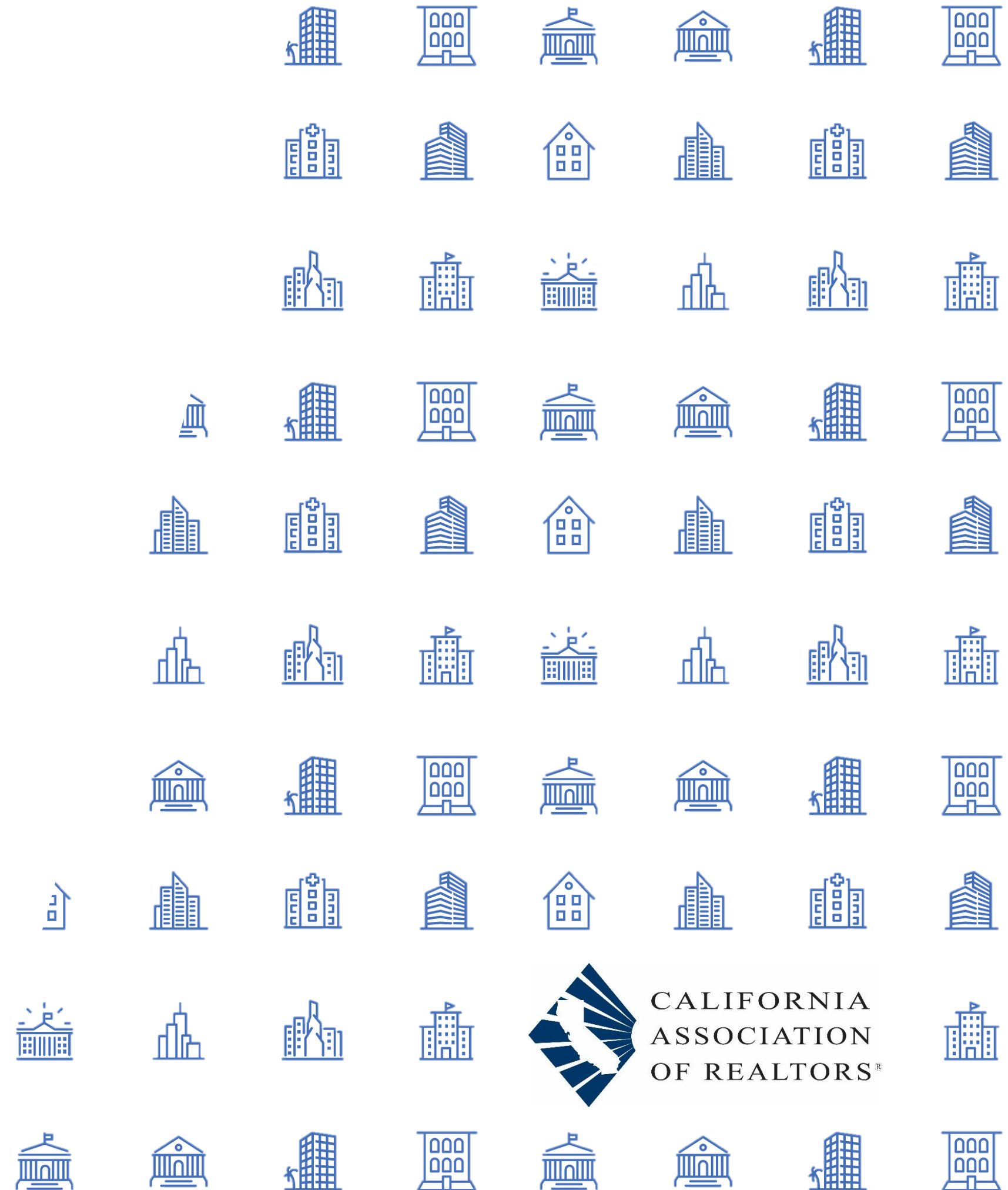


California Housing Market Outlook

Big Event – Contra Costa AOR
October 16, 2019

Joel Singer
Chief Executive Officer



Overview

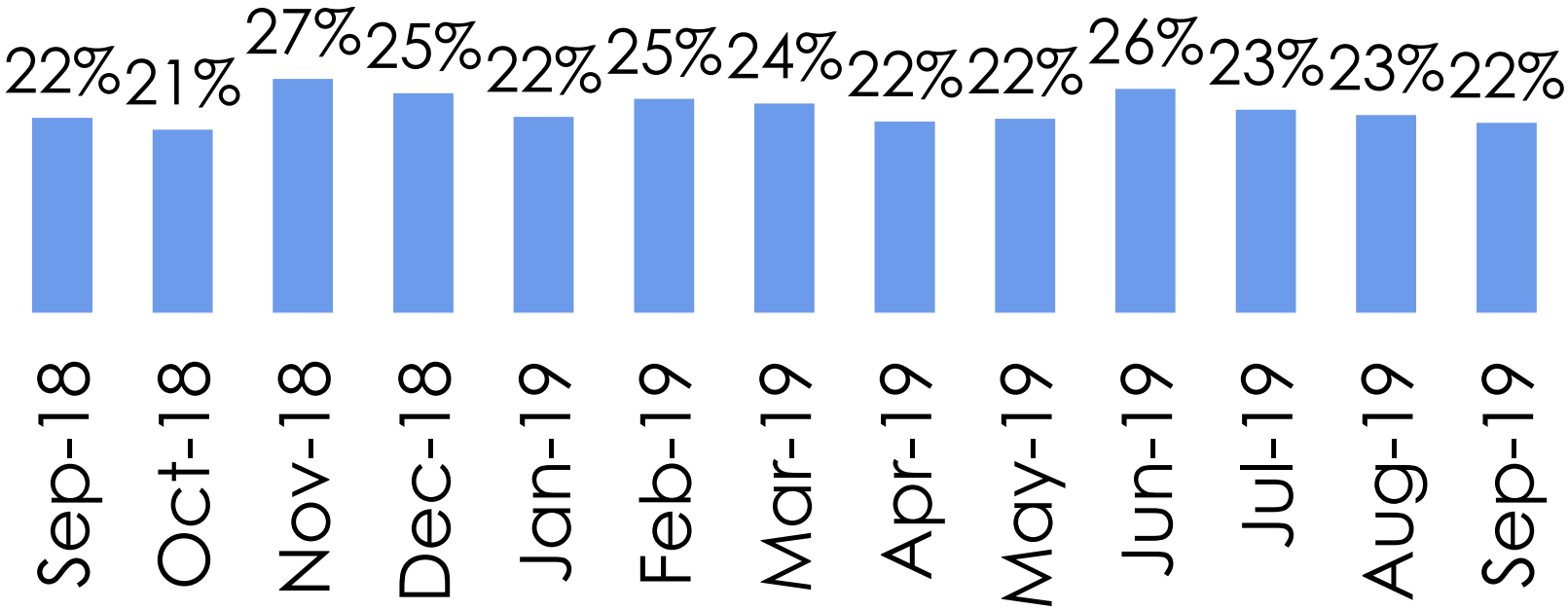
- Housing market conditions remain soft
- Price hit record high but growth near lowest level since early 2012
- Economic fundamentals are still solid
- Lots of wildcards and threats to the market though



