



March Housing Market Update



CALIFORNIA
ASSOCIATION
OF REALTORS®

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April 16, 2019



Overview



Why We Should Be Concerned:

- Sales falling on monthly and annual basis
- Price growth has slowed significantly
- Buyer demand has softened
- Market less competitive for your sellers

Why We Shouldn't Blow It Out of Proportion:

- Economy is still growing & most people have jobs
- Affordability might actually IMPROVE! Rates helping!
- Most people still WANT to be homeowners
- Ways for YOU to impact YOUR bottom line
- No impending doom on the horizon of leading data

2019: Tough Year, But Lots of Volume Out There



Let's Nerd Out for a Minute



Economy growing slower, but still growing

2.6%



GDP 2018-Q4

2.8%



Consumption
2018-Q4

2.0%



Core CPI
March 2019

3.8%



Unemployment
March 2019

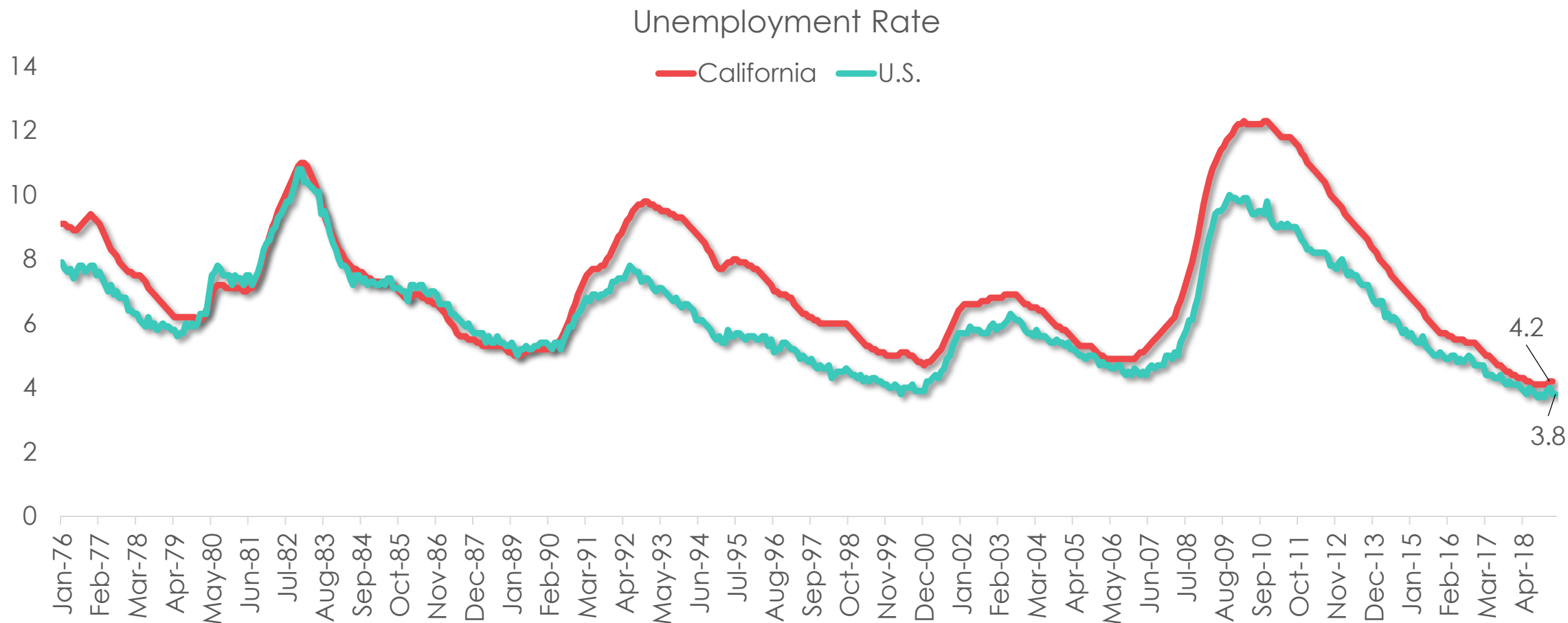
1.7%



Job Growth
March 2019

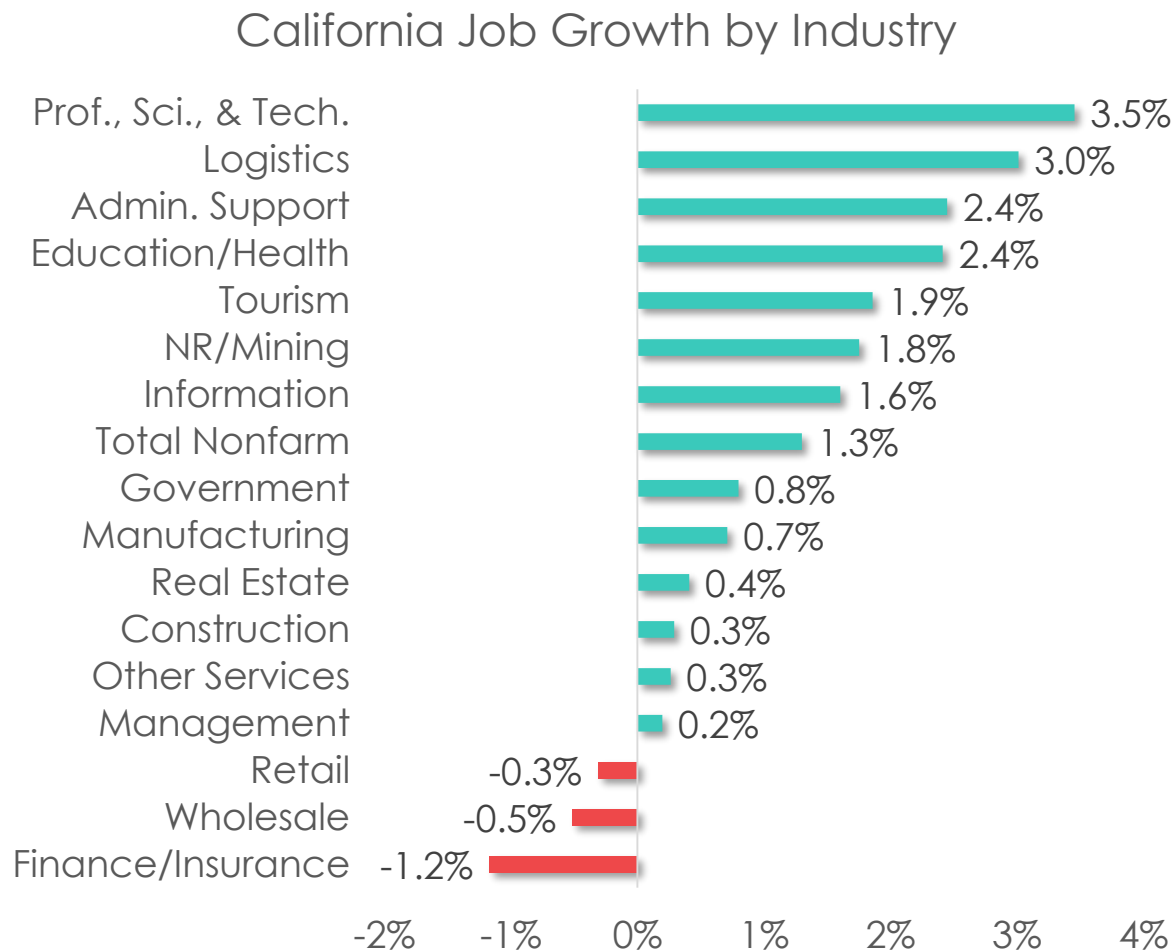
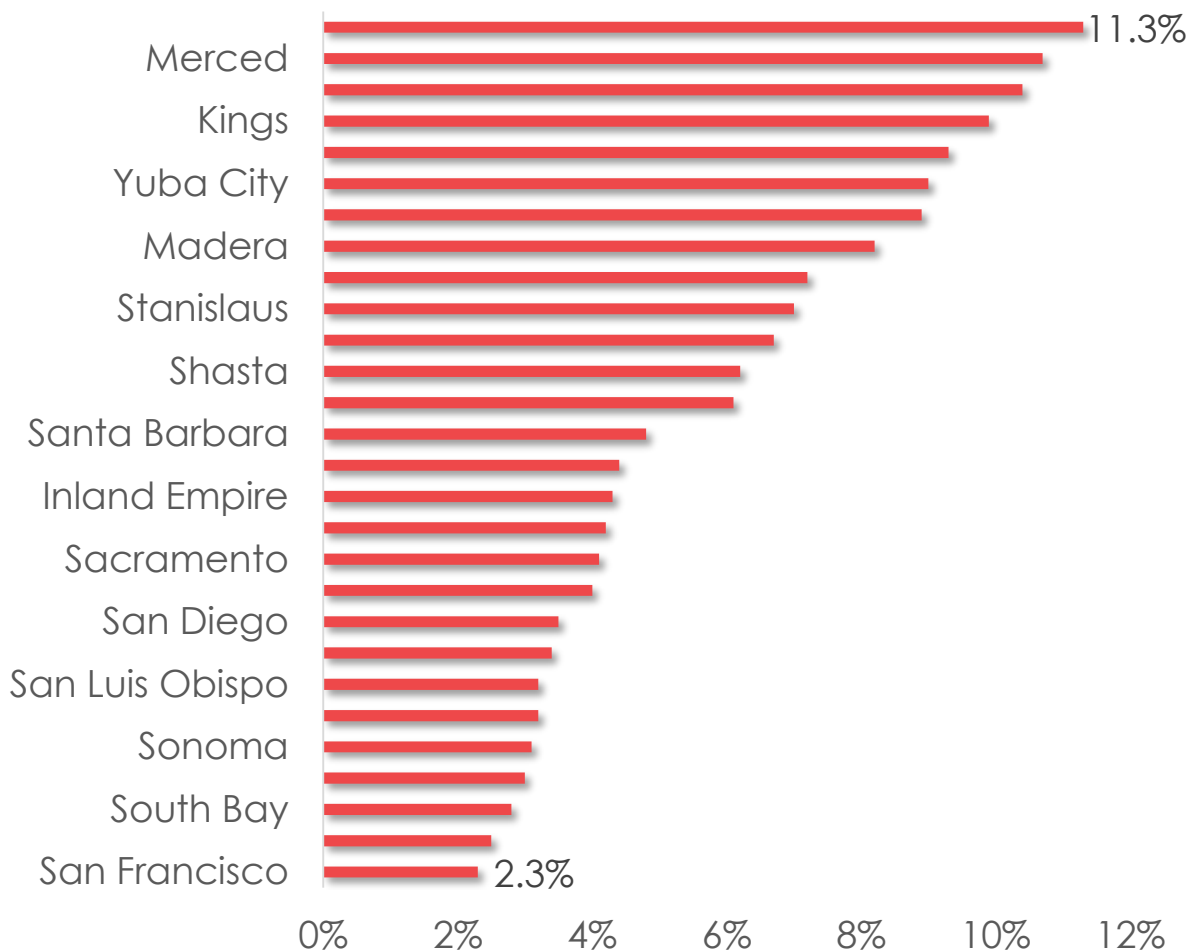


Economy here is “healthy” – for now...



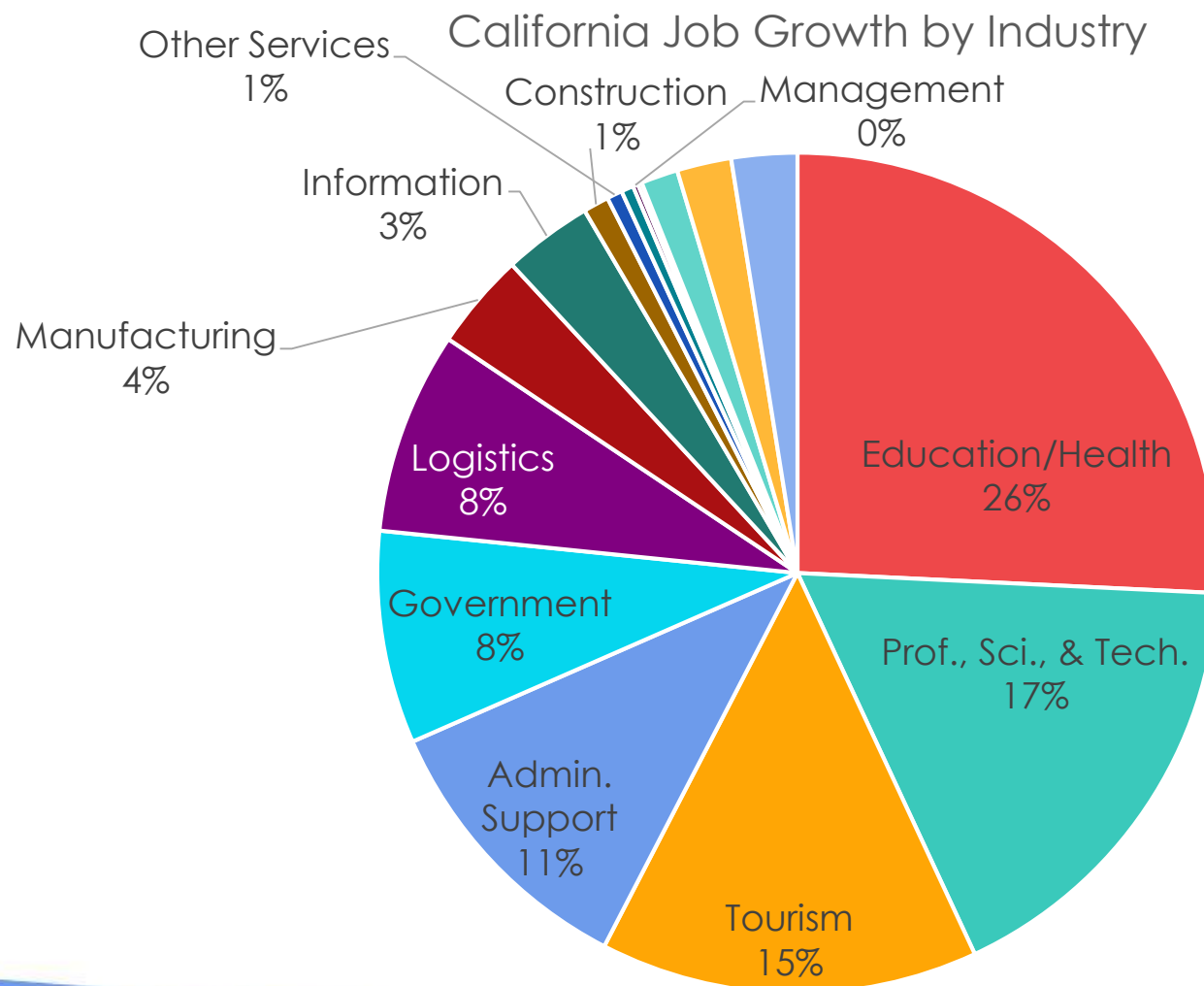


Most areas AND industries doing well right now





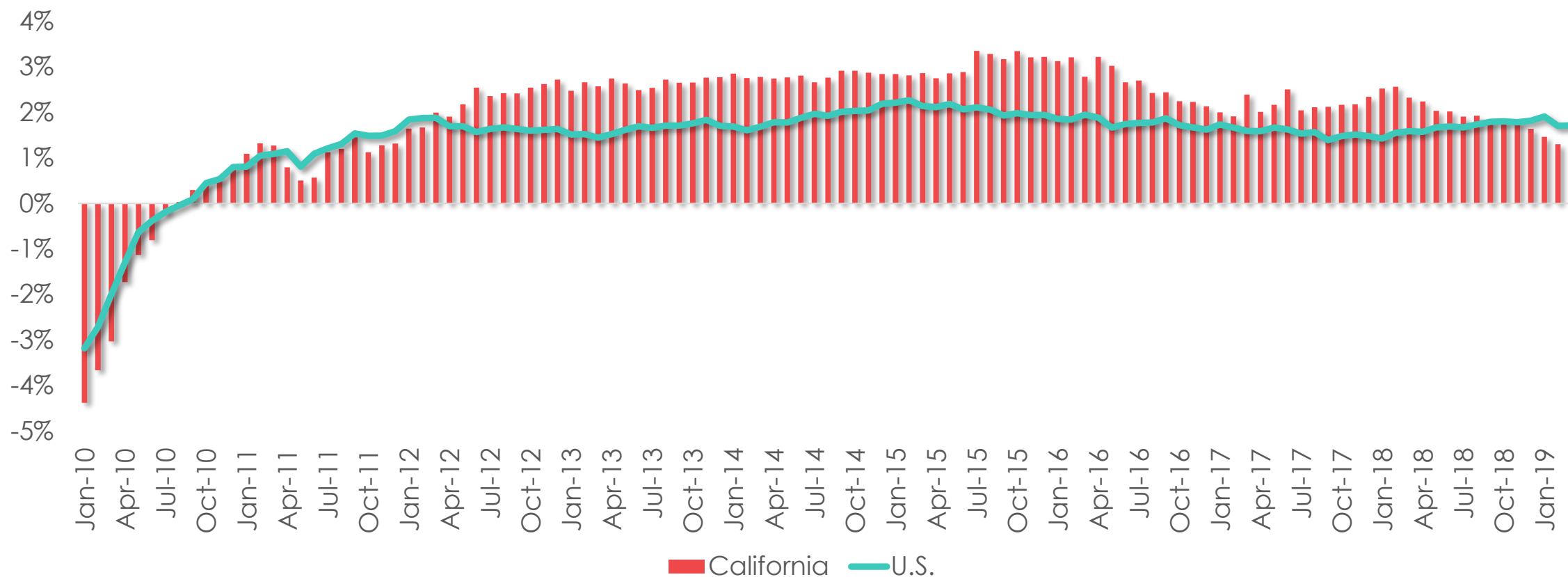
Good mix of jobs across wages/skills





Losing competitive edge? #affordability

CA vs. US Job Growth



California U.S.



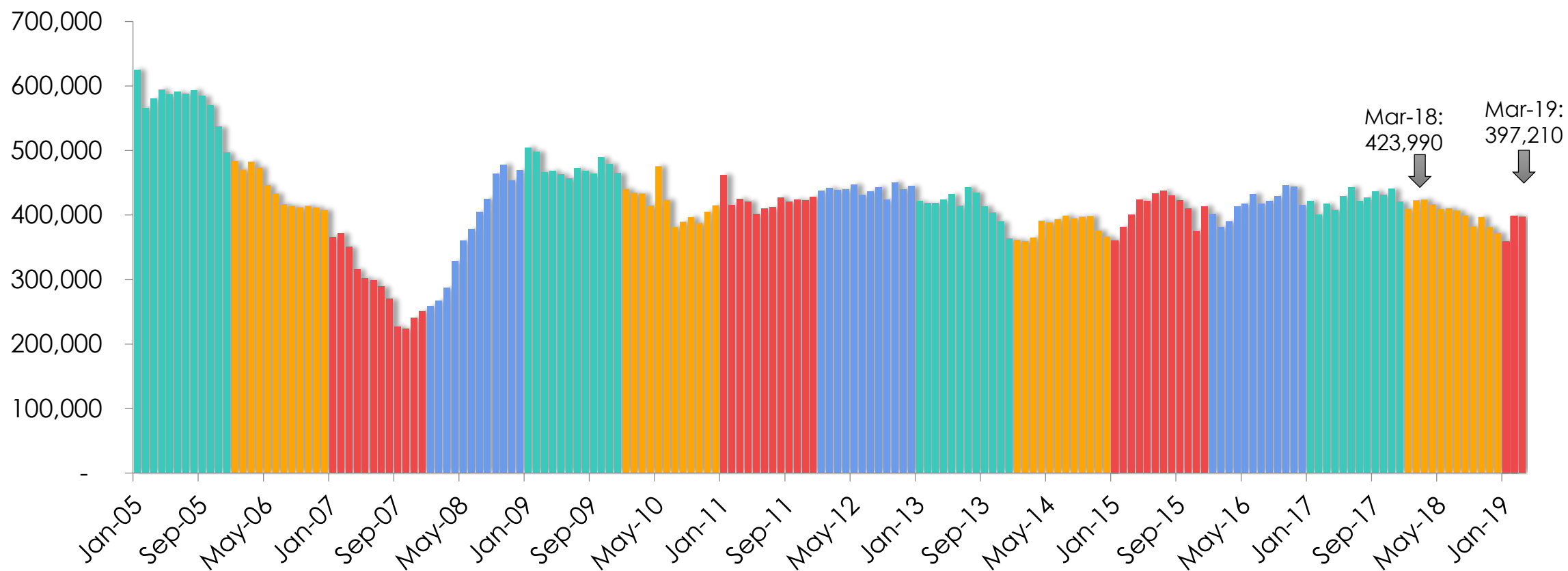
Whither Housing?





