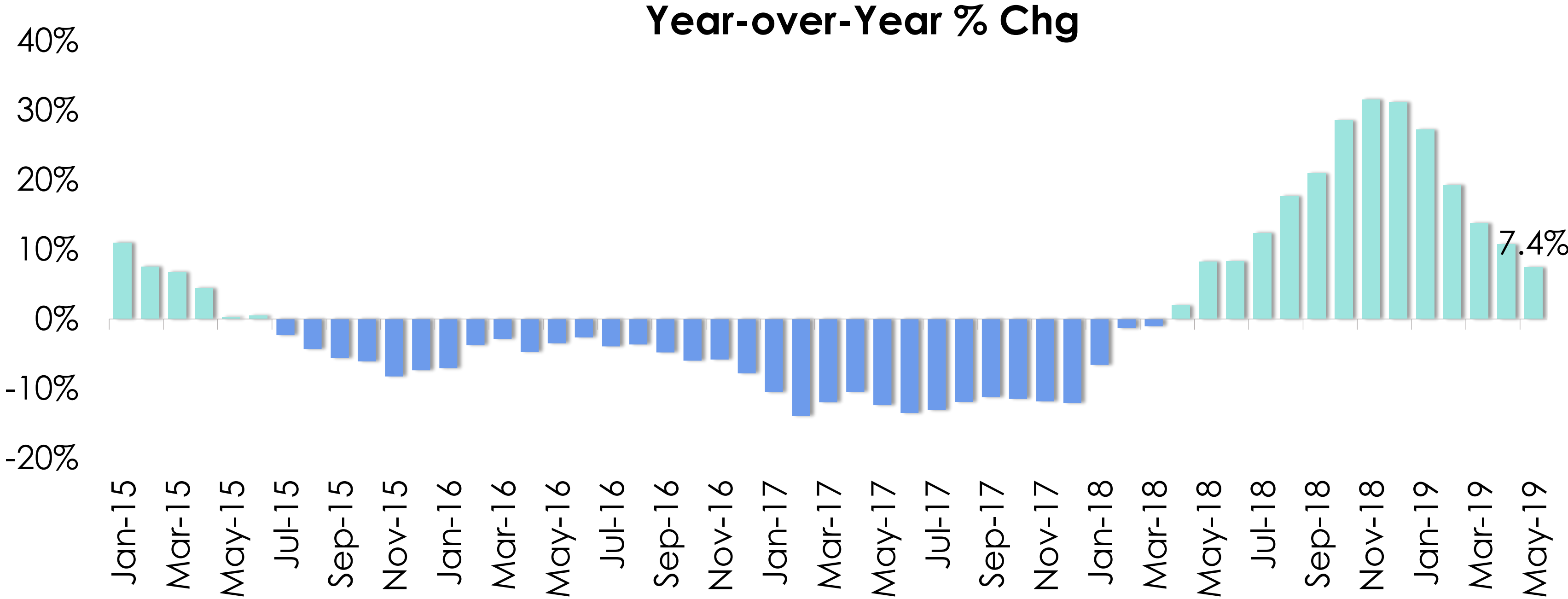
SERIES: Unsold Inventory Index of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Inventory Index Highest in Millions

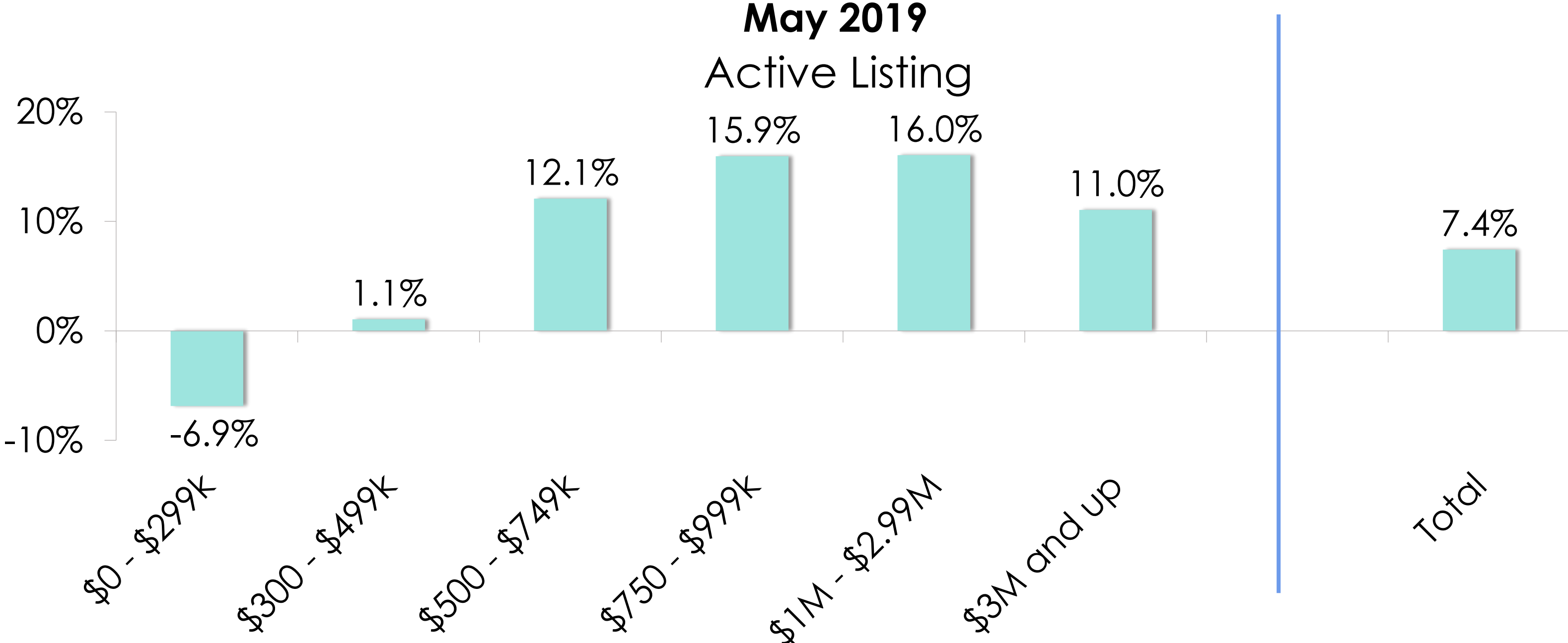
California Unsold Inventory Index by Segment



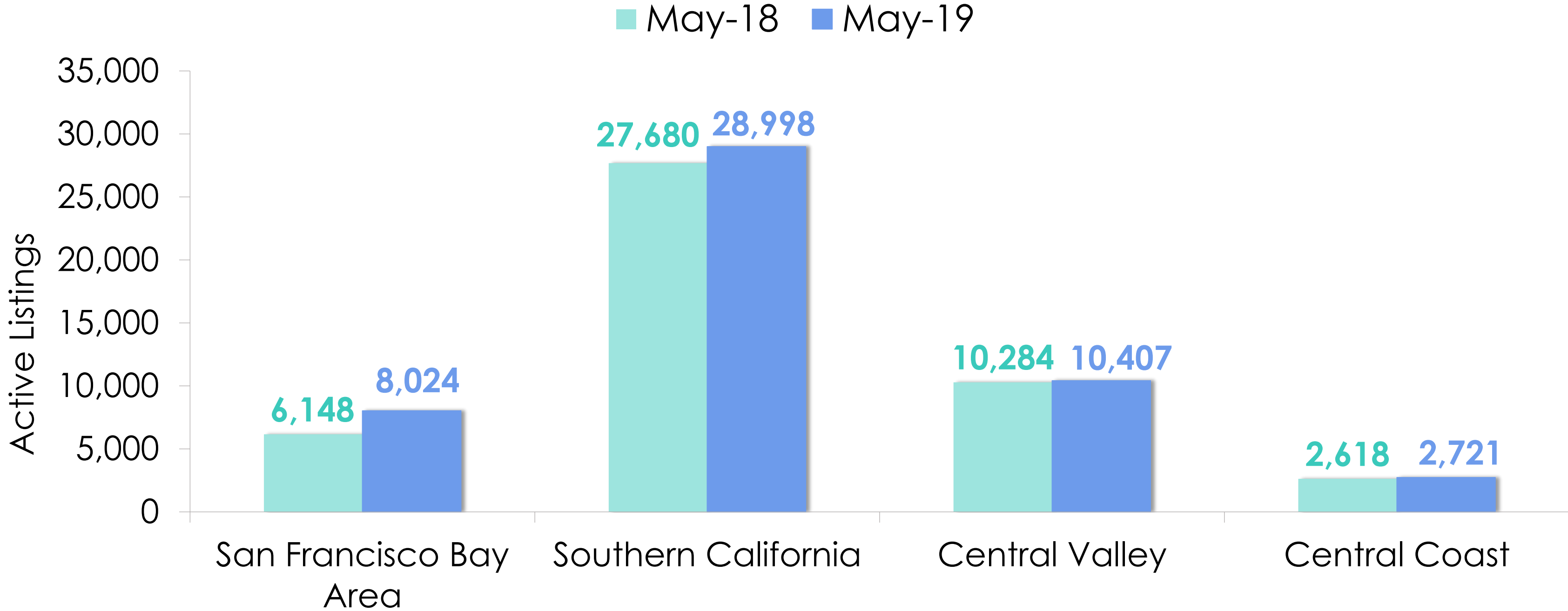
Active listings had smallest growth since April 2018



Supply improved in all but the lowest price segment



Active listings increased in all regions

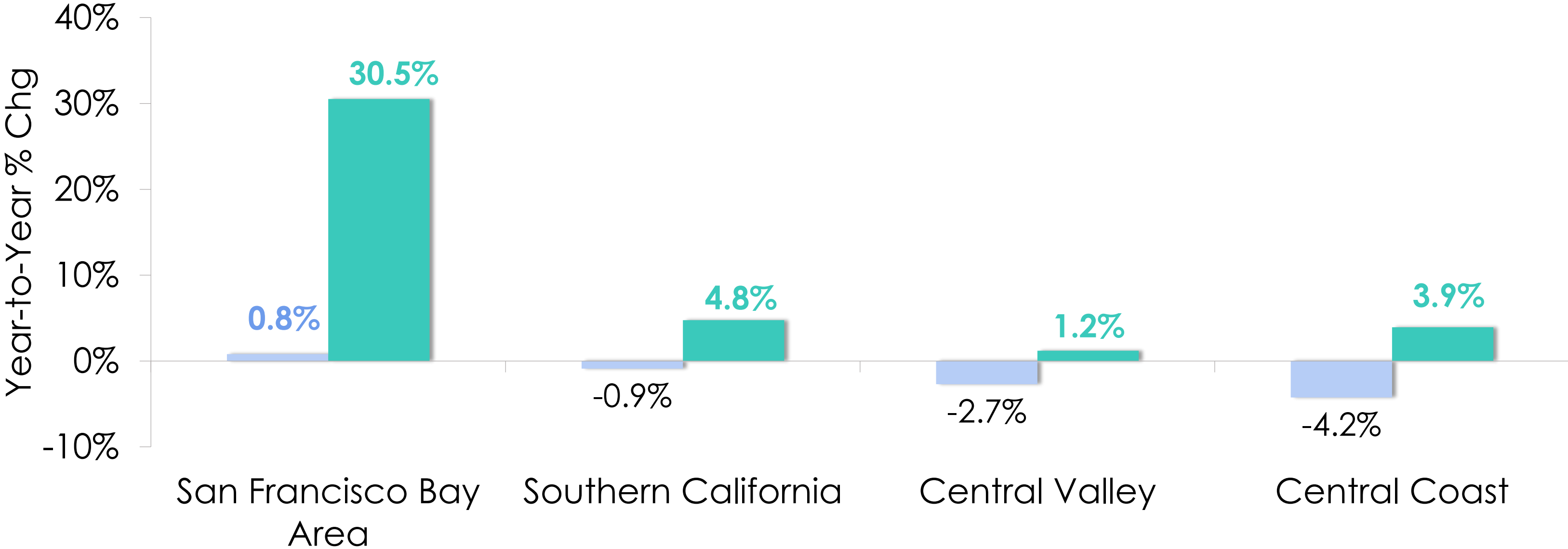


SERIES: Active Listings of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Active listings increased in all regions

