

# California Housing Market Update

Compass, Los Gatos  
January 7, 2020

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Deputy Chief Economist  
California Association of REALTORS®



## overview

### 01 Economy ok, for now:

- Major macro indicators still ok
- Some red flags on our radar

### 02 Low rates finally kick in:

- Why we are more optimistic now
- BUT—many of our old friends are back!

### 03 2 Tips for Success in 2020

- Selling HOMEOWNERSHIP, not just homes
- Educate potential buyers on DOWNPAYMENTS

### 04 2020 forecast IMPROVED

- Smaller decline in sales, but supply...
- More growth in prices, again, supply...



## Economic fundamentals solid... for now



GDP **2.1%**  
2019-Q3



Consumption **2.9%**  
2019-Q3



Core CPI **2.3%**  
November 2019



Unemployment **3.5%**  
November 2019



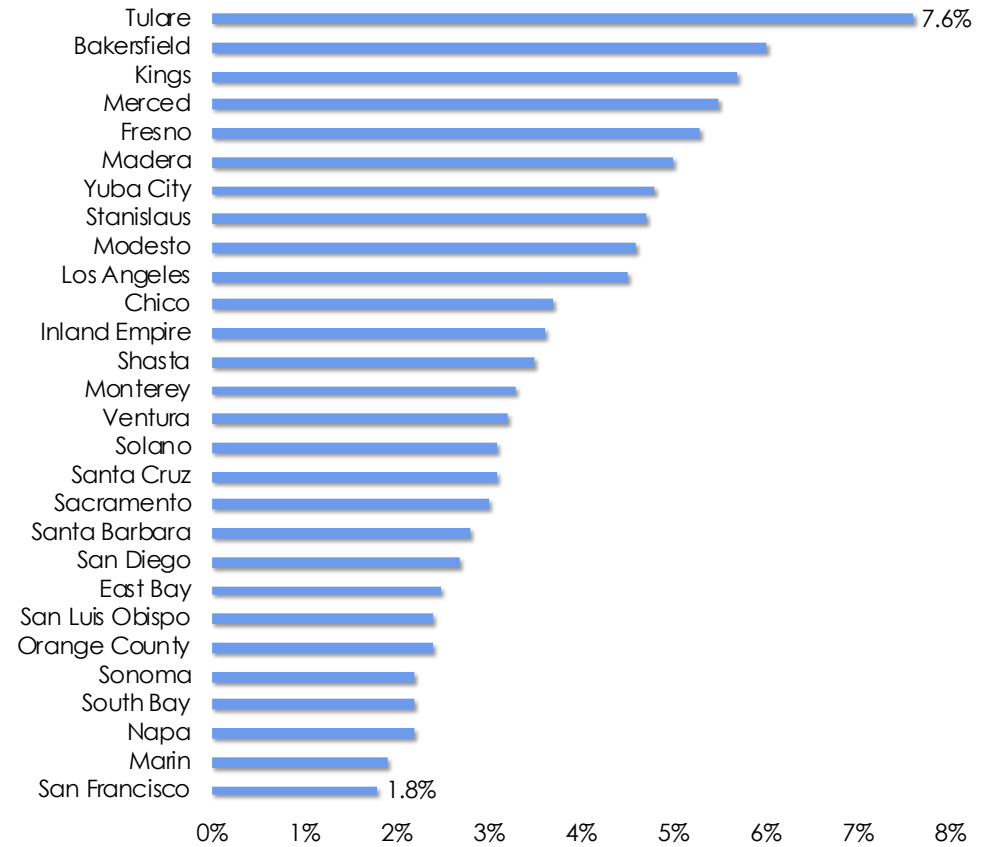
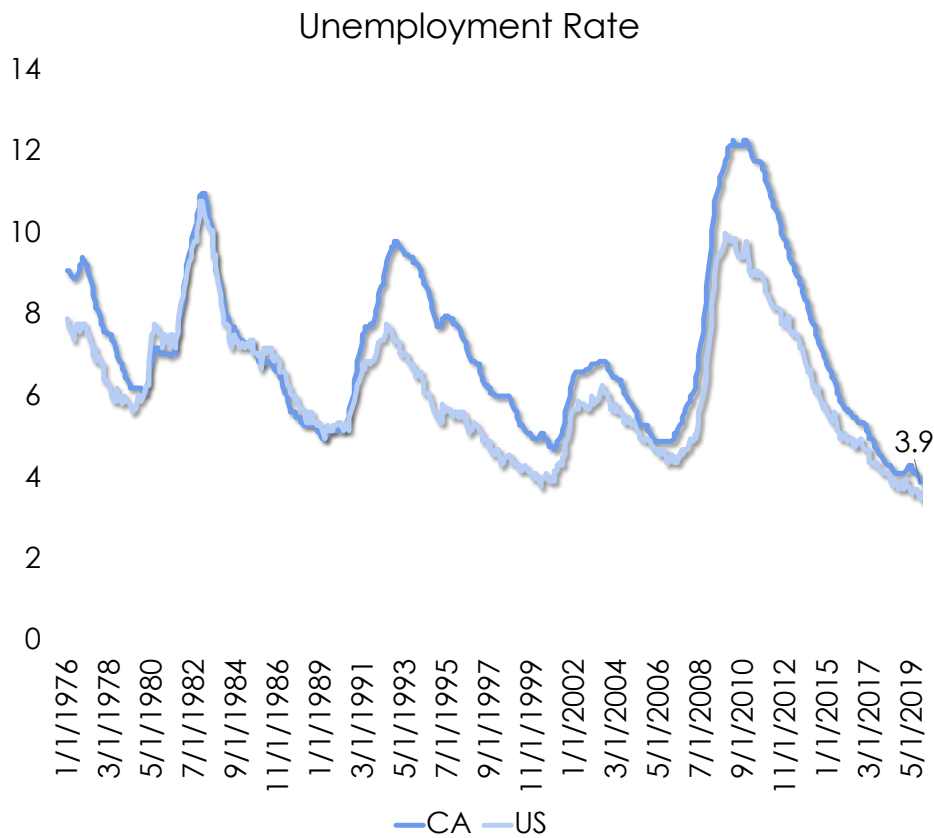
Job Growth **1.4%**  
November 2019

SOURCE: Bureau of Labor Statistics & Bureau of Economic Analysis



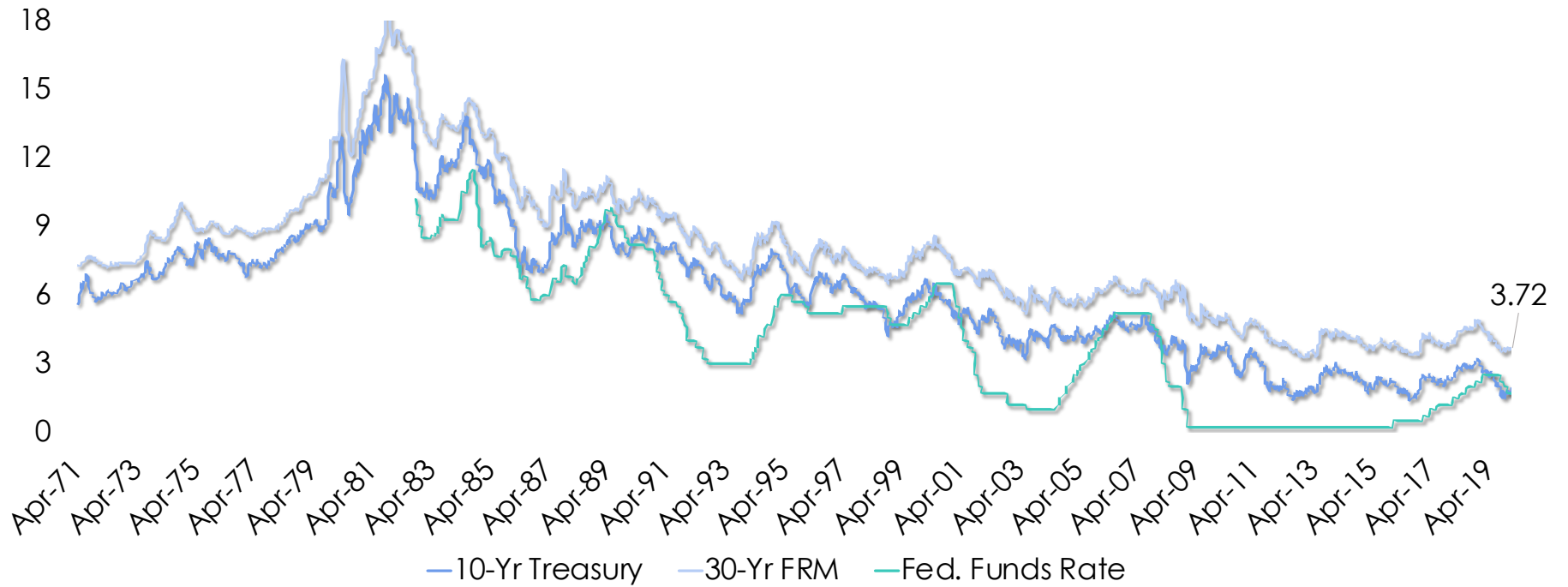
CALIFORNIA ASSOCIATION OF REALTORS®

# Unemployment at lowest rate in 50 years

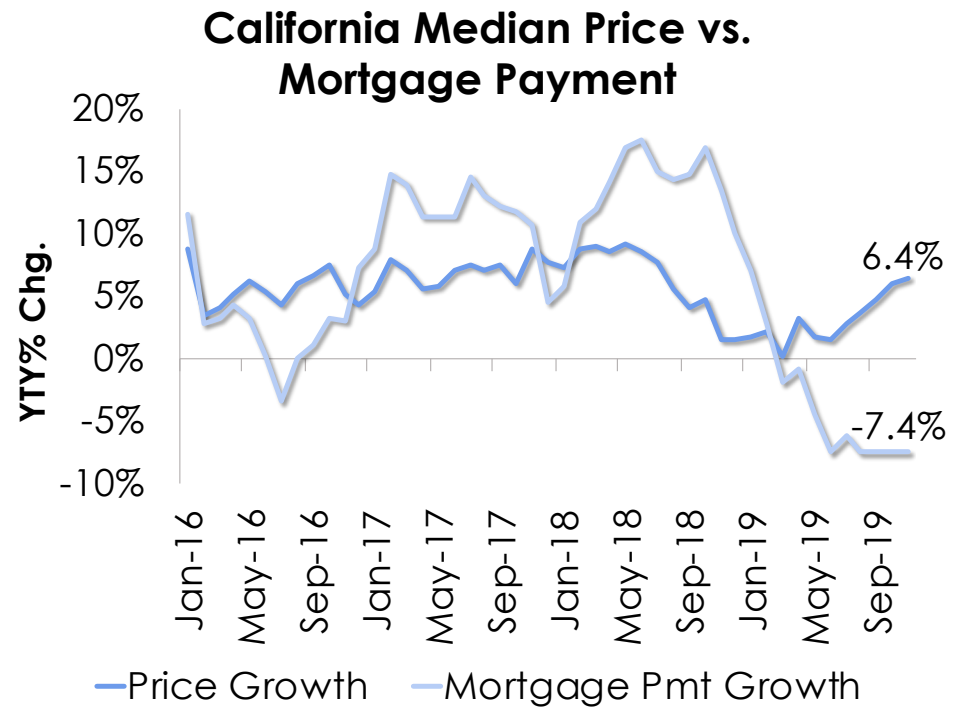
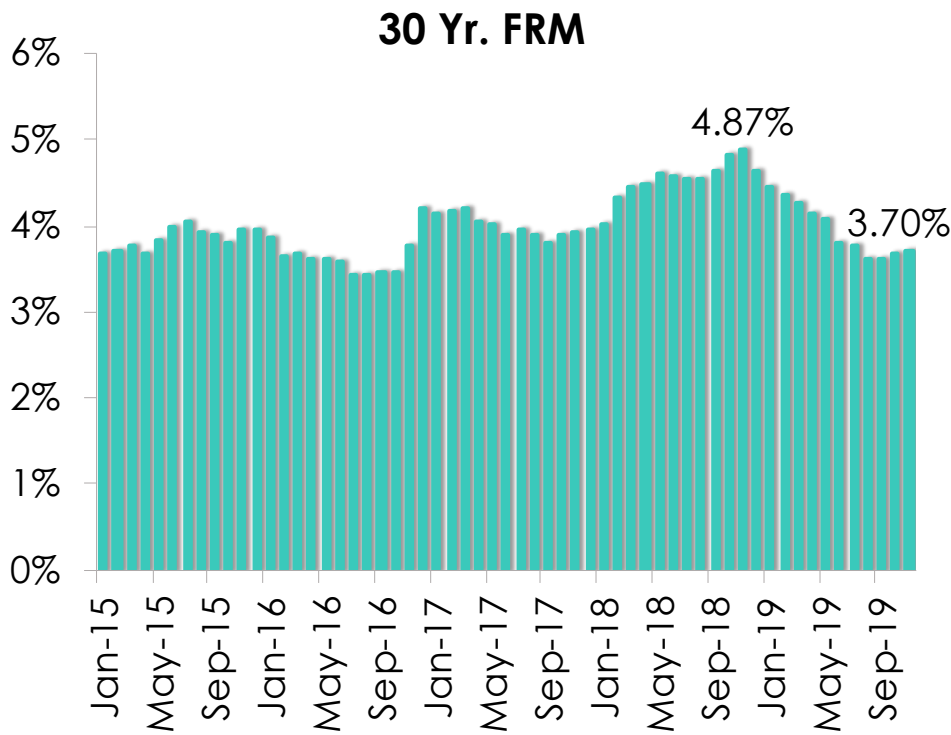


# Rates STILL near historic lows

Key Interest Rates



# Interest rates play a big role

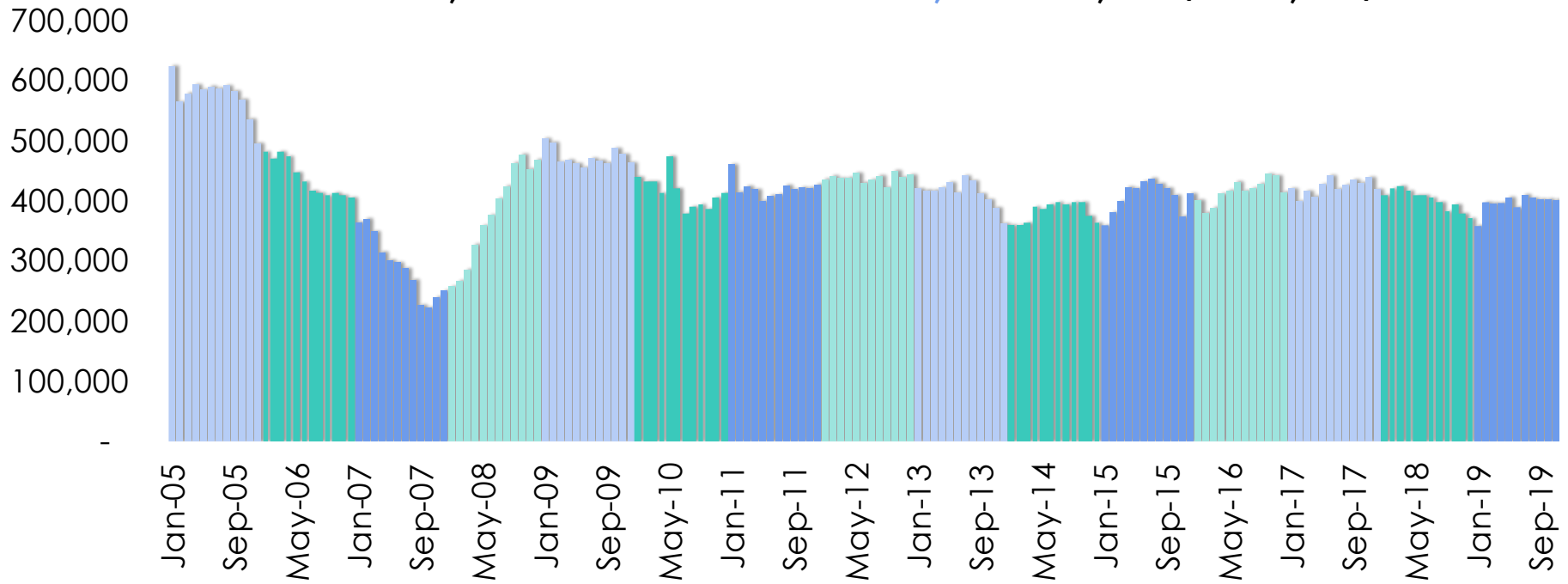


SERIES: Price Growth vs. Mortgage Payment Growth  
 SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