Sales Dipped Slightly from February

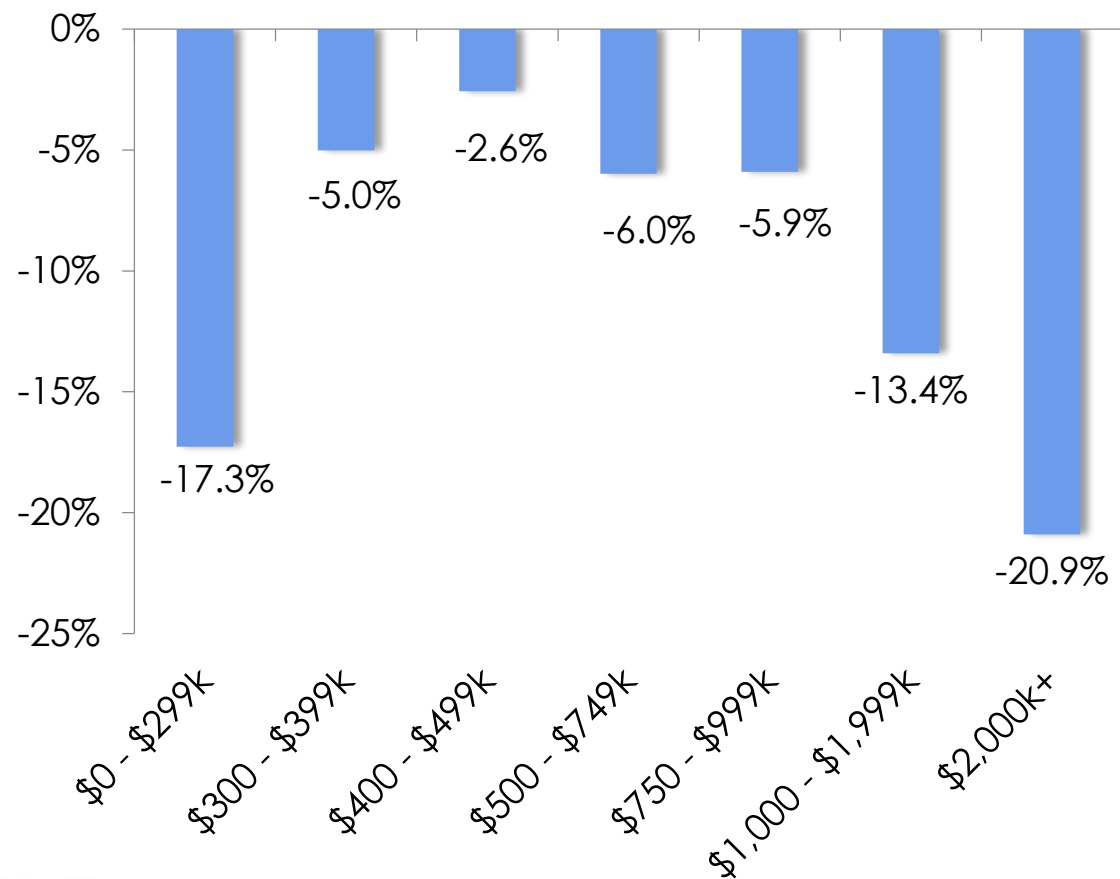
California, March 2019 Sales: 397,210 Units, -8.2% YTD, -6.3% YTY



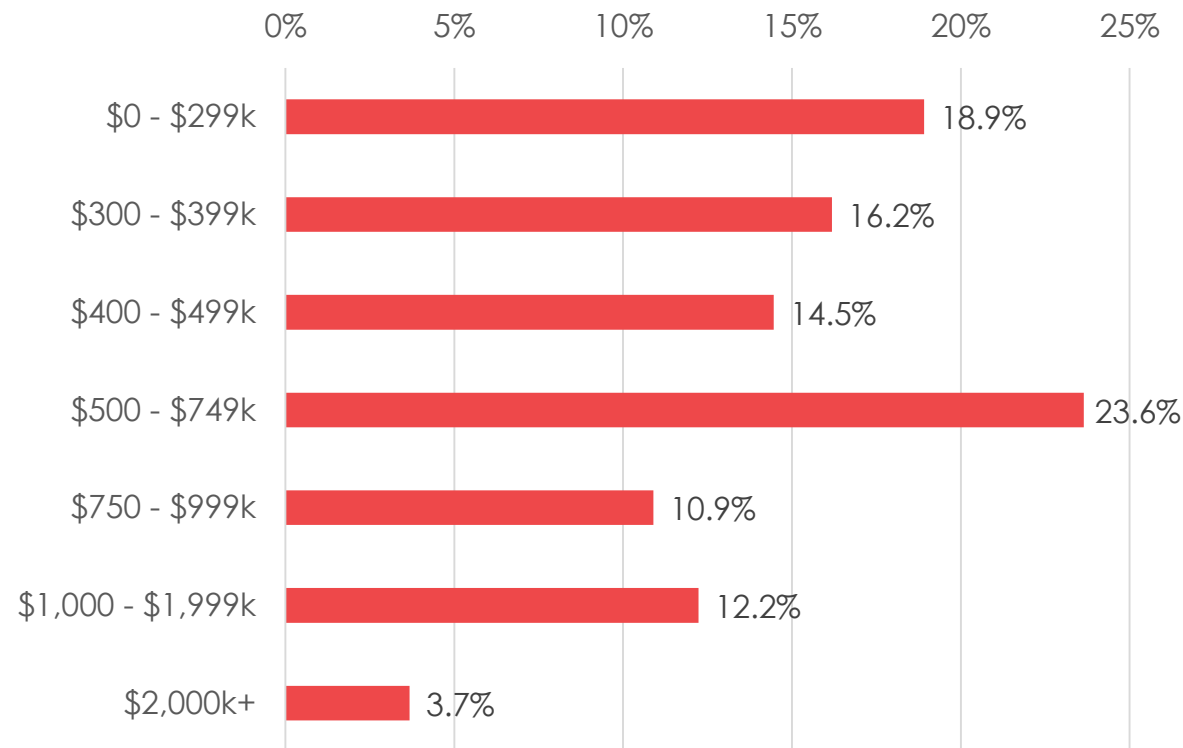


Sales declined in all price segments

March 2019 (YTY% Chg.)

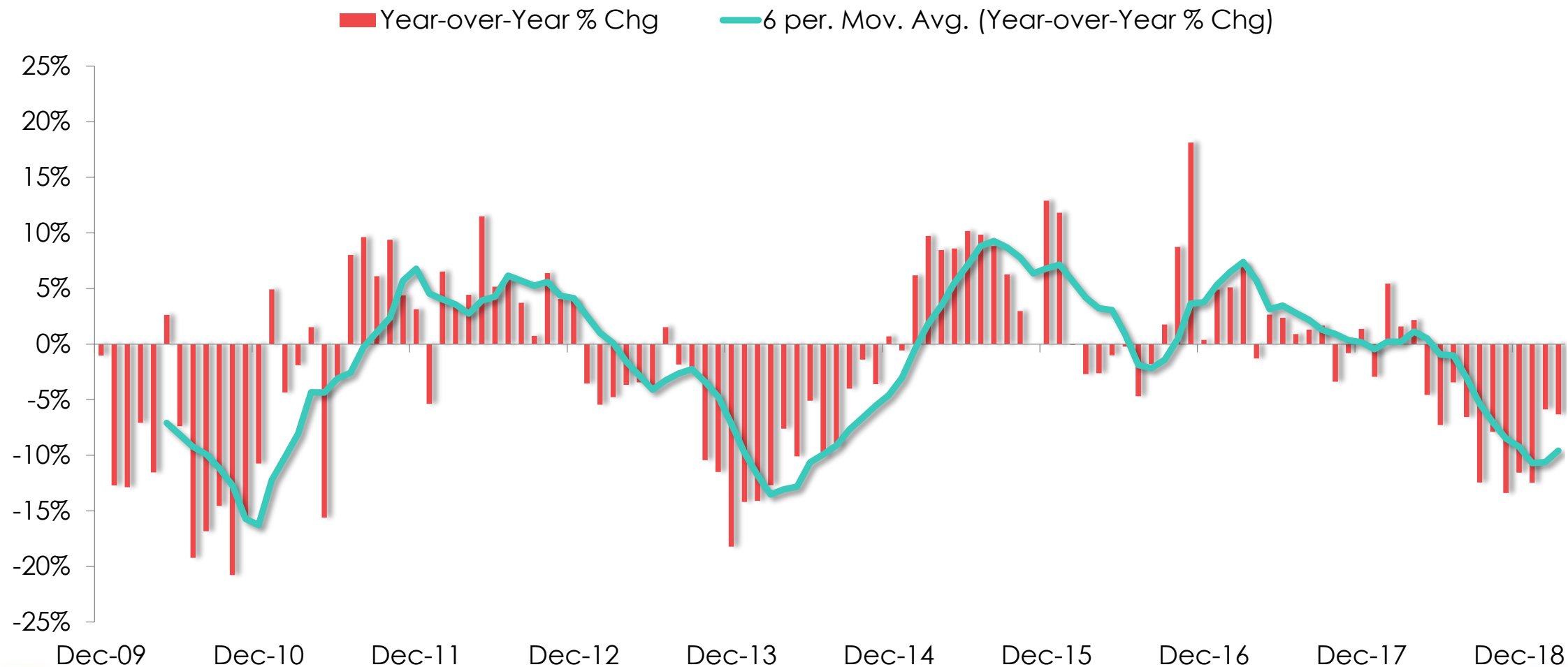


Share by Price Segment





California home sales down 11 months in a row



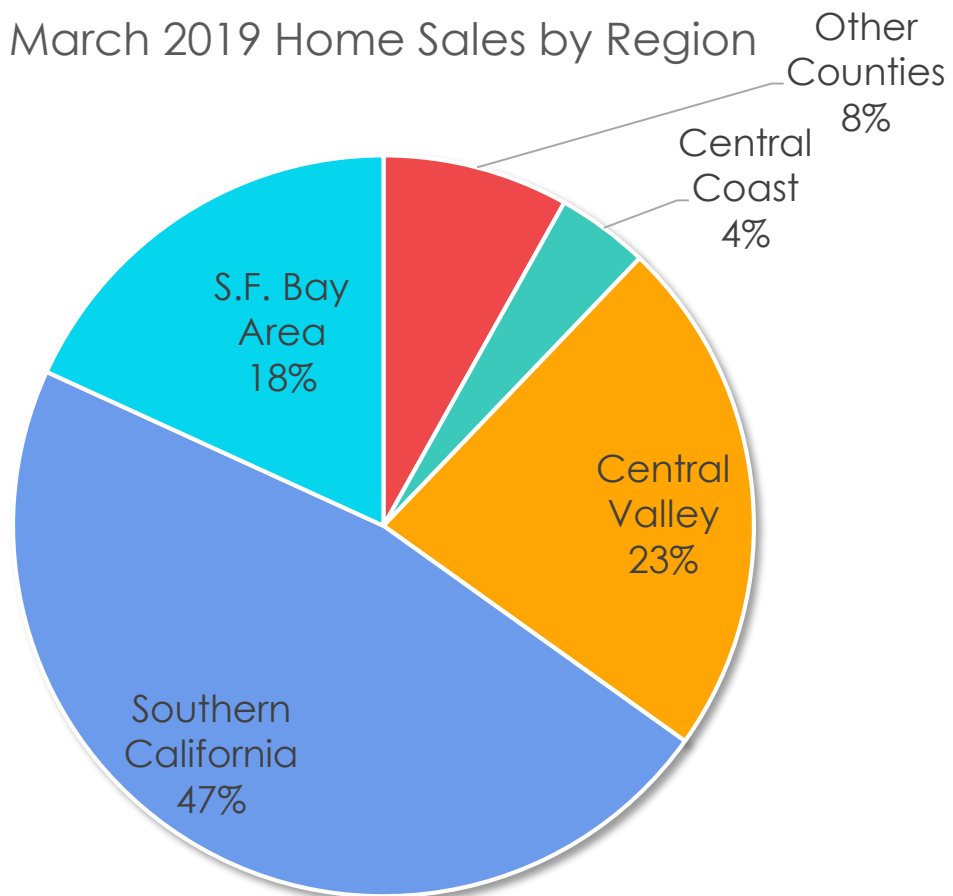
SERIES: Sales of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