May 2019

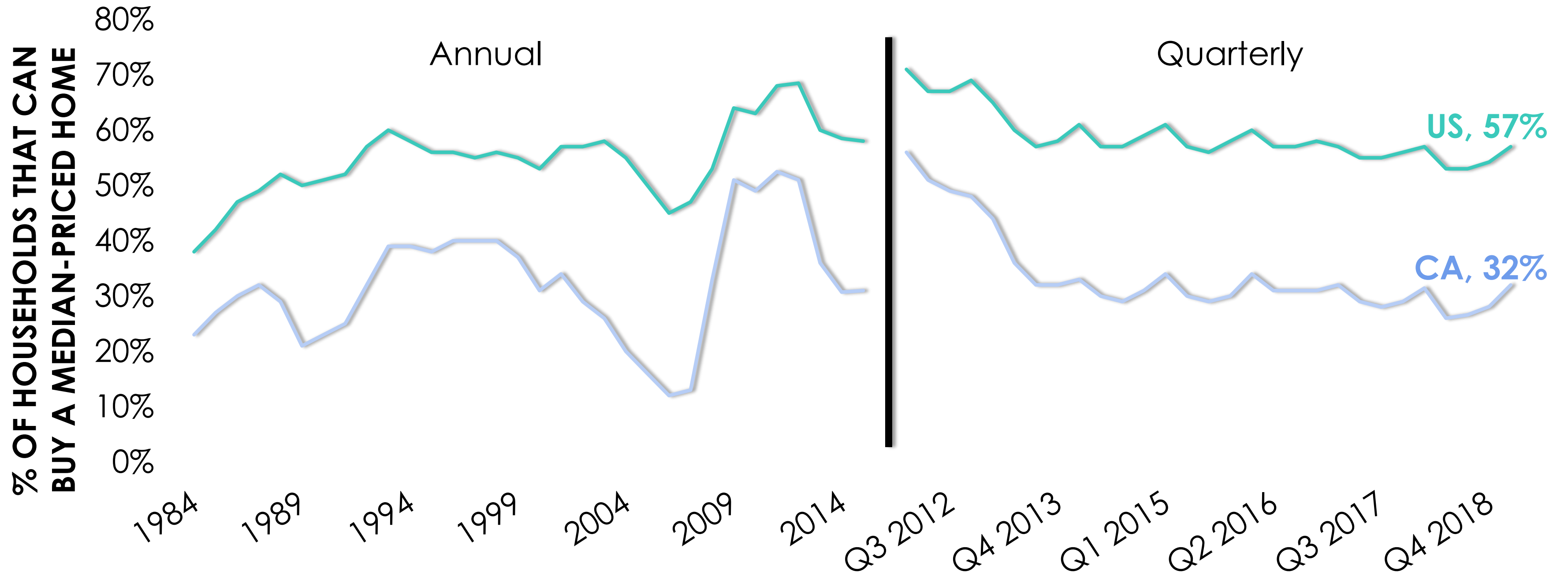
■ Sales ■ Active Listings



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

Housing affordability remains an issue

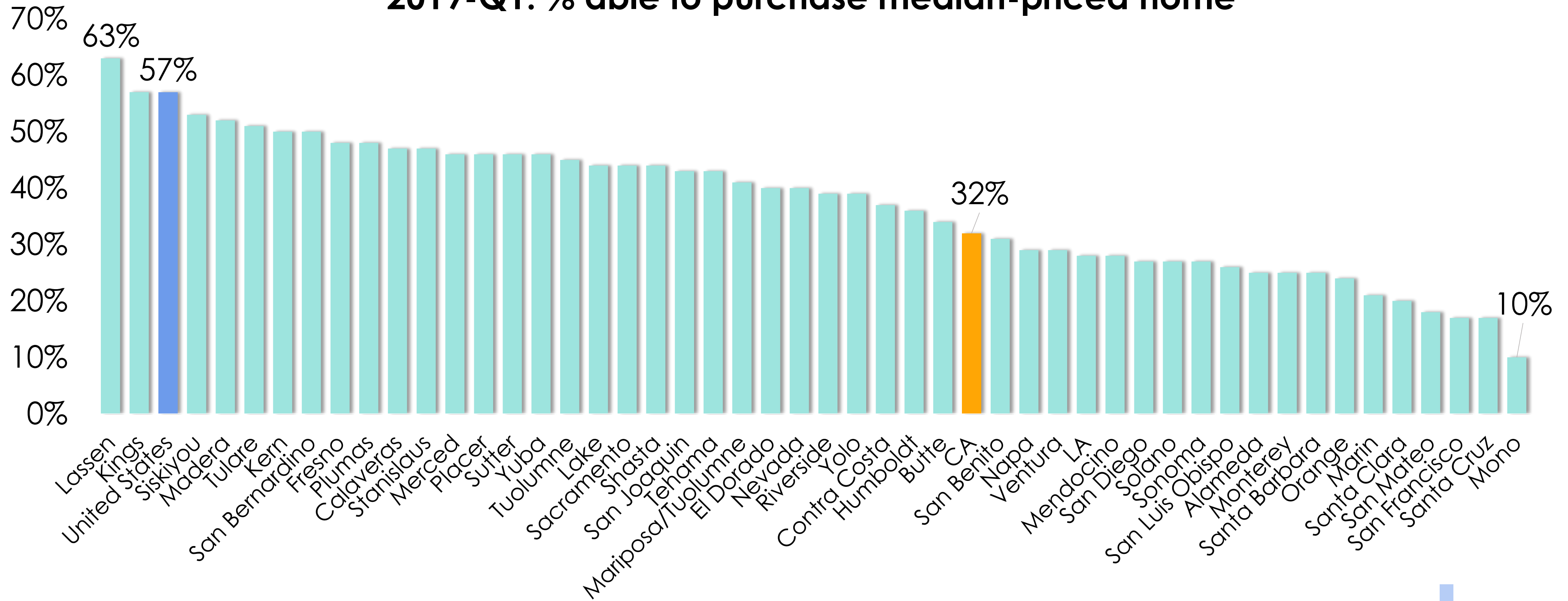
California, 1984-2019



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

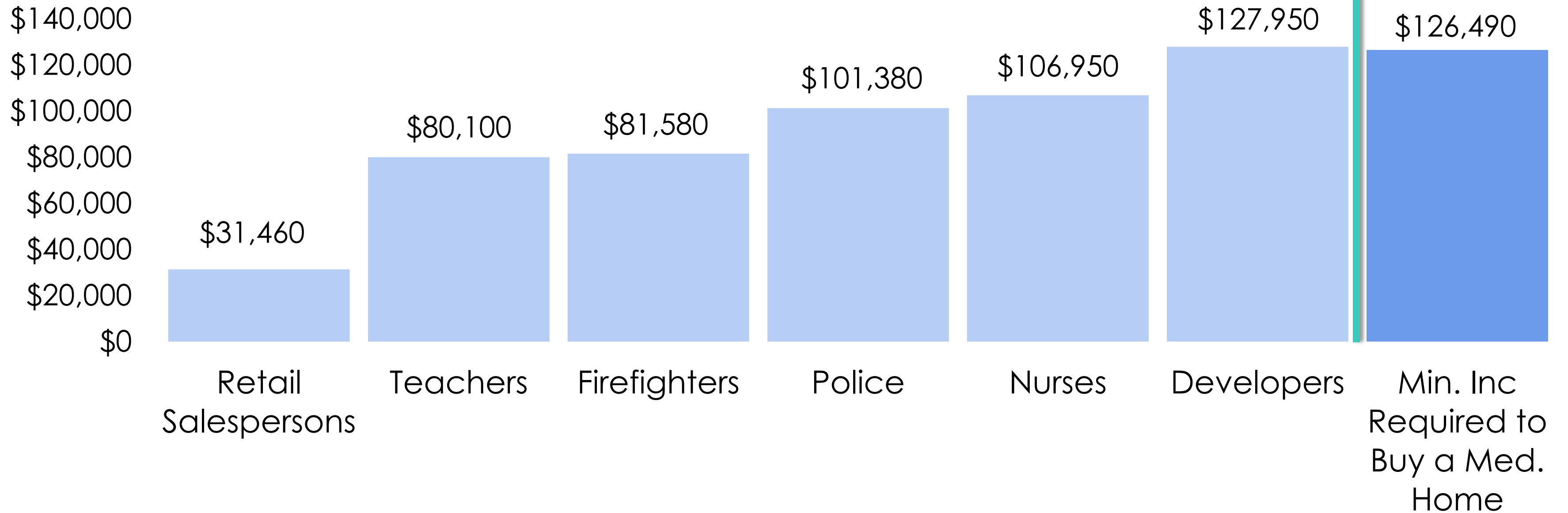
Many simply can't afford to buy

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

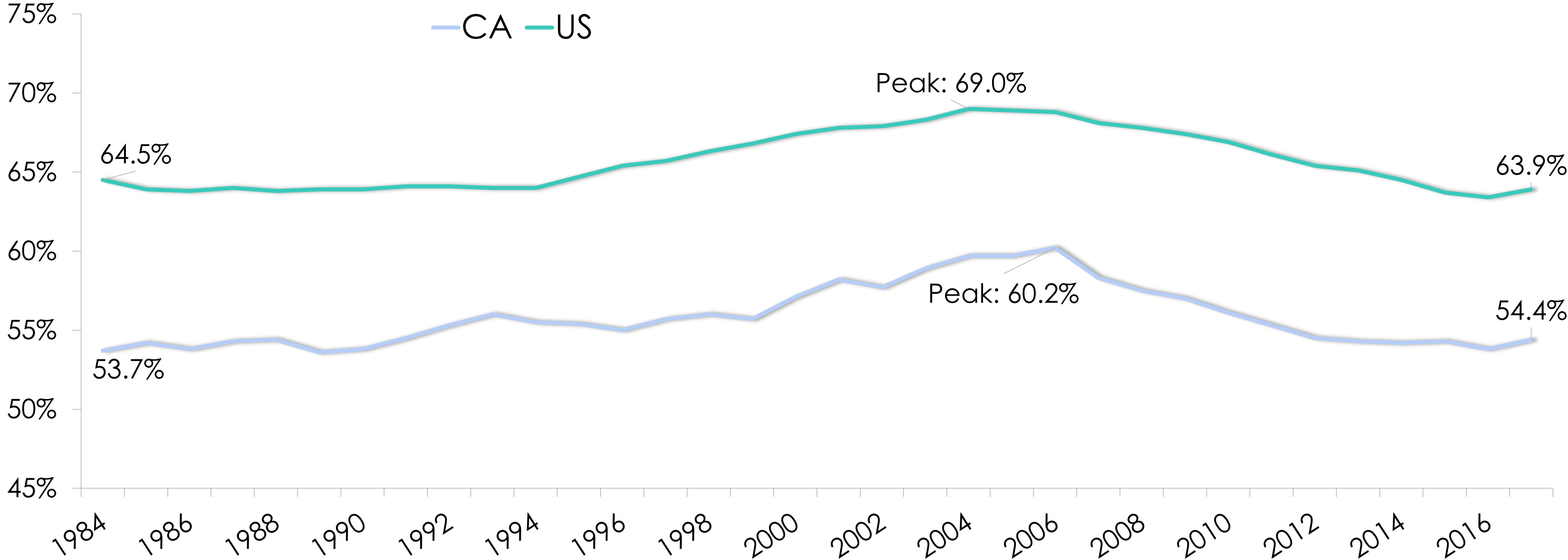