**How About  
Housing?**

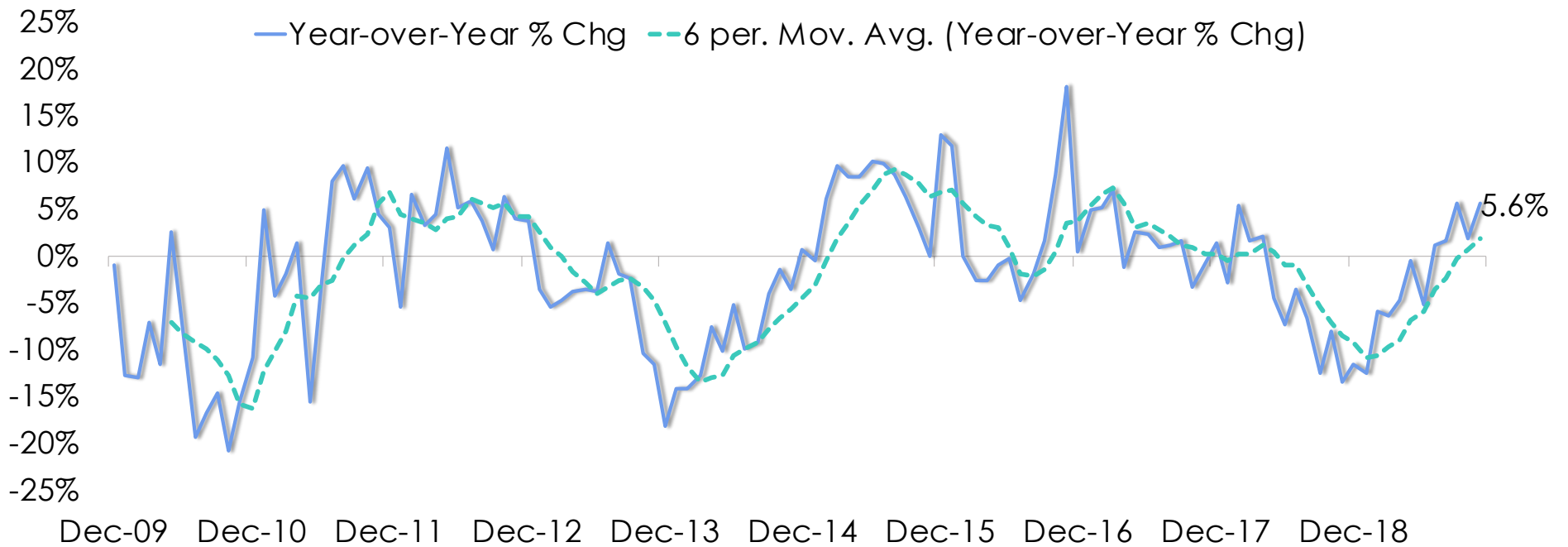
# Sales remained above 400k for 5<sup>th</sup> consecutive month

California, November 2019 Sales: **402,880 Units**, -1.9% YTD, 5.6% YTY



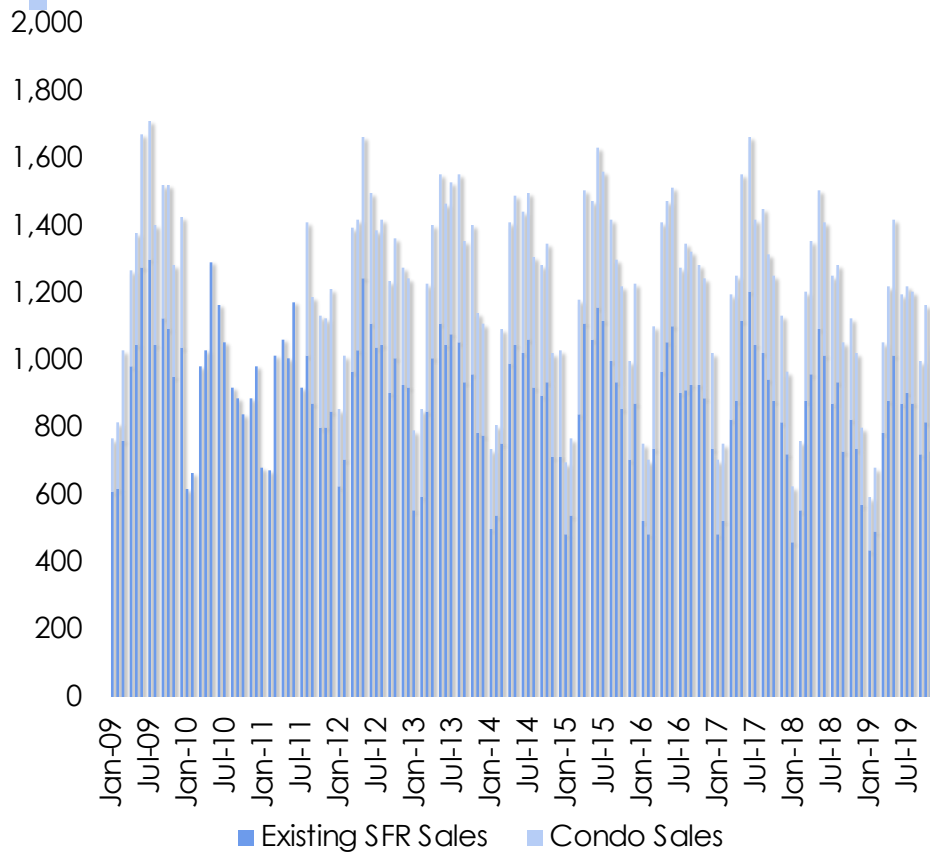


# 5<sup>th</sup> consecutive month of growth

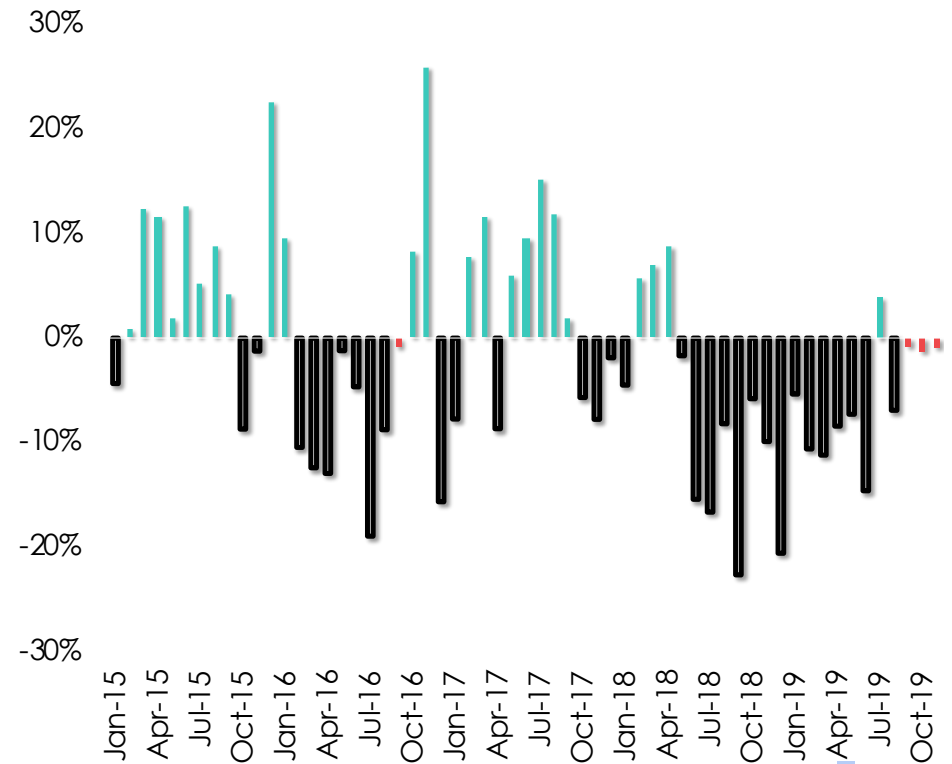


# Santa Clara *looks* like it will follow suit

Santa Clara AOR Home Sales

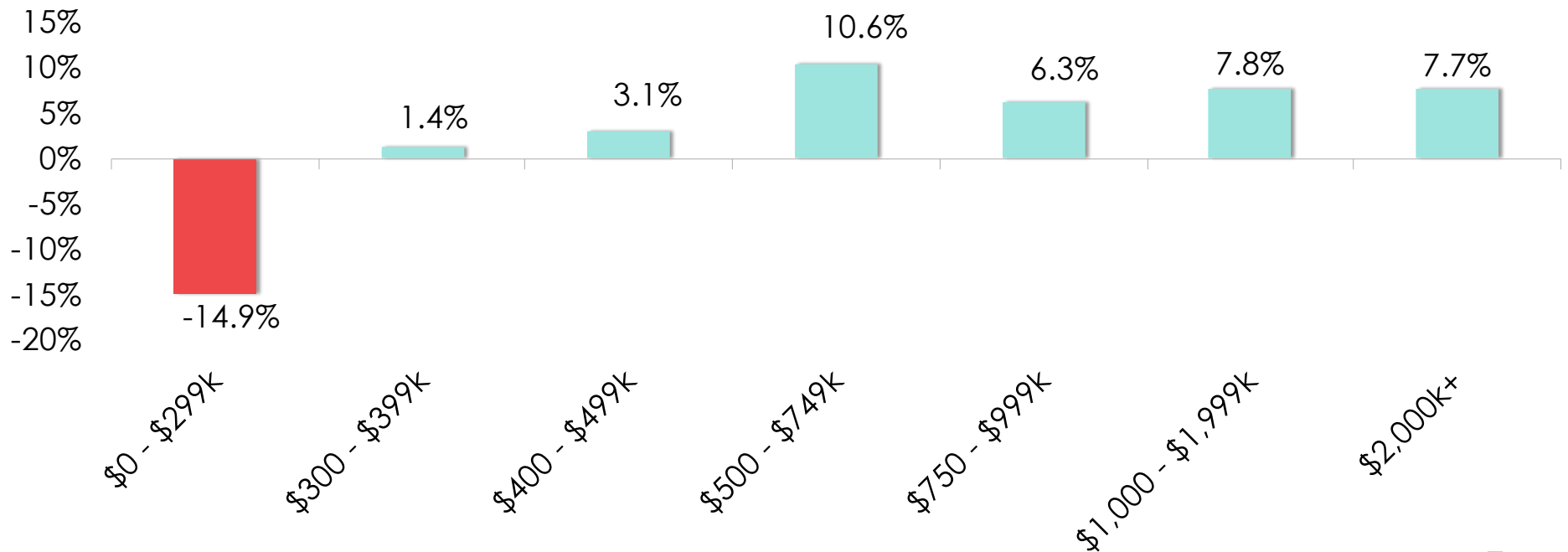


Santa Clara Existing SFR Sales Growth



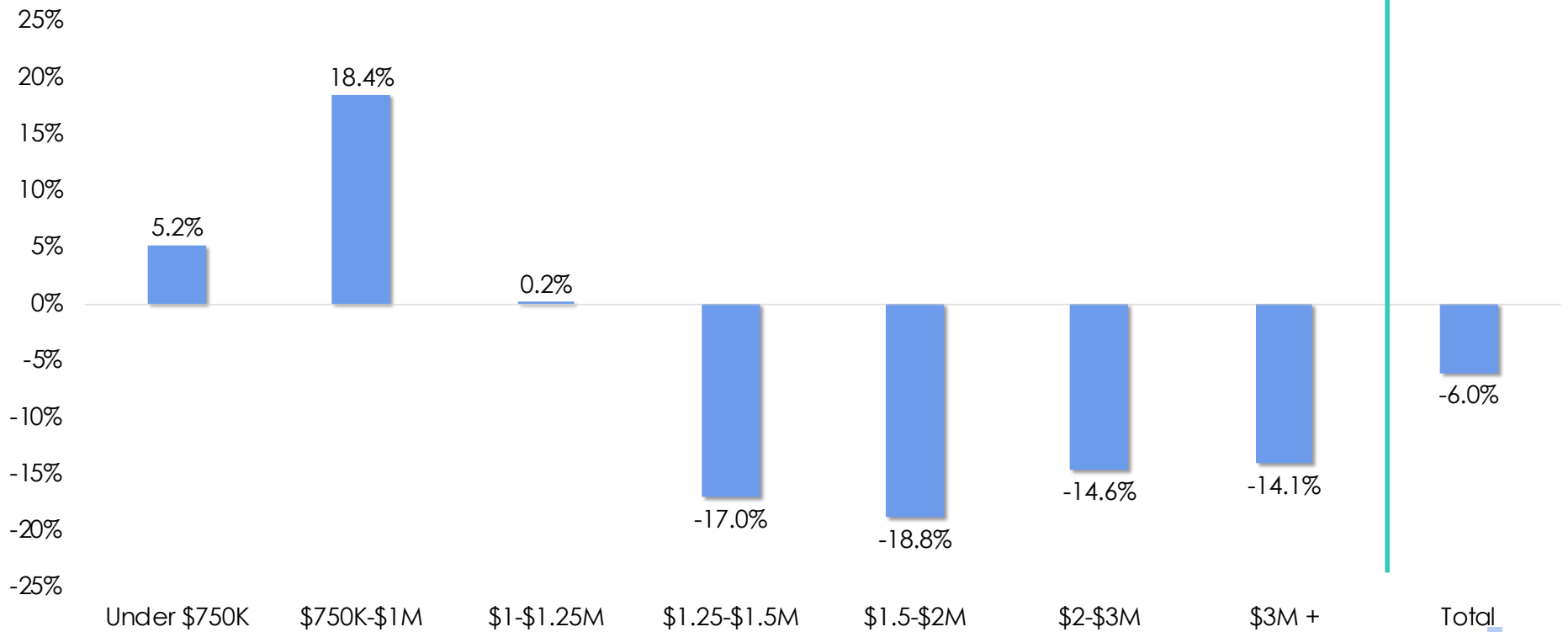
## Bottom end still struggling. Our old friends are back...

November 2019  
(YTY% Chg.)