*Sales are seasonally adjusted and annualized

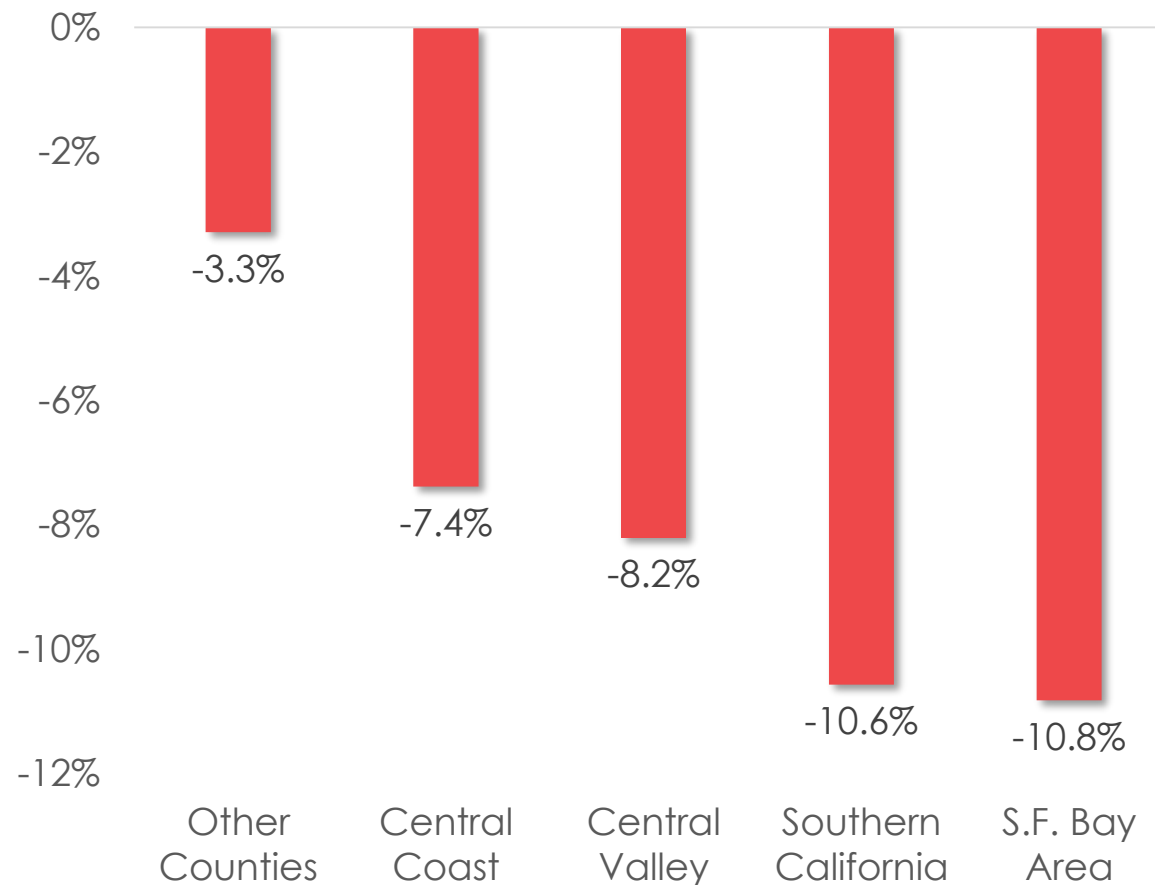


And across all major regions of the state

March 2019 Home Sales by Region

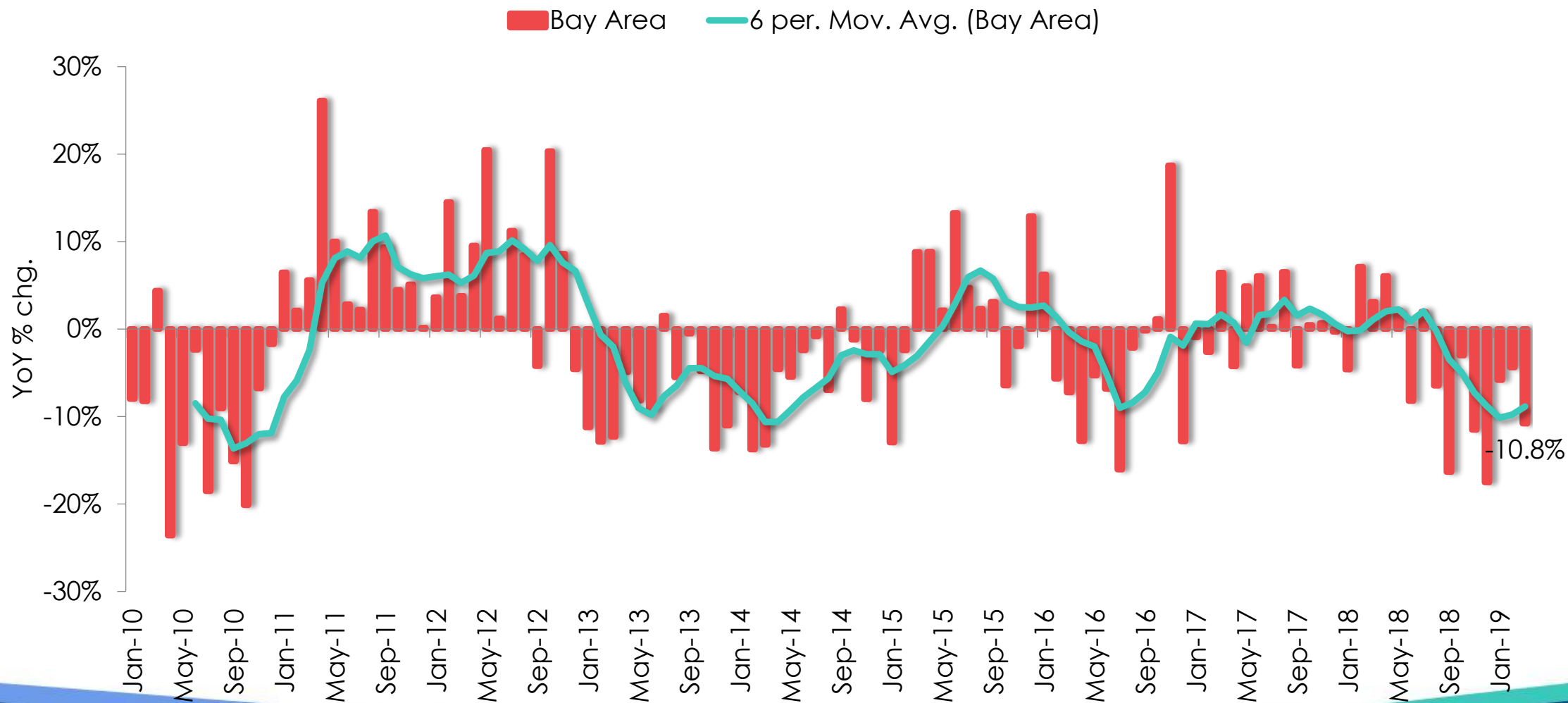


March 2019 Home Sales Growth by Region





Bay Area: double-digit declines again



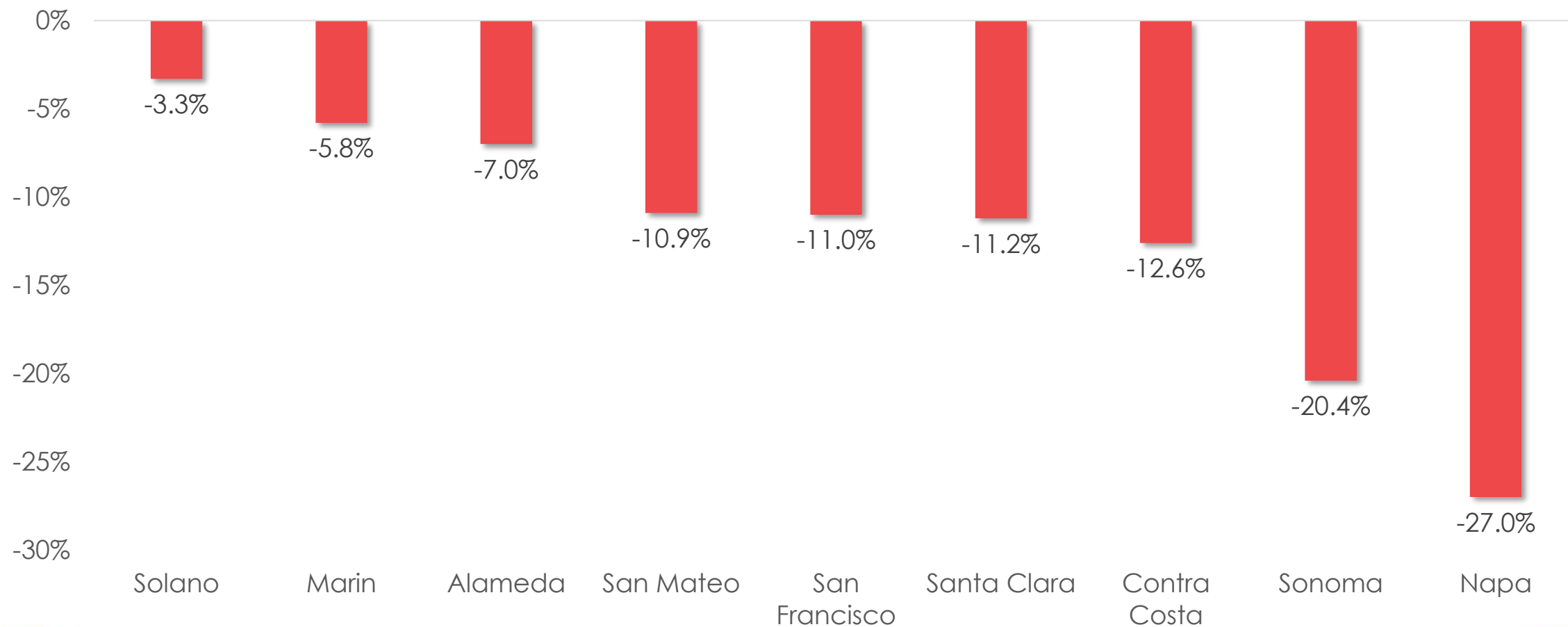
SERIES: Sales of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

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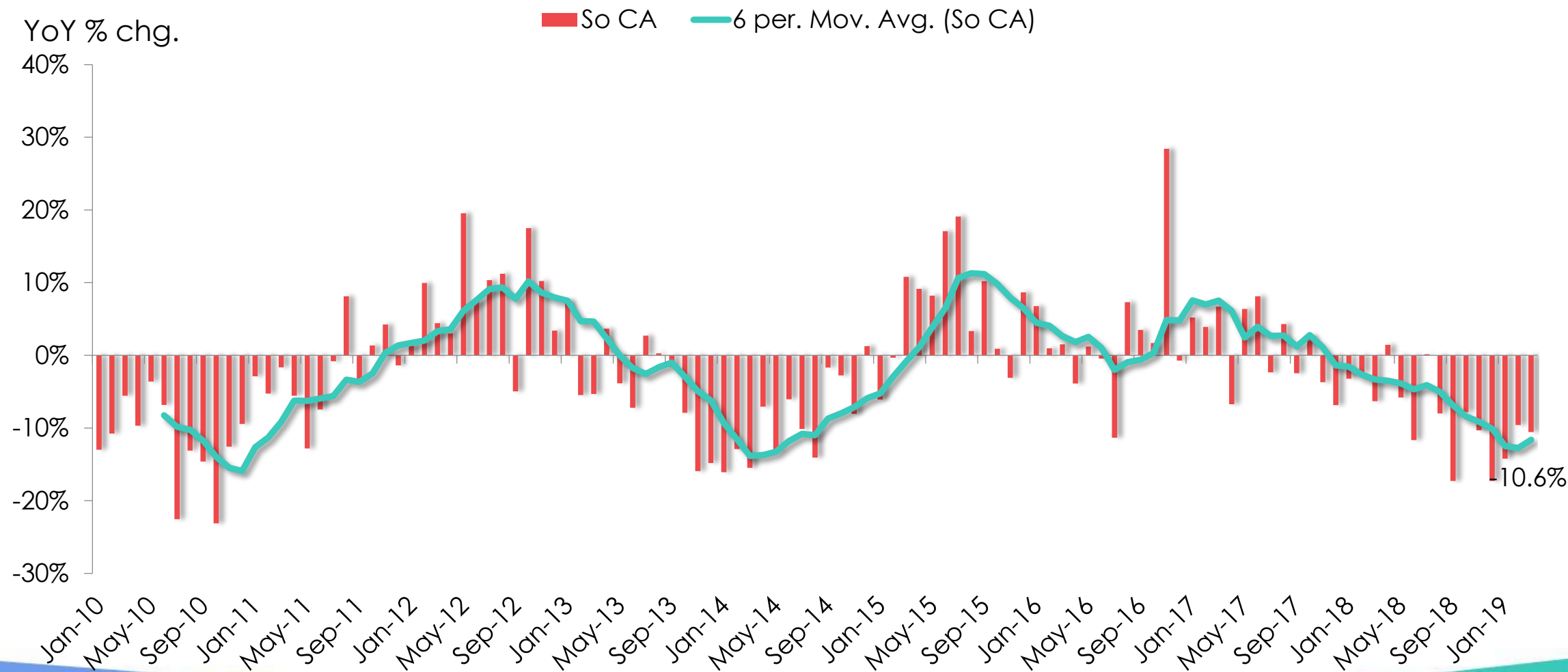
Declines spread across many price points

March 2019 Bay Area Home Sales Growth



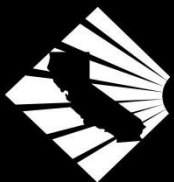


So. California: double-digit decline as well



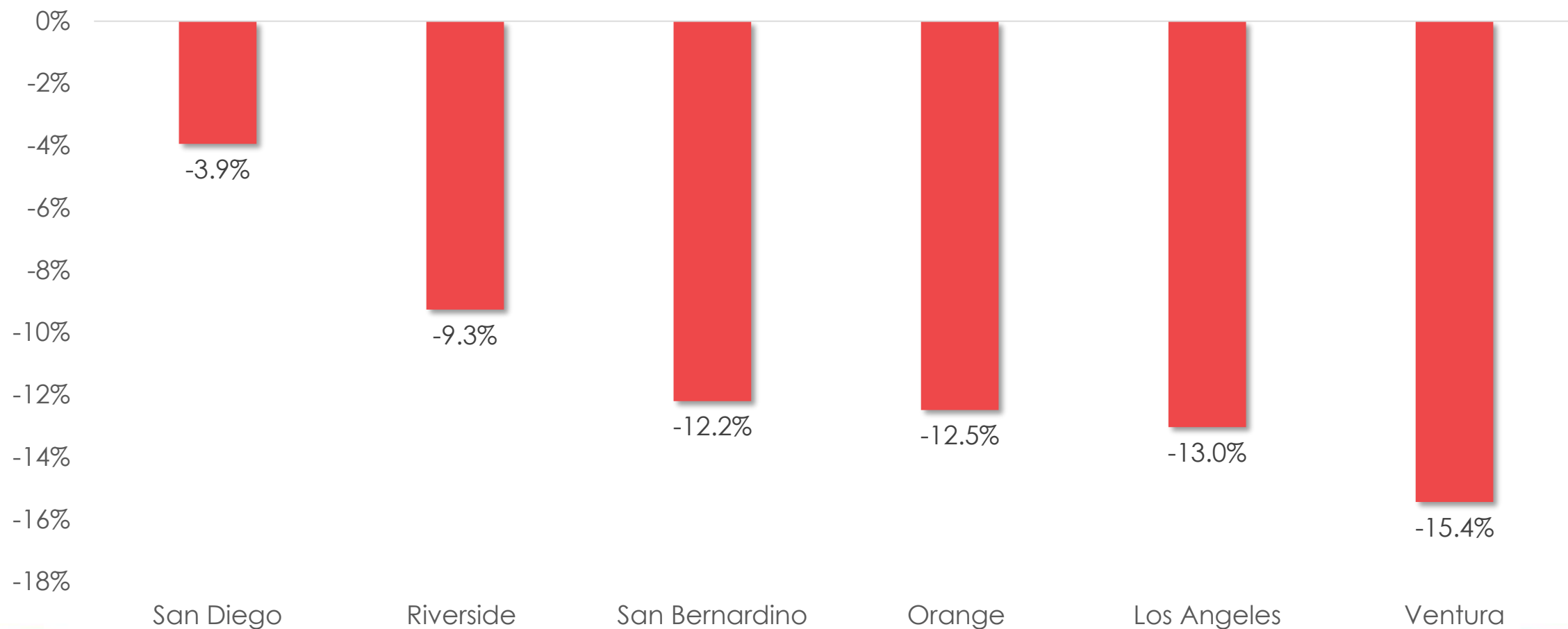
SERIES: Sales of Existing Single Family Homes
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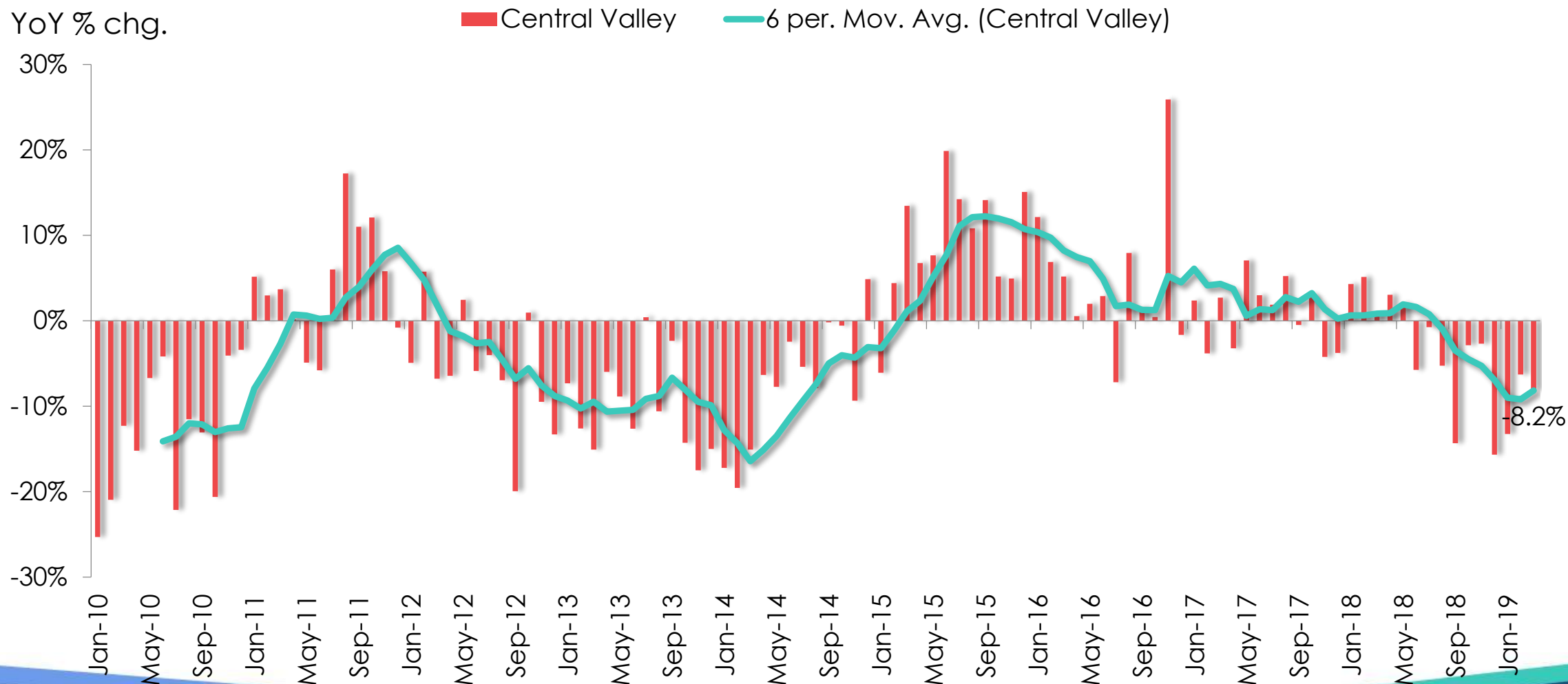
No area was spared – a broader trend

March 2019 Southern California Home Sales Growth





Even more affordable areas struggle



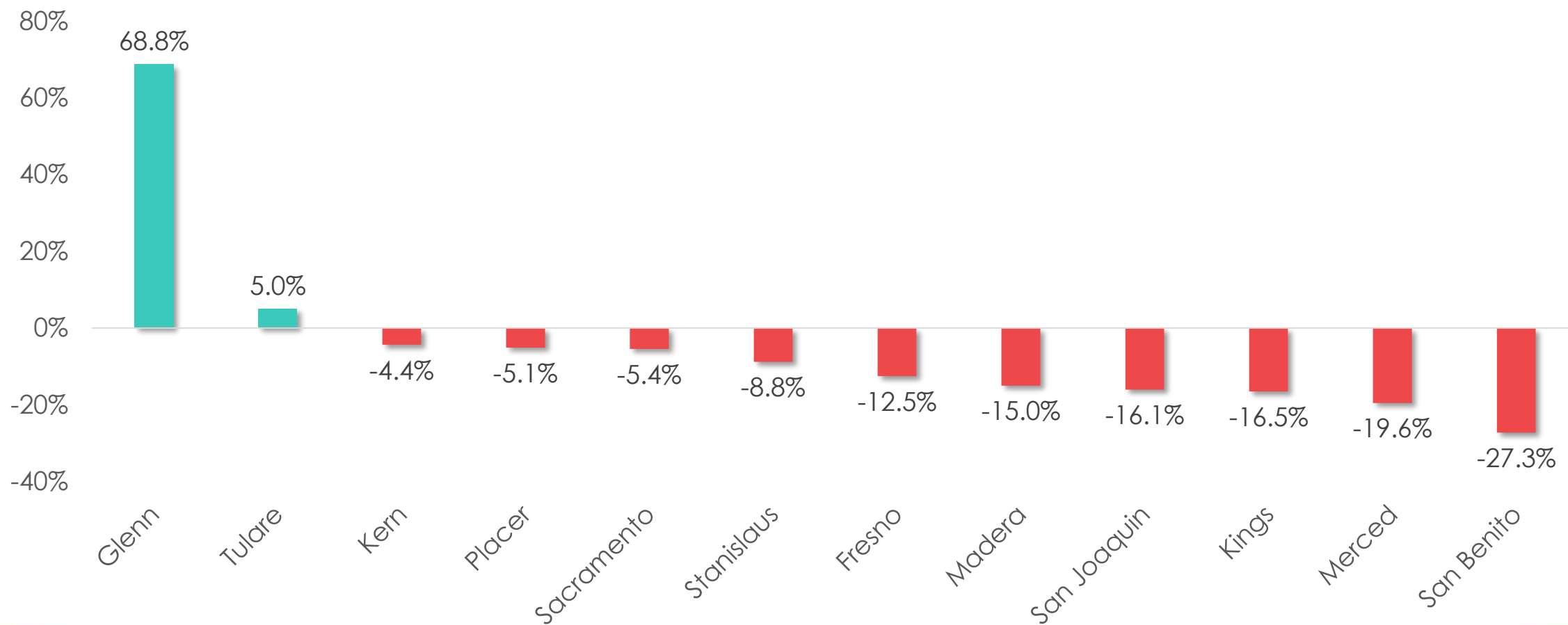
SERIES: Sales of Existing Single Family Homes
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Glenn County was the only standout

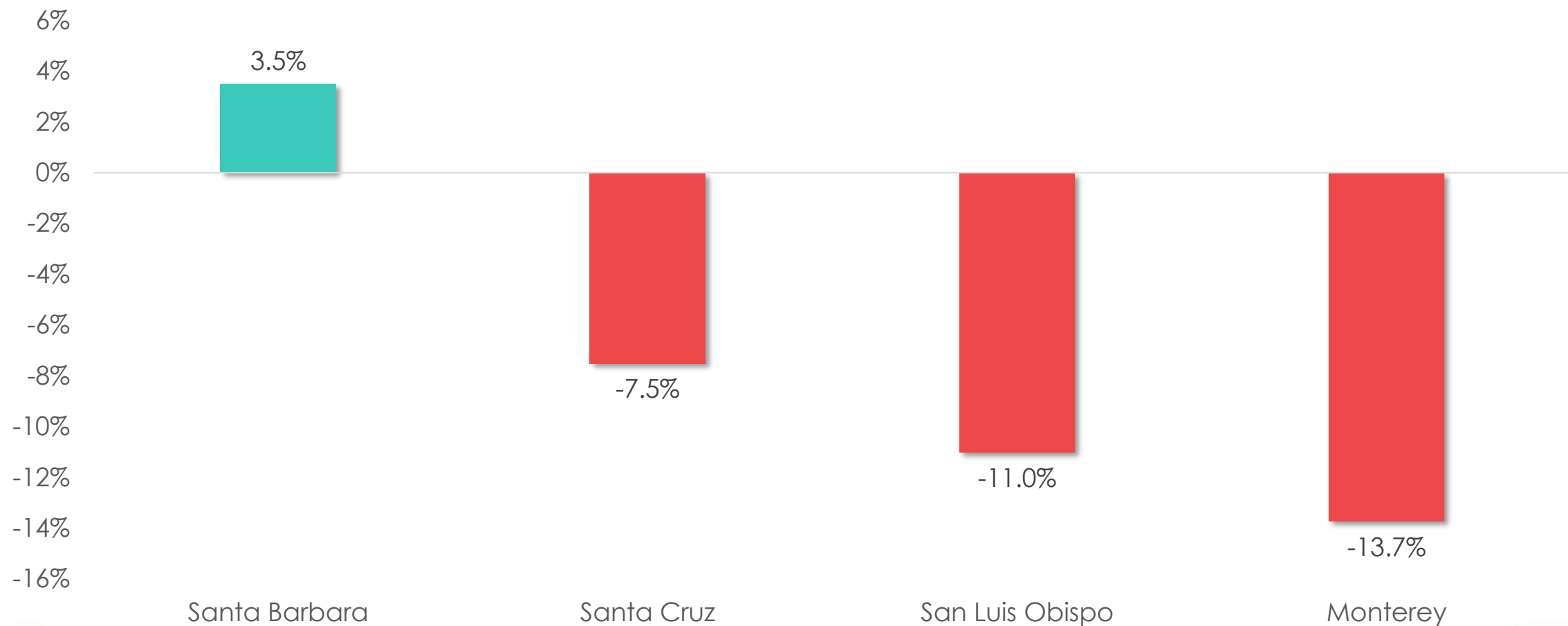
March 2019 Central Valley Home Sales Growth