C.A.R. Google Consumer Poll: September 2019

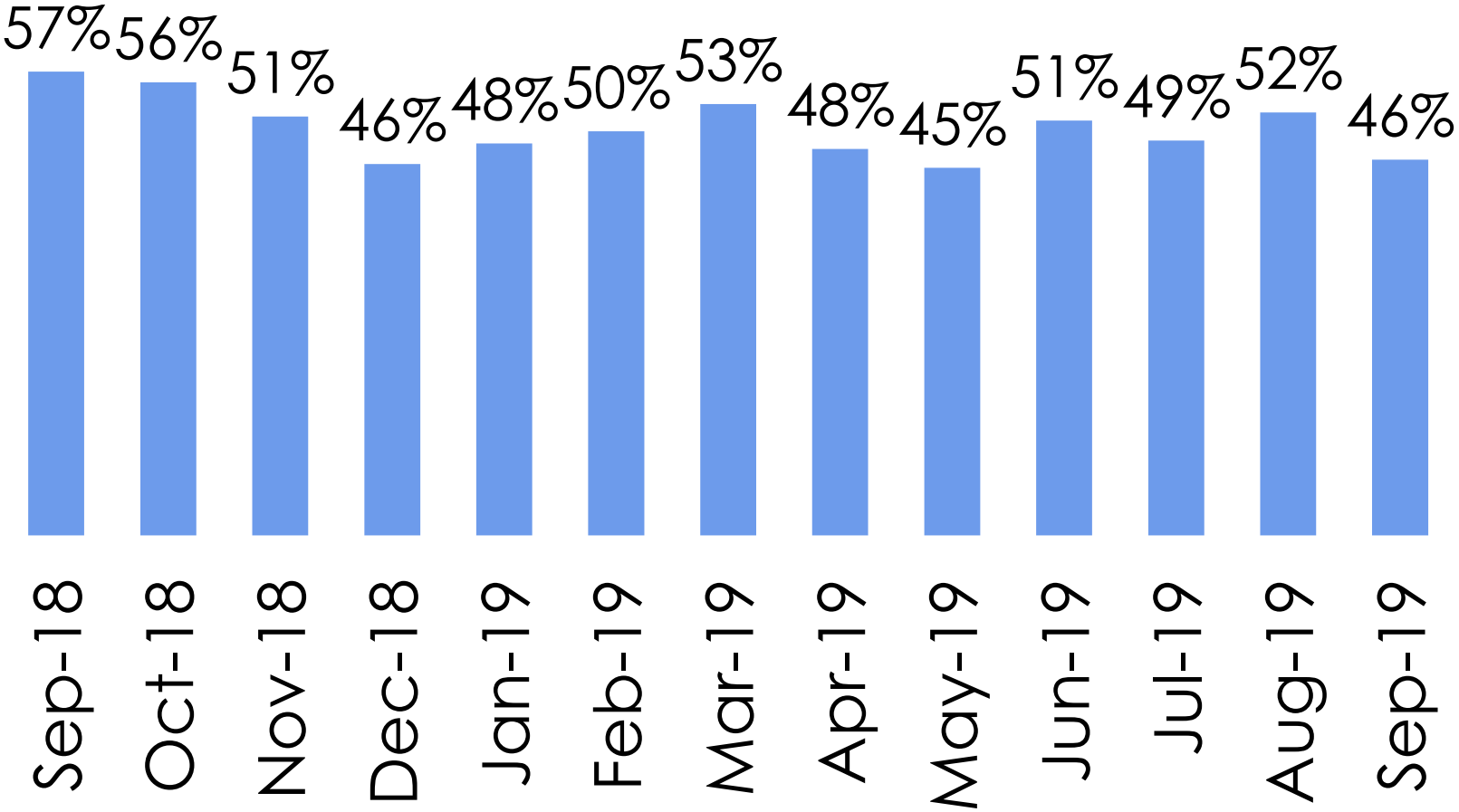
Do you think it's a good time to **buy** a home in California?