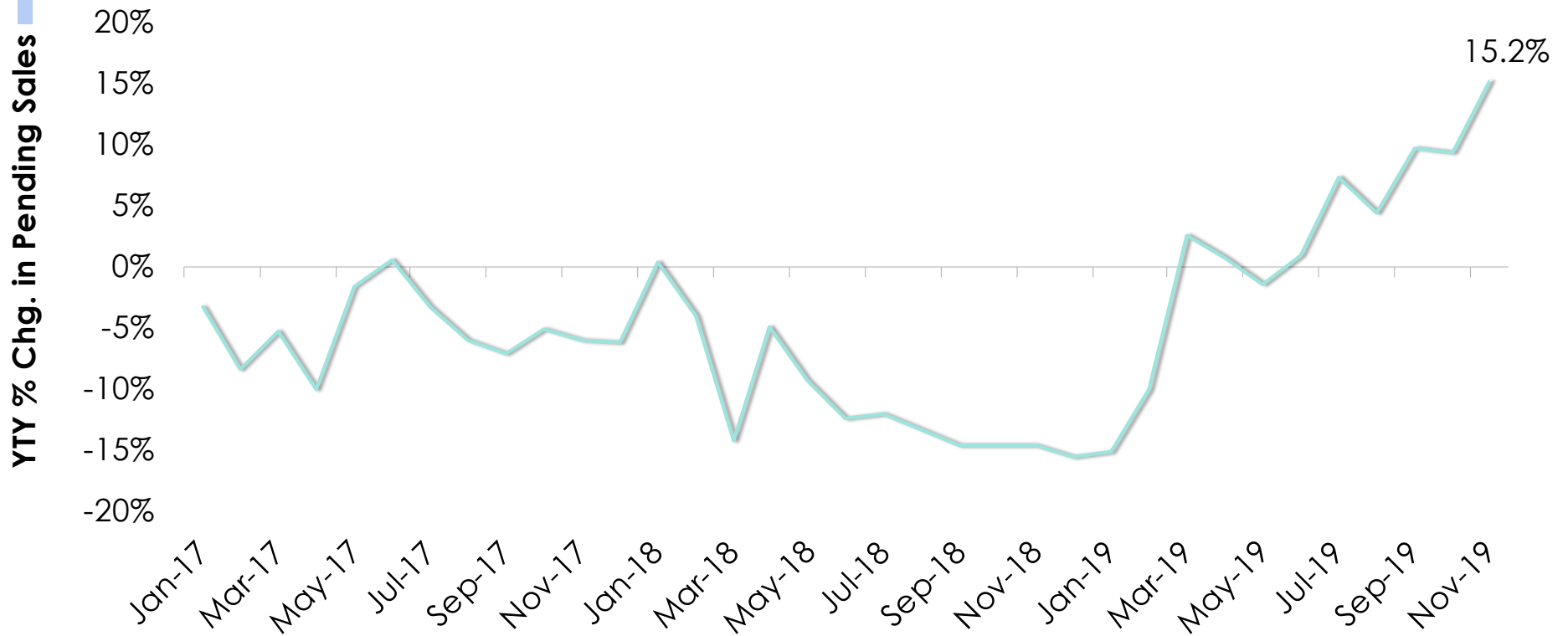


# Luxury sales growing more OUTSIDE Bay Area

2019 Santa Clara Existing SFR Sales Growth YTD



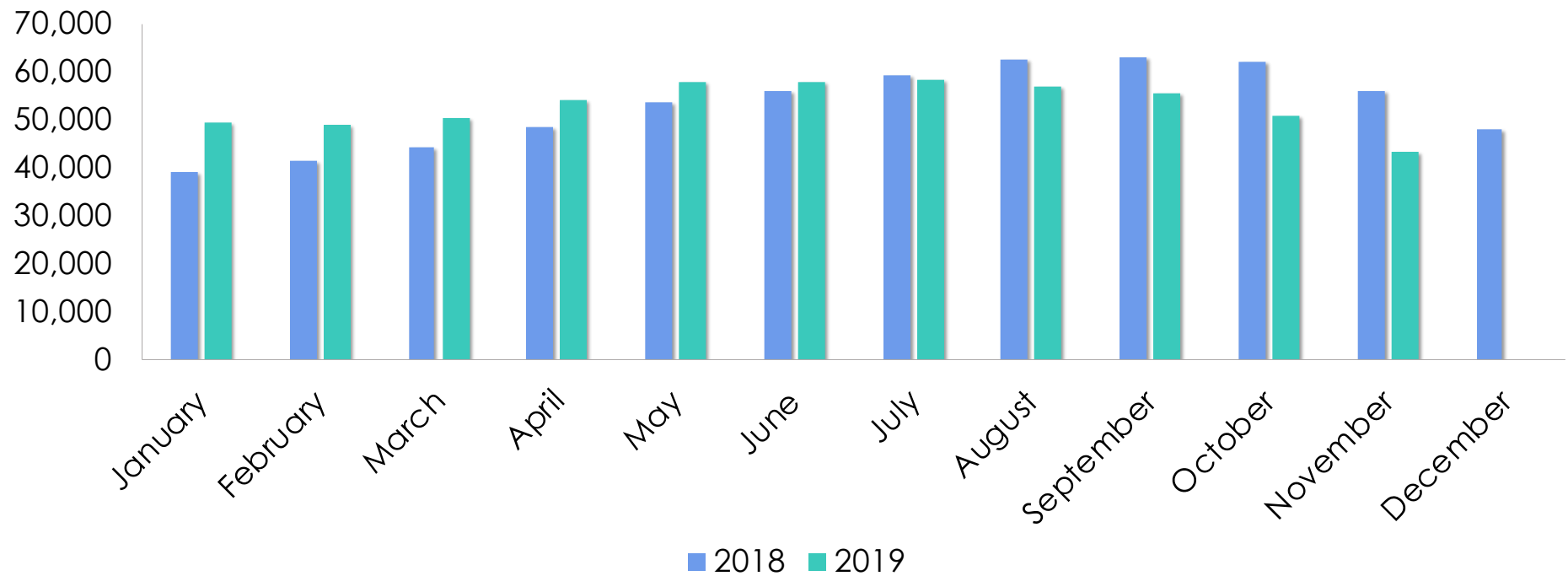
## And, pending suggests more growth coming



# Inventory & **Active Listings**

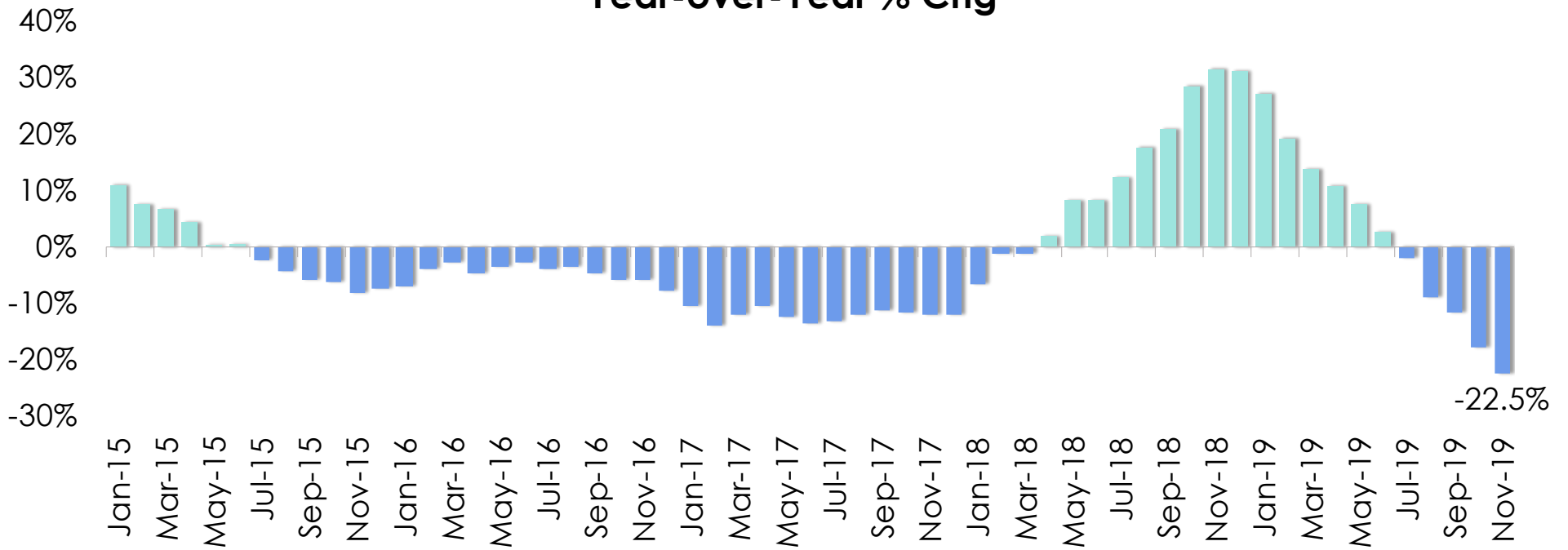
# Market tightening back up

## California Active Listings by Month



# Largest decline in over 6 1/2 years

Year-over-Year % Chg

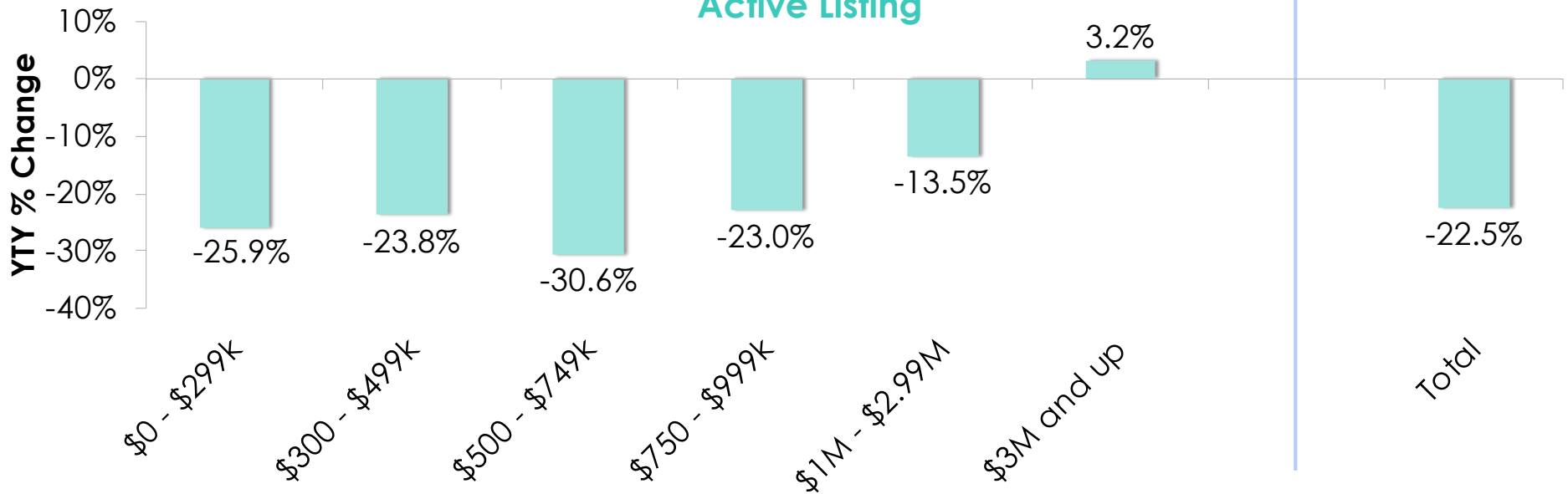




# Supply improved at upper end of the market

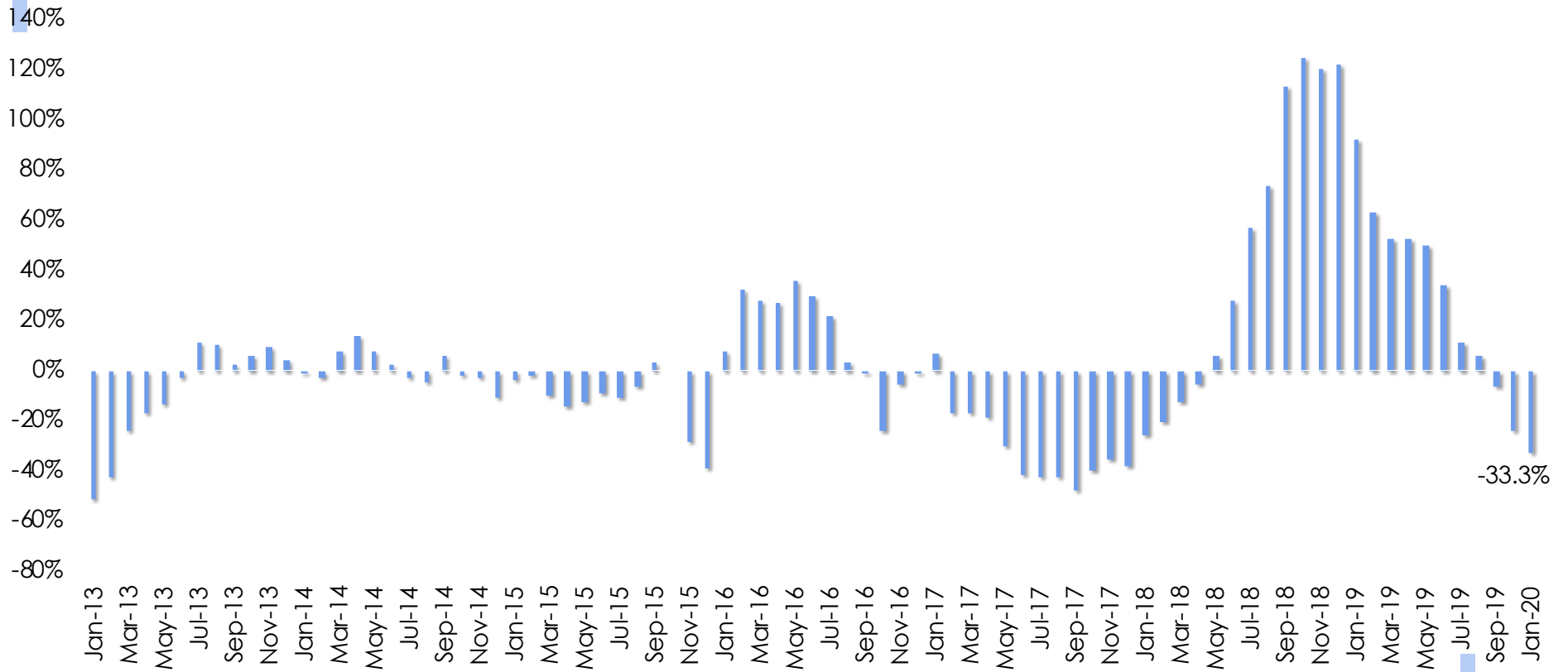
November 2019

Active Listing



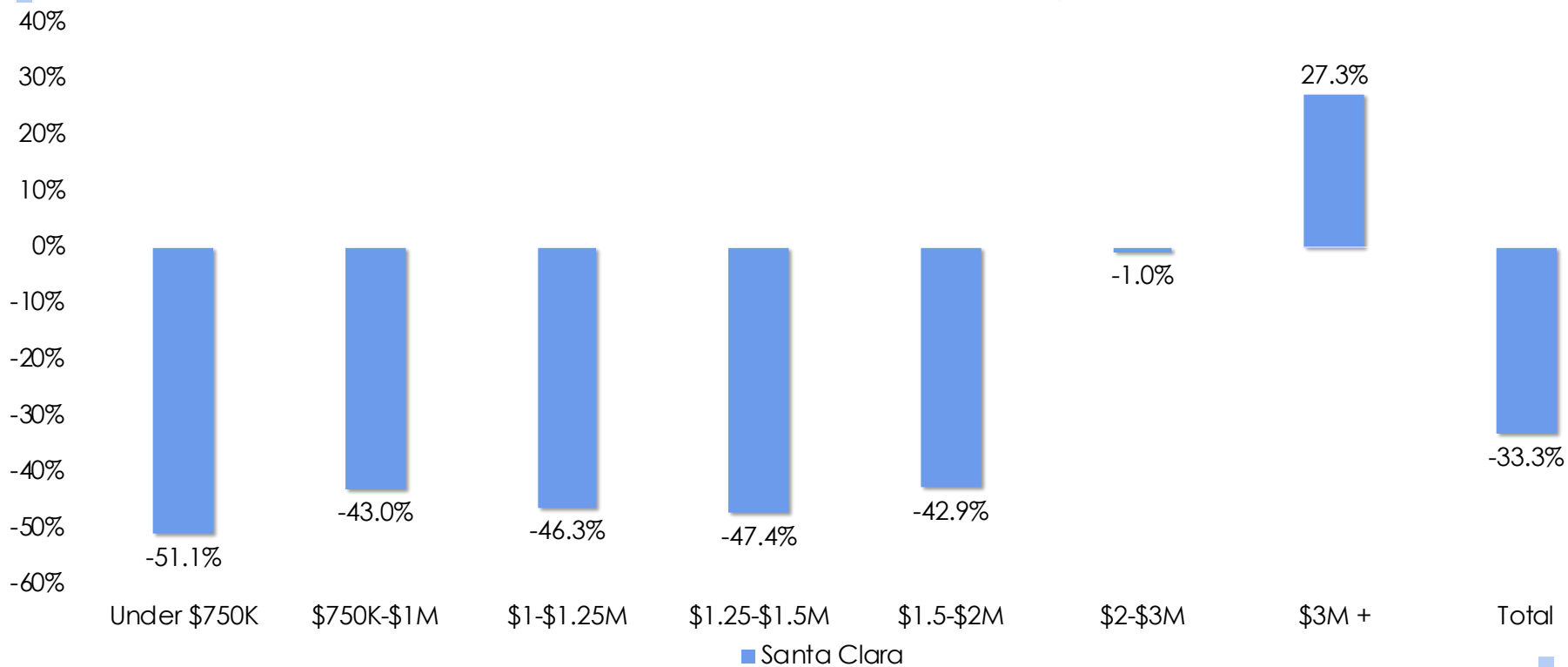
# We had the exaggerated bump...