How wages stack up against prices?

California 2018 Annual Mean Wage

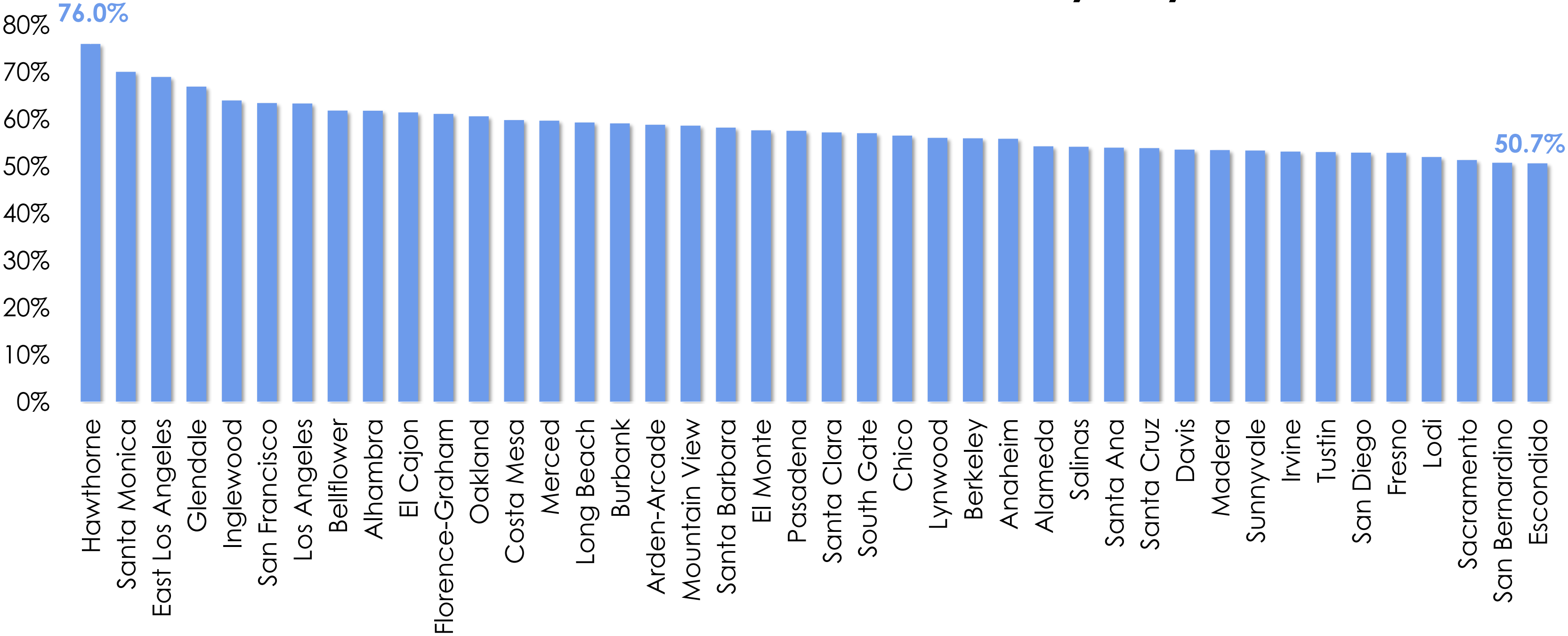


CA's Homeownership < U.S.



Majority renter cities will surprise you

2017 California Renter Rate by City

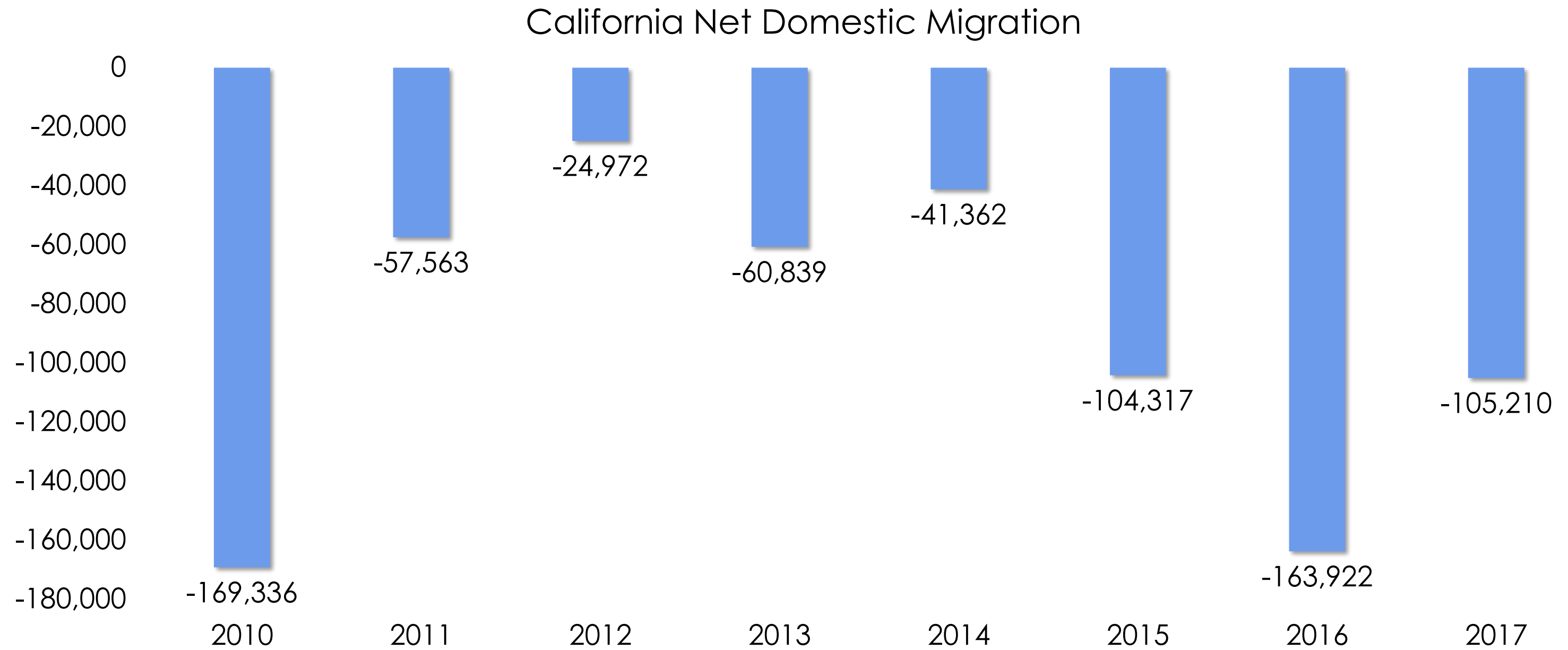


SERIES: Homeownership Rates
SOURCE: U.S. Census Bureau
CALIFORNIA ASSOCIATION OF REALTORS®

Here's the problem:

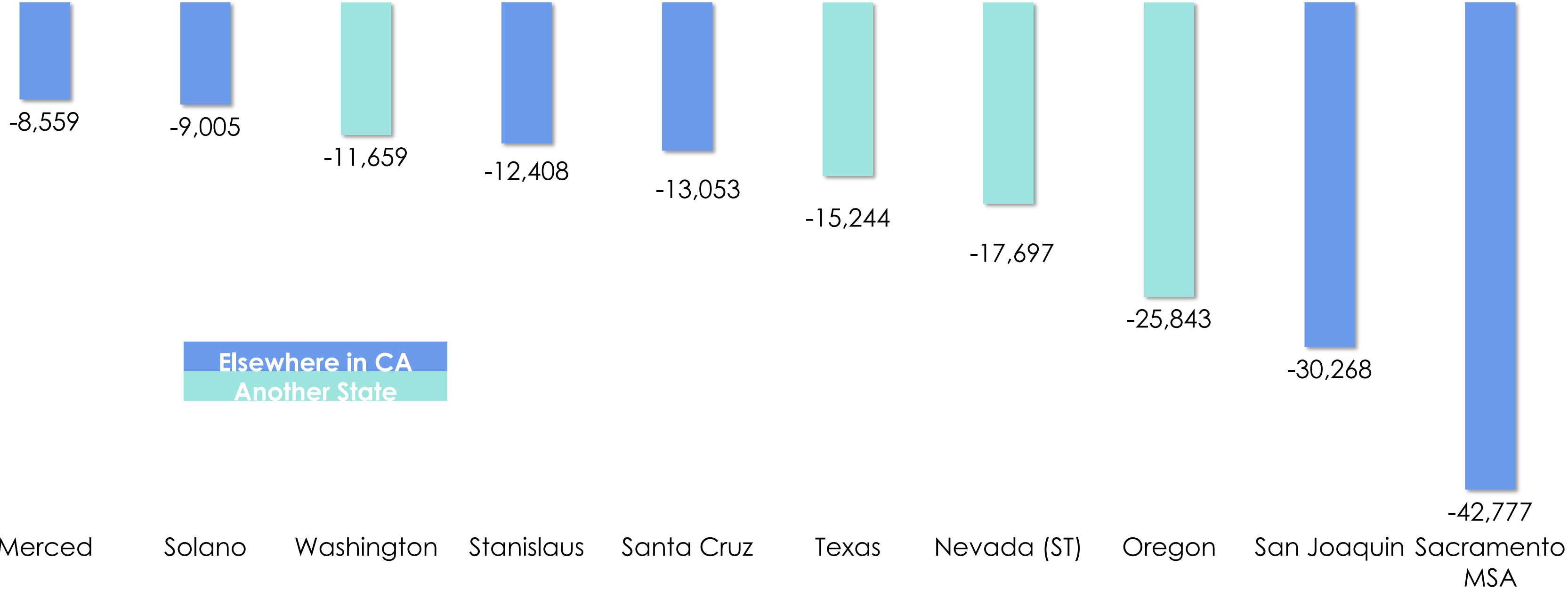
At some point a supply problem becomes a demand problem.