N=300



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

N=300



Sales up, price set record again, supply down

Aug 2019

+1.6% YTY
-4.1% YTD

Existing Home Sales
% change



Price

\$617,410
+3.6% Y2Y



Unsold
Inventory Index

3.2 months
-3.0% Y2Y



Median Days
on Market

23 days
+9.5% Y2Y

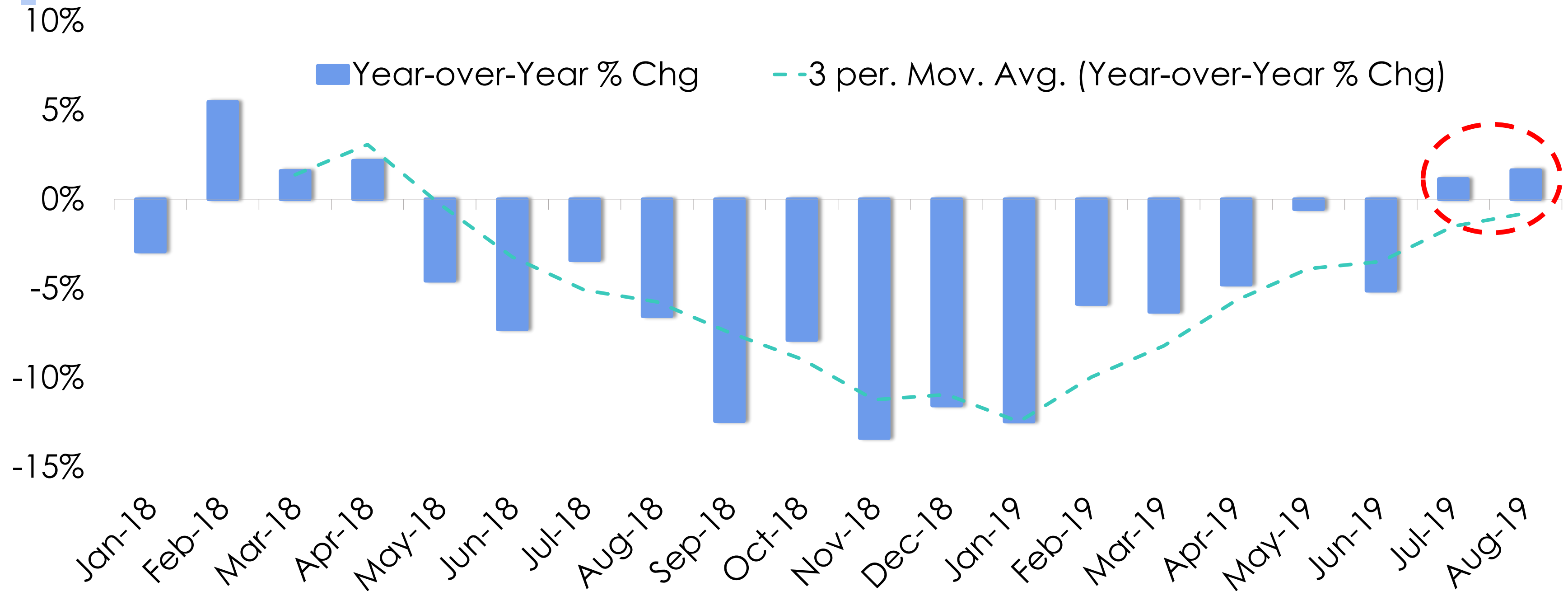


Sales Price to
List Price Ratio

98.7%
-0.3% Y2Y



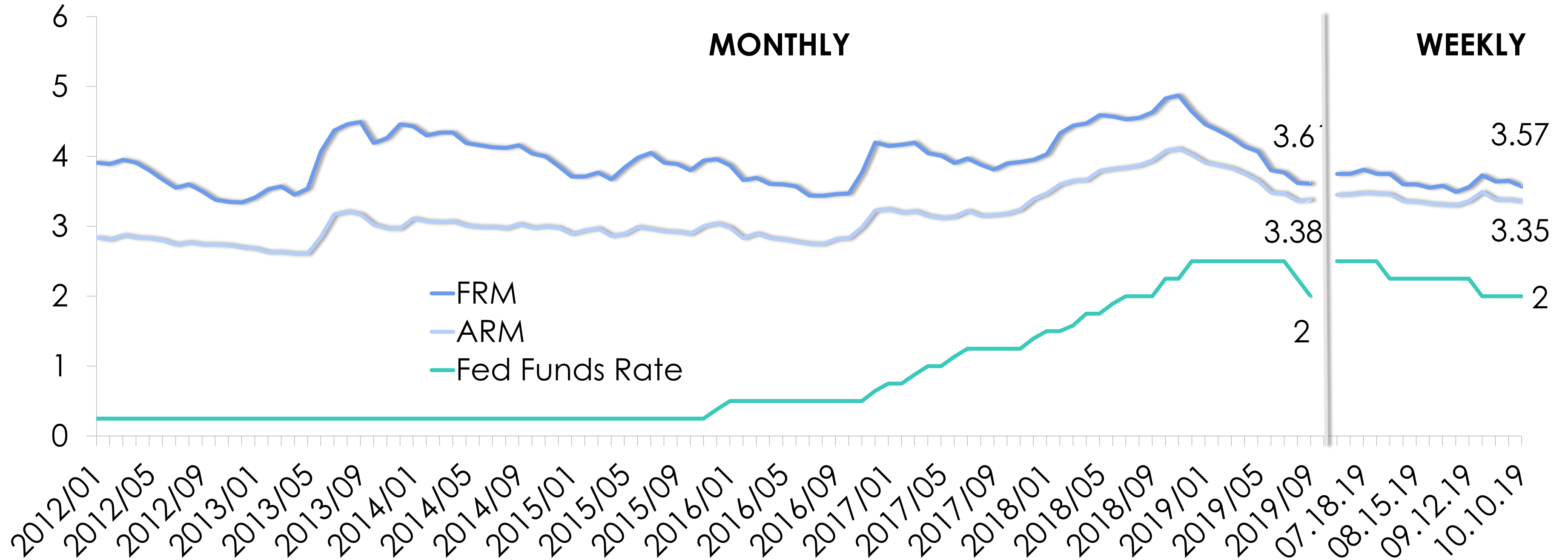
California home sales have the first back-to-back yearly gain since April 2018