Santa Clara Growth in Active Listings



# 🎵 The boys are back in town 🎵

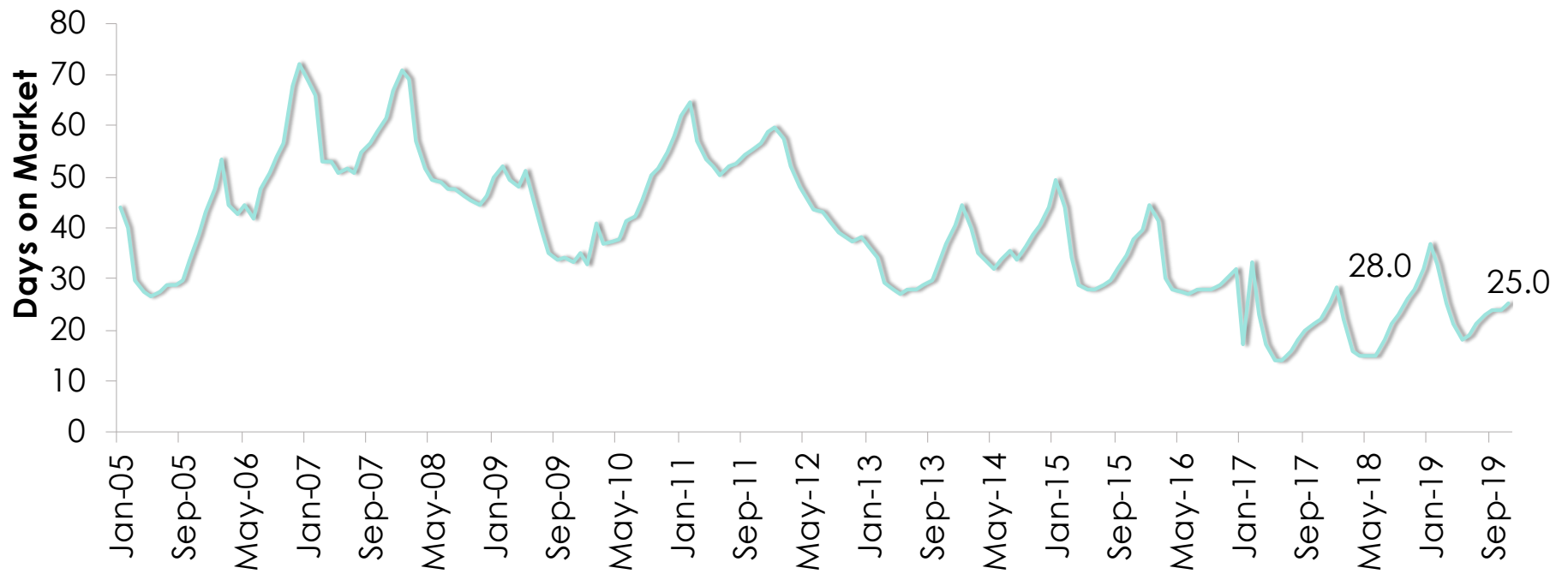
Santa Clara Growth in Active Listings



# Market Competitiveness

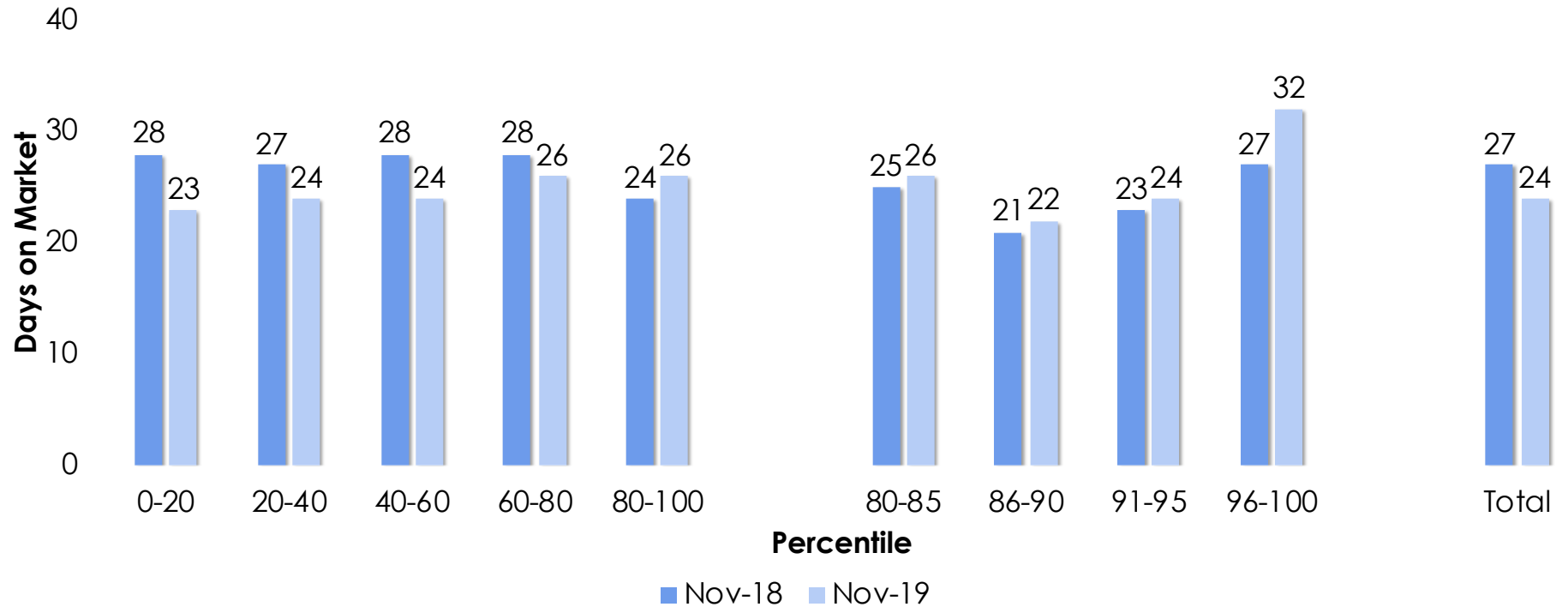
# Tighter market means more competition

California, November 2019: 25.0 Days



# Heads-up for luxury segment, though...

## Median Time on Market



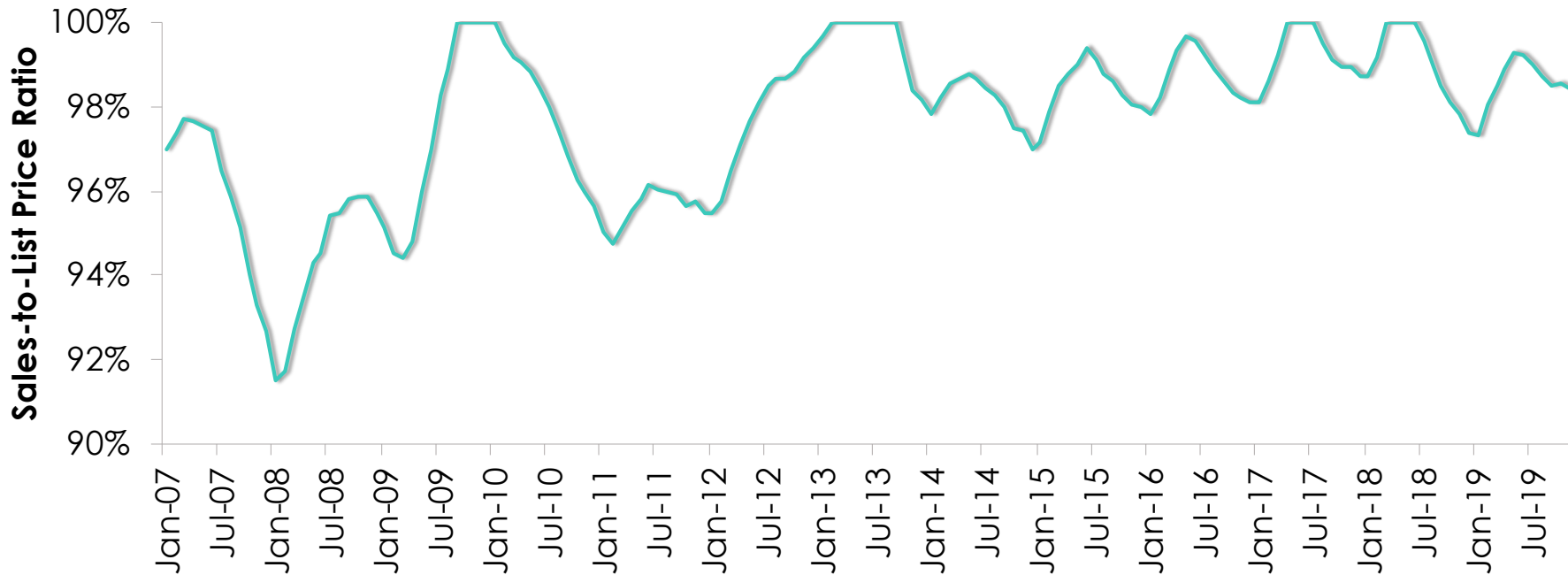
# Tale of two markets, locally

Santa Clara Median Time on Market



# Sales price-to-list price ratio improving!

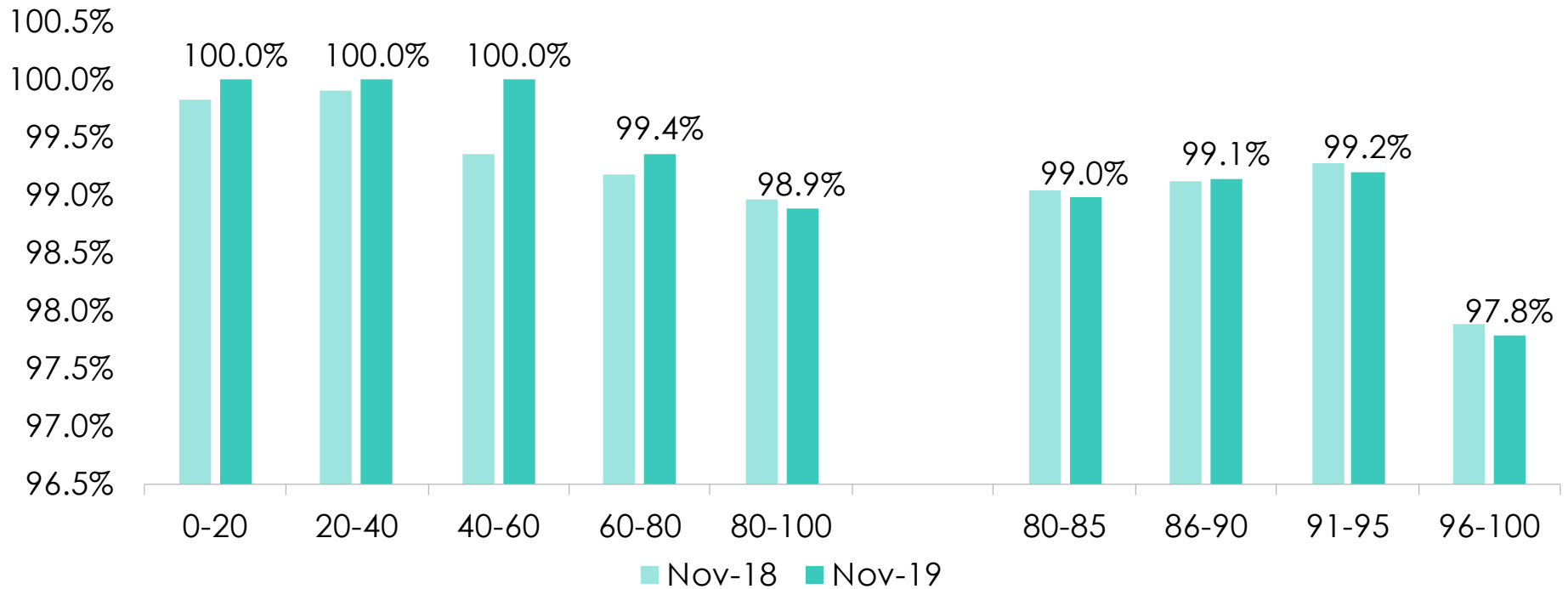
November 2019: **98.4%**, -0.1% MTM, 0.6% YTY





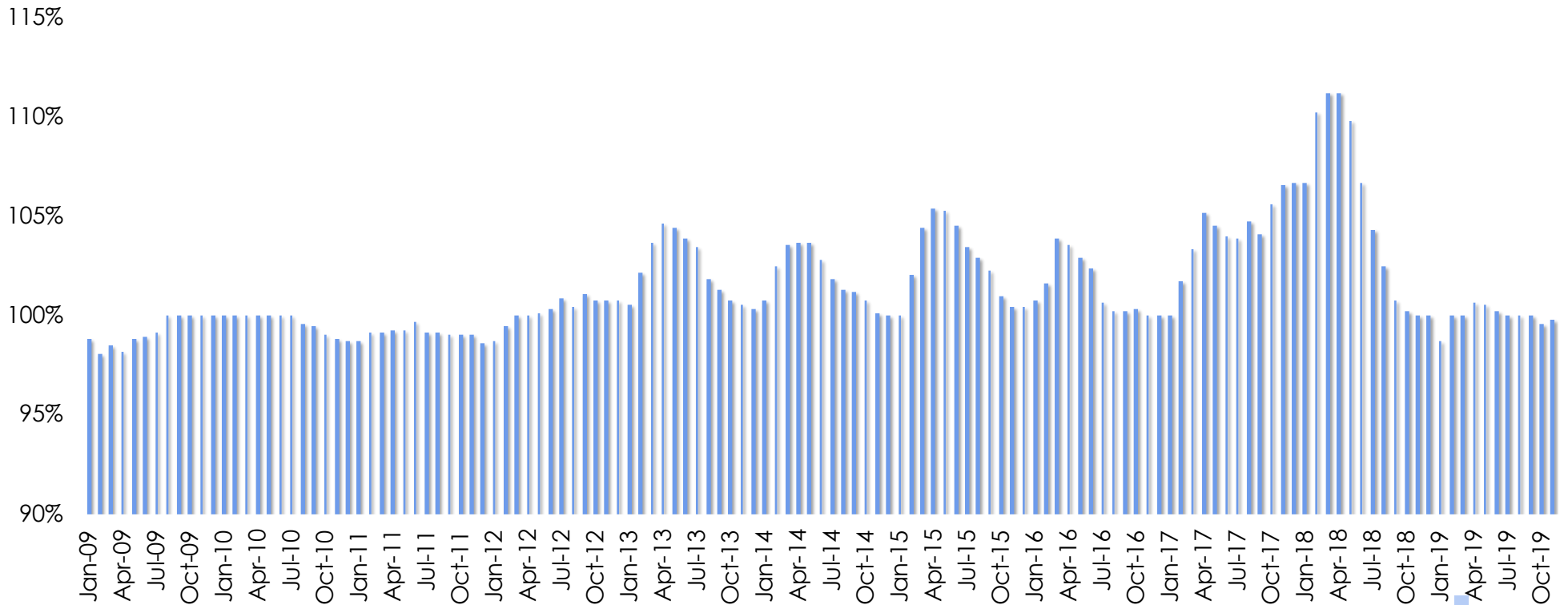
# Slightly MORE discounting at top end

## California Sales-to-List Price Ratio by Quintile



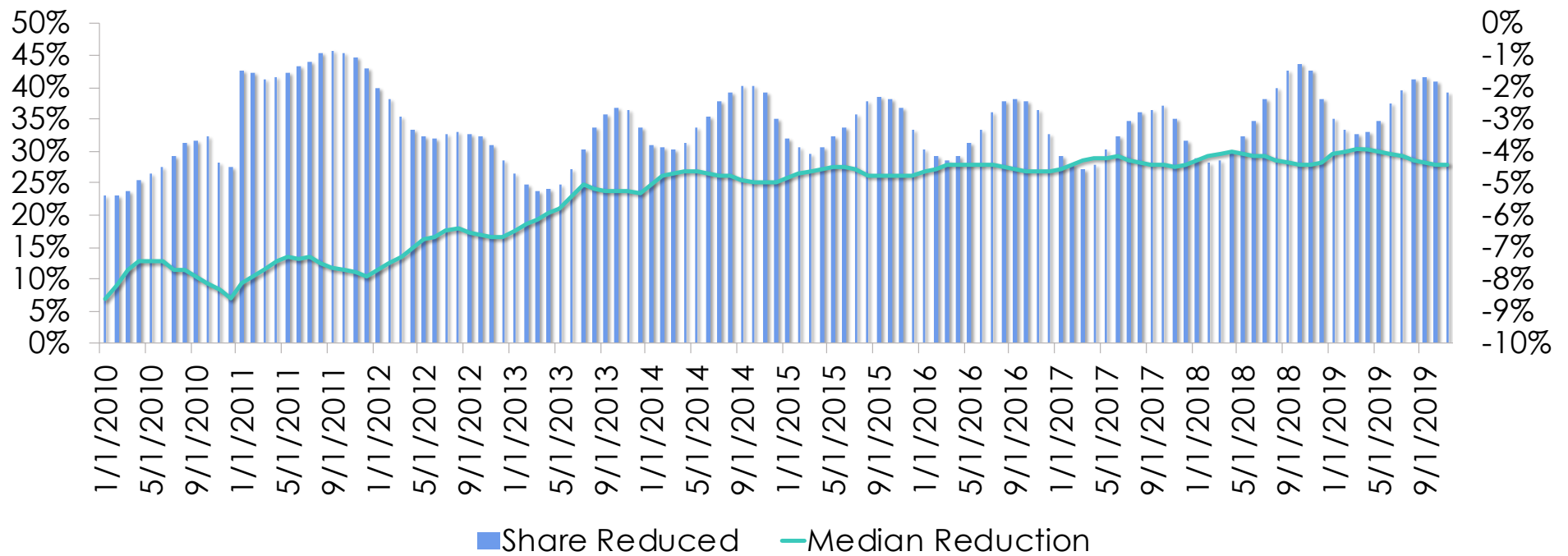
# Price premiums are NOT back this time

Santa Clara Median Sales/List Price Ratio



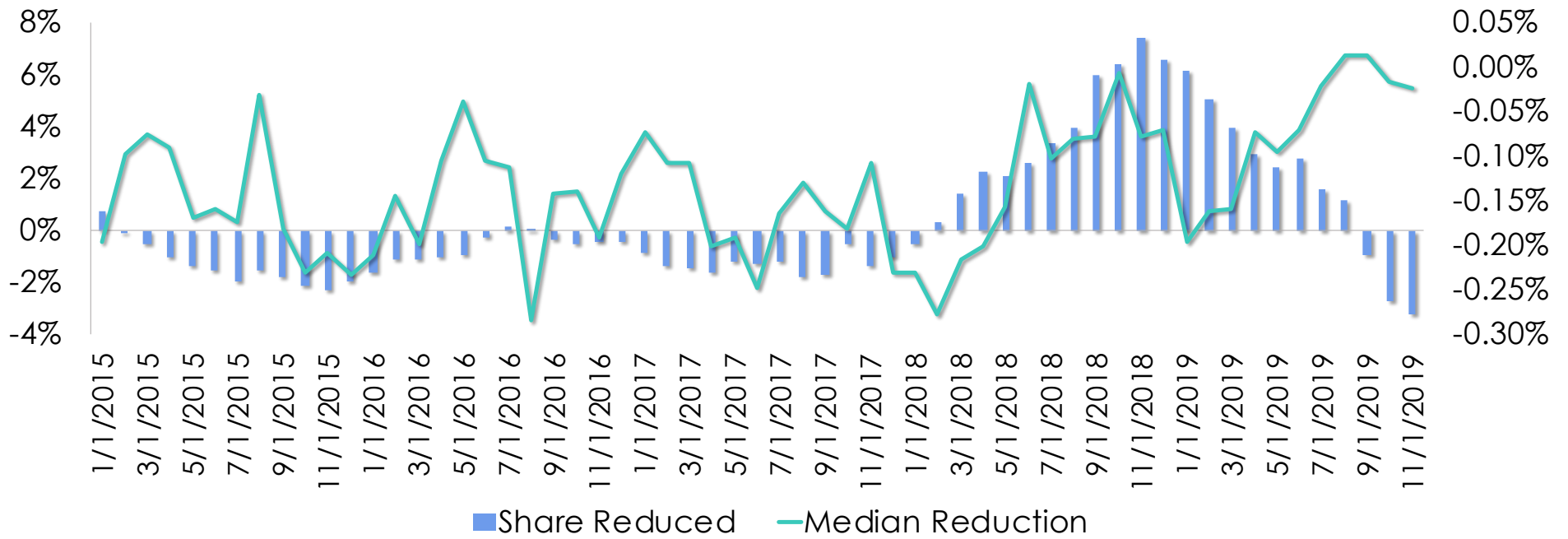
# Many actives have been reduced

Share of Listings with a Reduced Price: **39.2%**; Median Reduction Amount: **-4.4%**