~750k people have left since 2010



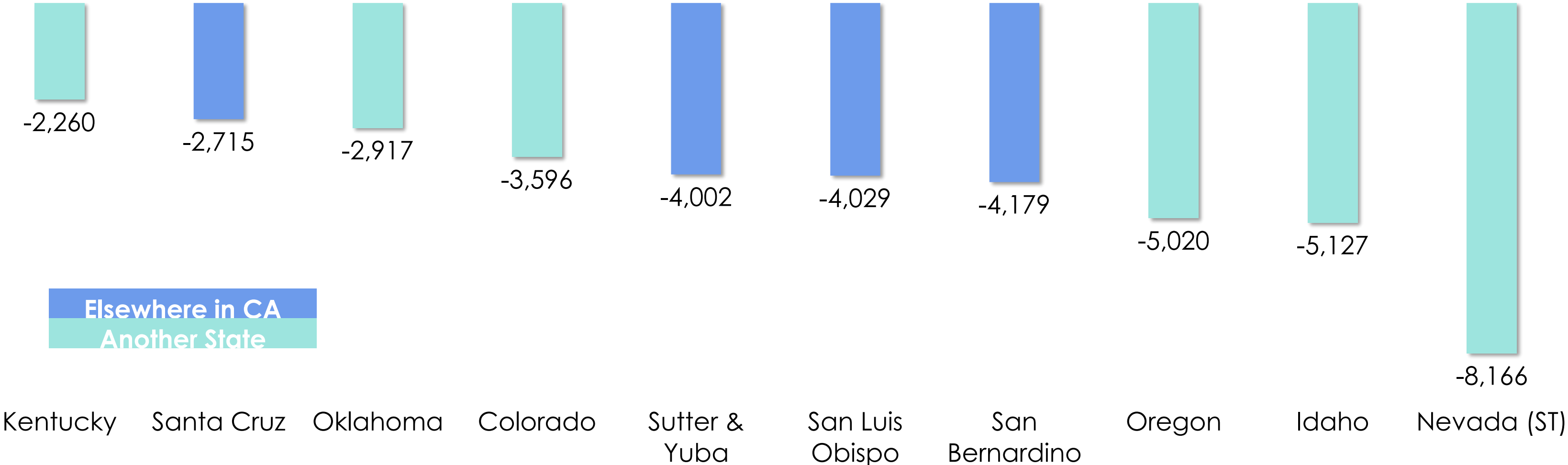
Step 1: SF Bay to Cheaper Markets

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

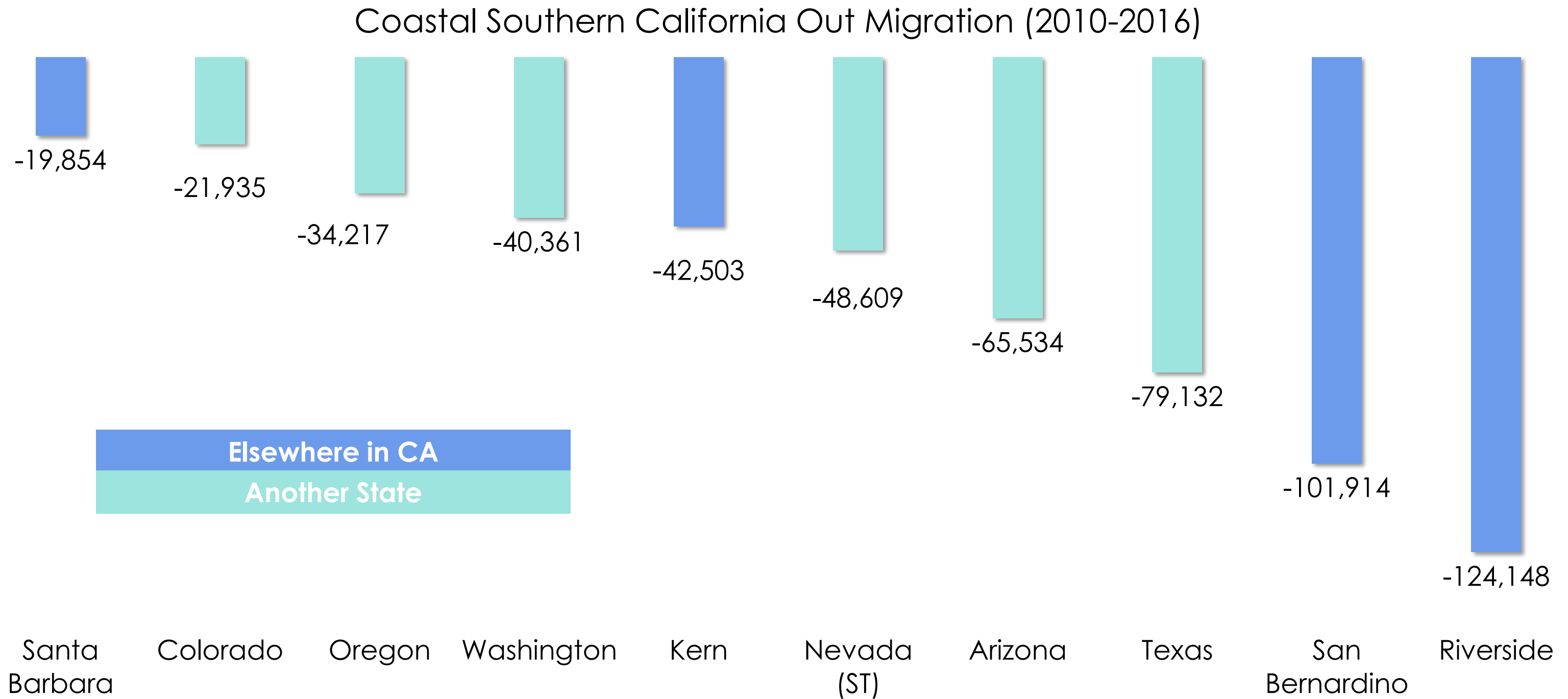


Step 2: Pricing Prior Residents Out of State

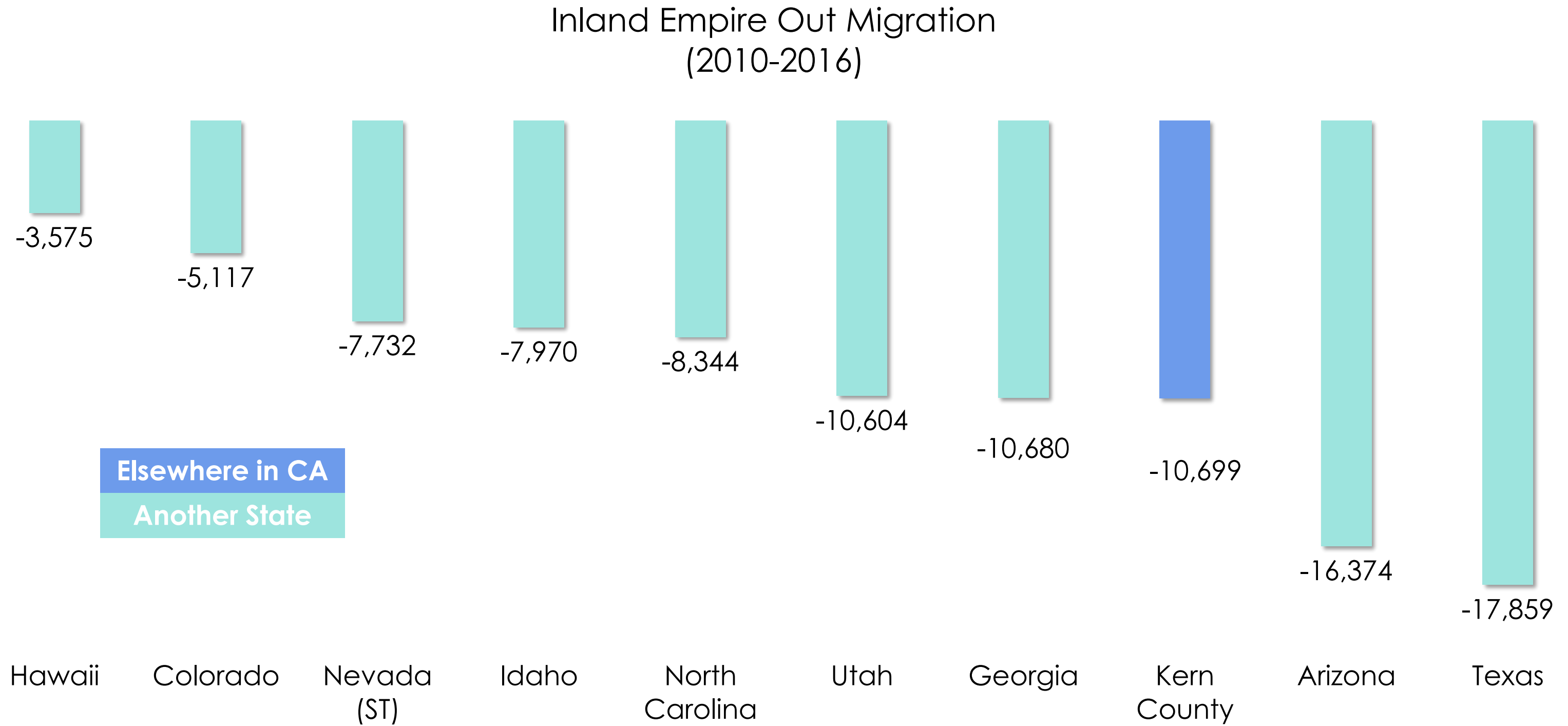
Sacramento MSA Out Migration (2010-2016)



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



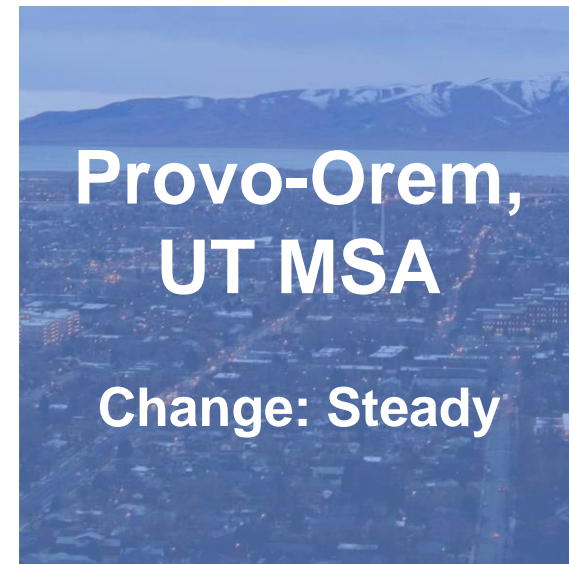


the rules of the game are changing and it's all
about jobs and housing. not just about the
coasts anymore