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

Rates remain at historic lows – will move lower in 2020

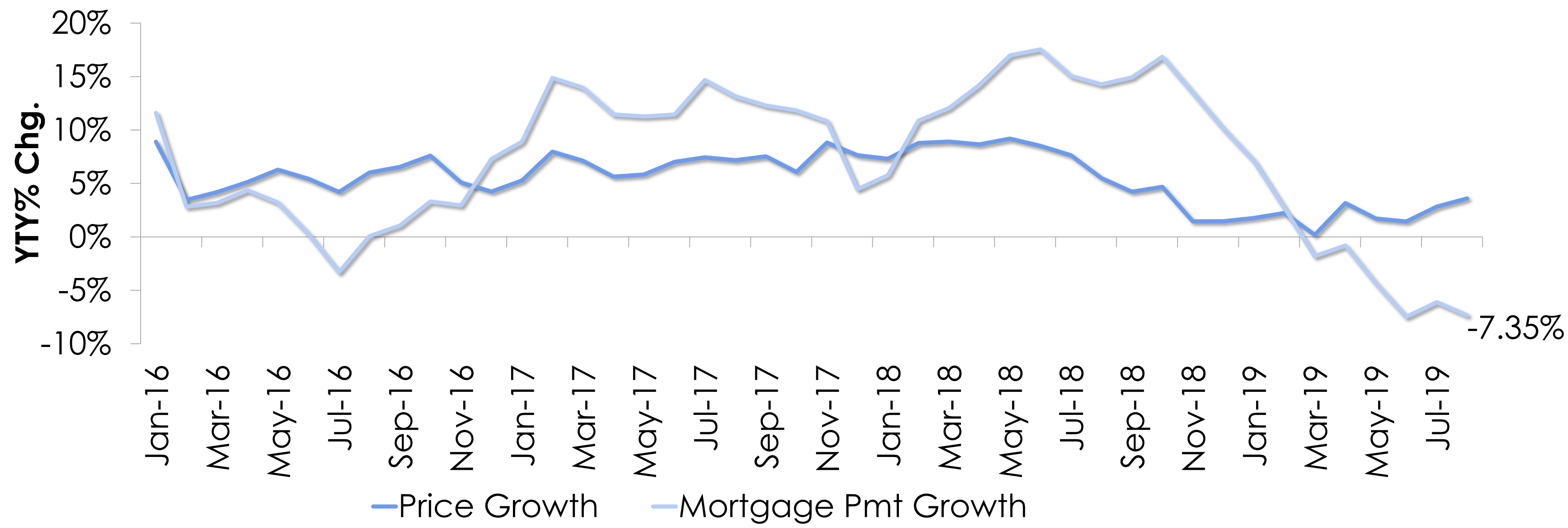
January 2012 – October 2019



SERIES: 30Yr FRM, 5Yr ARM, Fed Funds Rate (Target Rate)
SOURCE: Freddie Mac, St. Louis Fed

Mortgage payment continued to drop; rates lowest in 34 months

California Median Price vs. Mortgage Payment



Monthly mortgage: more affordable

Region	Aug 2019	Aug 2018	% CHG
CA SFH	\$2,251.18	\$2,429.74	-7.3%
Los Angeles Metropolitan Area	\$1,987.16	\$2,140.57	-7.2%
Central Coast	\$2,545.02	\$2,753.31	-7.6%
Central Valley	\$1,250.63	\$1,325.12	-5.6%
Inland Empire	\$1,385.54	\$1,451.51	-4.5%
S.F. Bay Area	\$3,281.54	\$3,812.26	-13.9%



SERIES: Monthly mortgage payment
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Down payment: remain elevated for most areas

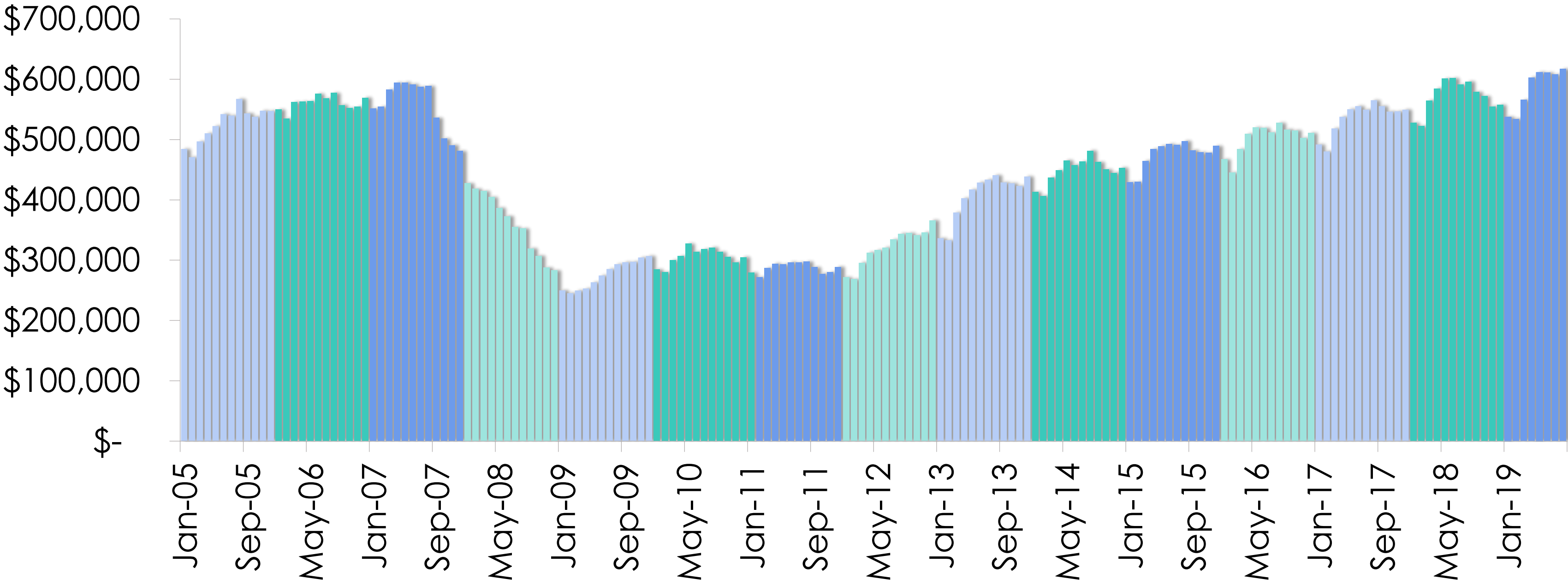
Region	Aug 2019	Aug 2018	% CHG
CA SFH	\$123,482	\$119,184	3.6%
Los Angeles Metropolitan Area	\$109,000	\$105,000	3.8%
Central Coast	\$139,600	\$135,056	3.4%
Central Valley	\$68,600	\$65,000	5.5%
Inland Empire	\$76,000	\$71,200	6.7%
S.F. Bay Area	\$180,000	\$187,000	-3.7%



SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®
SERIES: Down payment

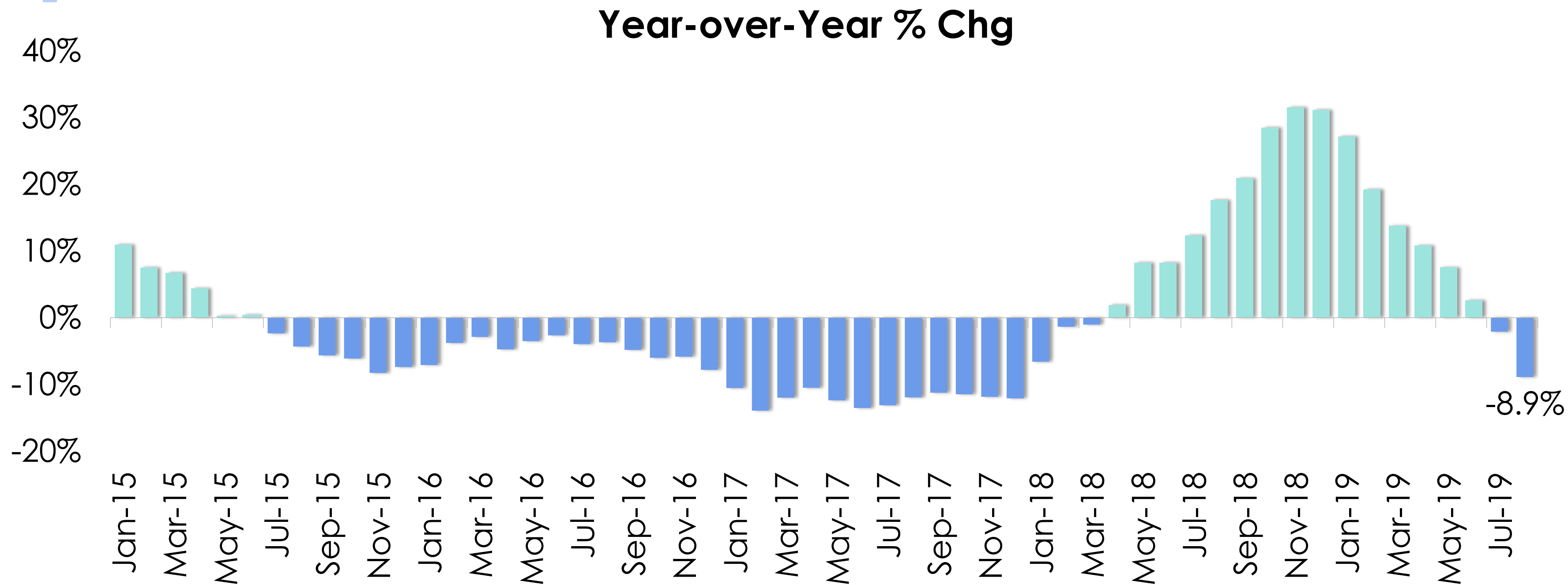
California median price at all-time high for August