## But, FEWER reduced-price listings

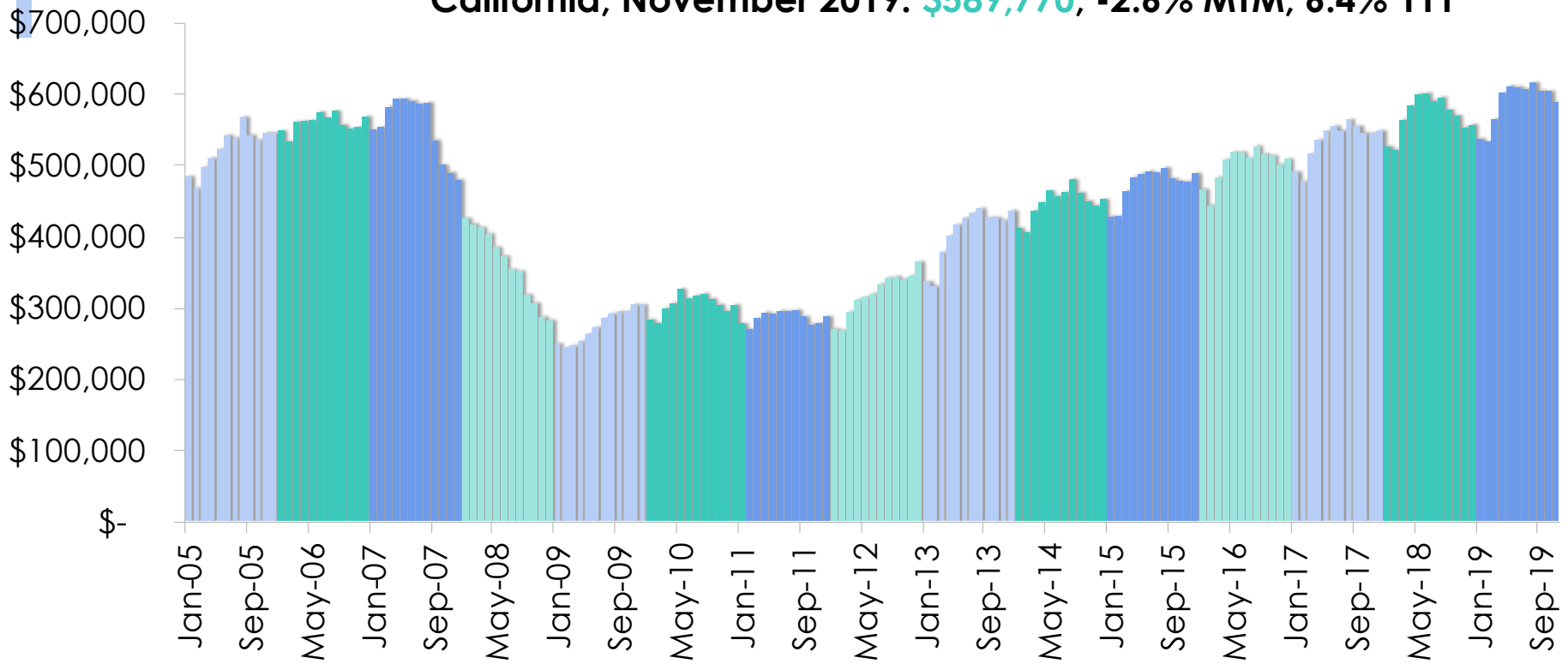
Growth in Share of Listings with a Reduced Price: **-3.2%**  
 Growth in Median Reduction Amount: **0.0%**



# Price Growth **Stabilizing**

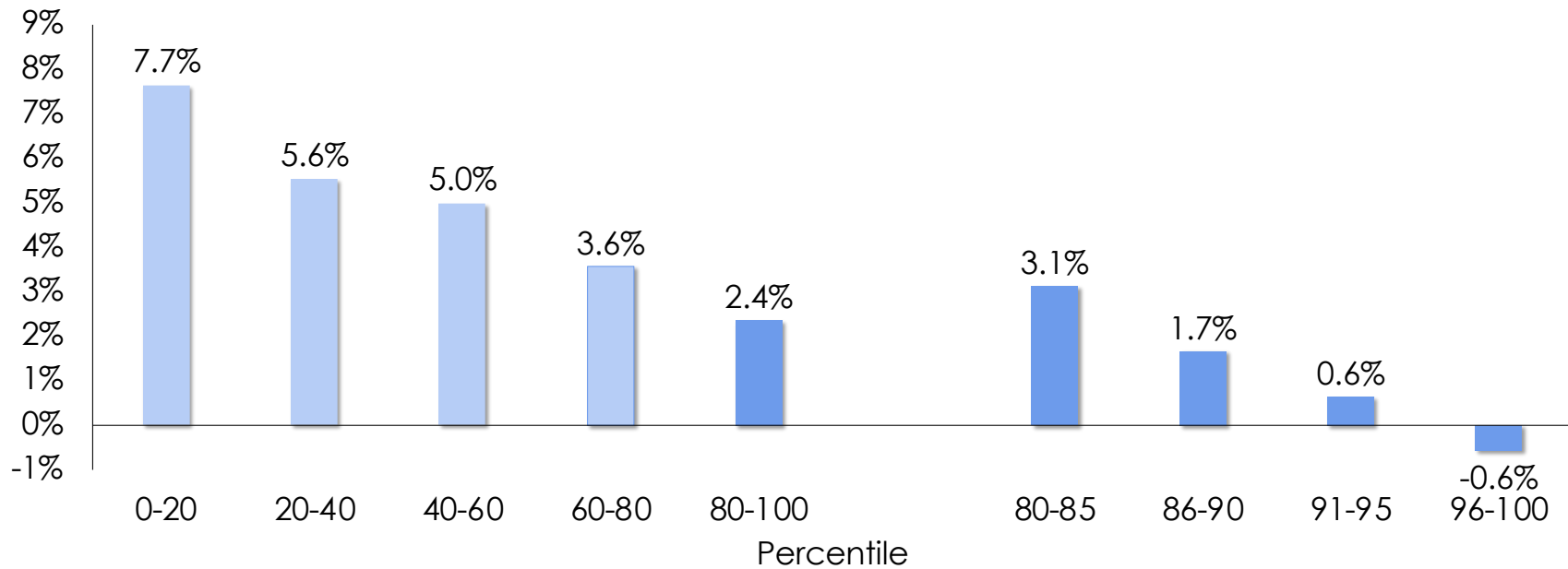
# California had the largest gain in 15 months

California, November 2019: **\$589,770**, -2.6% MTM, 6.4% YTY

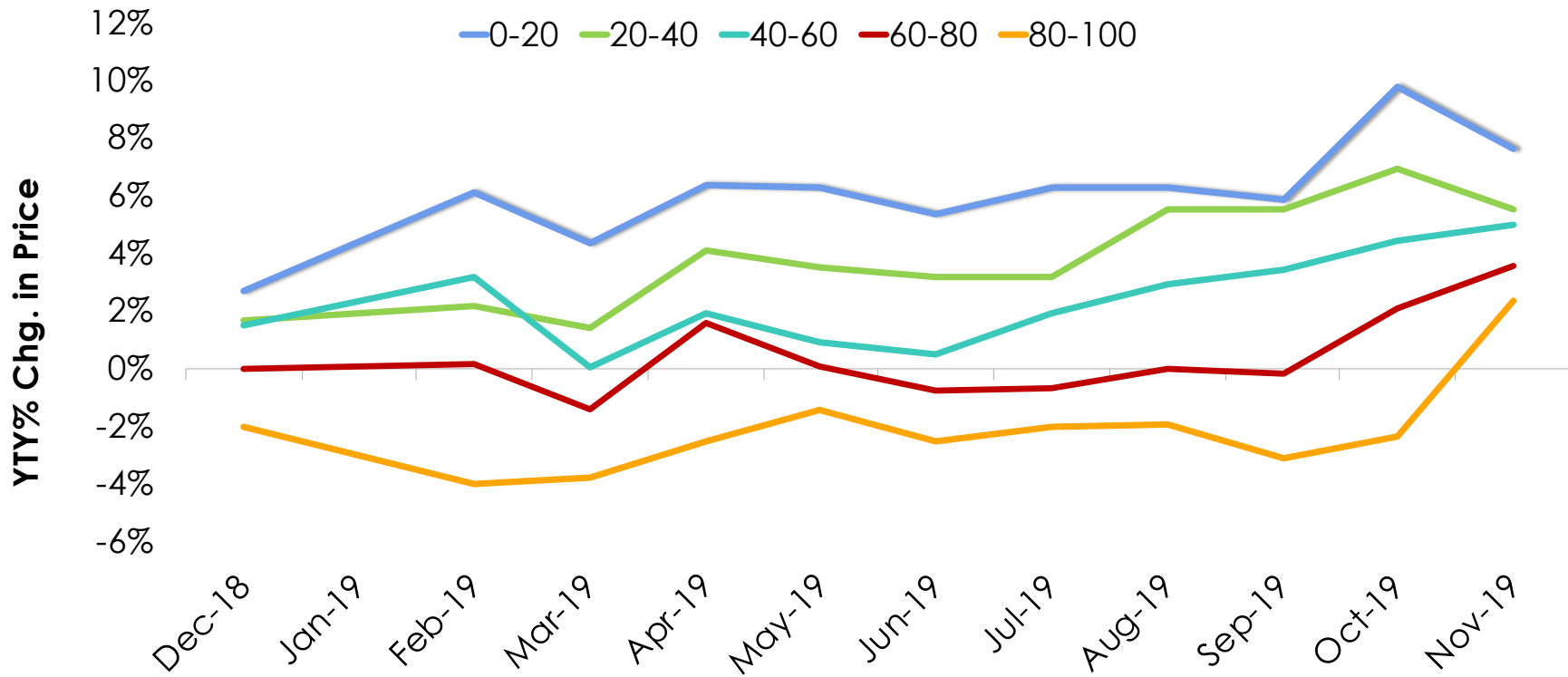


# Price growth in all percentiles

Year-over-Year Price Growth



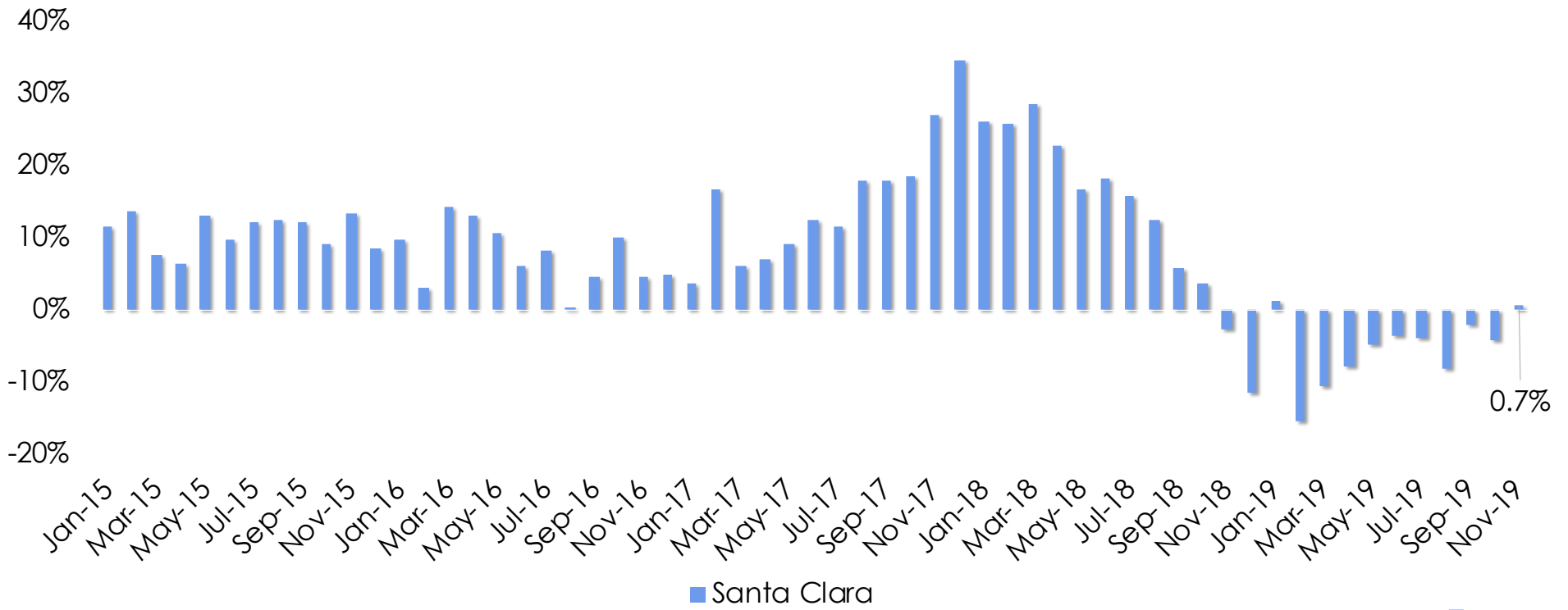
## Top-end had first yearly price gain in 2019





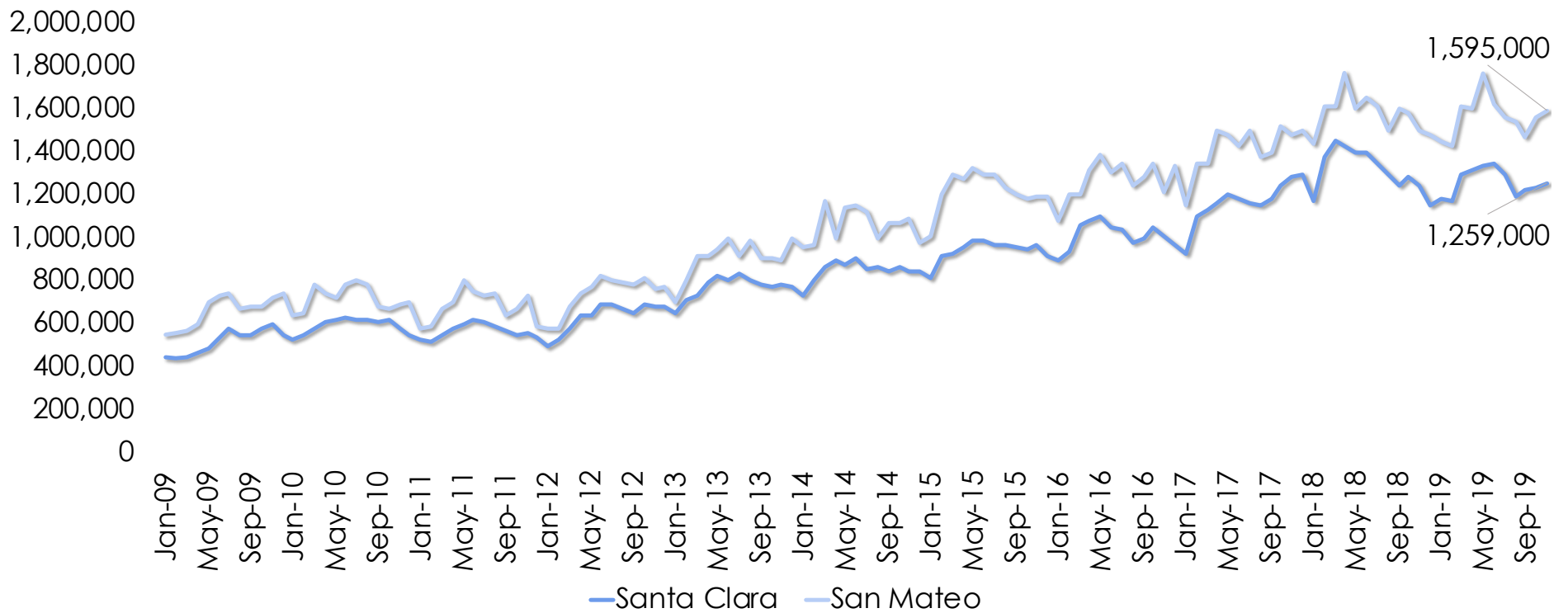
# Price growth IS stabilizing here too...