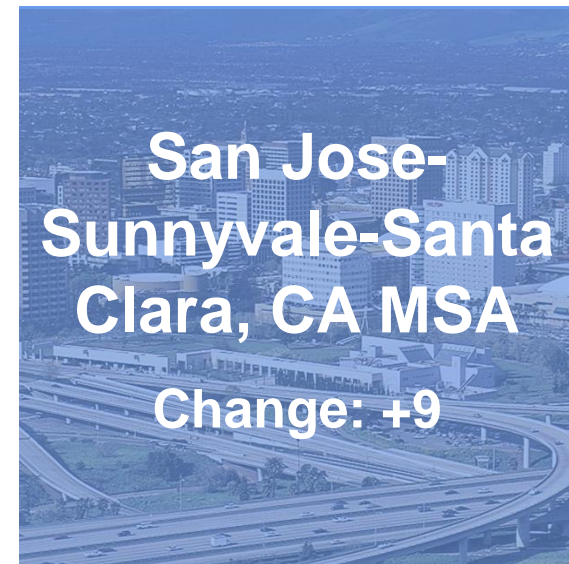


Top 10 best performing large cities

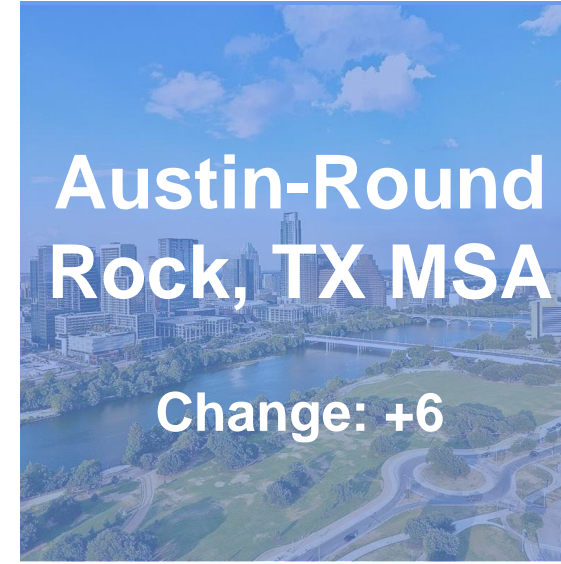
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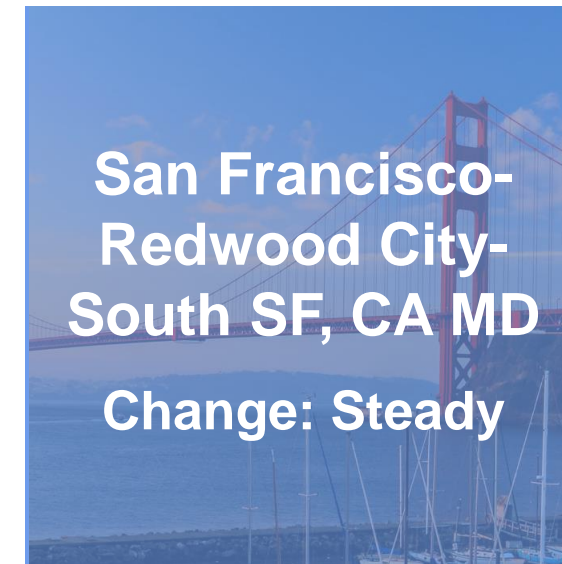
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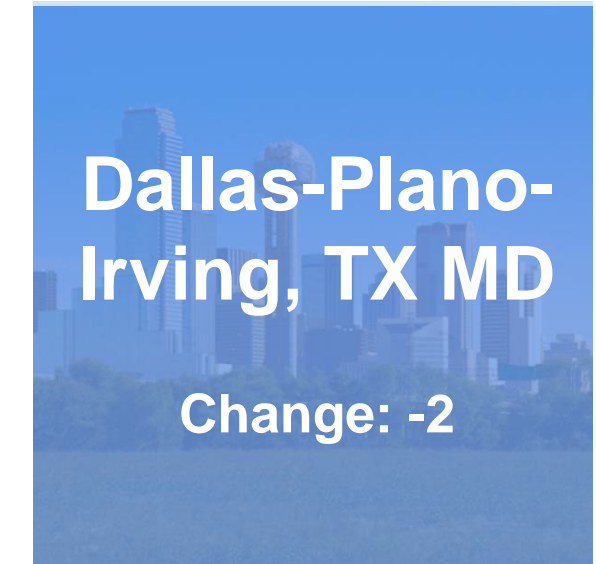
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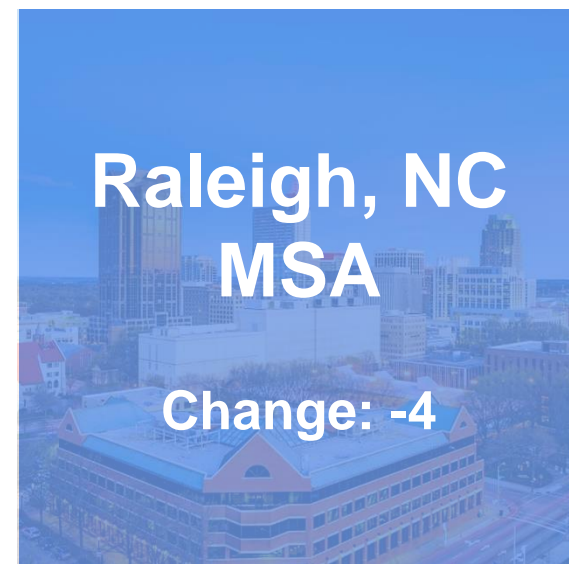
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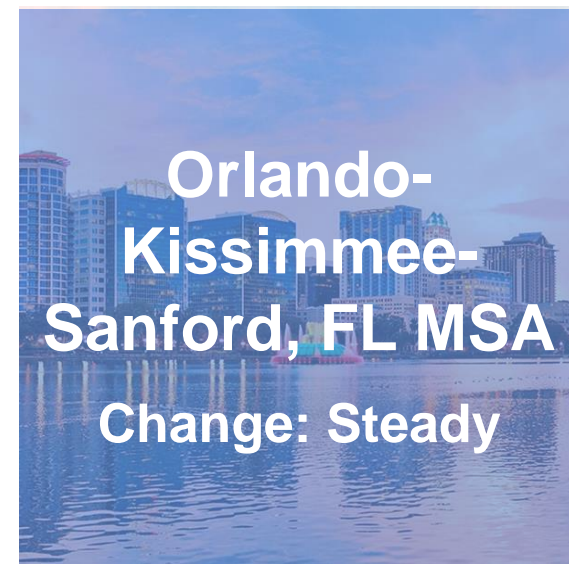
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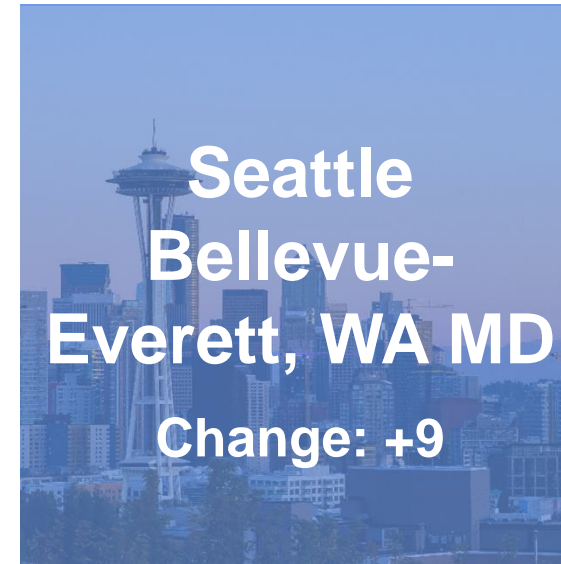
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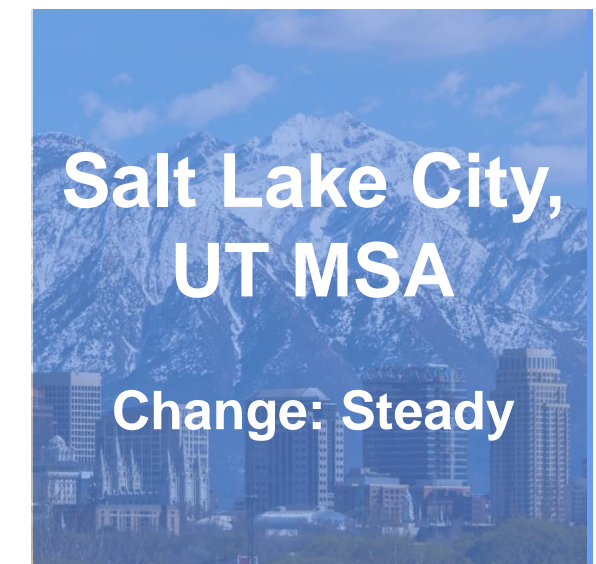
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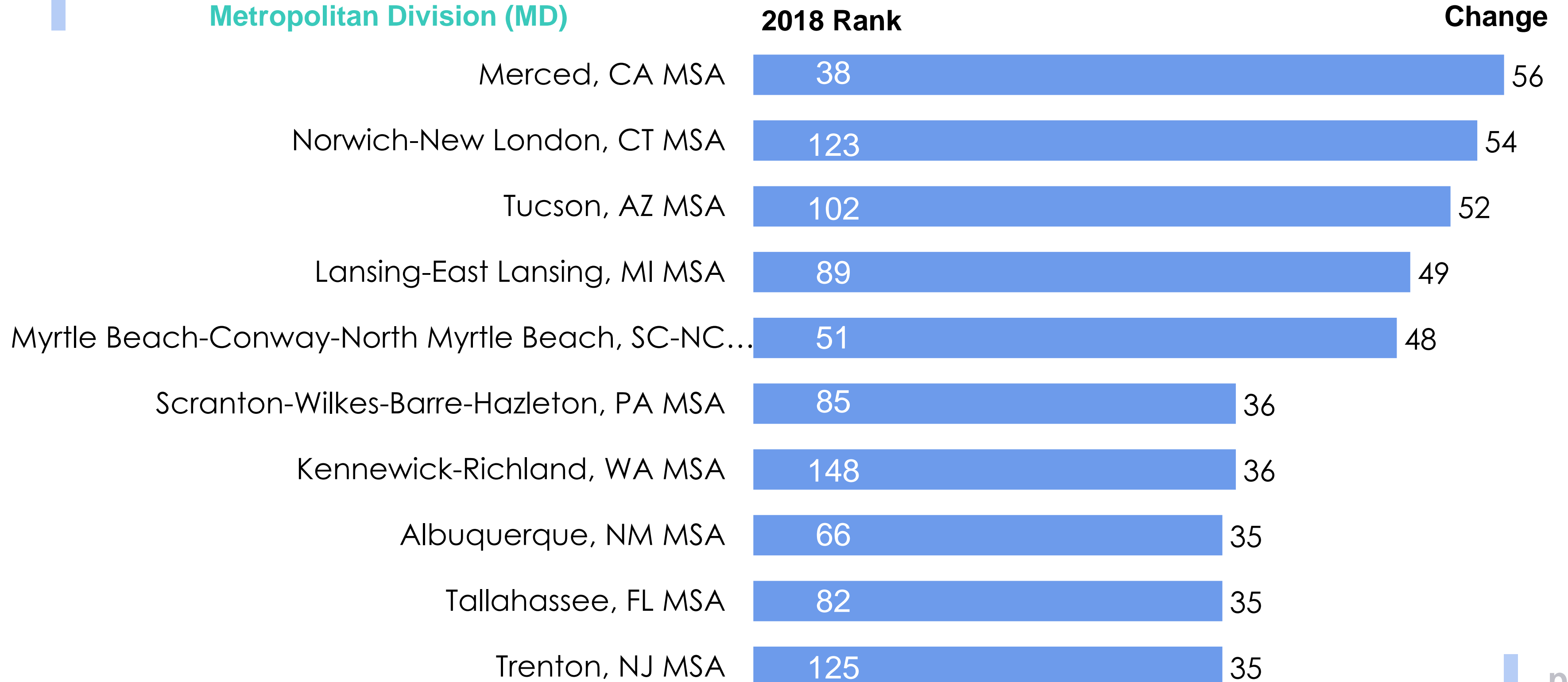