Even in my neck of the woods

March 2019 Central Coast Home Sales Growth



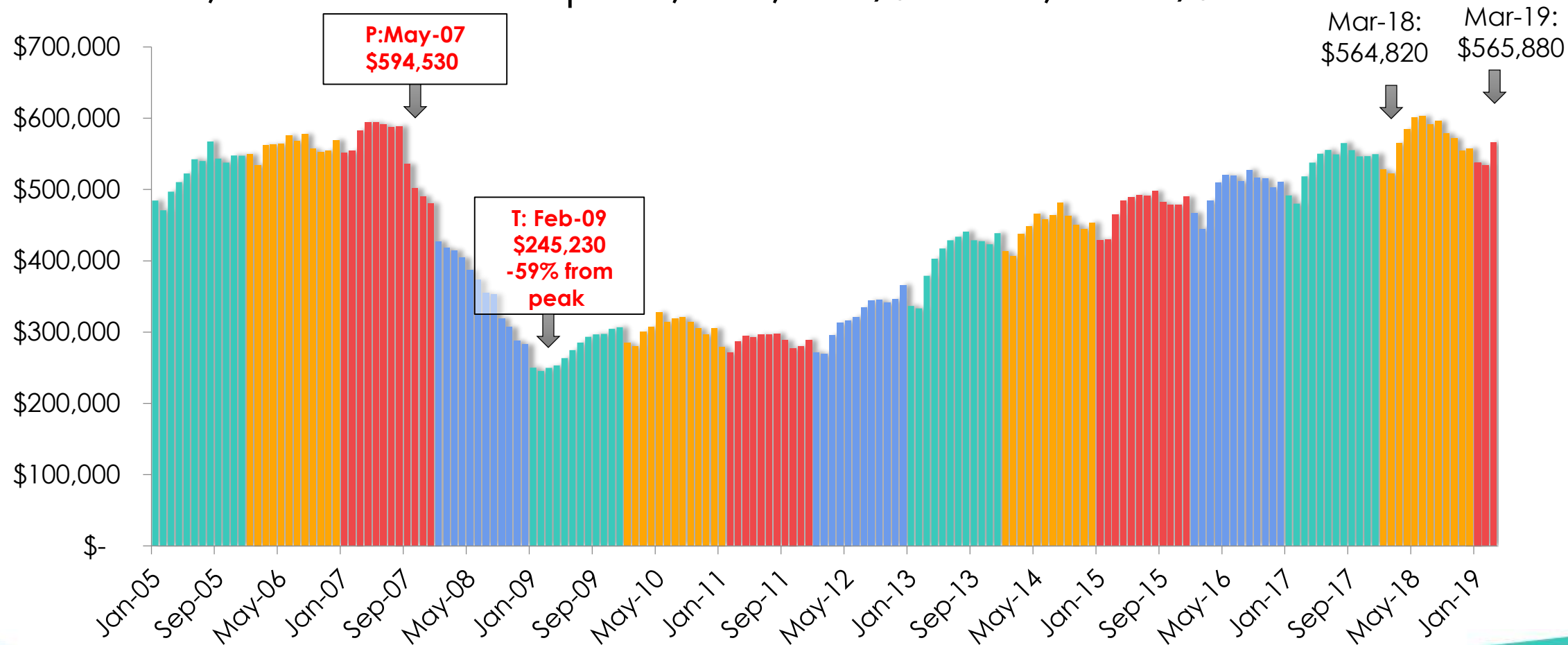


What's The Scoop With Prices?



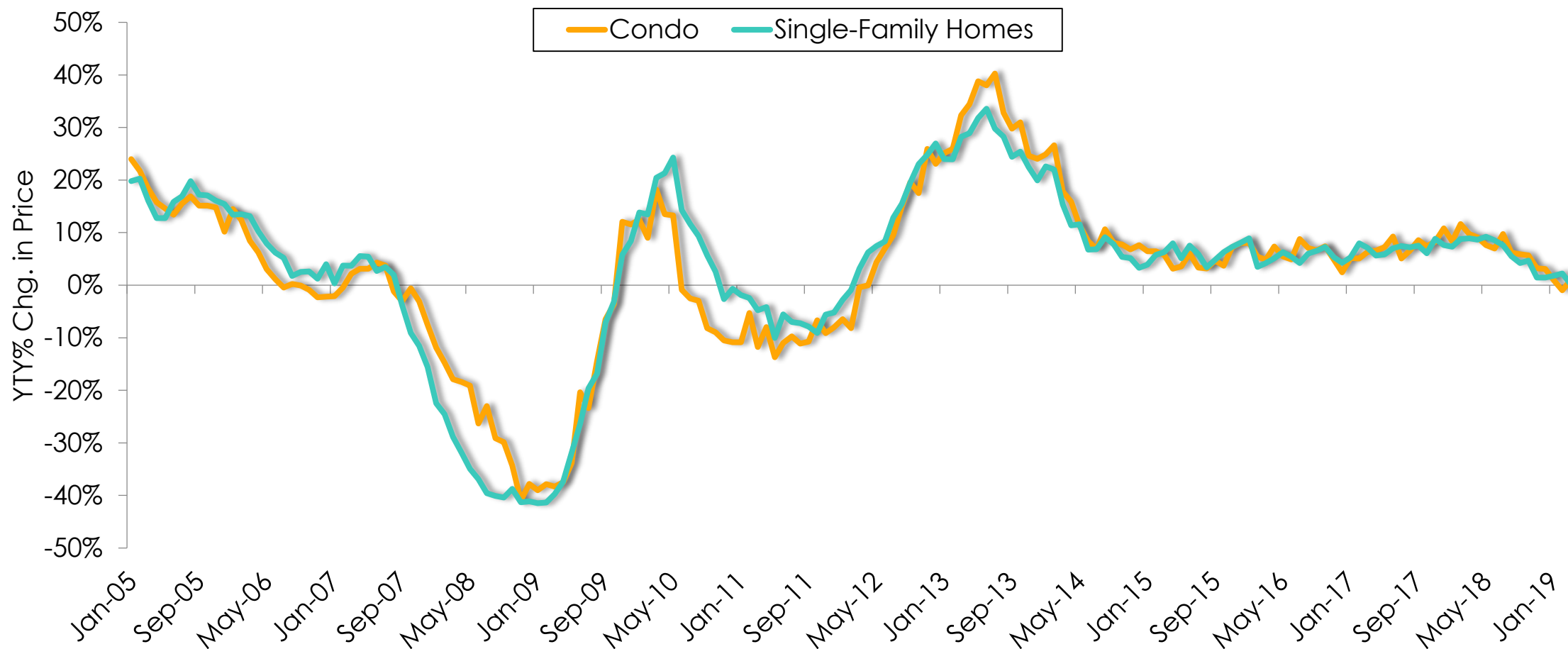
Home prices: weakest growth in 7 Years

California, March 2019: \$565,880, 5.9% MTM, +0.2% YTY



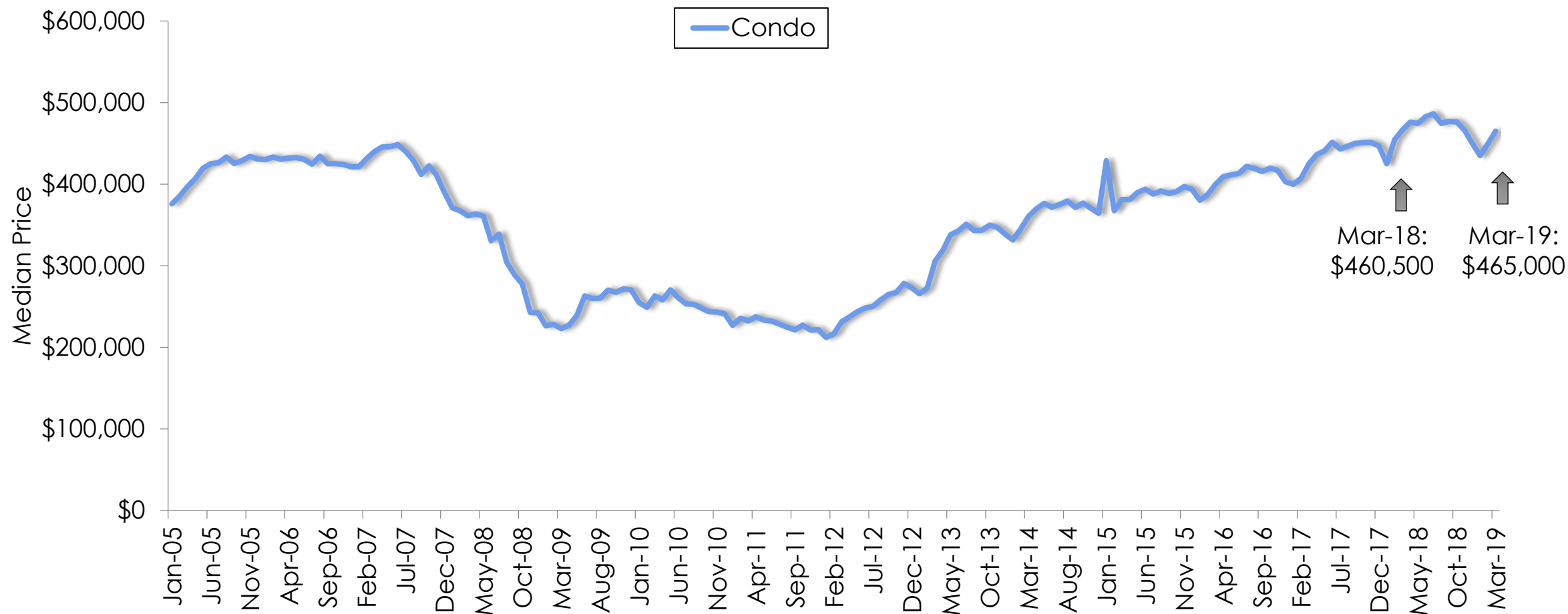


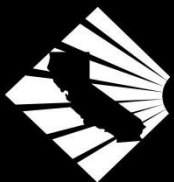
Condo prices have already dipped negative





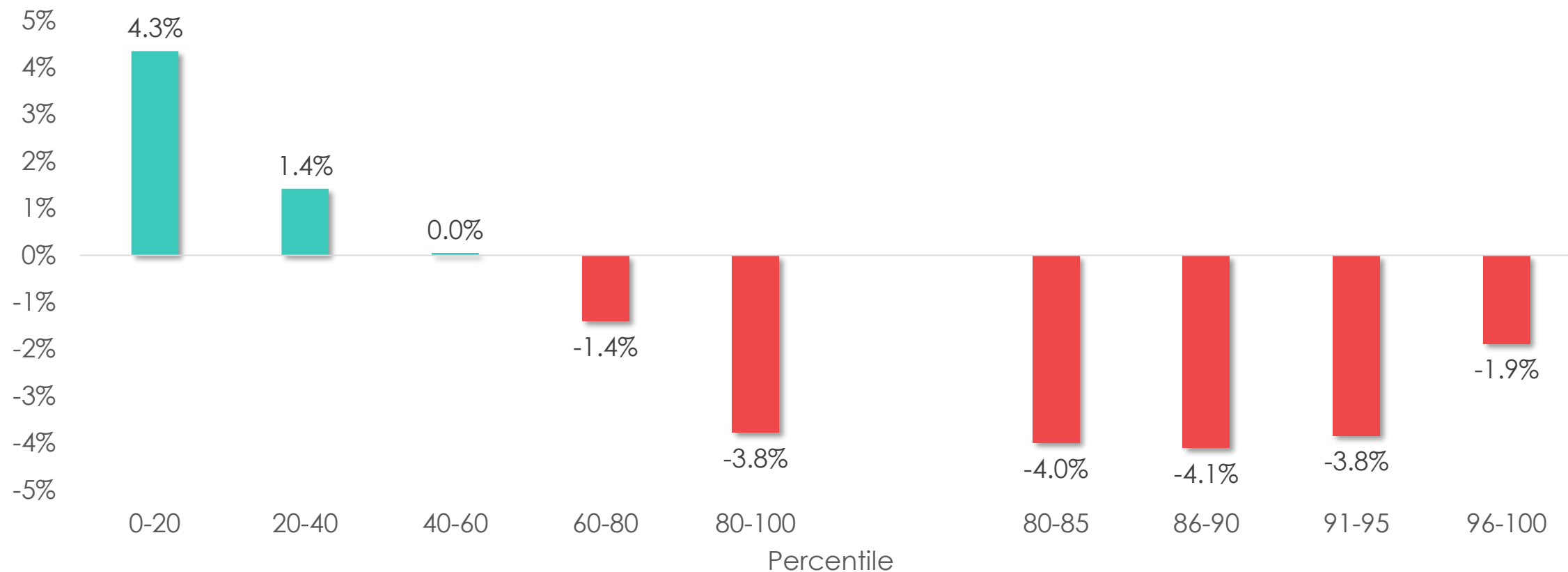
Condo/Townhome Price Bounced Back after Year-over Year Dip in February





Weakness spilling down the price scale

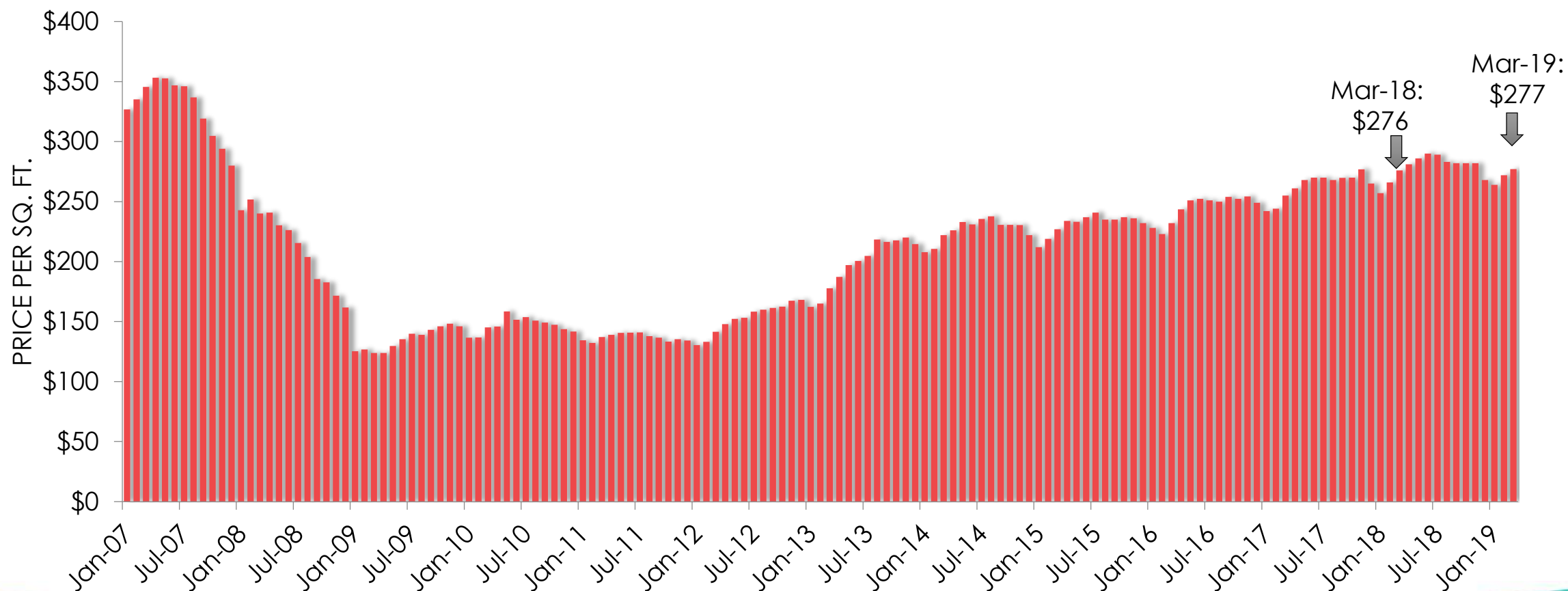
California Year-over-Year Price Growth by Quintile (March 2019)





Price Per Square Foot Had Smallest Growth since Aug 2015

March 2019: \$277, Up 1.8% MTM, Up 0.4% YTY

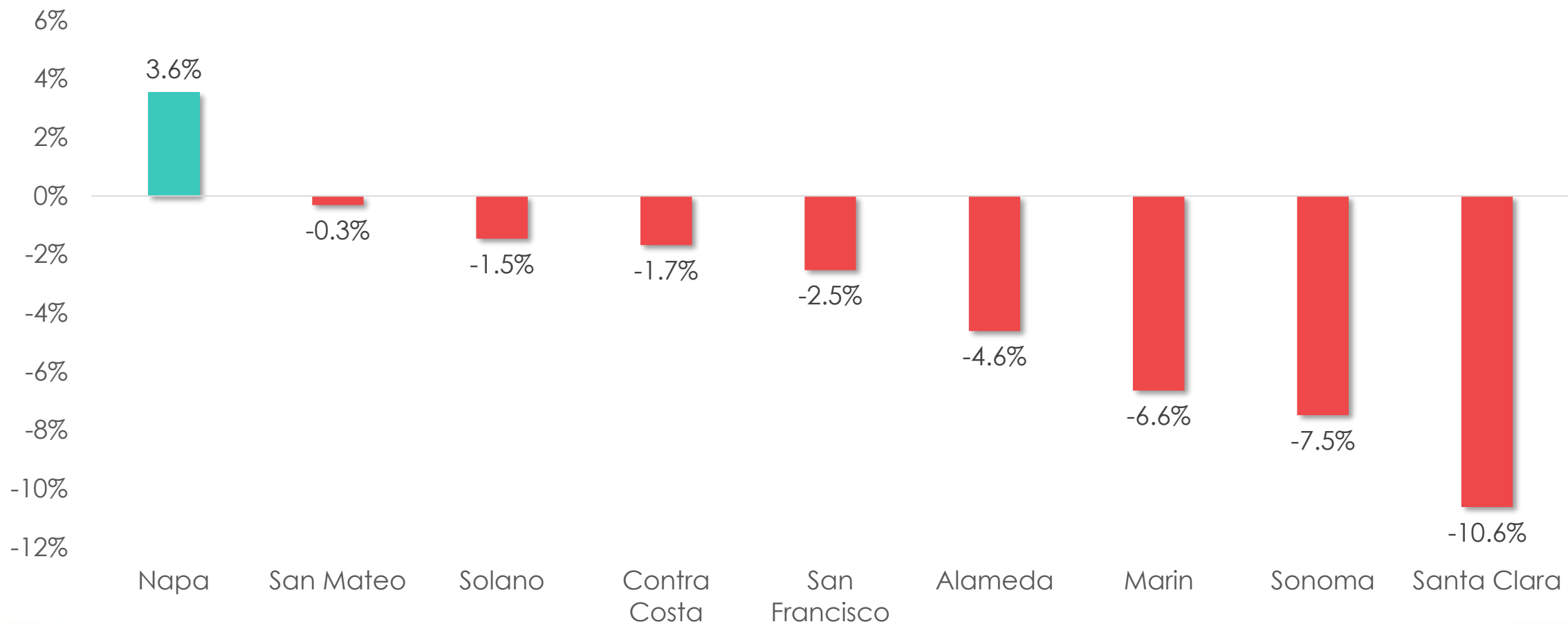


SERIES: Median Price Per Square Feet of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Prices softening most in Bay Area