Santa Clara Existing SFR Median Sales Price



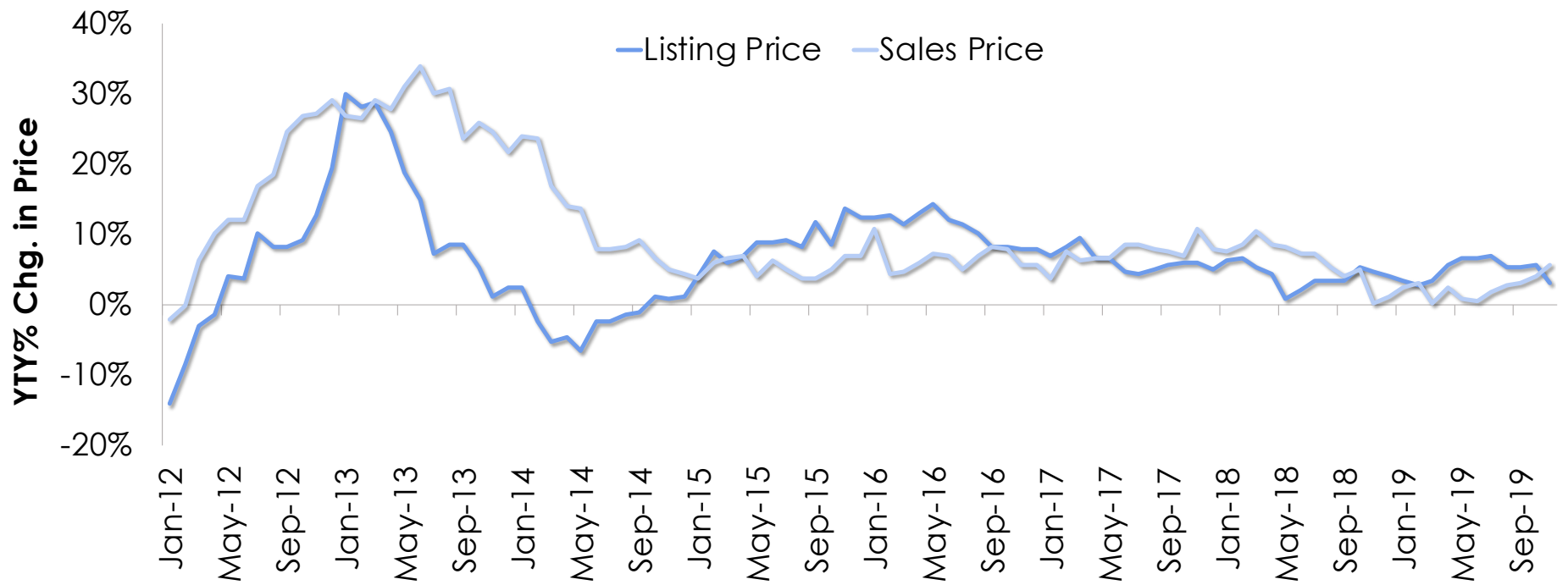
# What will this chart look like in 20 years?

Existing SFR Median Sales Price

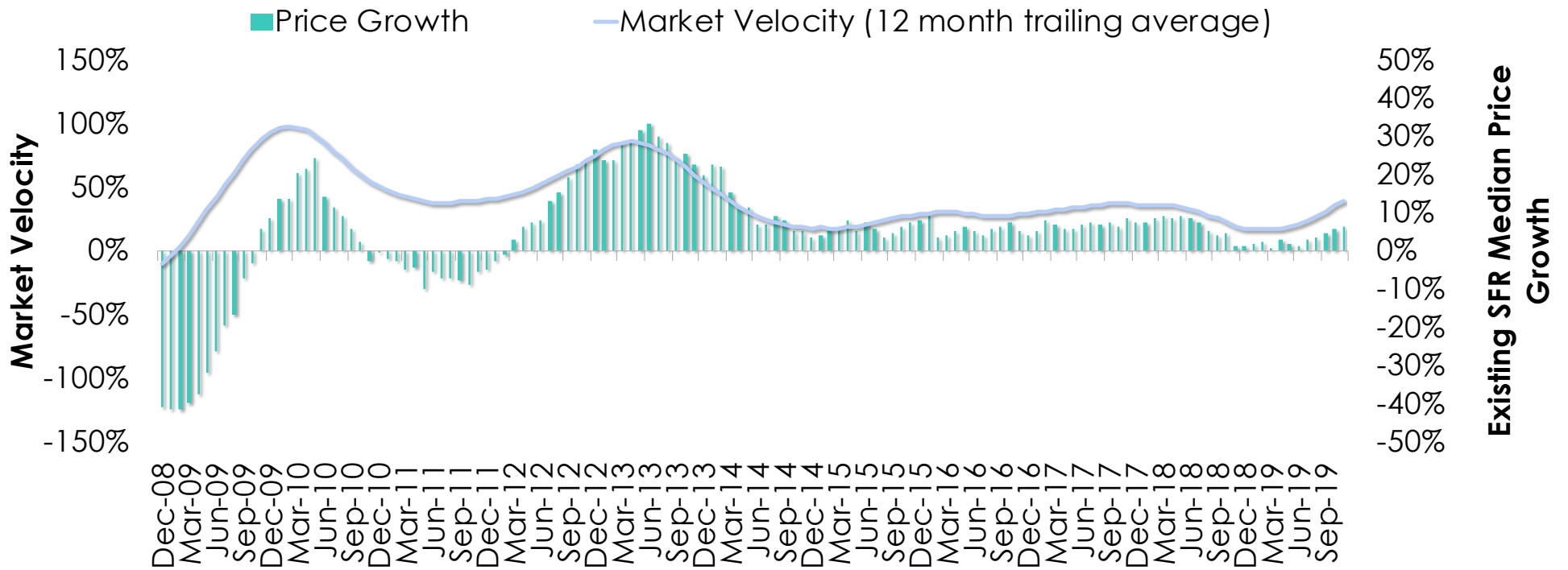


# Evidence of Price Drops?

## List prices suggest ongoing, modest growth



# So do the fundamentals



**\*\*\*BUT\*\*\***

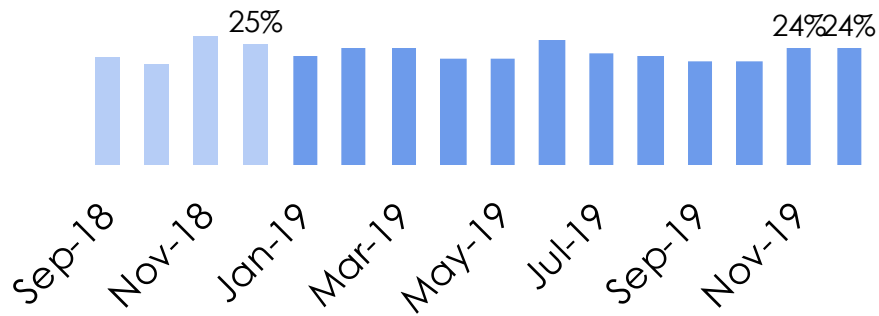
**DON'T Put it in**

**!! Cruise Control !!**

# Is it a good time to buy or sell?

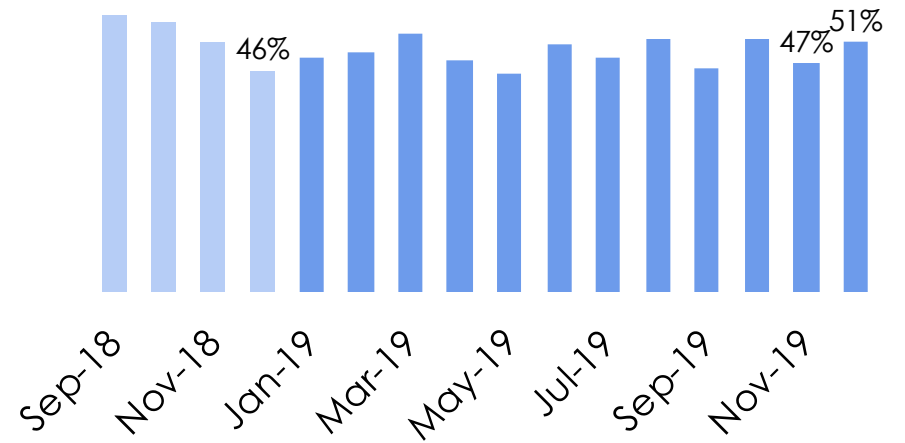
Do you think it's a good time to **buy** a home in California?

N=300



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

N=300



## Down payments remain elevated

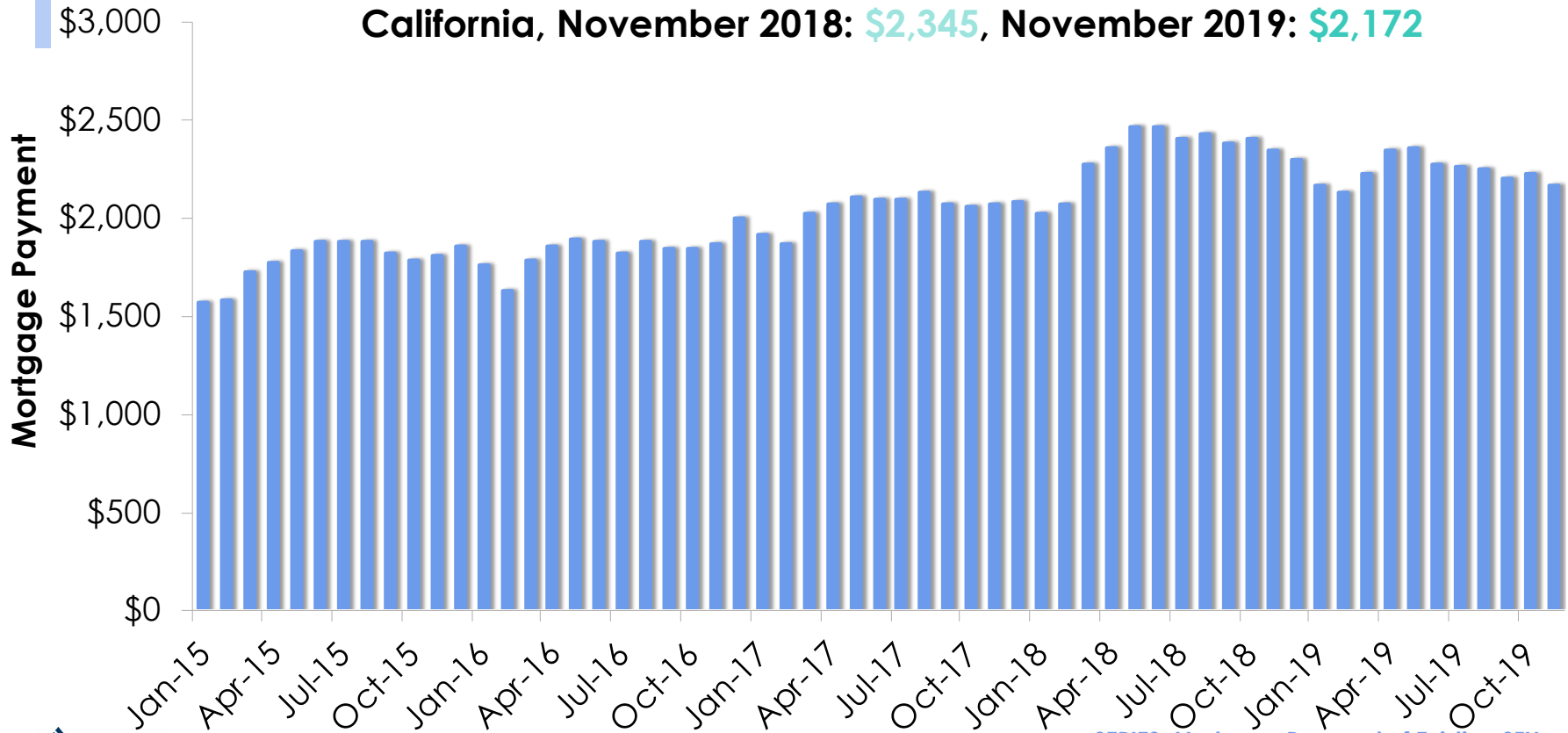
Region	Nov 2019	Nov 2018	% CHG
CA SFH	\$117,954	\$110,848	6.4%
Los Angeles Metropolitan Area	\$110,000	\$102,400	7.4%
Central Coast	\$139,000	\$134,500	3.3%
Central Valley	\$68,000	\$64,000	6.3%
Inland Empire	\$75,800	\$72,724	4.2%
S.F. Bay Area	\$185,000	\$181,000	2.2%





# Mortgage payment dipped, but still high

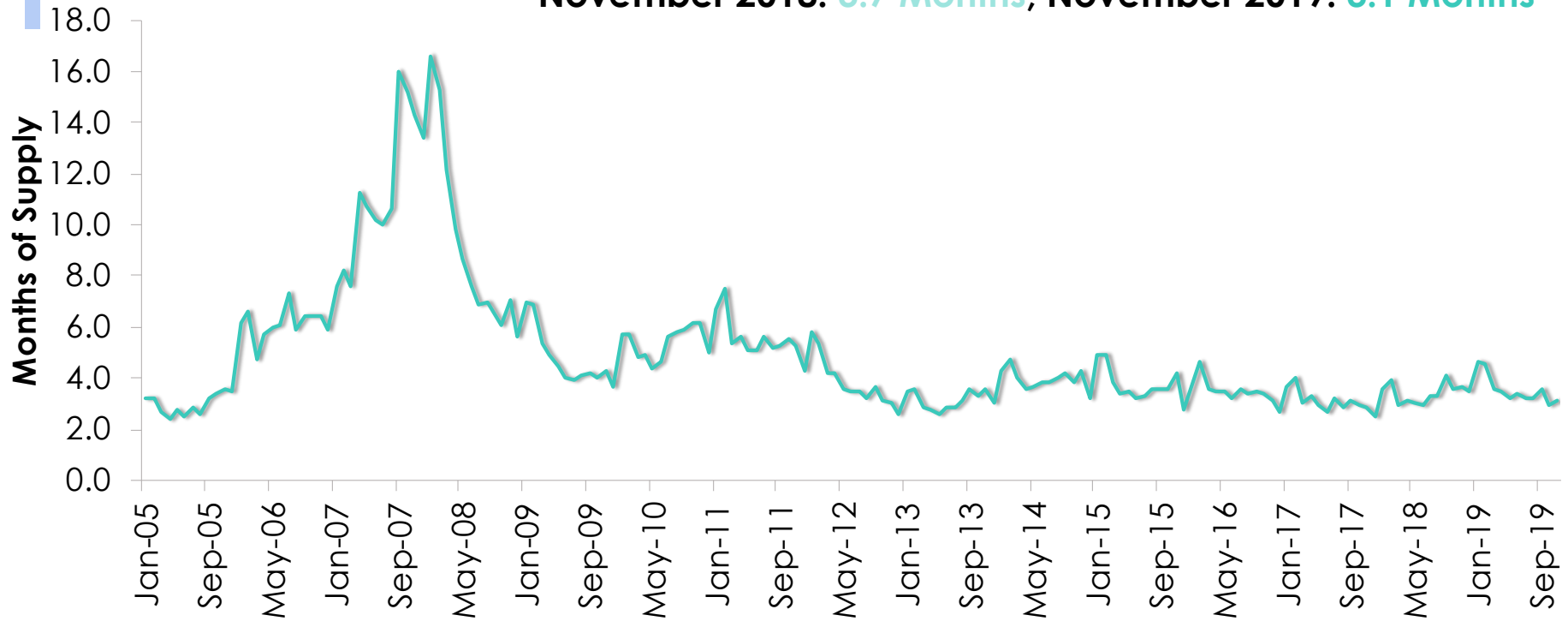
California, November 2018: \$2,345, November 2019: \$2,172



SERIES: Mortgage Payment of Existing SFH  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