10



Biggest gains among large cities

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



Top 10 best performing small cities

1



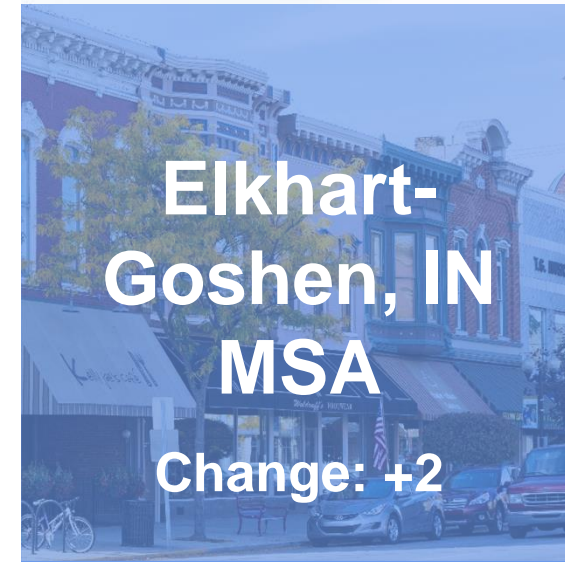
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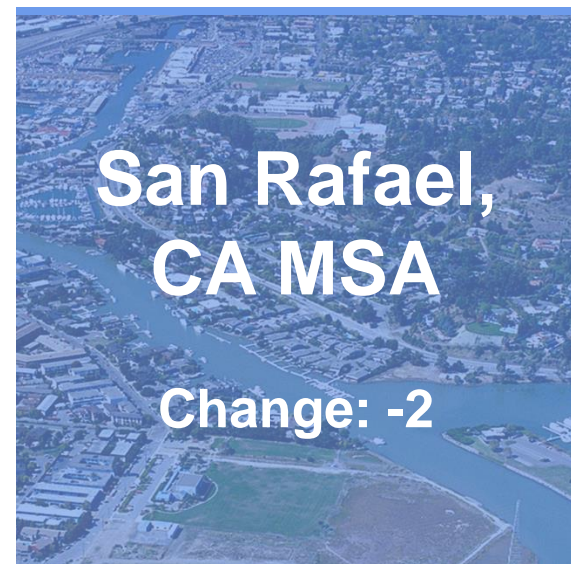
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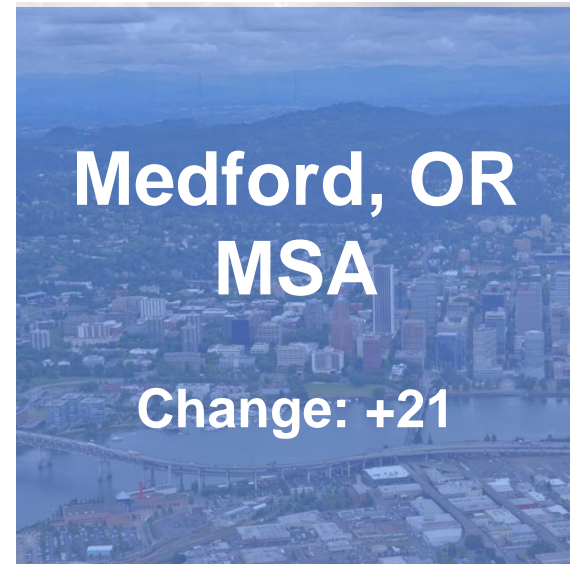
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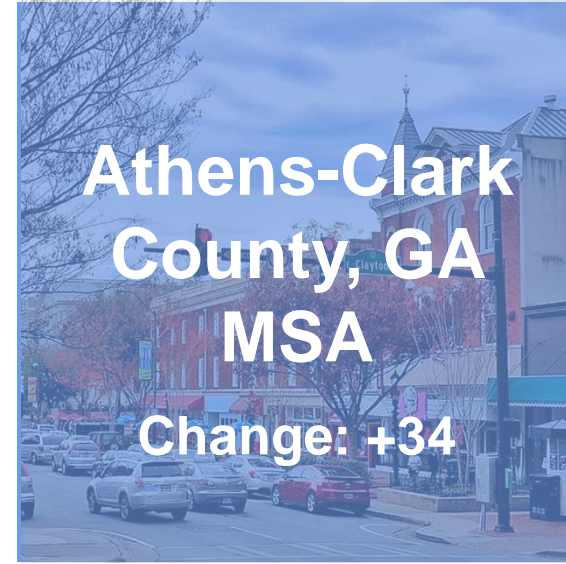
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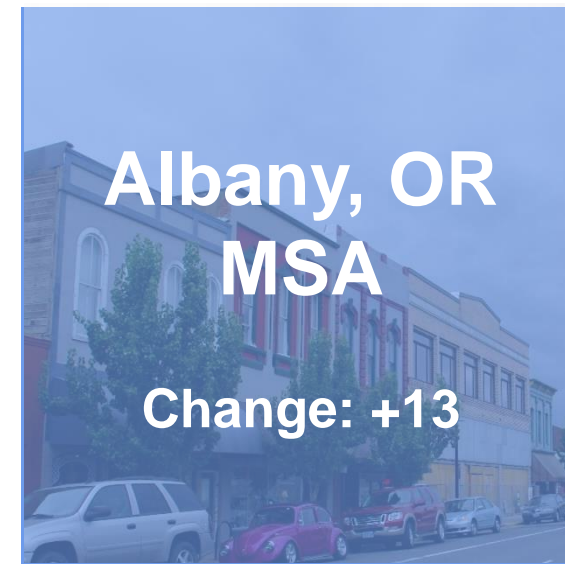
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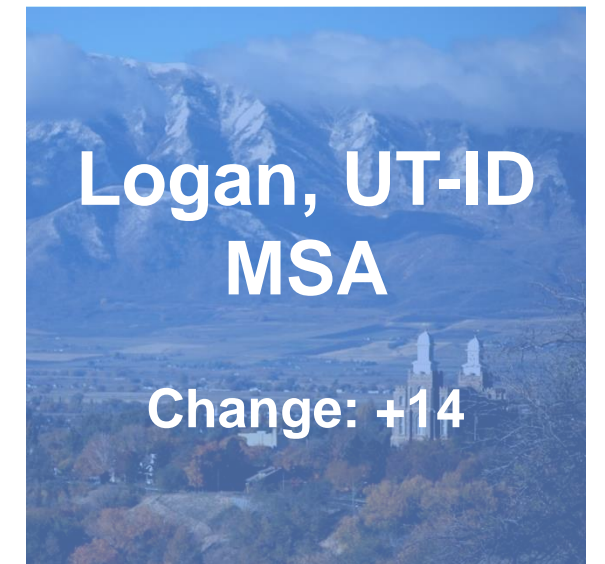
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9



10



Homeownership? Aspirational v. Attainable

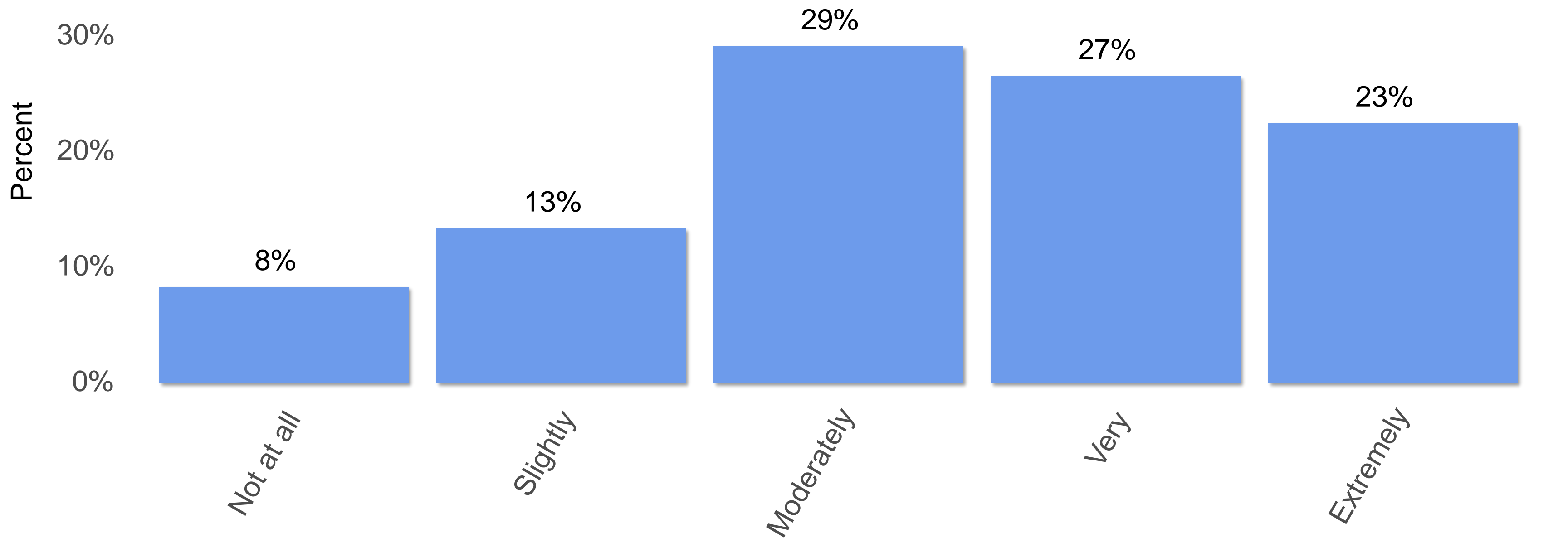
- The desire for homeownership remains strong
- First-time buyers face often insurmountable obstacles
- Government policies do not support housing as in the past
- More Millennials are making the difficult choice to leave
- Their ability to build wealth over time is compromised
- Where will our children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



Homeownership still aspirational

How important is homeownership to you?