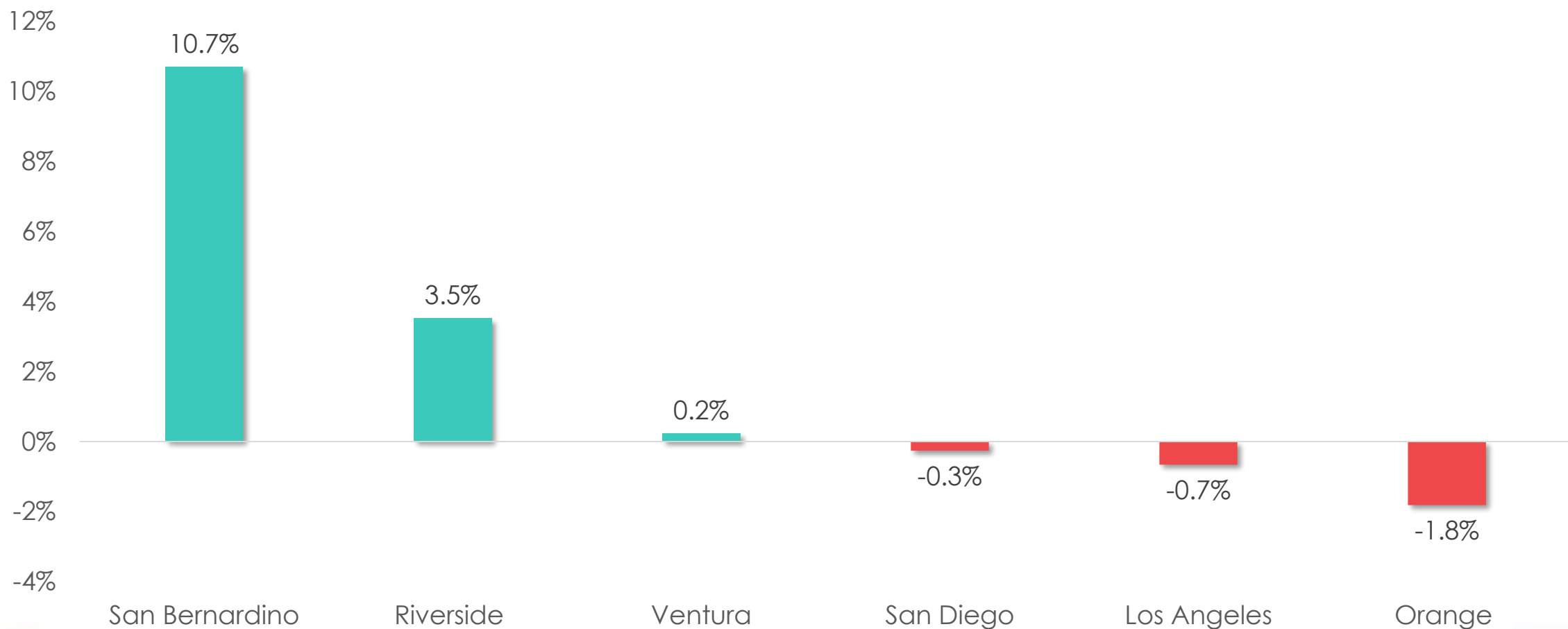
March 2019 Bay Area Home Price Growth





No area was spared – a broader trend

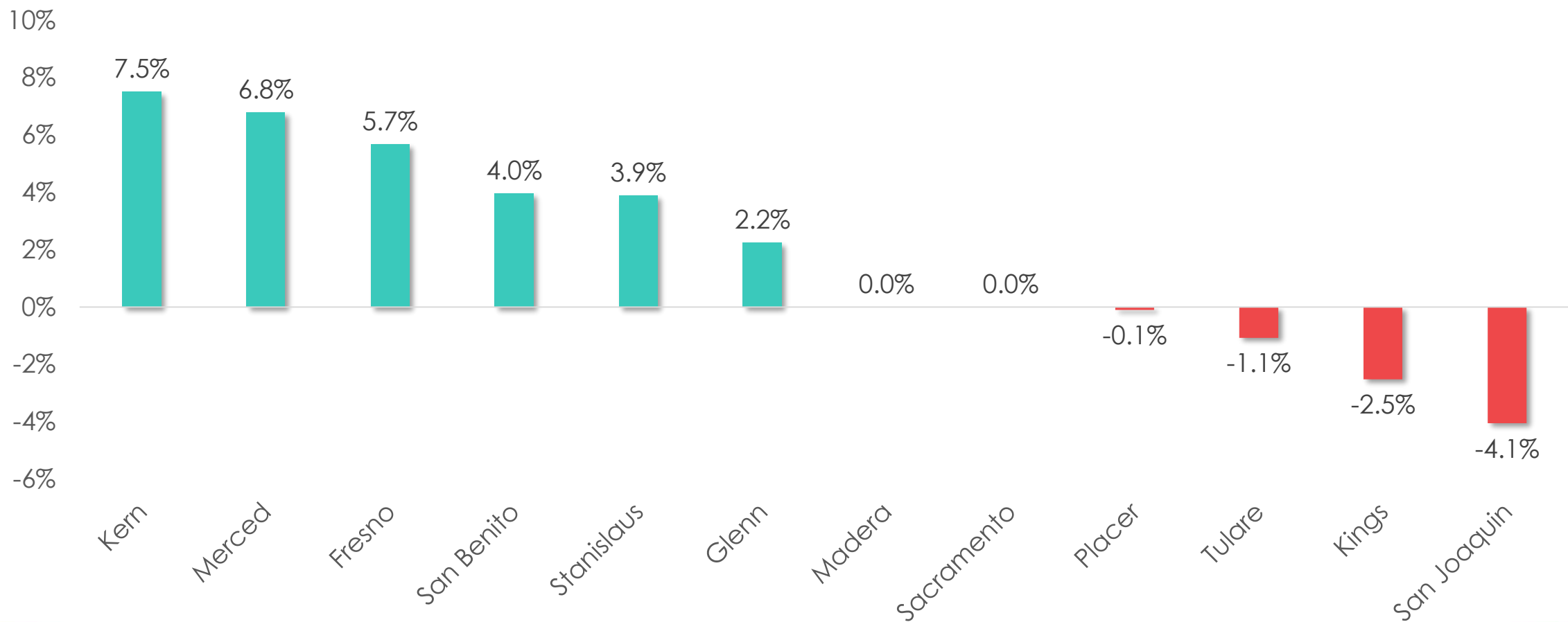
March 2019 Southern California Home Price Growth





Price growth is strongest in Cen. Valley

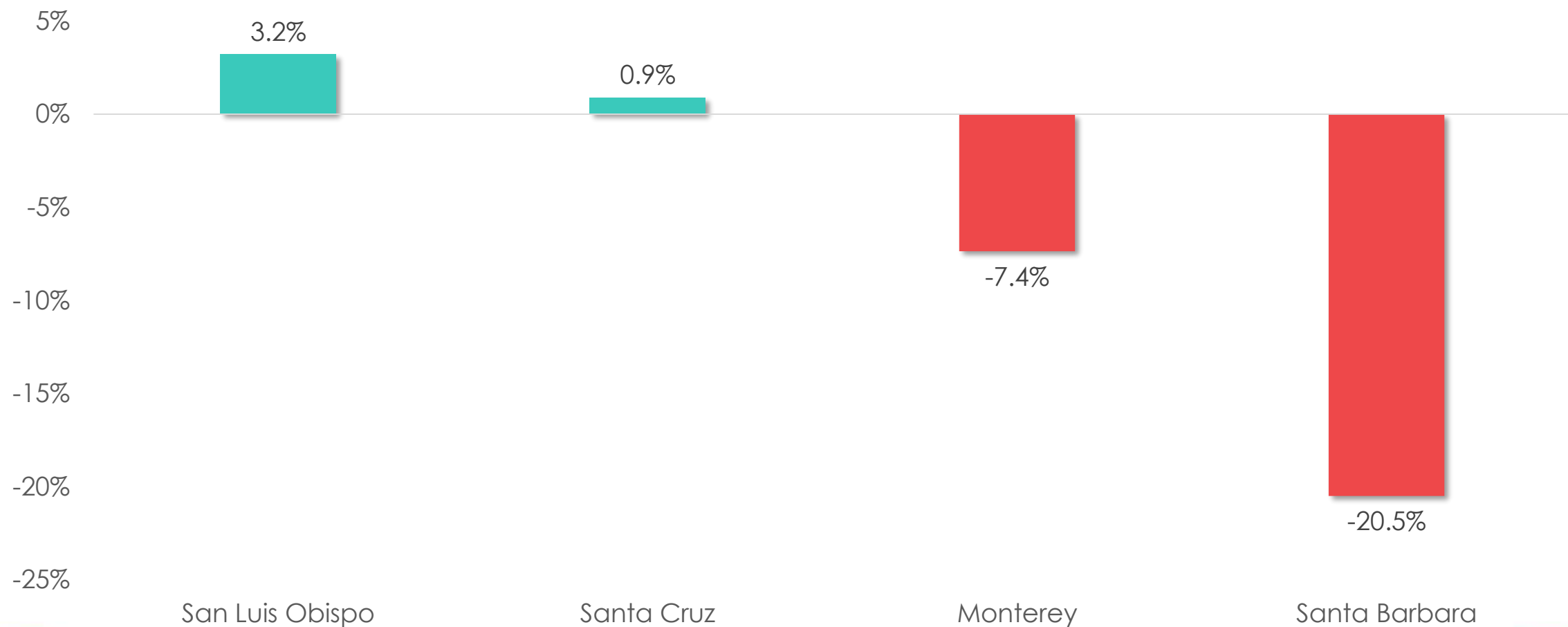
March 2019 Central Valley Home Sales Growth





Big swings in Santa Barbara too

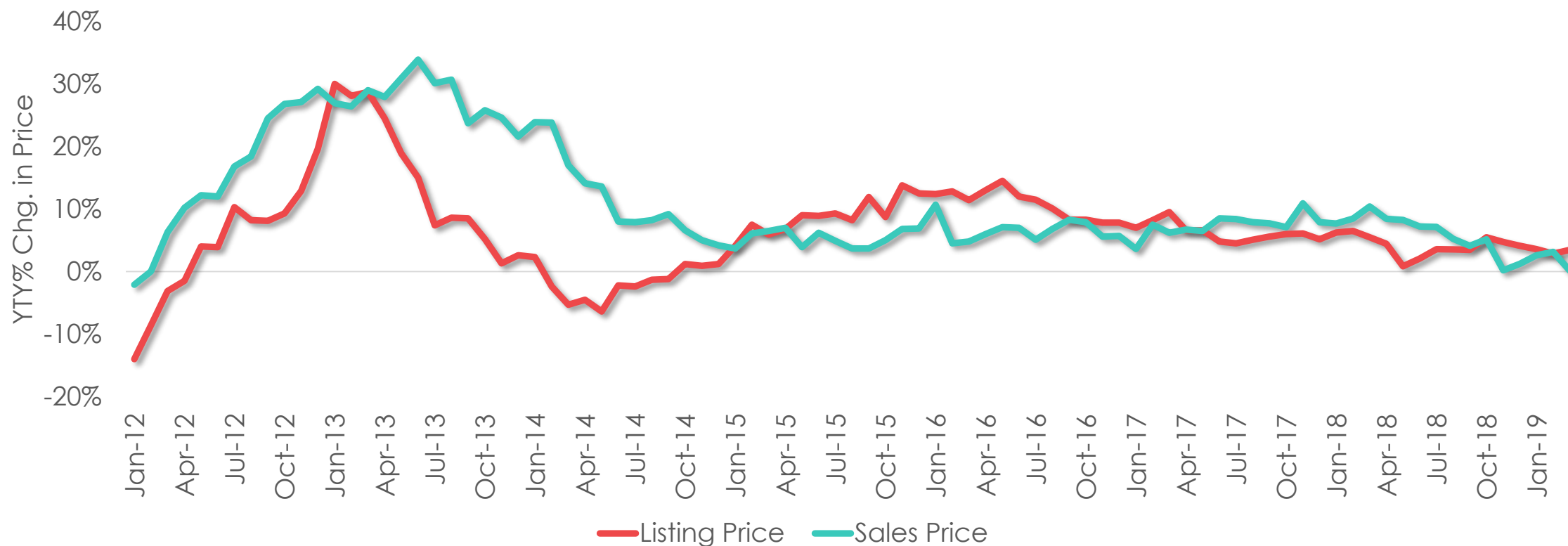
March 2019 Central Coast Home Price Growth





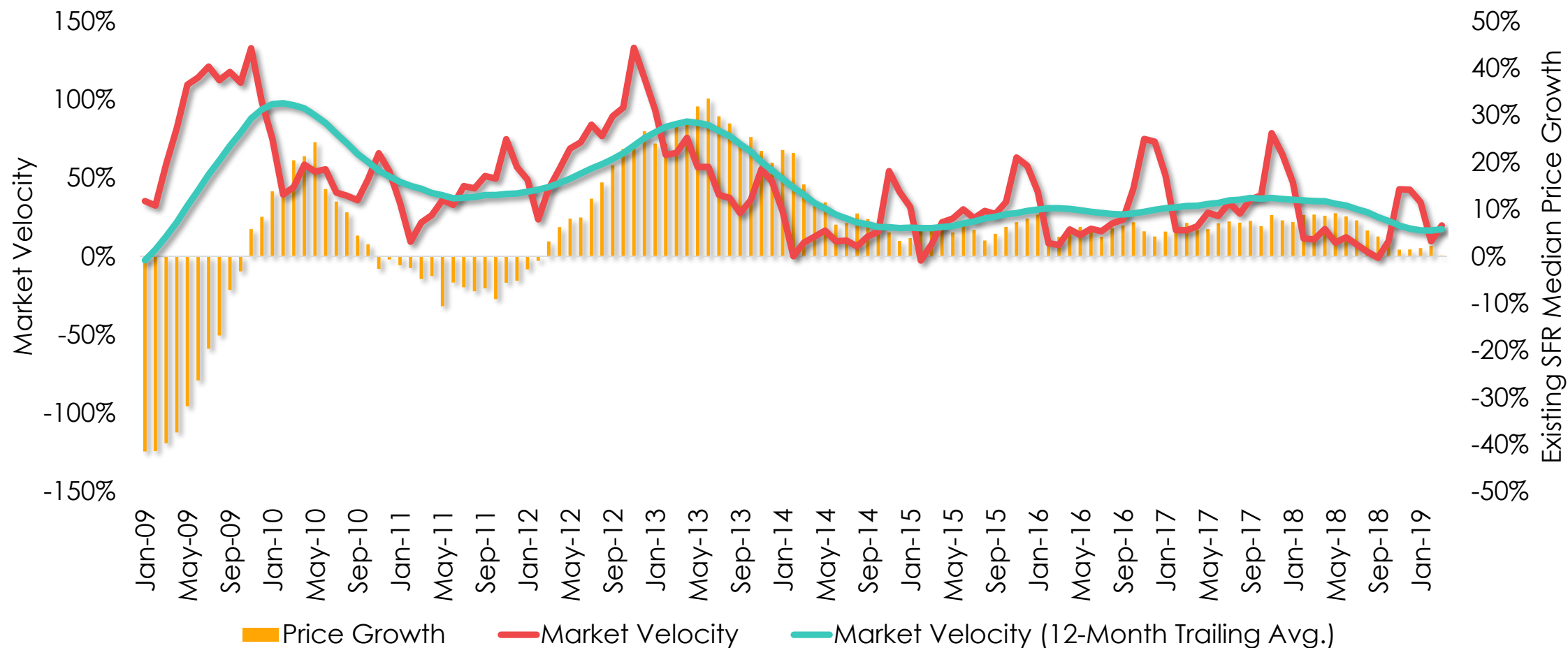
No immediate cliff on the horizon

California Median Sales vs. List Price Growth
Sales Price Growth Lags List Price Growth by 4-6 Months





California Market Velocity and Price Growth



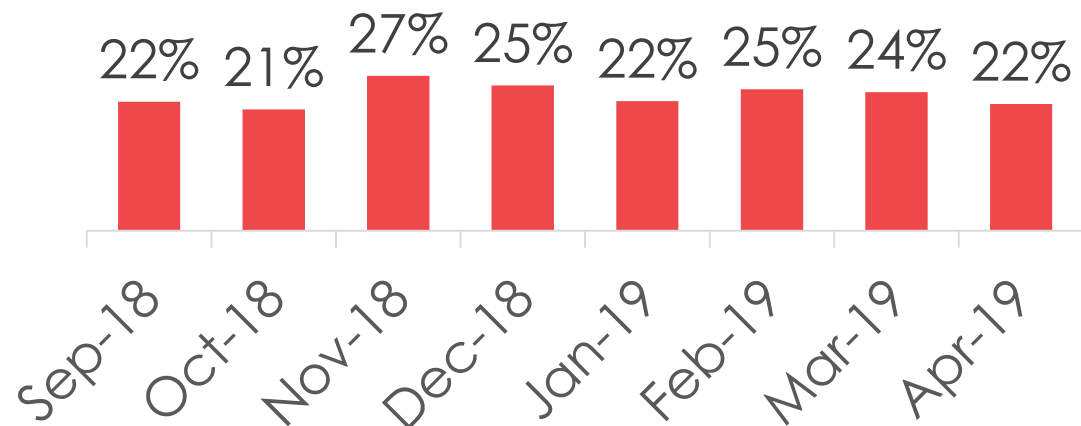


Supply & Demand Issues At Play

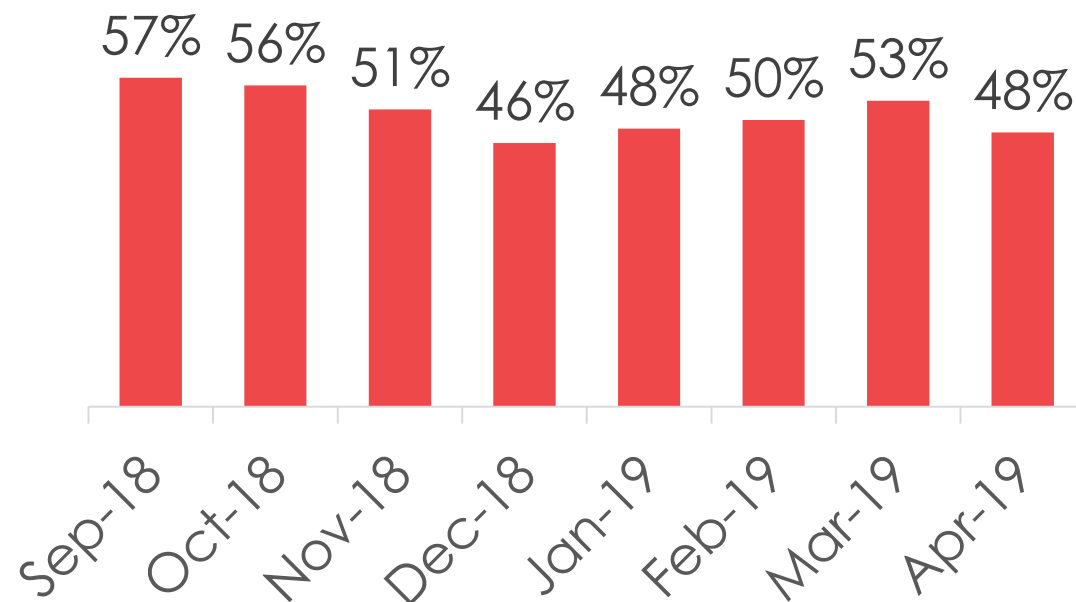


Demand softer than papers would have you believe

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?