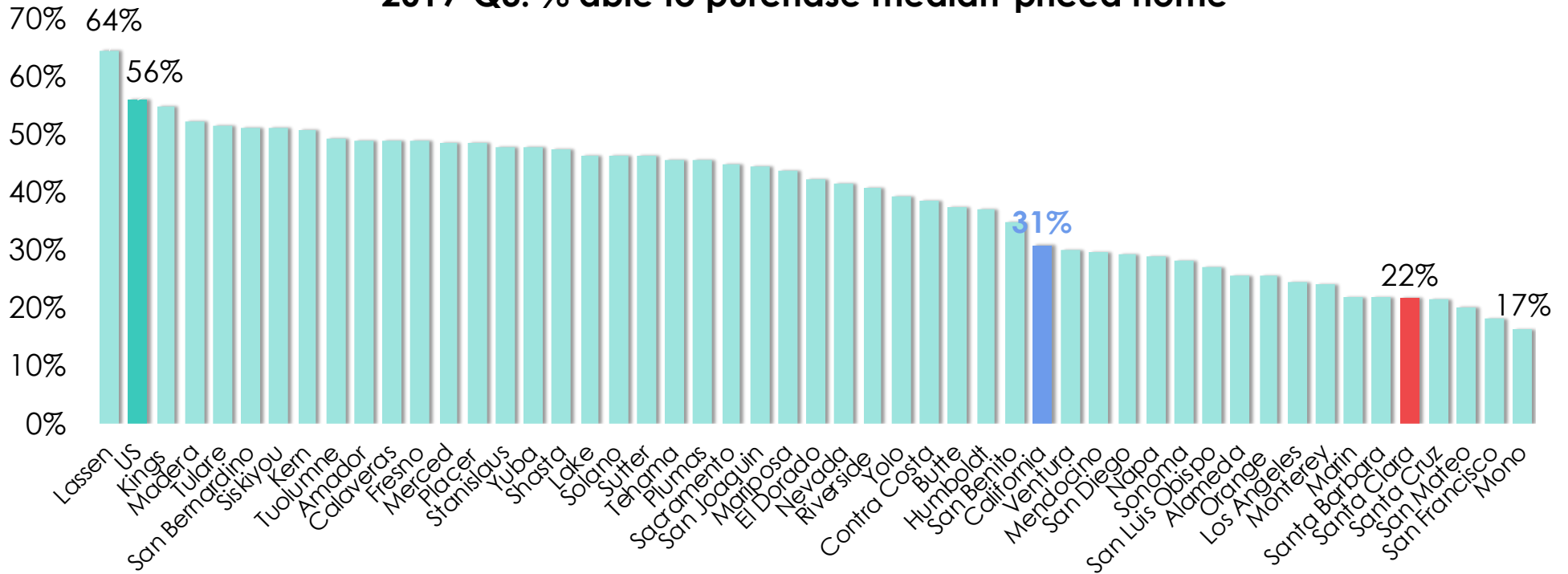
# Inventory will remain a challenge

November 2018: 3.7 Months; November 2019: 3.1 Months



# So, affordability will remain an issue

2019-Q3: % able to purchase median-priced home





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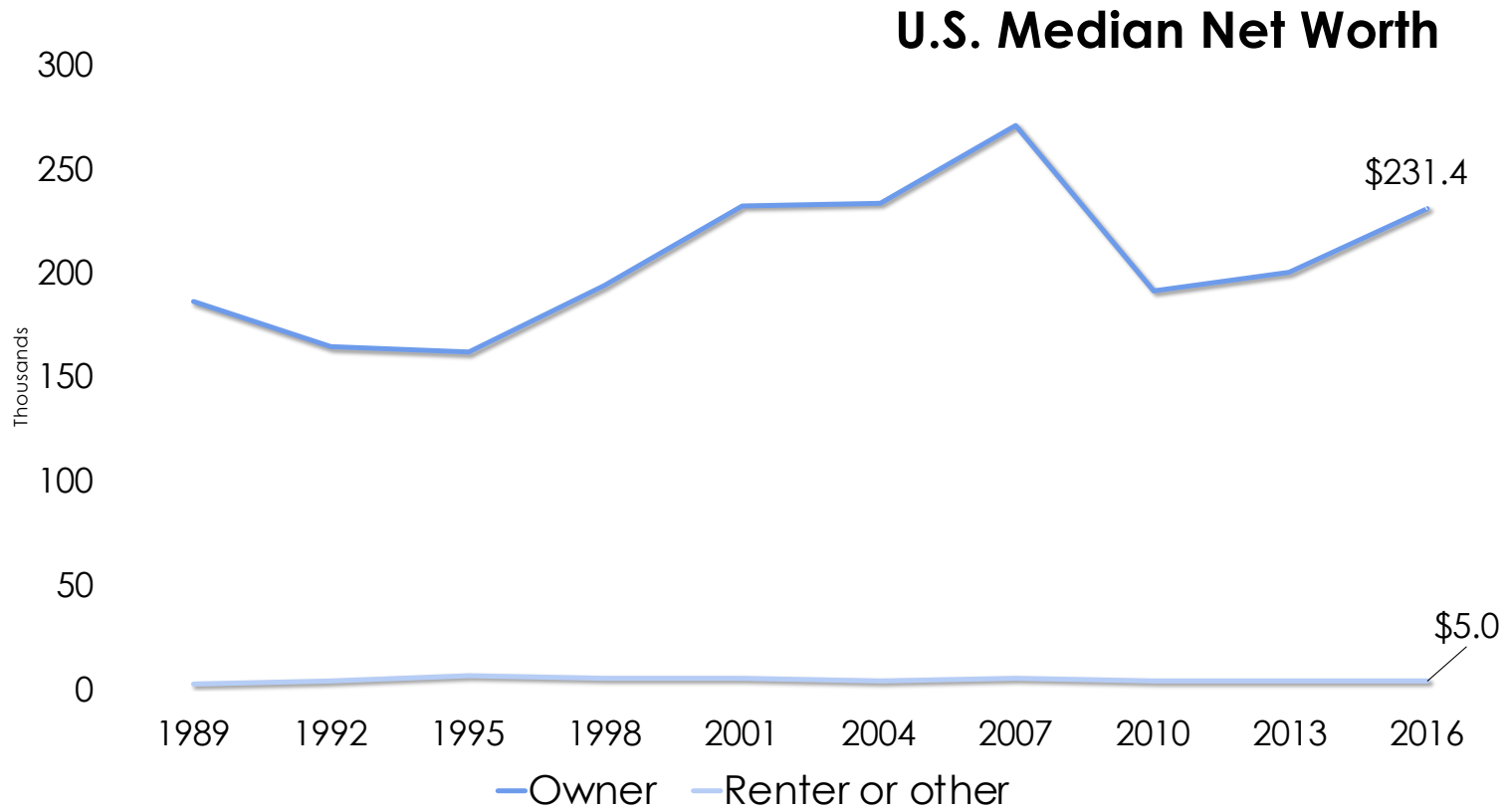
## Plus the economic uncertainty

- Yield curve inversion
- Longest expansion in U.S. history
- Trade war lingering?
- Business investment floundering
- Consumer debt pretty high
- Stock market overvalued
- Corporate profits?
- New construction?
- Consumer-driven show...



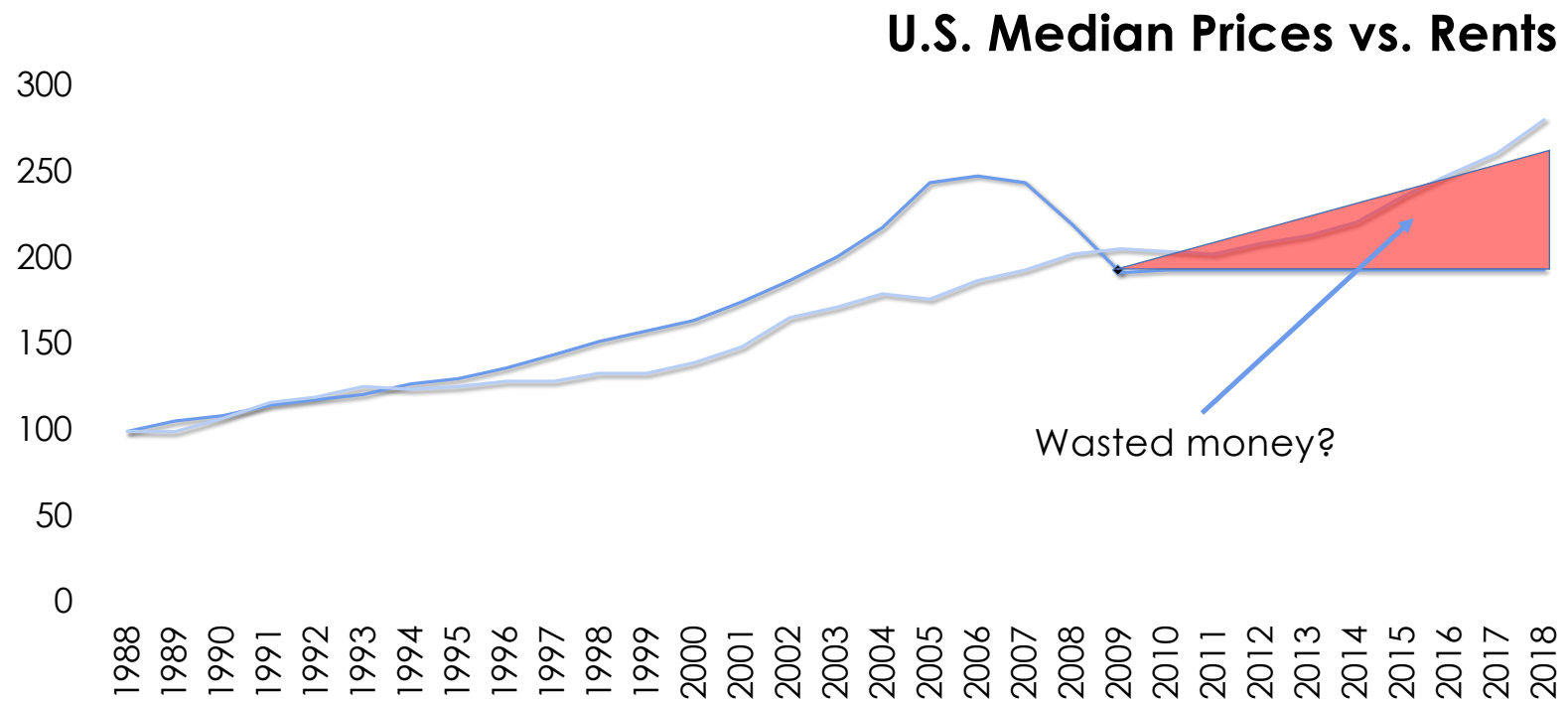
**Don't Just Sell Homes,  
Sell HOMEOWNERSHIP!**

# #1: wealth creation



SOURCE: Fed Consumer Finances Survey  
CALIFORNIA ASSOCIATION OF REALTORS®

## #2: hedge against inflation



SOURCE: American Community Survey – U.S. Census Bureau



### #3: better individual outcomes

“Children of homeowners are significantly **more likely** to stay in school until age 17 than children of renters...”

- Journal of Urban Economics





### #3: better individual outcomes

“A safe, decent, affordable home is like a vaccine. It **literally** prevents disease.”

- Dr. Megan Sandel, Boston University School of Medicine

## the **punchline**

“While studies simulating the financial returns to owning and renting find that renting is often more likely to be beneficial, in practice **renters rarely** accumulate any wealth.”

- Harvard Joint Center for Housing Studies, 2013



## You don't **NEED** housing to rise as fast

	Home	Stocks
Investment	500,000	100,000
Amount <b><u>YOU</u></b> Invest	100,000	100,000
Appreciation	3%	15%
Profit	<b>15,000</b>	<b>15,000</b>

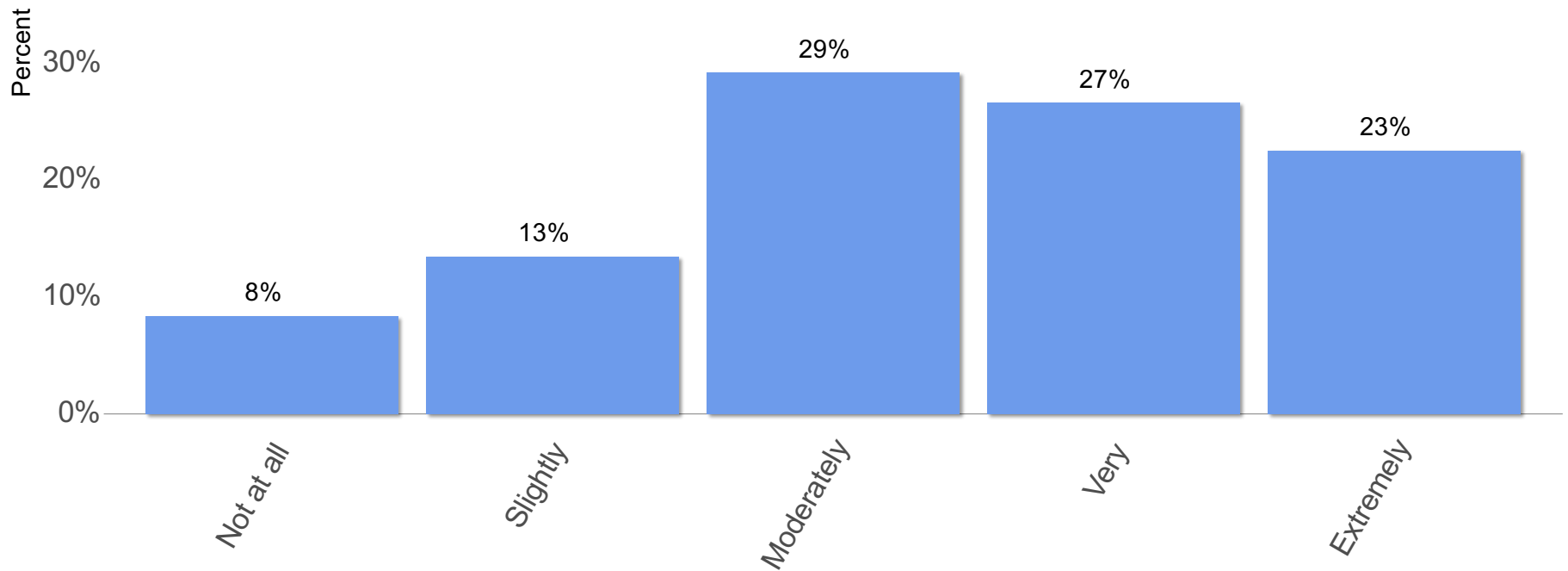


So how can **YOU HELP**  
potential buyers to attain  
homeownership?

# Homeownership *still aspirational*

How important is homeownership to you?

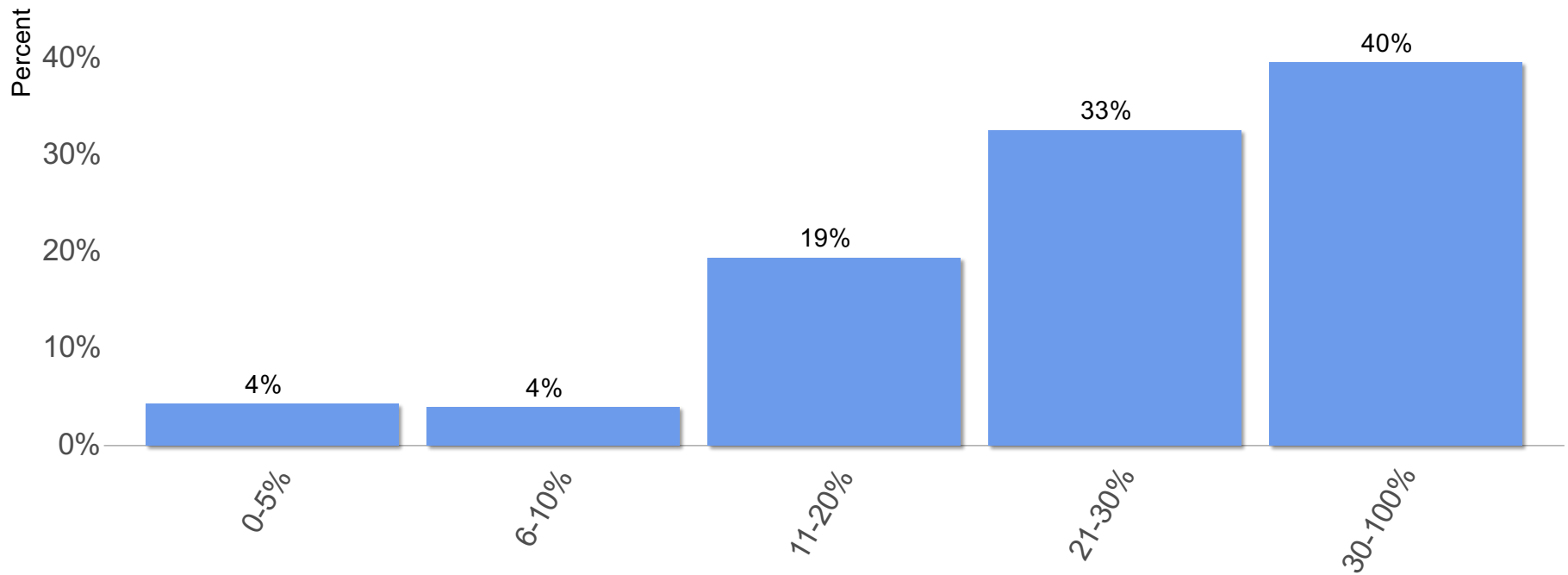
n: 1663



# vastly over estimate downpayment

How much downpayment is required to purchase a home?