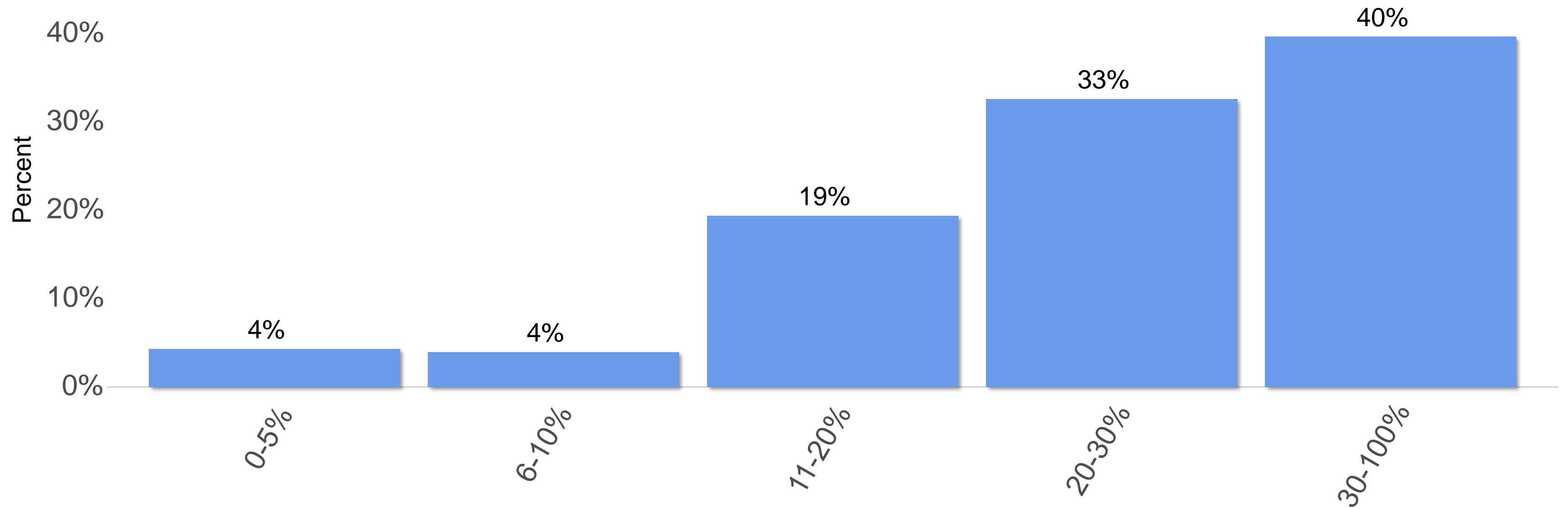
n: 1663



But vastly over-estimate downpayment

How much downpayment is required to purchase a home?

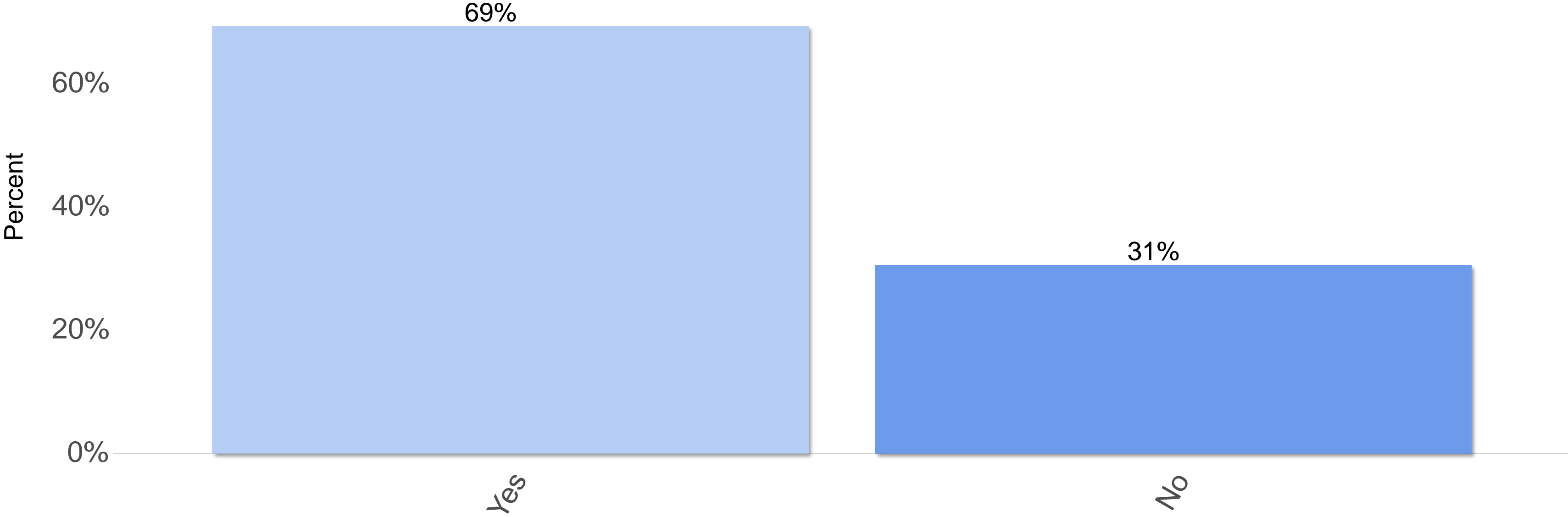
n: 1681



Most renters would buy with little down

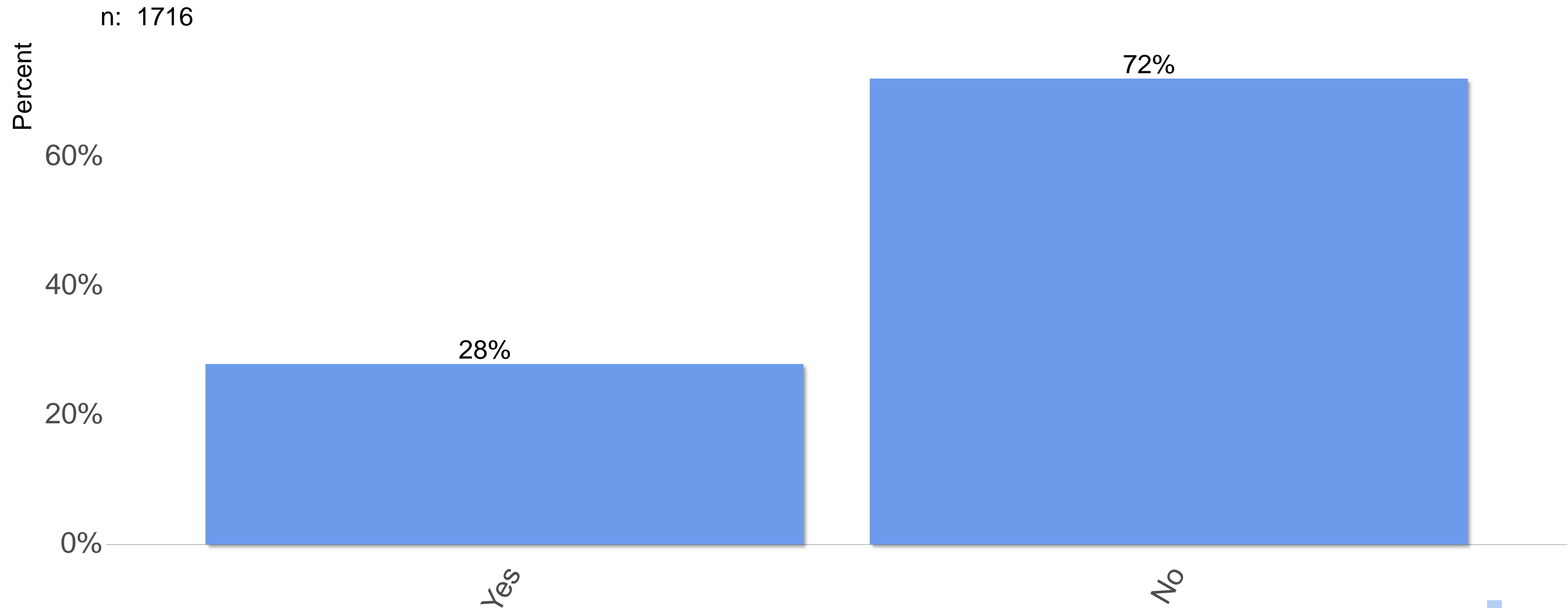
If you could qualify for a mortgage with a much lower down-payment would you buy?