California, August 2019: **\$617,410**, 1.5% MTM, 3.6% YTY

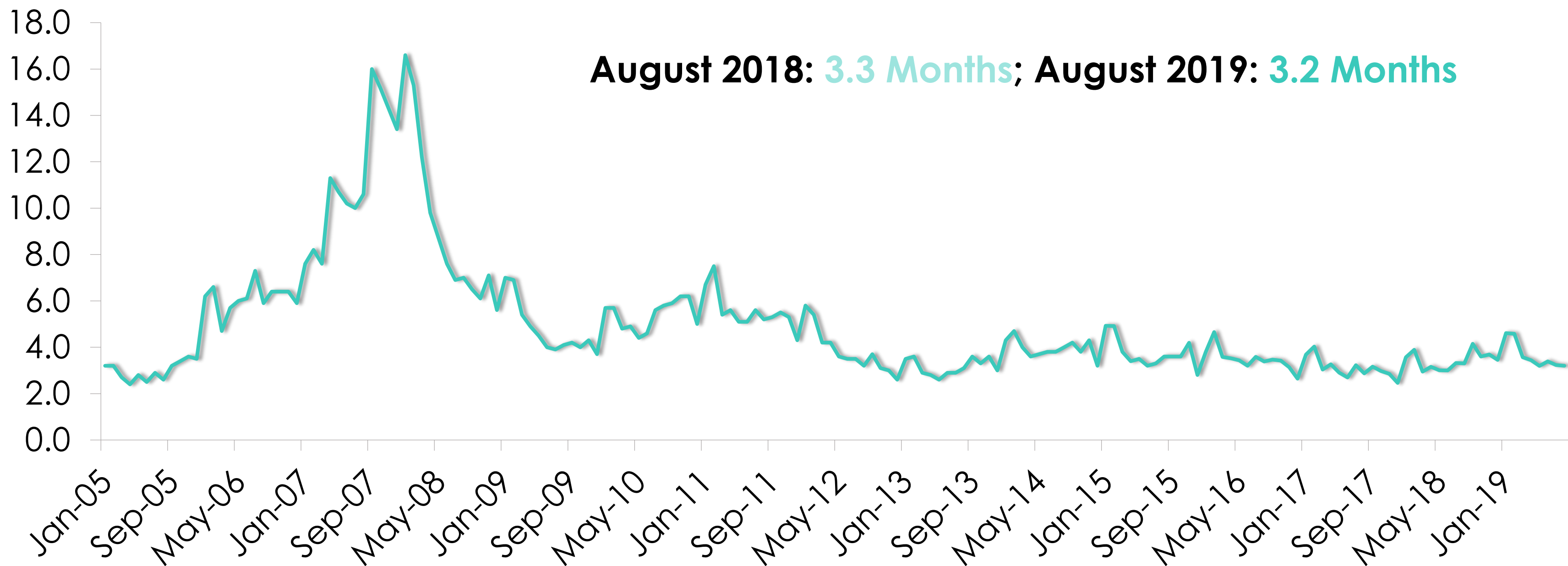


SERIES: Median Price of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

While active listings had the largest drop since Dec 2017



Inventory remains tight

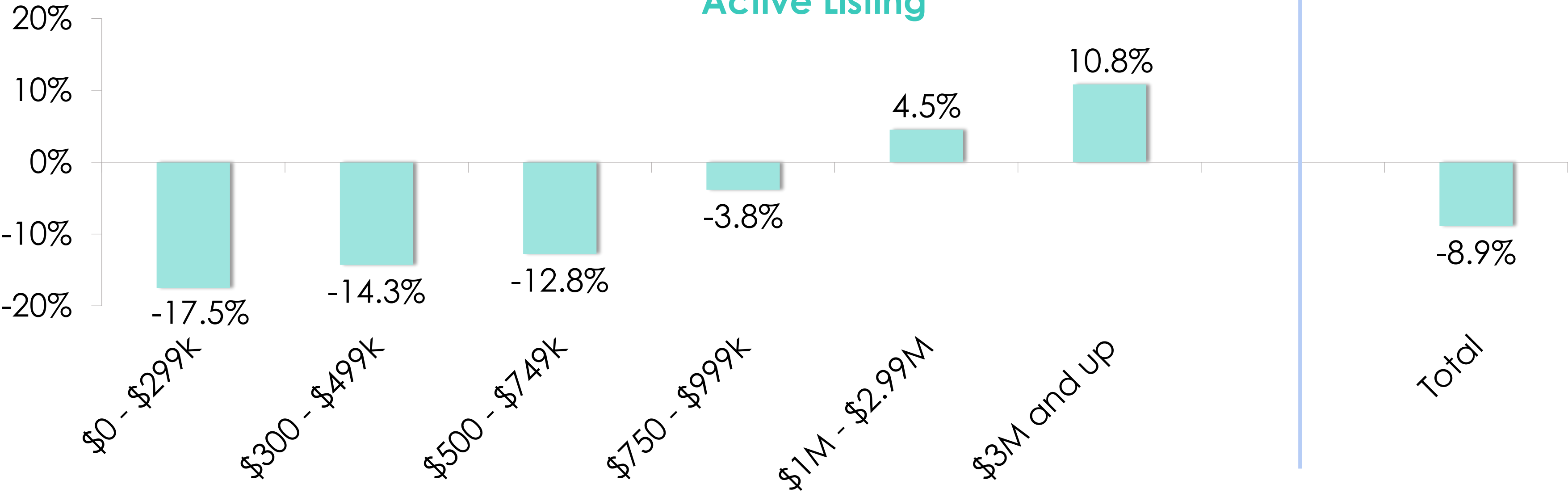


SERIES: Unsold Inventory Index of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

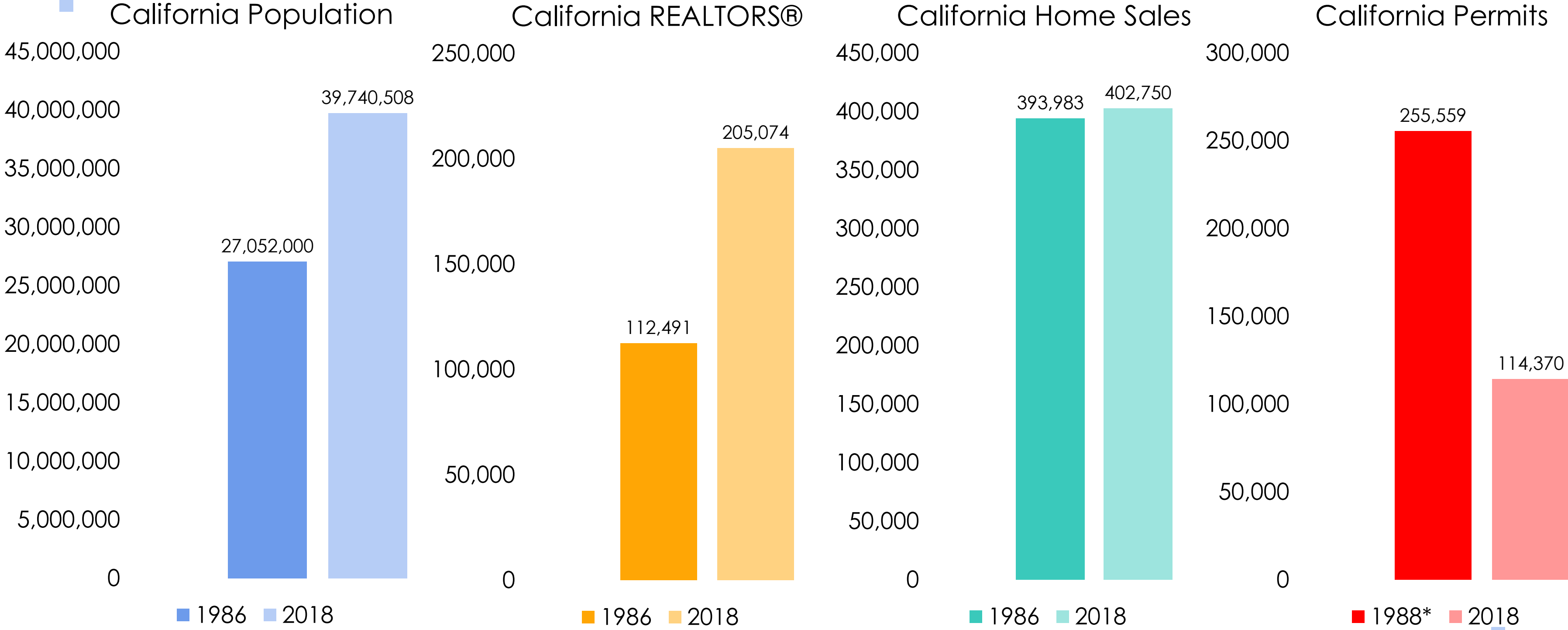
Supply improved only at the upper end of the market