n: 1681

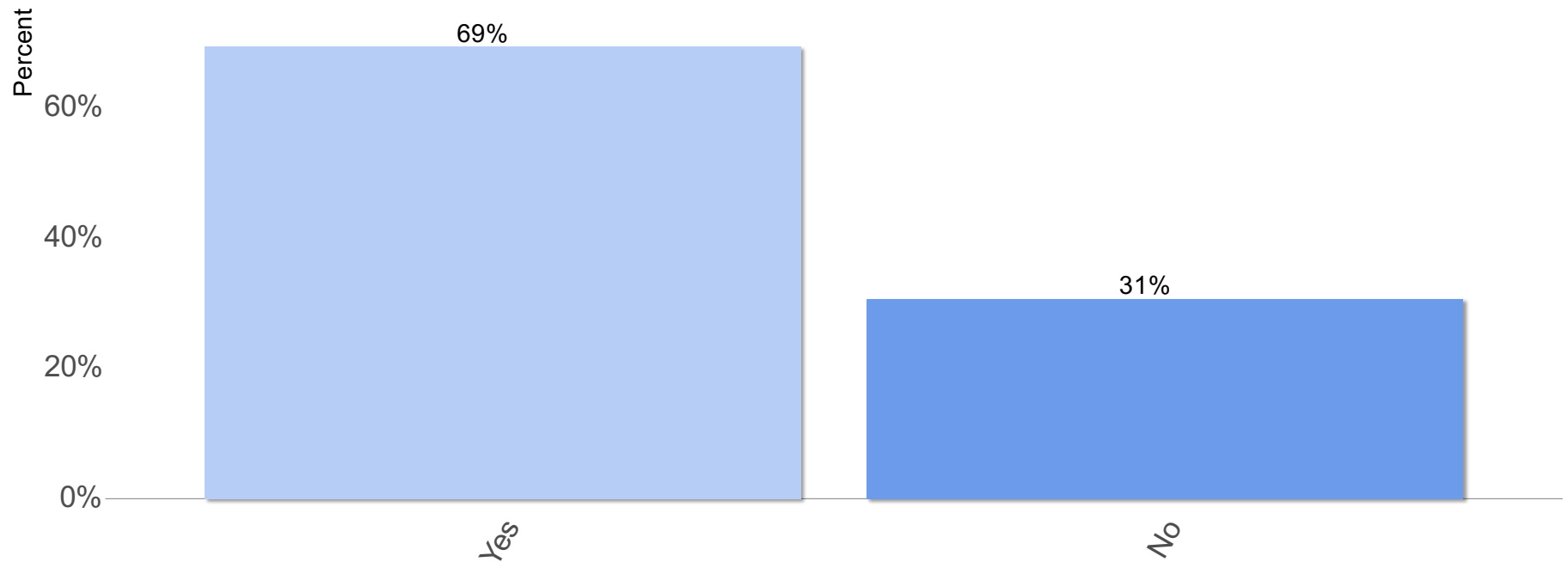


SOURCE: C.A.R. Renter Survey  
CALIFORNIA ASSOCIATION OF REALTORS®

## most renters would buy with little down

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

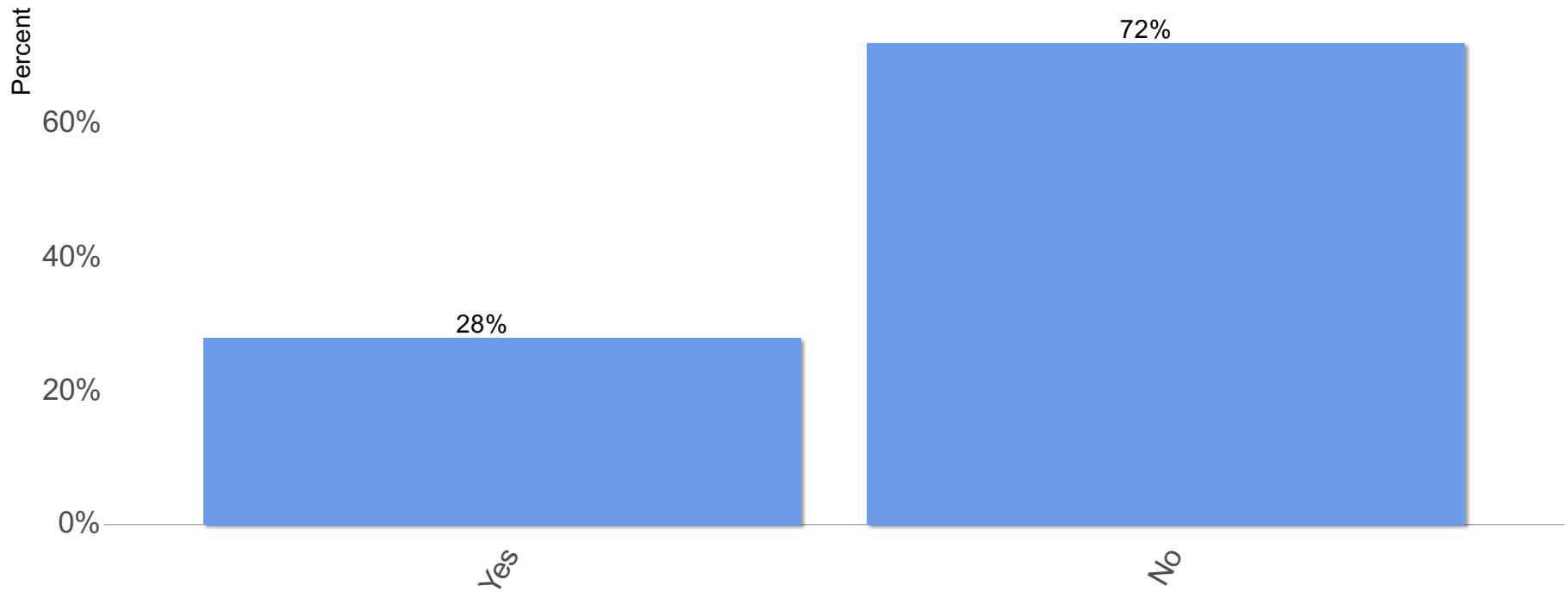
n: 1716



# only 30% know of low-down loans

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

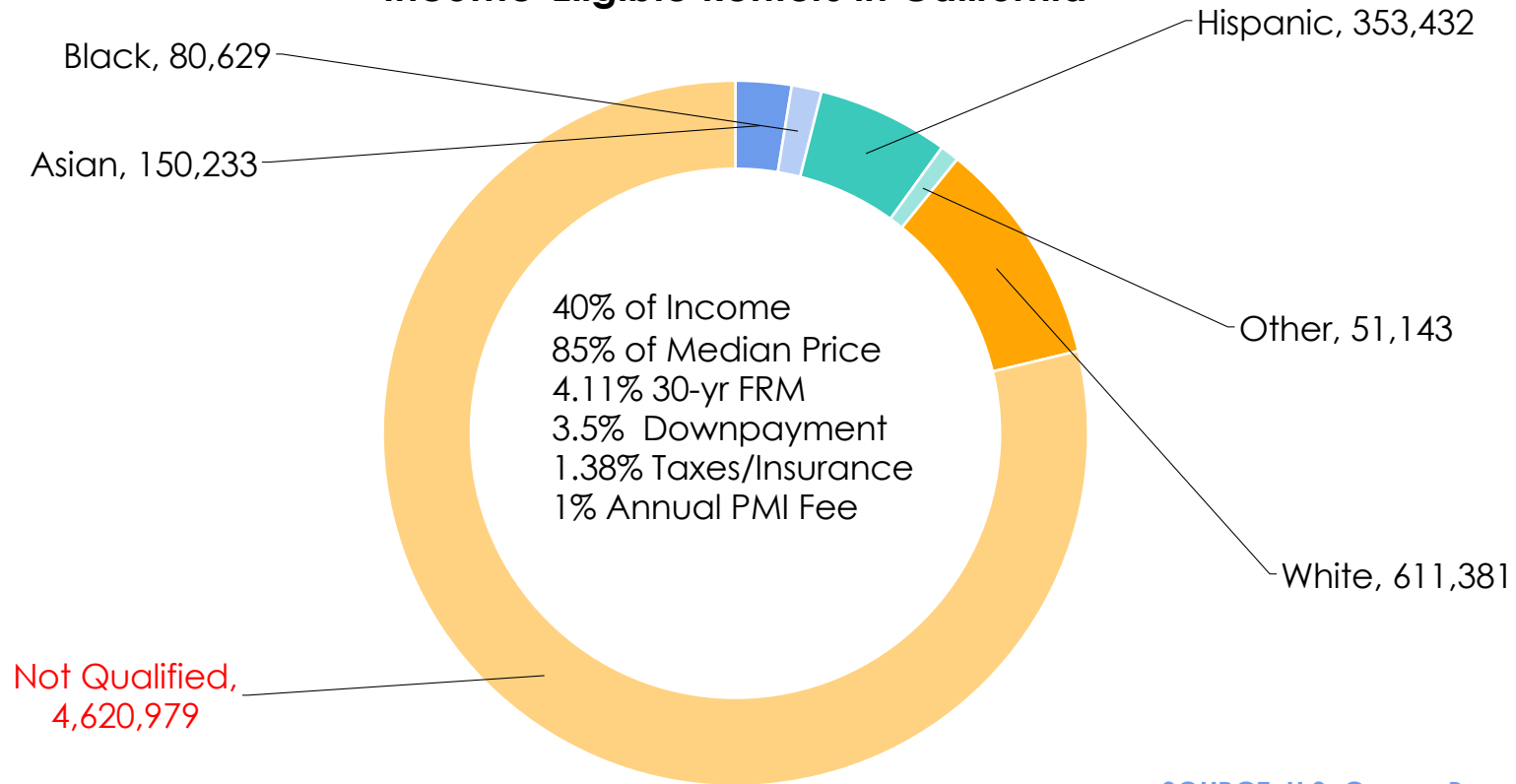
n: 1716





# lots of potentially eligible renters

## Income-Eligible Renters in California





# **The Forecast**

## U.S. economic outlook

	2015	2016	2017	2018	2019p	2020f
US GDP	2.6%	1.6%	2.3%	2.9%	2.2%	1.6%
Nonfarm Job Growth	2.1%	1.8%	1.4%	1.6%	1.3%	0.8%
Unemployment	5.3%	4.9%	4.4%	3.9%	3.7%	3.9%
CPI	0.1%	1.4%	2.0%	2.4%	2.0%	2.0%
Real Disposable Income, % Change	3.4%	2.7%	2.1%	2.9%	2.8%	2.5%



## California housing market outlook

	2015	2016	2017	2018	2019p	2020f
SFH Resales (000s)	409.4	417.7	424.9	402.8	390.2	393.5
% Change	7.0%	2.0%	1.7%	-5.2%	-3.1%	0.8%
Median Price (\$000s)	\$476.3	\$502.3	\$537.9	\$570.0	\$593.2	\$607.9
% Change	6.6%	5.4%	7.1%	6.0%	4.1%	2.5%
Housing Affordability Index	31%	31%	29%	28%	32%	32%
30-Yr FRM	3.9%	3.6%	4.0%	4.5%	3.9%	3.7%

## Key takeaways

- Market has improved with low rates
- Price growth appears to have stabilized for now
- Market competitiveness holds steady, finally
- Still a lot of challenges: affordability, supply, confidence
- 2020 more difficult than 2019, but we're less pessimistic
- Need to not only sell the homes, but sell **homeownership**





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FHFA raises Fannie, Freddie conforming loan limits

California REALTORS® applaud FHFA for raising Fannie Mae and Freddie Mac conforming loan limits

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[Market Stats by County](#)

[Home Price Fundamentals](#)

## Speeches & Presentations

From outreaches to webinars, the Research and Economics team is sharing their insight on the market and the economy.

# Where is the market data?

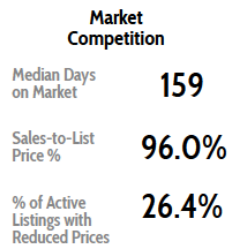
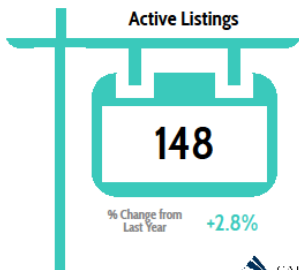
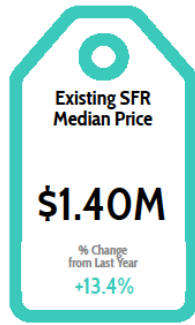
## Market Minute - November 25, 2019

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# Monthly Market Report Indian Wells, California

October 2019



monthly market report

# Palm Springs, California



monthly market report  
October 2019

**Median Price**

**\$749K**

% Change from Last Year **+10.0%**

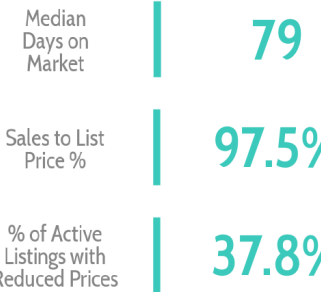
**Home Sales**



**Active Listings**



## Market Competition



# Housing Market Overview Report




# Buyer's Guide to Coachella, CA

## October 2019




Current Interest Rate: 3.69%    Last Month's Interest Rate: 3.61%    Last Year's Interest Rate: 4.83%



**1 Bedroom**

Median Price:	Monthly Payment	Down-payment
\$145K	■ \$700	■ \$29K
	□ \$813	□ \$4K


# Homes for Sale: 1



**2 Bedroom**

Median Price:	Monthly Payment	Down-payment
\$203K	■ \$977	■ \$41K
	□ \$1,136	□ \$6K


# Homes for Sale: 2



**3 Bedroom**

Median Price:	Monthly Payment	Down-payment
\$273K	■ \$1,315	■ \$55K
	□ \$1,528	□ \$8K

# Homes for Sale: 10



**4+ Bedroom**

Median Price:	Monthly Payment	Down-payment
\$340K	■ \$1,641	■ \$68K
	□ \$1,907	□ \$10K

# Homes for Sale: 25

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Explore and interact with the latest market statistics.

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## Digital Tools

Marketing tools from C.A.R.'s consumer advertising campaign

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Where is the consumer data?

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Marketing tools from C.A.R.'s consumer advertising campaign

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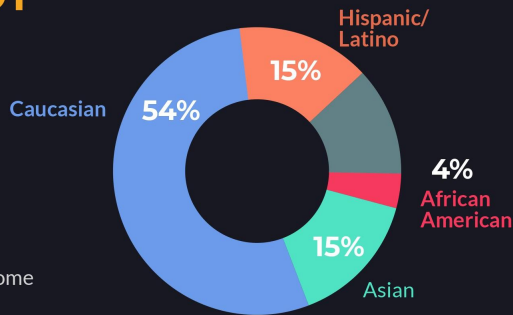
Where is the consumer data?

# ALL ABOUT BUYERS

## BUYER SNAPSHOT



**41%** Gen X  
**64%** Married  
**43** Median Age  
**\$120k** Median Income

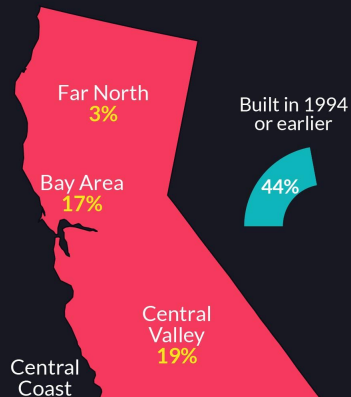


## PURCHASED HOME SNAPSHOT

Median Bedrooms: **3**  
 Median square footage: **1,520**

**45%** Suburb

**25%** Outside of

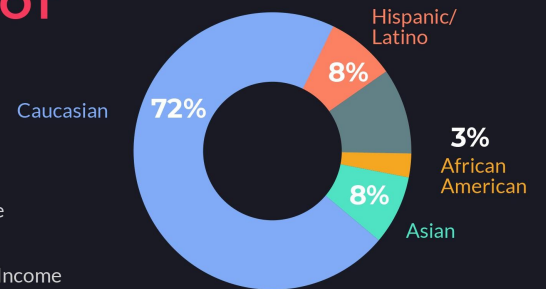


# ALL ABOUT SELLERS

## SELLER SNAPSHOT



**47%** Boomer  
**58%** Married  
**57** Median Age  
**\$100k** Median Income



## SOLD HOME SNAPSHOT

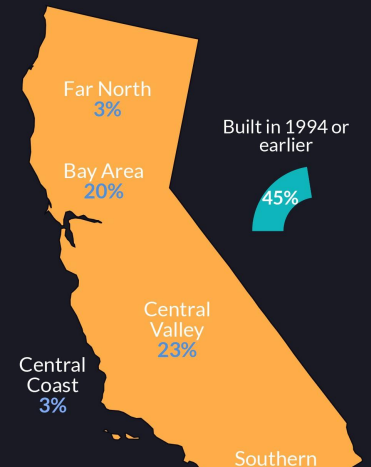
Median Bedrooms: **3**  
 Median square footage: **1,500**

**38%** Suburb

**28%** Outside of Downtown in City



**22%**





# Housing Matters Podcast



「**Thank You**」