n: 1716



Only 30% know of low-down loans

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

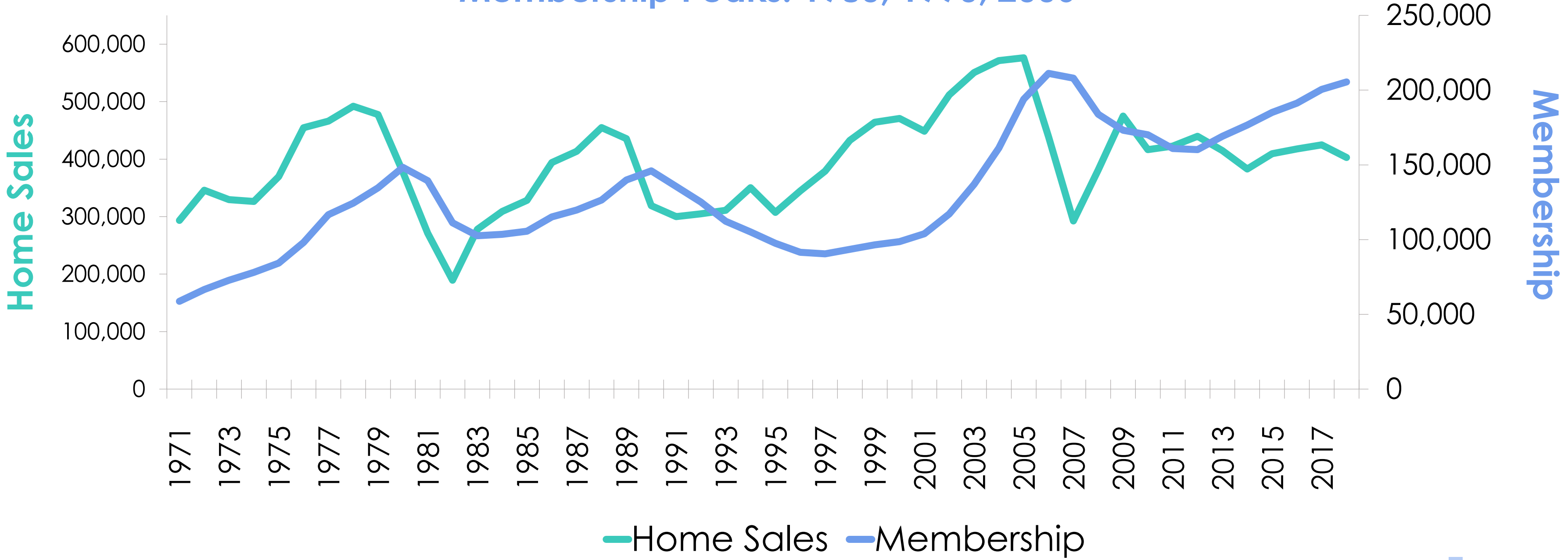




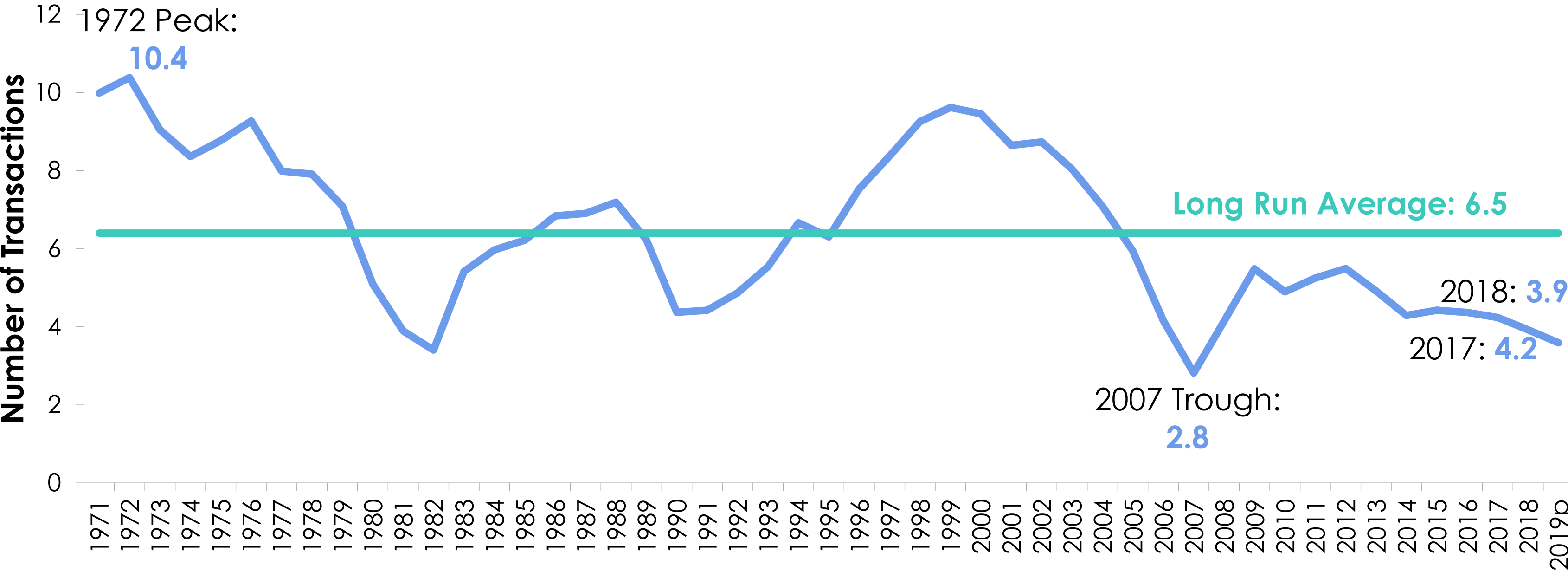
The Industry

Membership gains outstripping sales

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

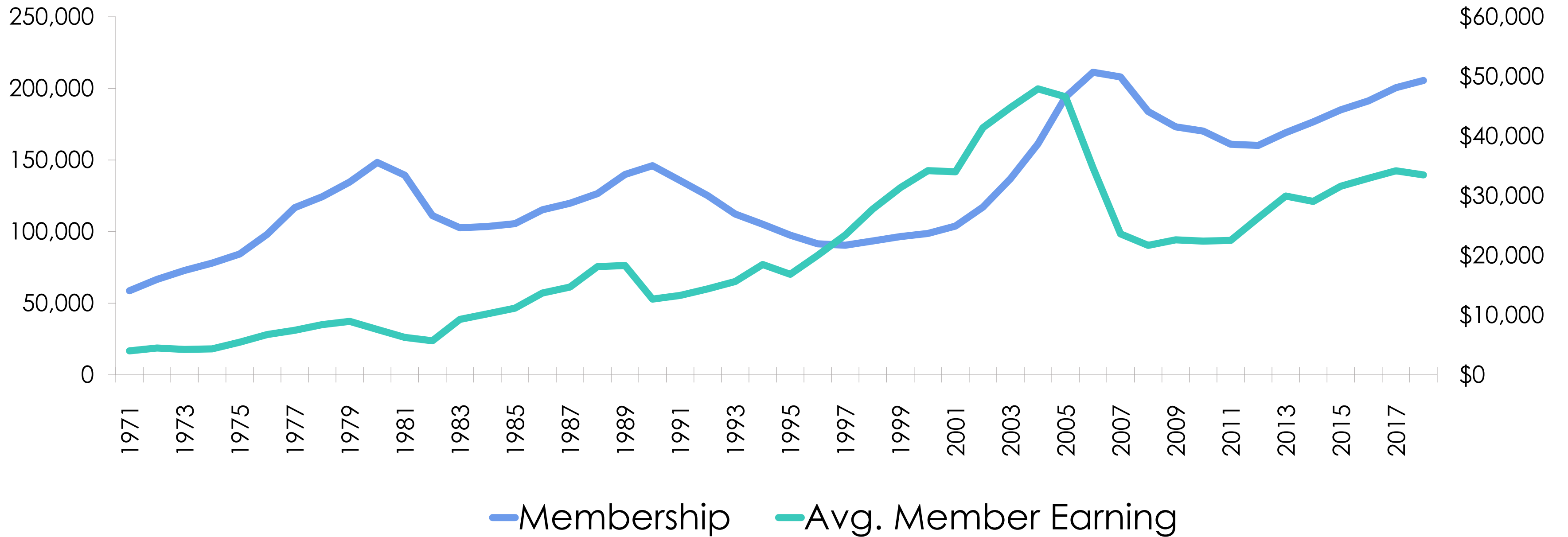


Member productivity has started declining



... 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% |

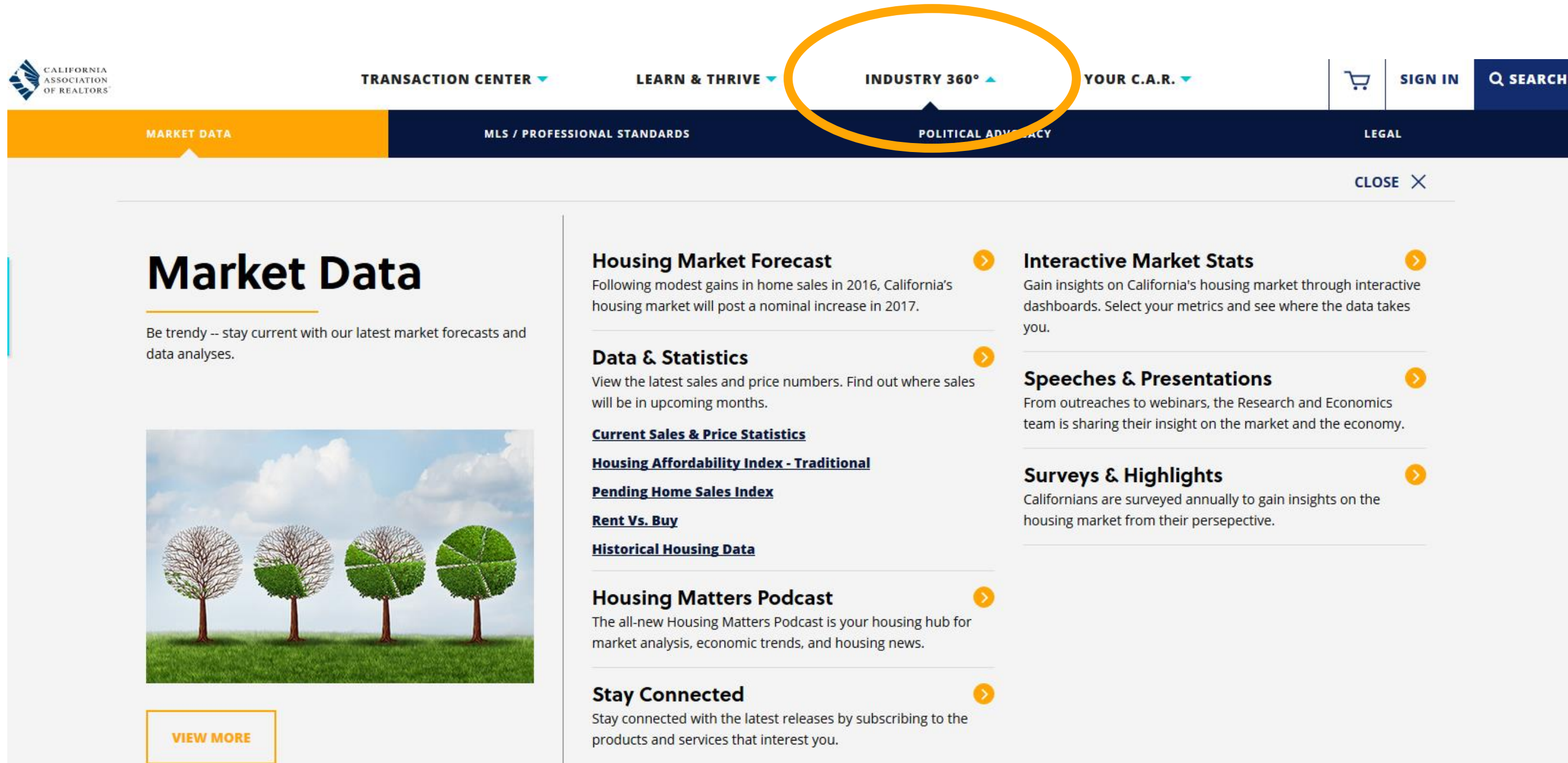


Key takeaways

- 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 grid of links to various market data resources.

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
Accepted %

98.6%

Active
Listings
Reduced

41.0%





Housing Matters Podcast





Thank You

This presentation can be found on
www.car.org/marketdata
Speeches & Presentations
lesliea@car.org