August 2019

Active Listing

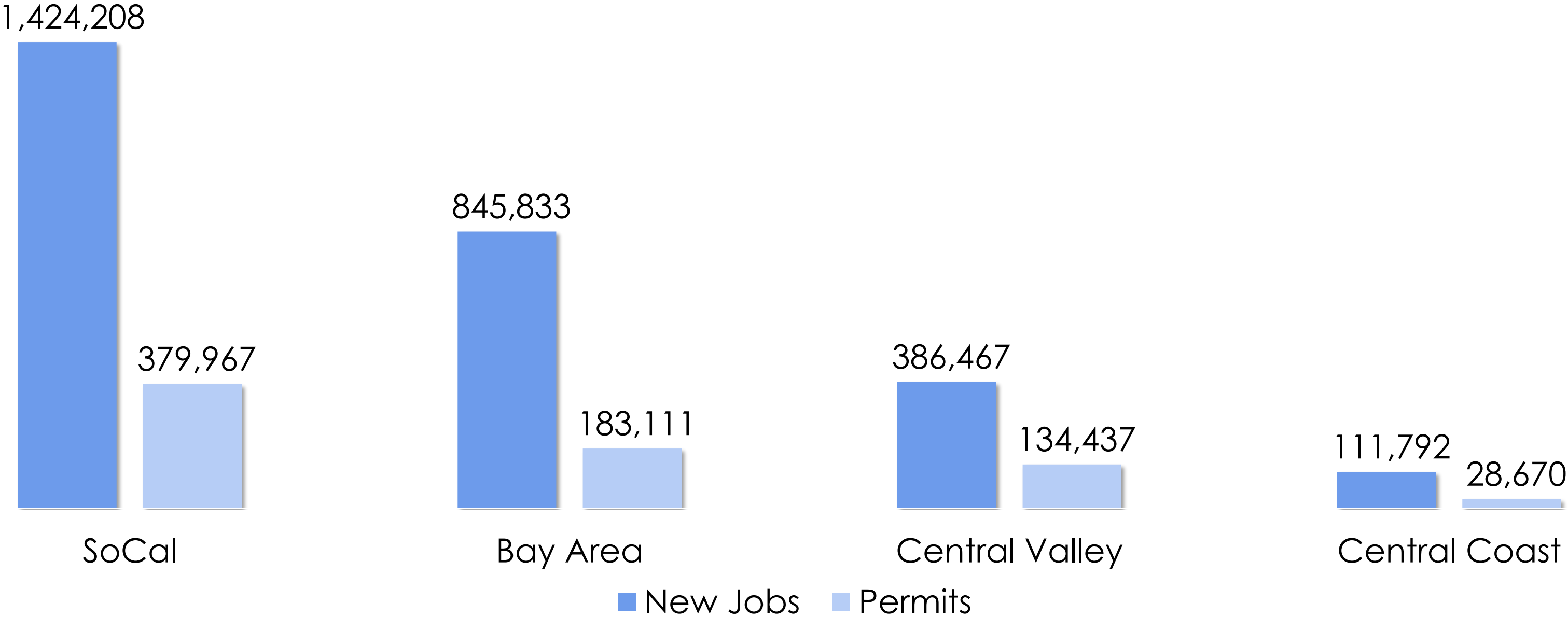


More of everything, except...

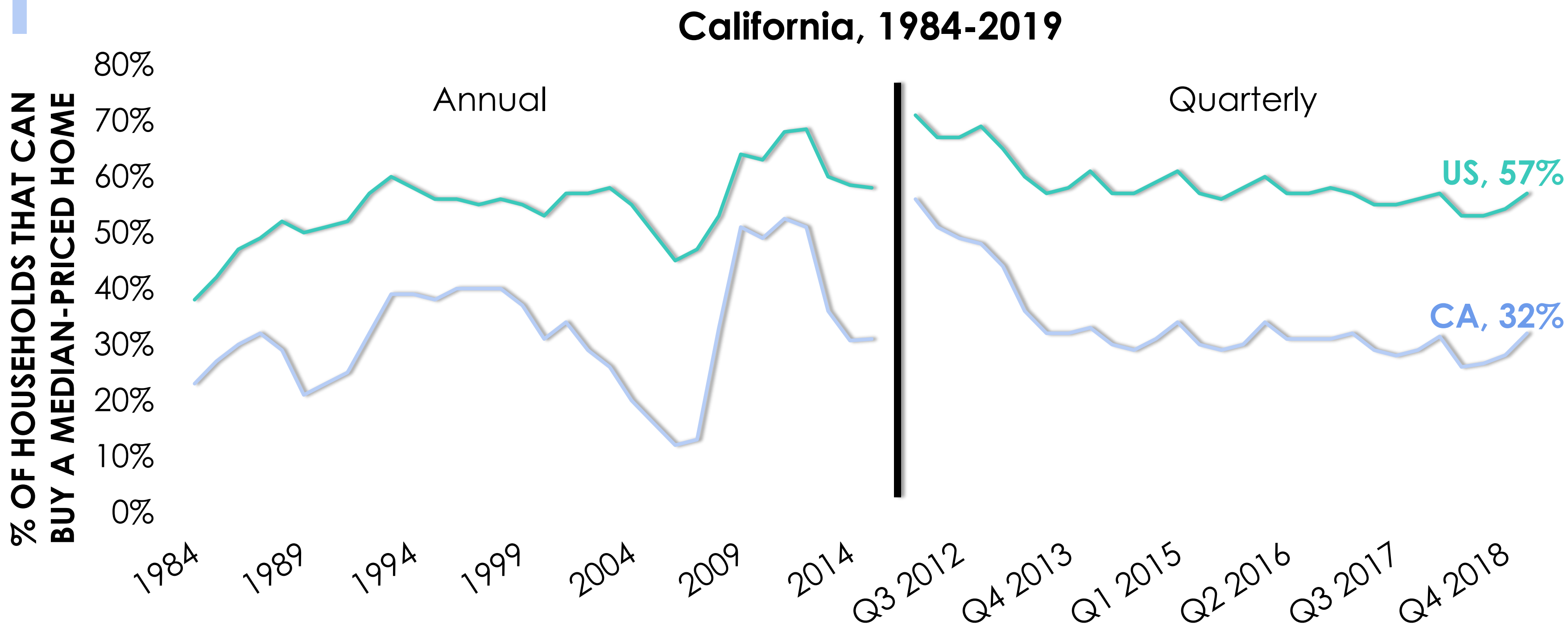


So does the data...

California New Jobs vs. New Construction 2010-2018



Housing affordability remains an issue



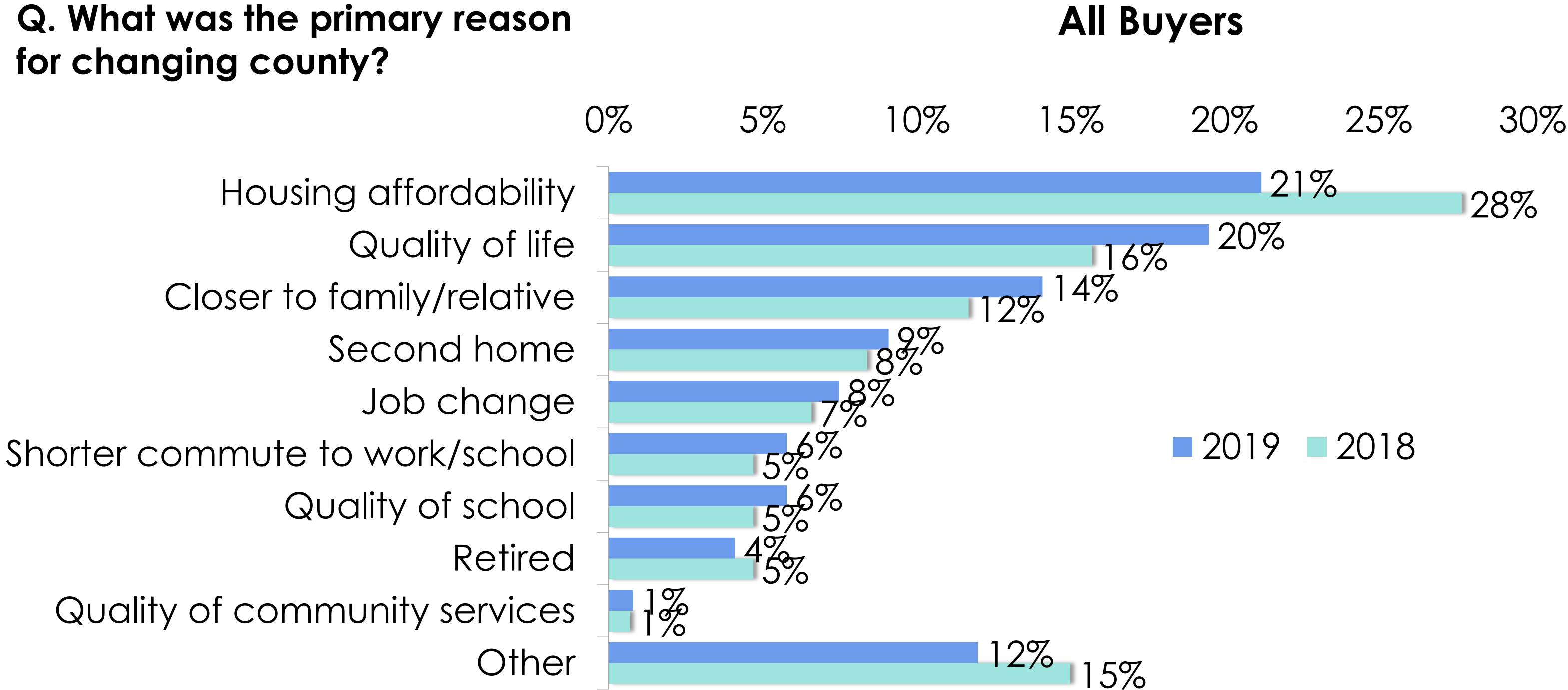
SERIES: Housing Affordability Index of Traditional Buyers
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Minimum annual income required during affordability peak vs. current