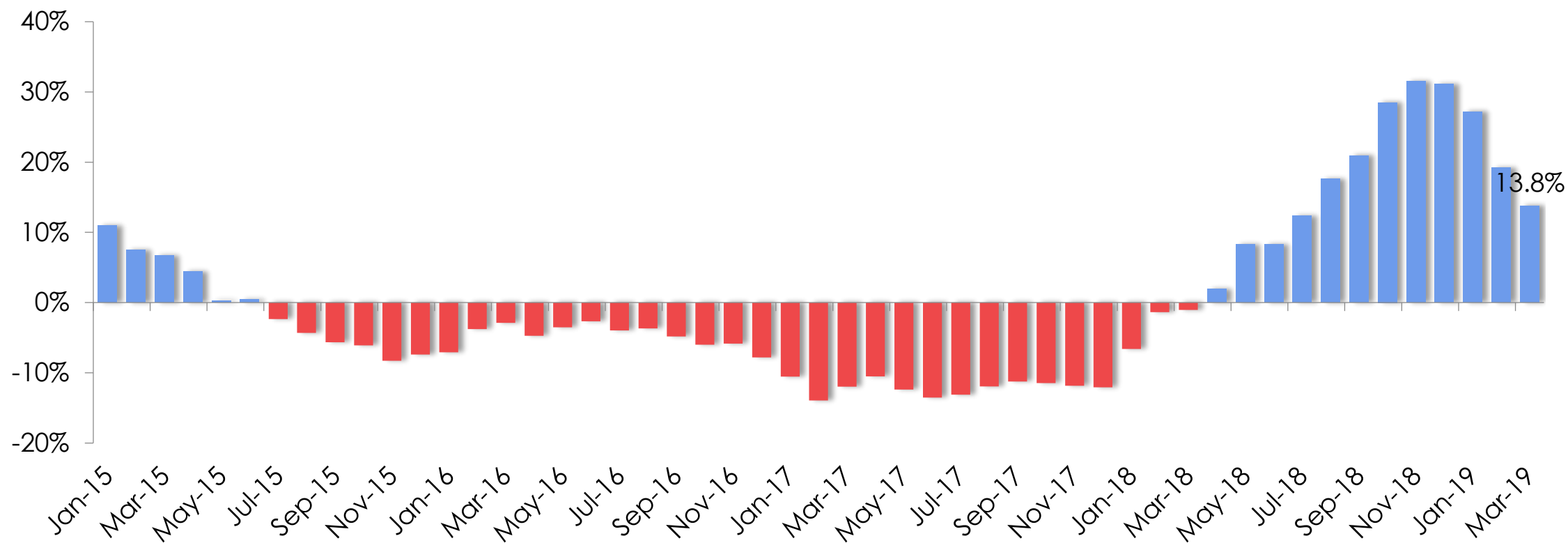
Do you think it's a good time to **buy** a home in California? (n=300)
Do you think it's a good time to **sell** a home in California? (n=300)

SERIES: 2018/2019 Google Consumer Po
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS



Then there's the supply side to consider

Year-over-Year % Chg

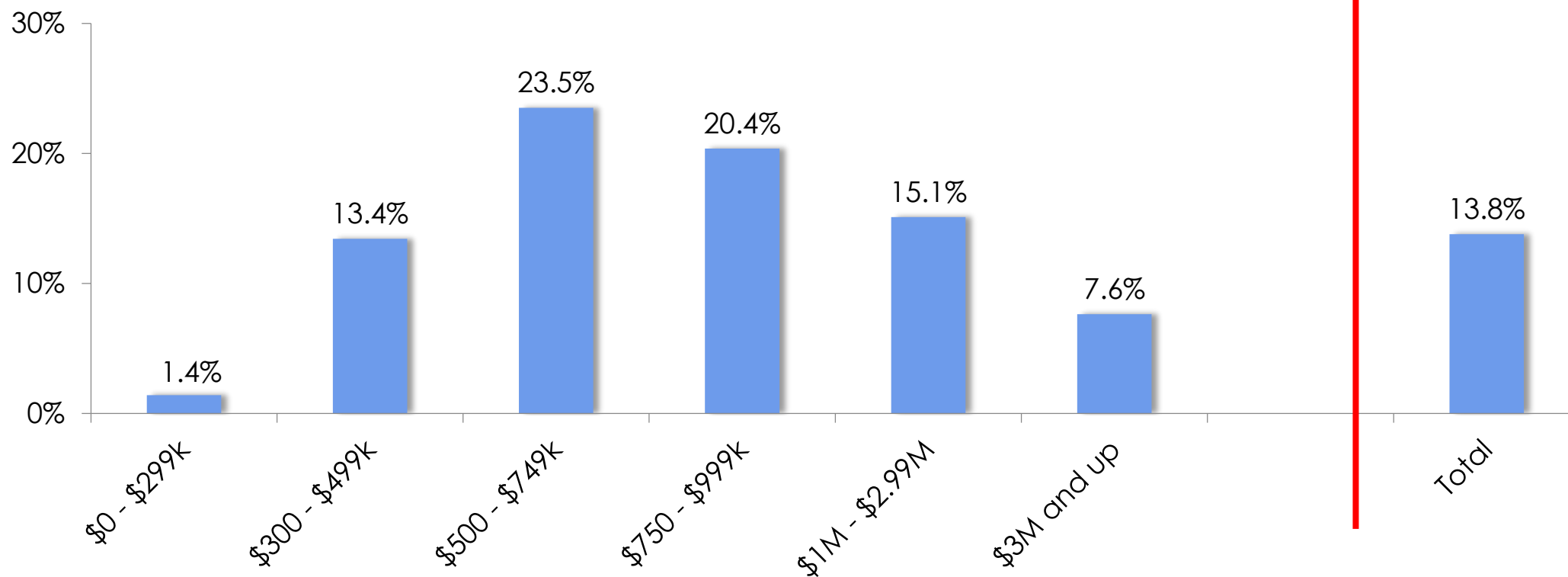




Housing supply up in all price segments

Mar 2019

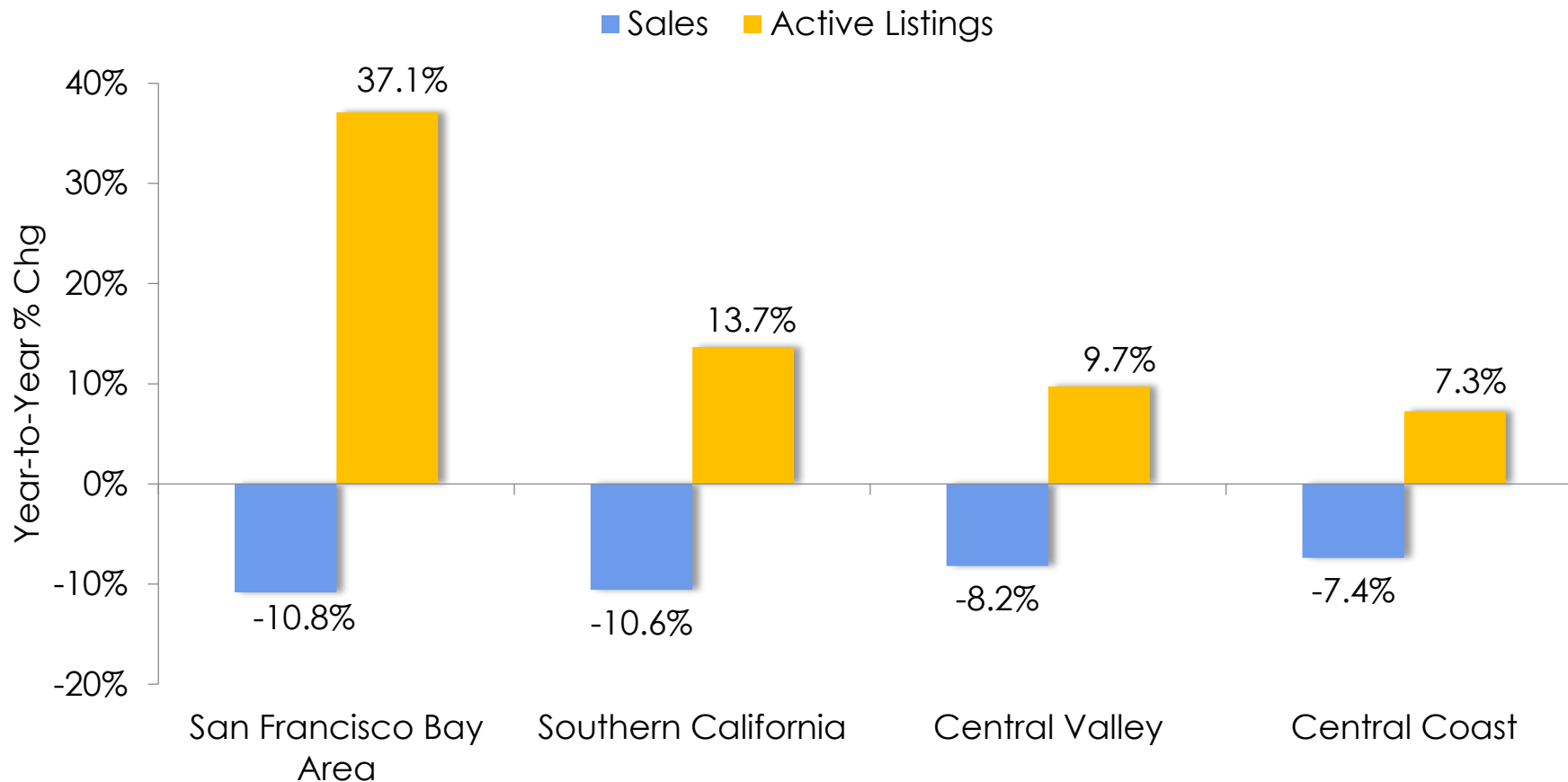
Active Listing





Active listings increased in all regions

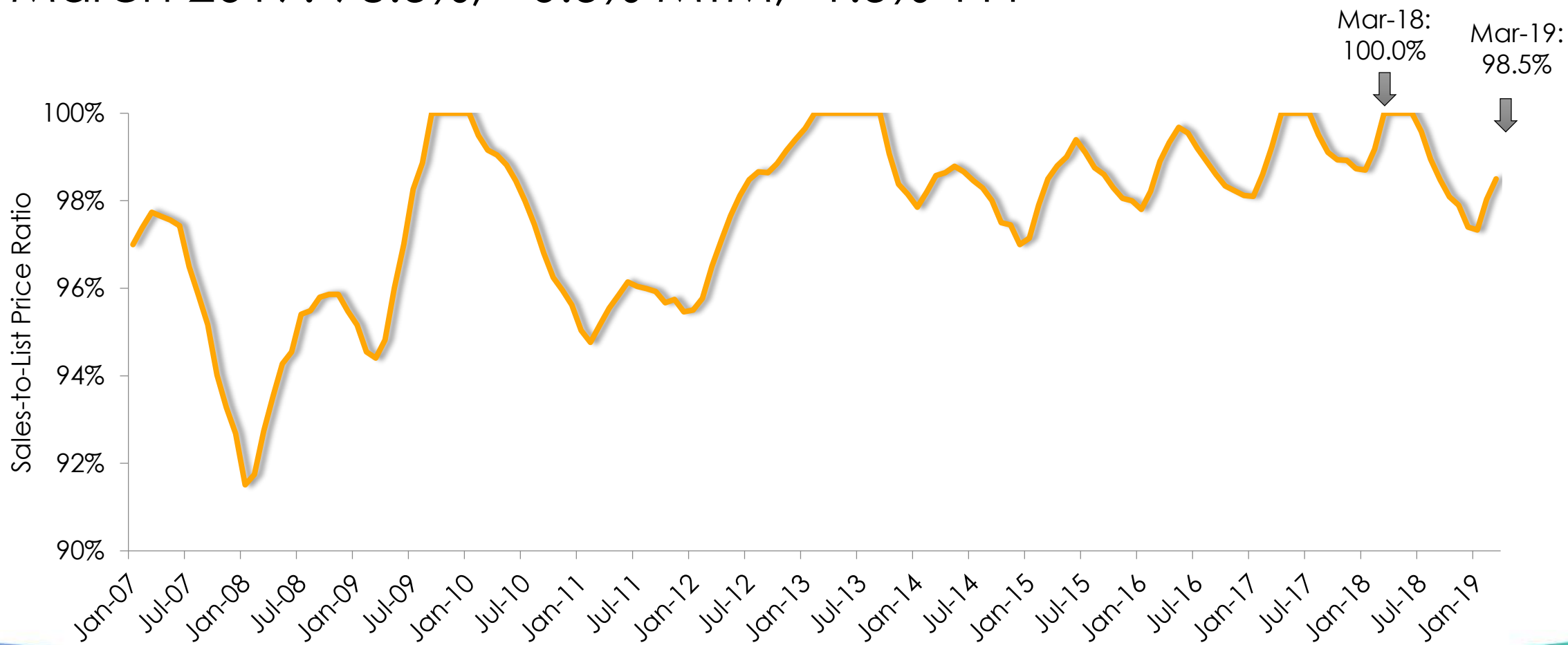
Mar 2019





More sellers having to negotiate now

March 2019: 98.5%, +0.5% MTM, -1.5% YTY

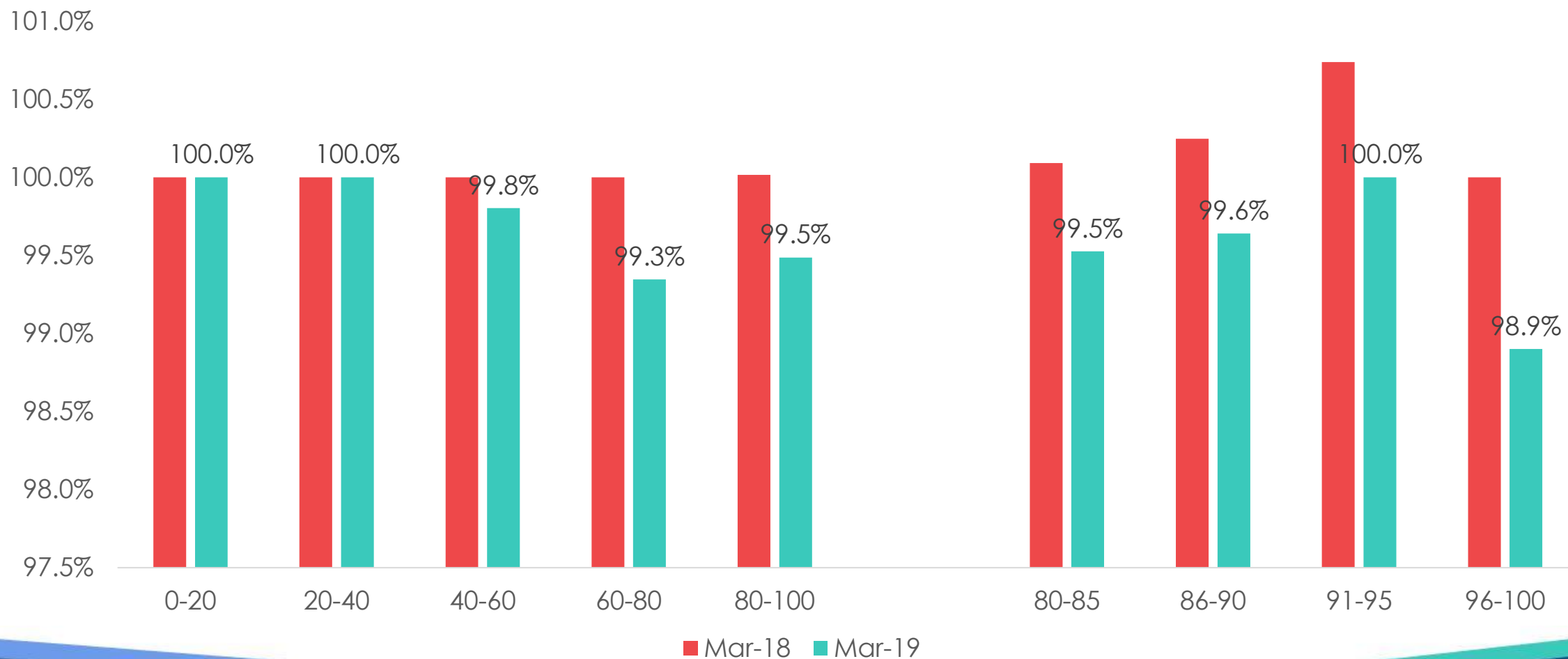


SERIES: Sales to List Ratio of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Especially at the top end of market

California Sales-to-List Price Ratio by Quintile



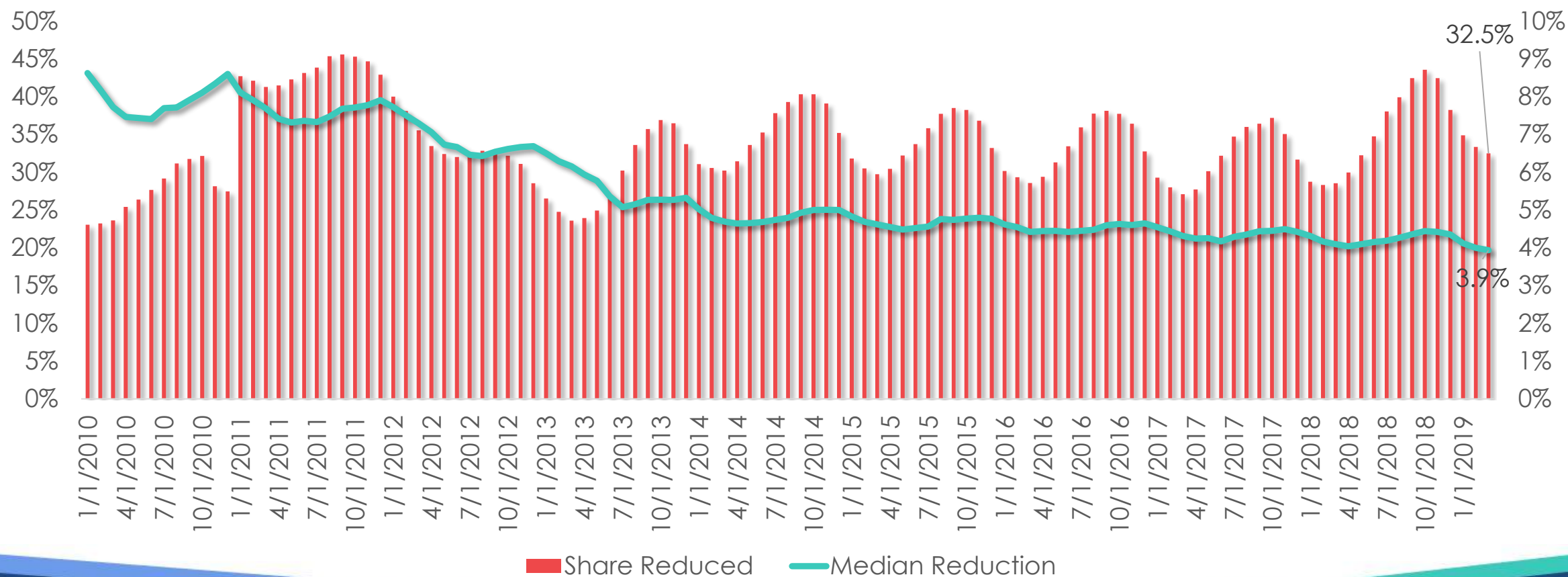
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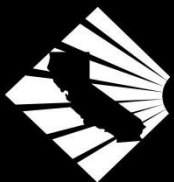


Reduced-price listings still rising

Share of Listings with a Reduced Price: 32.5%; Median Reduction Amount: -3.9%

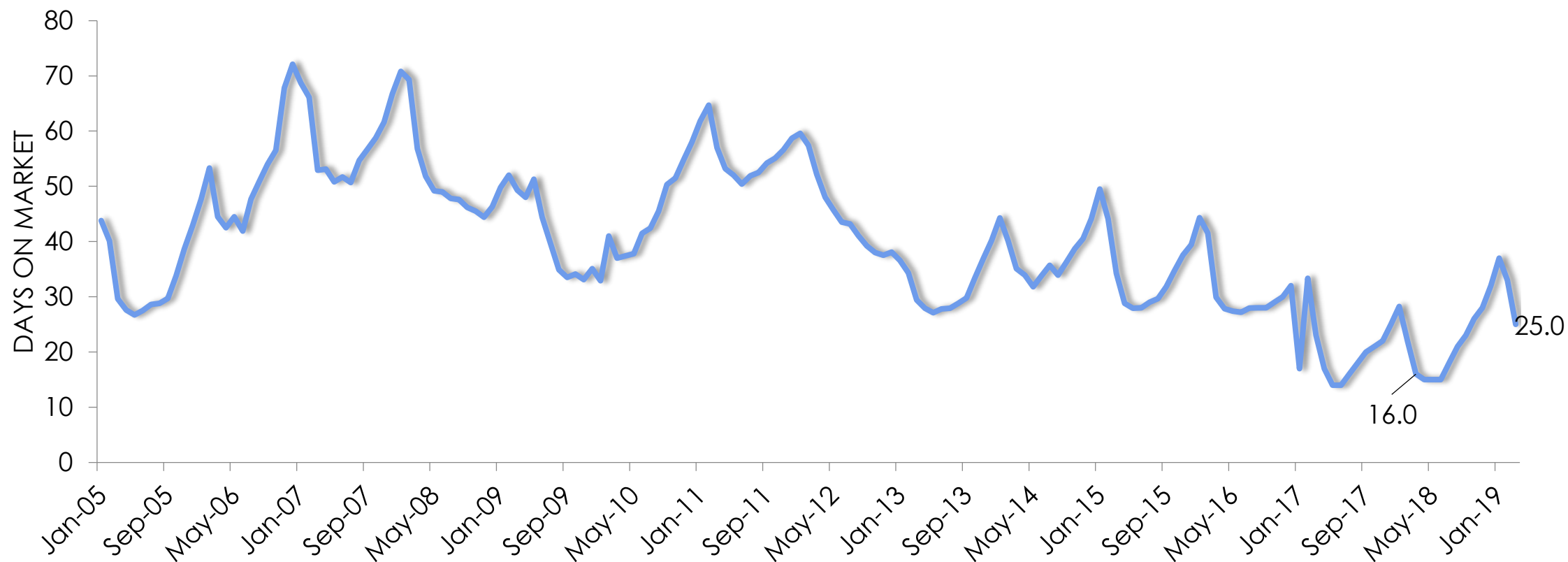
California Reduced-Price Listings





Homes are taking longer to sell

California, March 2019: 25.0 Days

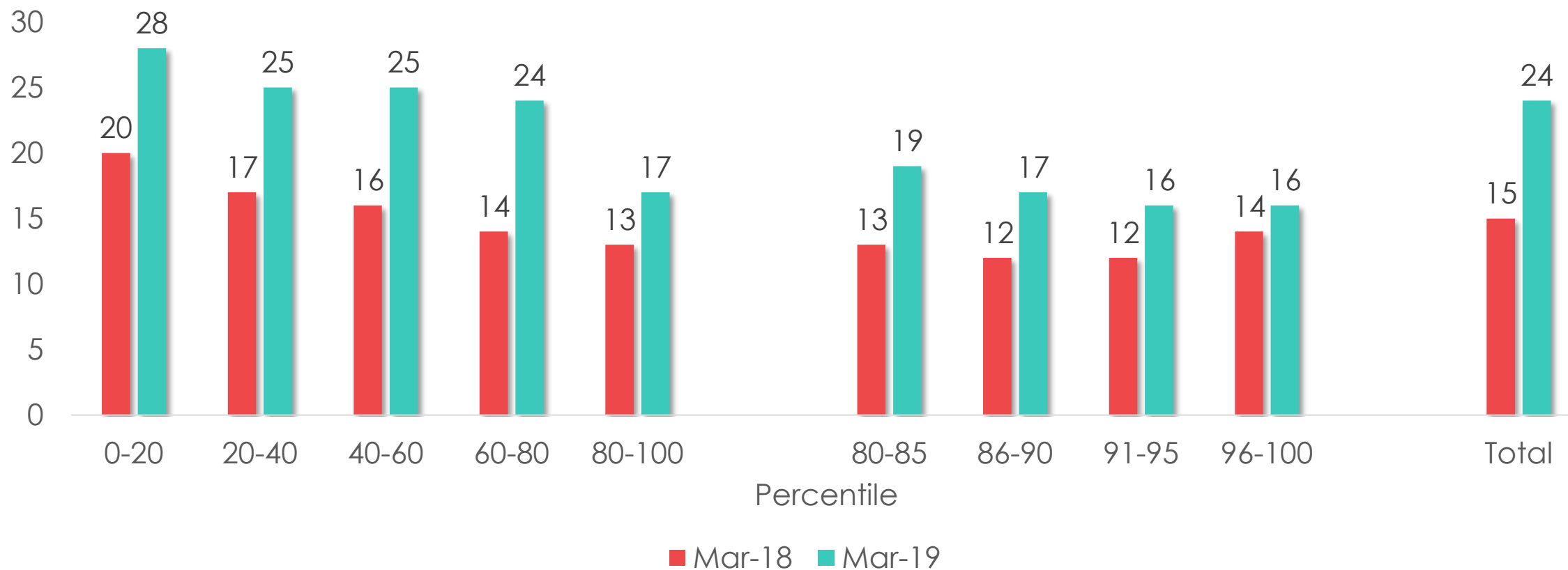


SERIES: Median Time of Market of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Especially in entry level segments

California Median Time on Market by Quintile



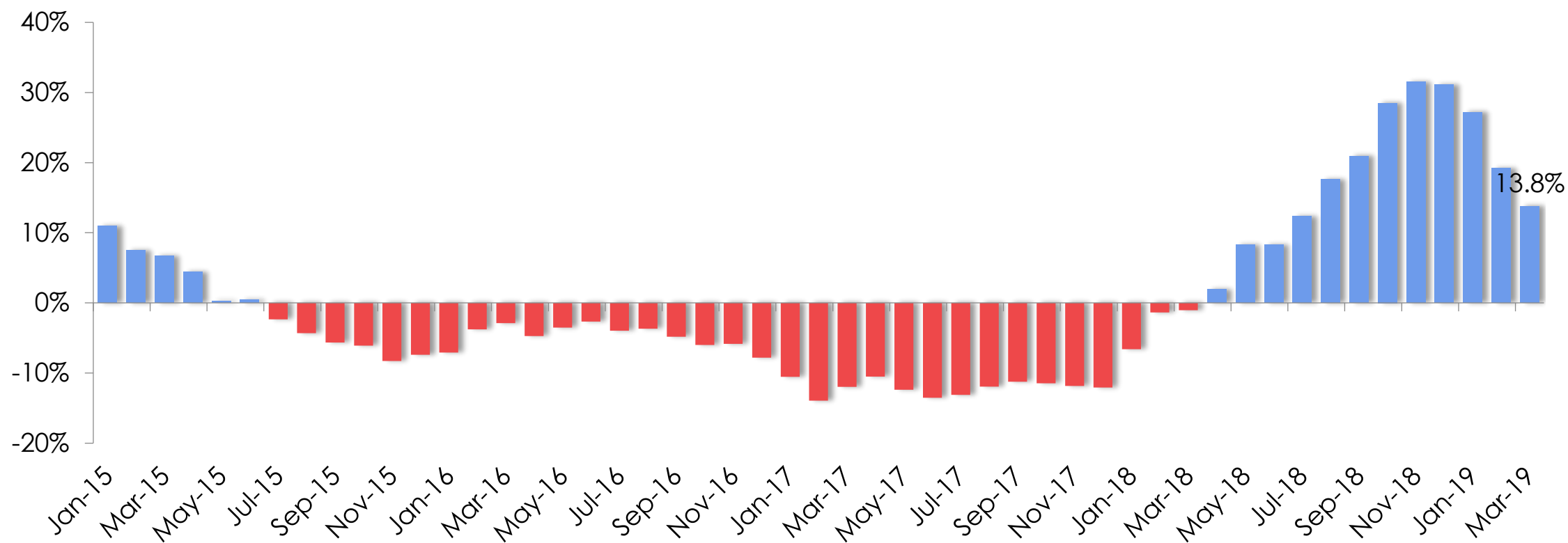


Why We Shouldn't Panic



Listings decelerating: no mass exodus

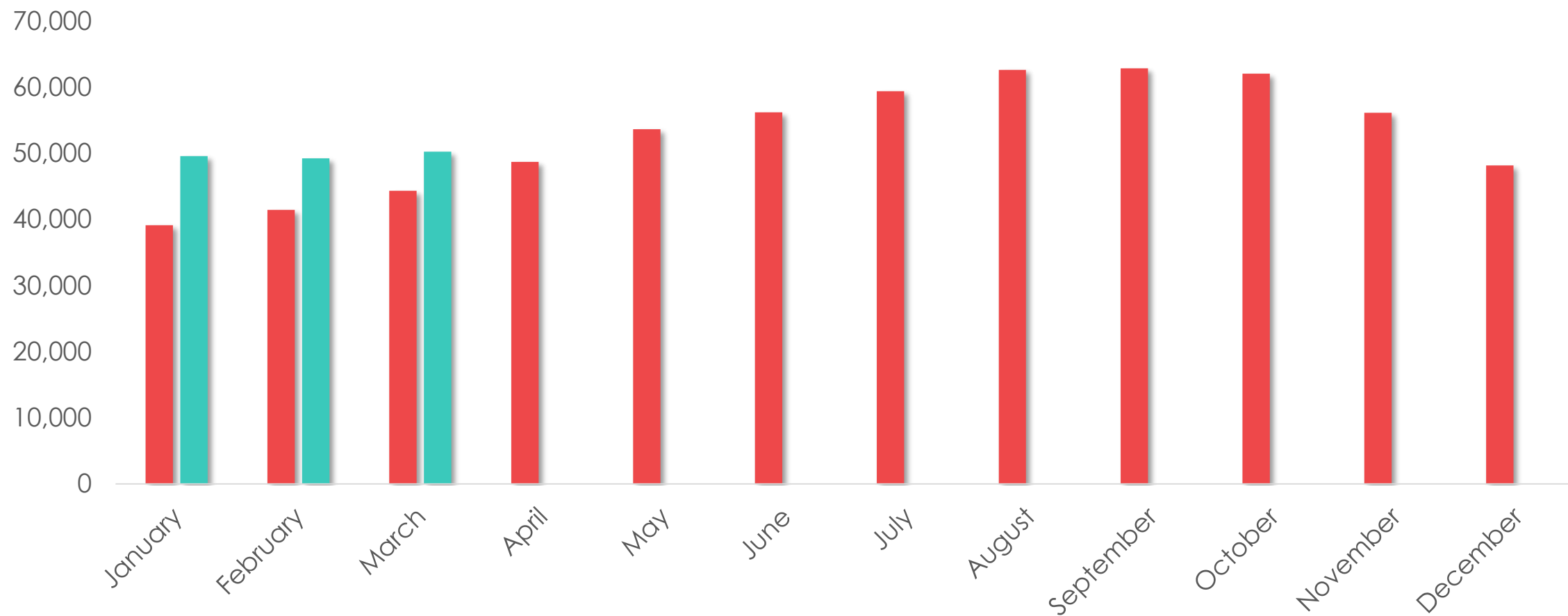
Year-over-Year % Chg





Active Listings by Month

California Active Listings by Month

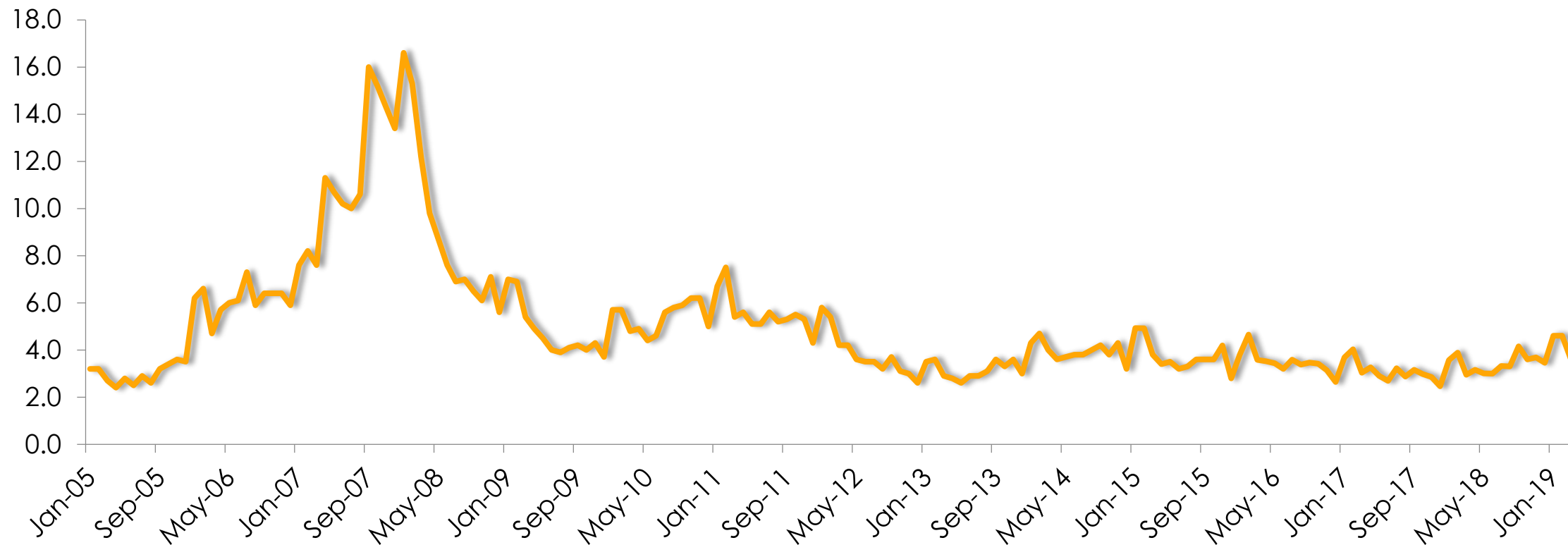


■ 2018 ■ 2019



Inventory still tight by historic standards

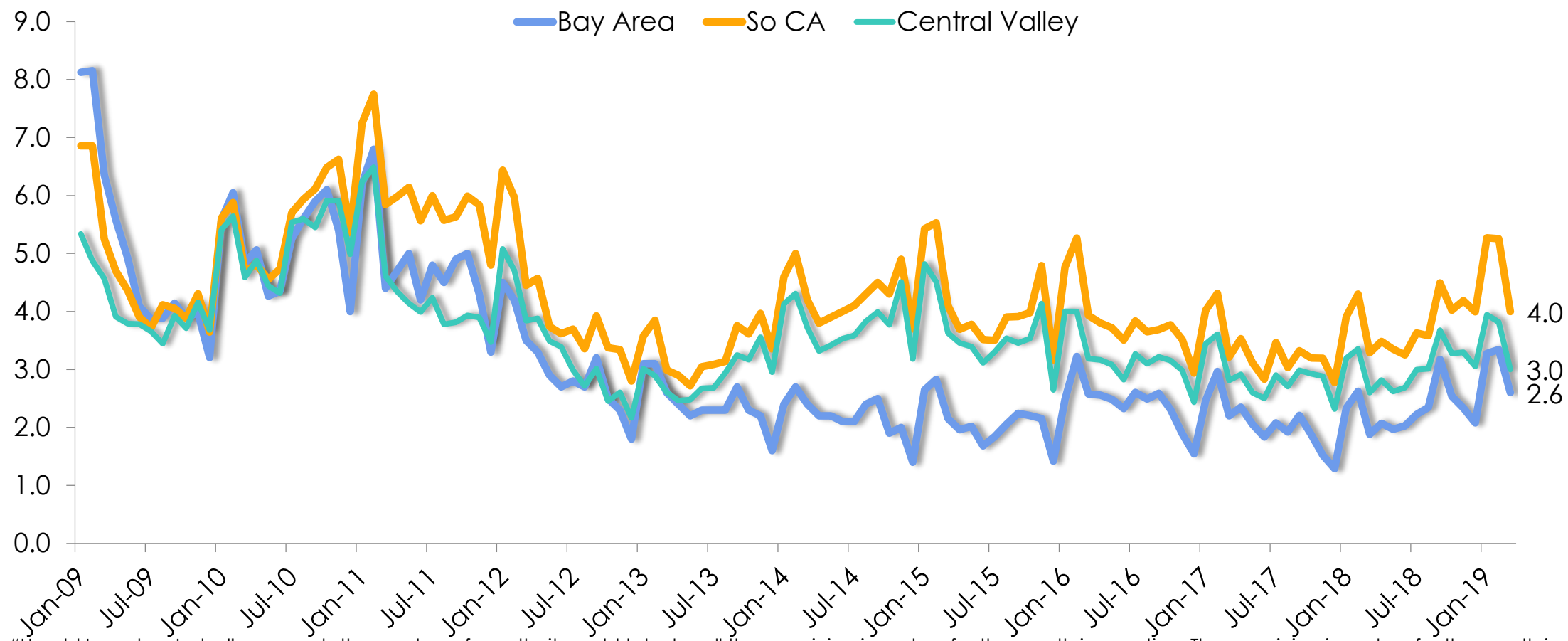
March 2018: 2.9 Months; March 2019: 3.6 Months



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.



Most markets still tight

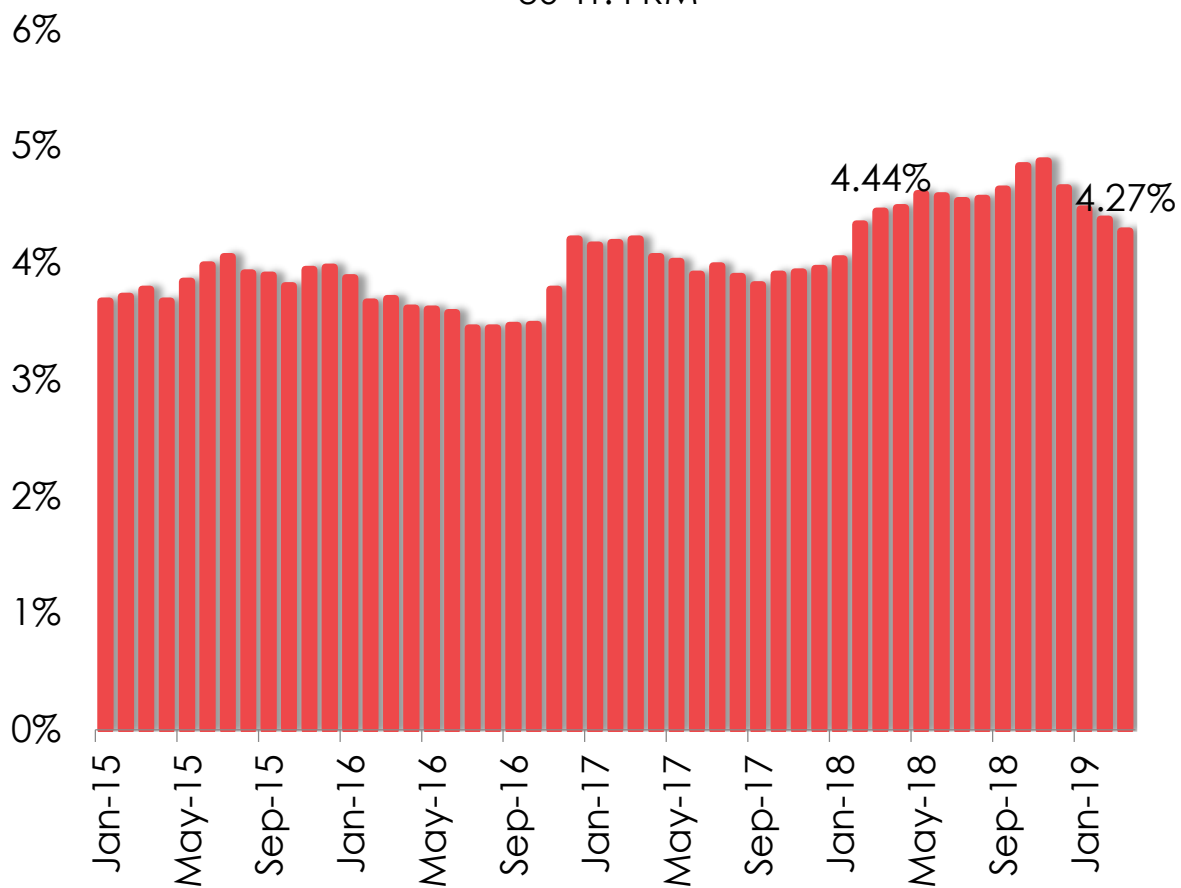


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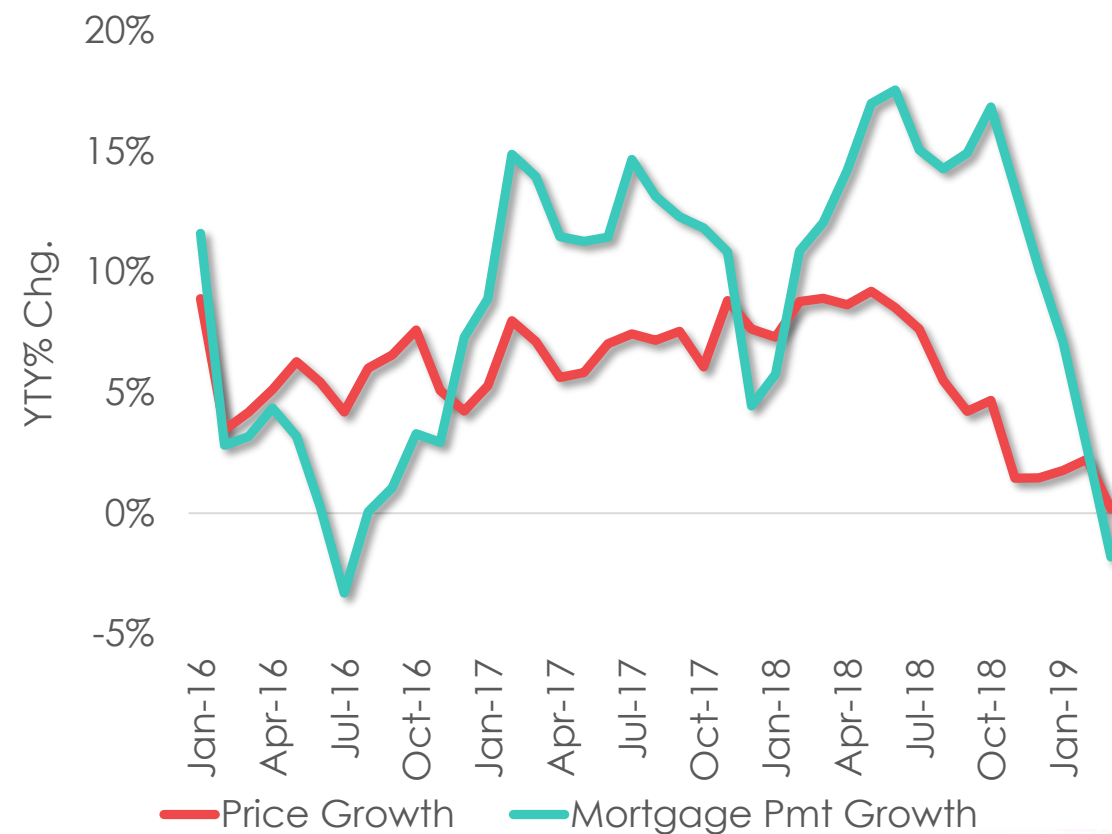


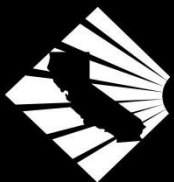
Interest rates are helping!

30 Yr. FRM



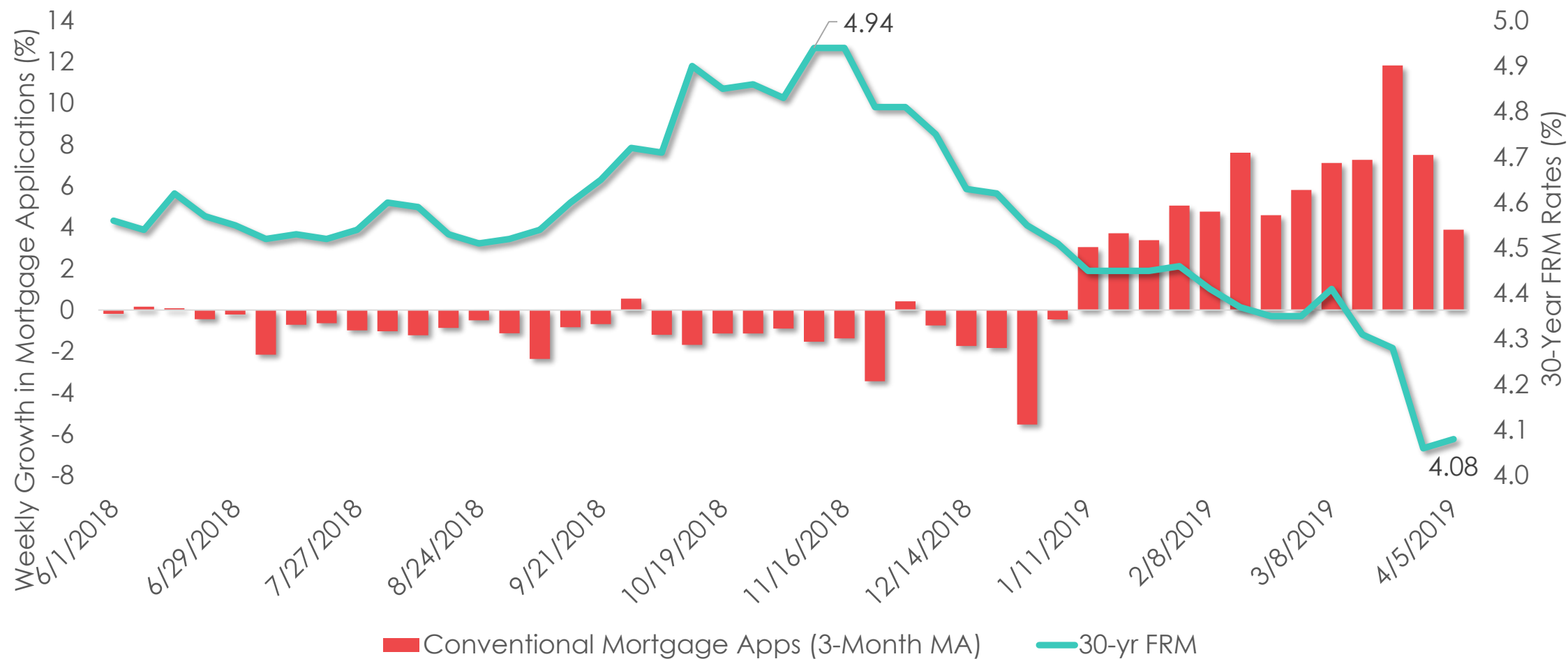
California Median Price vs. Mortgage Payment





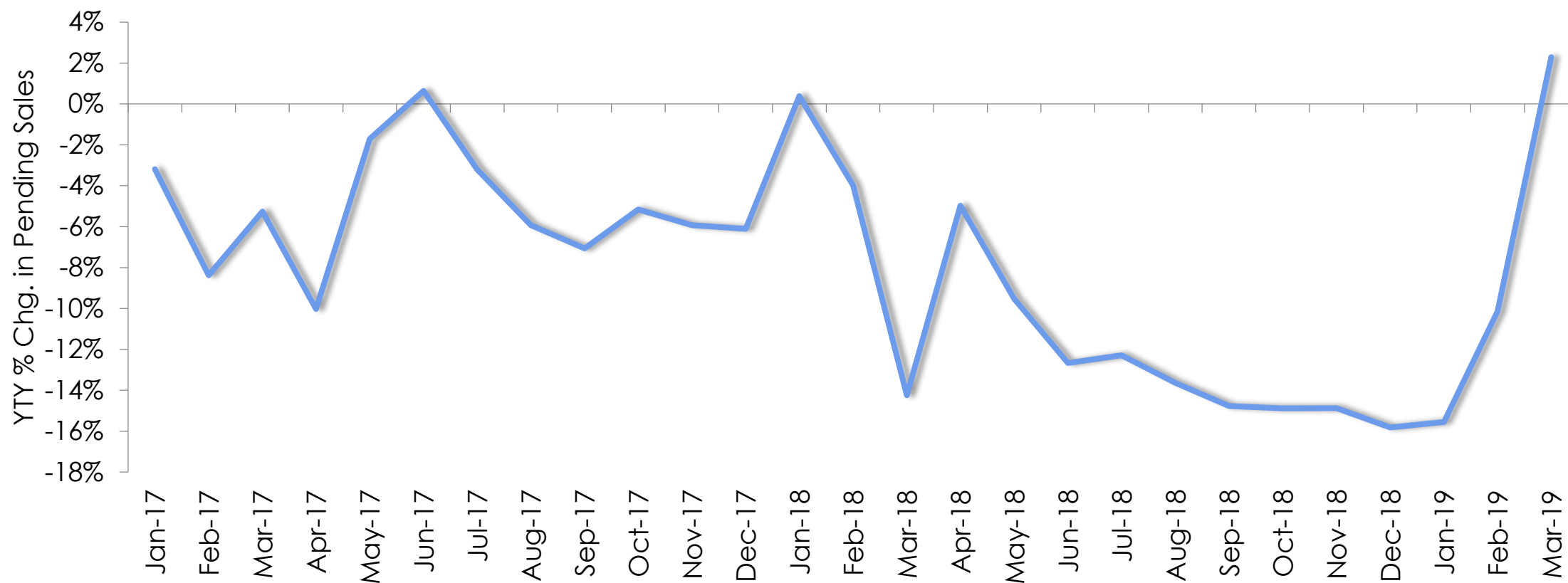
Mortgage applications are responding

Weekly Growth in Mortgage Applications vs. Mortgage Rates





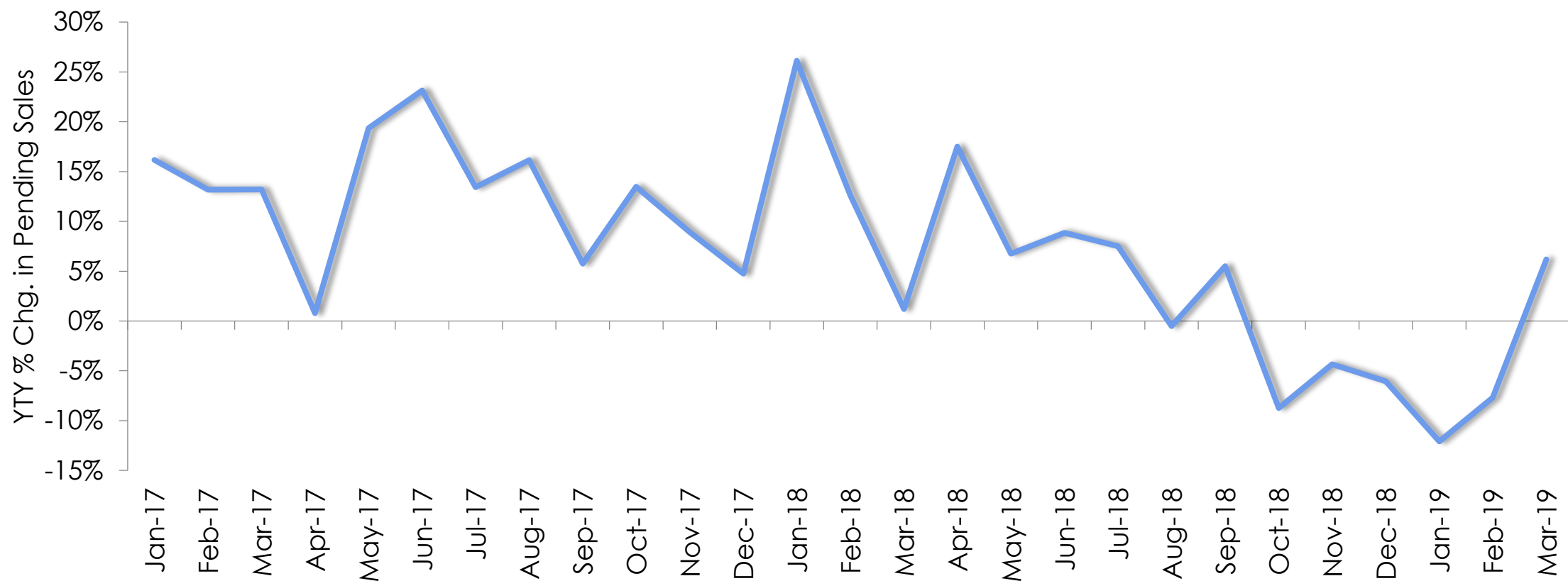
Pending sales: 1st YoY Growth in 27 months



SERIES: Percent Change in Pending Sales
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Especially where rates pack biggest punch

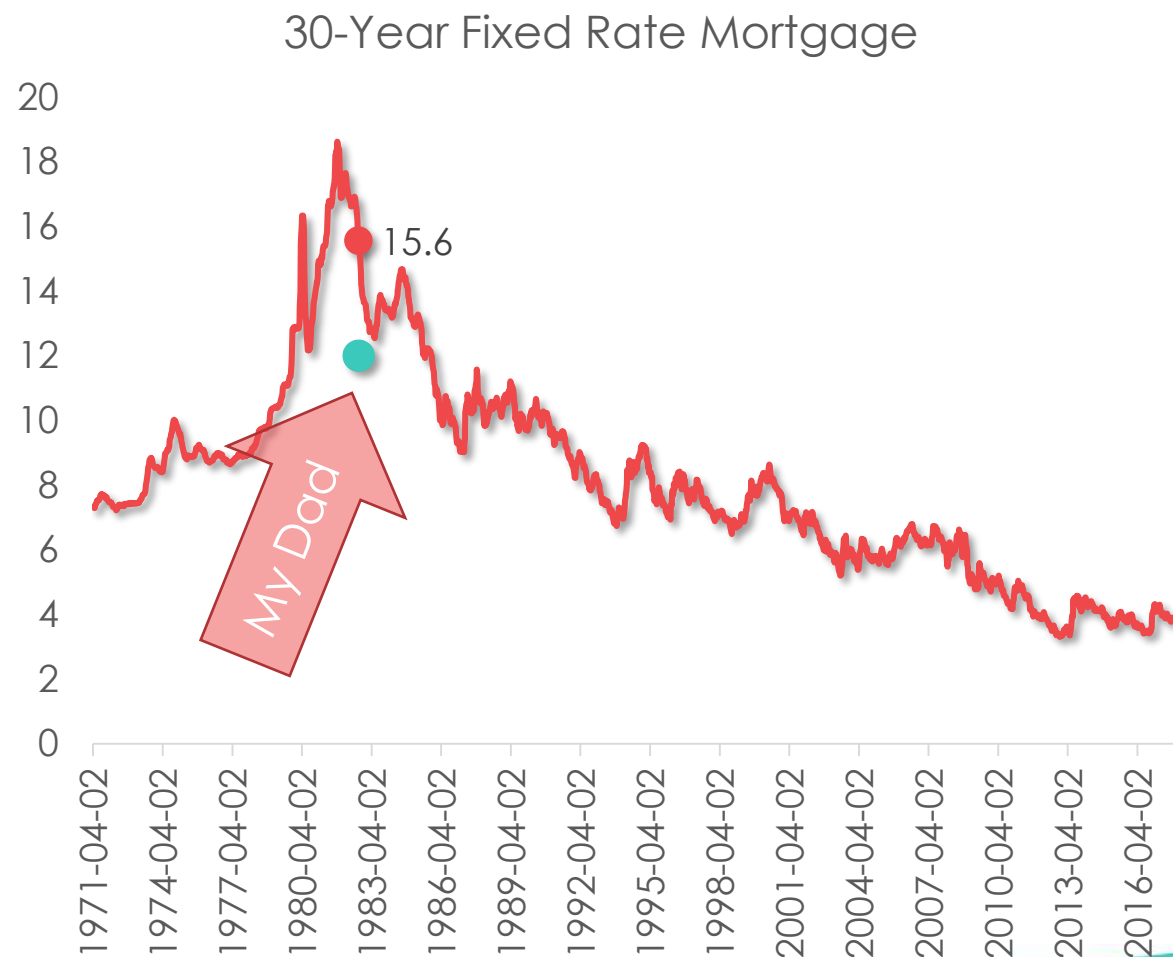


SERIES: Percent Change in Pending Sales
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Perspective is Everything

- Rates still low: 4.1%
- Likely won't rise as fast
- Homeownership still the dream
 - Buyers overestimate downpayments
 - Would jump in if they could
 - Don't know about FHA loans
- Economy still going strong
- No impending price collapse
- Rising rates motivate buyers





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%

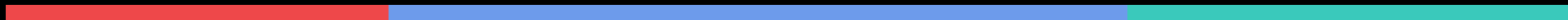


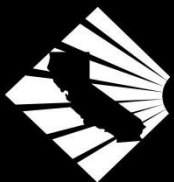
CA Housing Market Outlook

	2013	2014	2015	2016	2017	2018p	2019 Likely	2019 Best	2019 Worst
SFH Resales (000s)	414.9	382.7	409.4	417.7	424.1	410.5	371.1	396.8	347.3
% Change	-5.9%	-7.8%	7.0%	2.0%	1.5%	-3.2%	-6.9%	-3.3%	-10.4%
Median Price (\$000s)	\$407.2	\$446.9	\$476.3	\$502.3	\$538.0	\$575.8	\$574.5	\$593.4	\$534.4
% Change	27.5%	9.8%	6.6%	5.4%	7.2%	7.0%	-0.2%	3.1%	-6.5%
Housing Affordability Index	36%	30%	31%	31%	29%	28%	26%	25%	30%
30-Yr FRM	4.0%	4.2%	3.9%	3.6%	4.0%	4.7%	5.2%	5.2%	5.2%



Conclusion





Putting it all Together

The Good News

- Economy still growing for now
- Still demand, just less so
- More listings for REALTORS®
- RE moving relatively quick
- Rates won't go up as fast
- Market not as competitive
- Buyers can start to negotiate

The Challenge

- Need to negotiate again
- Seller expectation adjustment
- Weak bottom = buyer issues
- Interest rates helping for now
- Slower prices a good thing?
- **Market to soften in '19**
- **Focus on Selling Ownership**





Housing Matters Podcast

www.car.org/marketdata/podcast/





DO YOU KNOW THE NEXT RISING STAR?

C.A.R. IS LOOKING FOR NEW TALENT

MUST MEET THE FOLLOWING QUALIFICATIONS:

- Be an active C.A.R. member who joined as a C.A.R. REALTOR® member in 2017 or later
- Closed at least 10 transactions or \$3.6 million in transaction volume within the past 12 months
- Nominated by the broker or principal of firm
- No restrictions on DRE license and no Code of Ethics violations

NOMINATIONS ARE BEING ACCEPTED UNTIL **MAY 29**

car.org/difference/Rising-Star