Region	2012 Q1	2019 Q2	% CHG
CA SFH	\$56,320	\$122,960	118.3%
CA Condo/Townhomes	\$44,440	\$95,960	115.9%
Los Angeles Metropolitan Area	\$53,780	\$109,090	102.8%
Inland Empire	\$35,170	\$76,760	118.3%
S.F. Bay Area	\$90,370	\$197,970	119.1%
US	\$32,000	\$56,480	76.5%

Housing affordability still the main reason for outmigration

Q. What was the primary reason for changing county?



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





Regional Housing Market Update

Bay Area Home Sales August 2019

County	Aug-18	Aug-19	YTY% Chg.	YTD% Chg.
Alameda	940	942	0.2%	-3.2%
Contra Costa	1,018	1,014	-0.4%	-5.1%
Marin	210	193	-8.1%	1.9%
Napa	124	99	-20.2%	-4.0%
San Francisco	183	166	-9.3%	-1.9%
San Mateo	374	341	-8.8%	-3.9%
Santa Clara	940	875	-6.9%	-7.7%
Solano	431	467	8.4%	-0.1%
Sonoma	445	393	-11.7%	-3.1%

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

Median price – Bay Area

County	Aug-18	Aug-19	YTY% Chg.
Alameda	\$960,000	\$905,500	-5.7%
Contra Costa	\$650,000	\$672,750	3.5%
Marin	\$1,222,500	\$1,230,000	0.6%
Napa	\$752,500	\$699,000	-7.1%
San Francisco	\$1,550,000	\$1,602,500	3.4%
San Mateo	\$1,500,000	\$1,545,000	3.0%
Santa Clara	\$1,295,000	\$1,190,000	-8.1%
Solano	\$455,000	\$459,700	1.0%
Sonoma	\$670,000	\$712,000	6.3%



Contra Costa

monthly
market
report
August
2019

Contra Costa County

Median Price



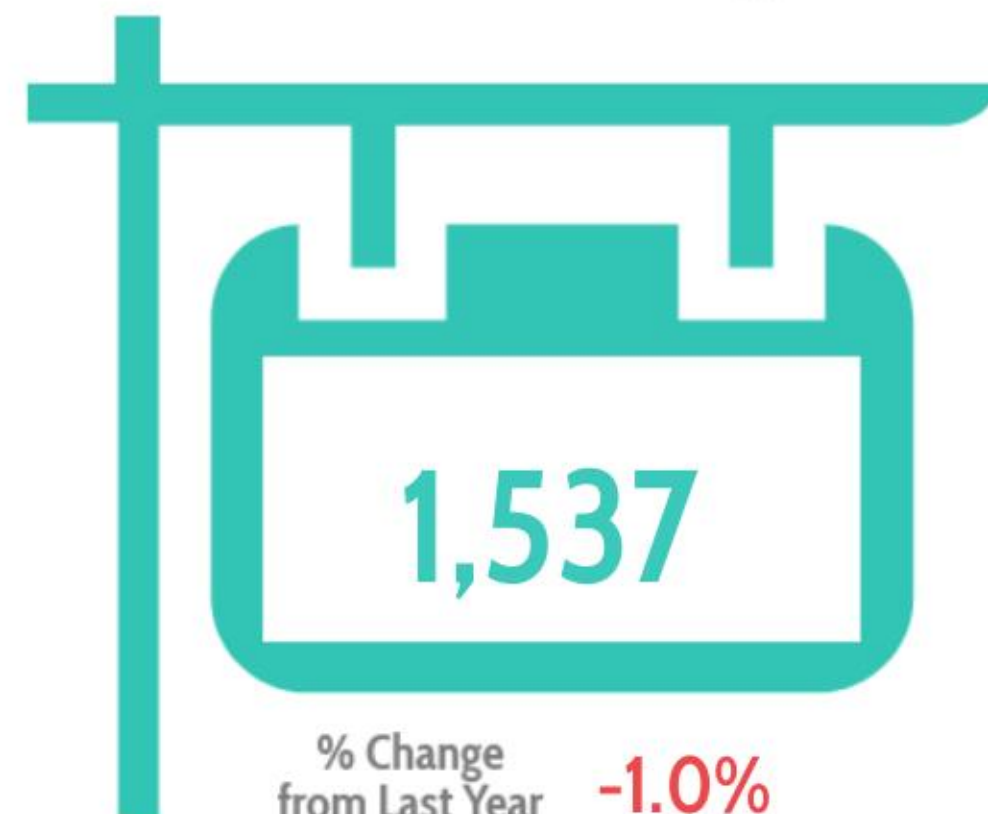
% Change
from Last Year **+3.5%**

Home Sales



% Change
from Last Year **-0.4%**

Active Listings



% Change
from Last Year **-1.0%**

Market Competition

Median
Days on
Market

16

Sales to
List Price %

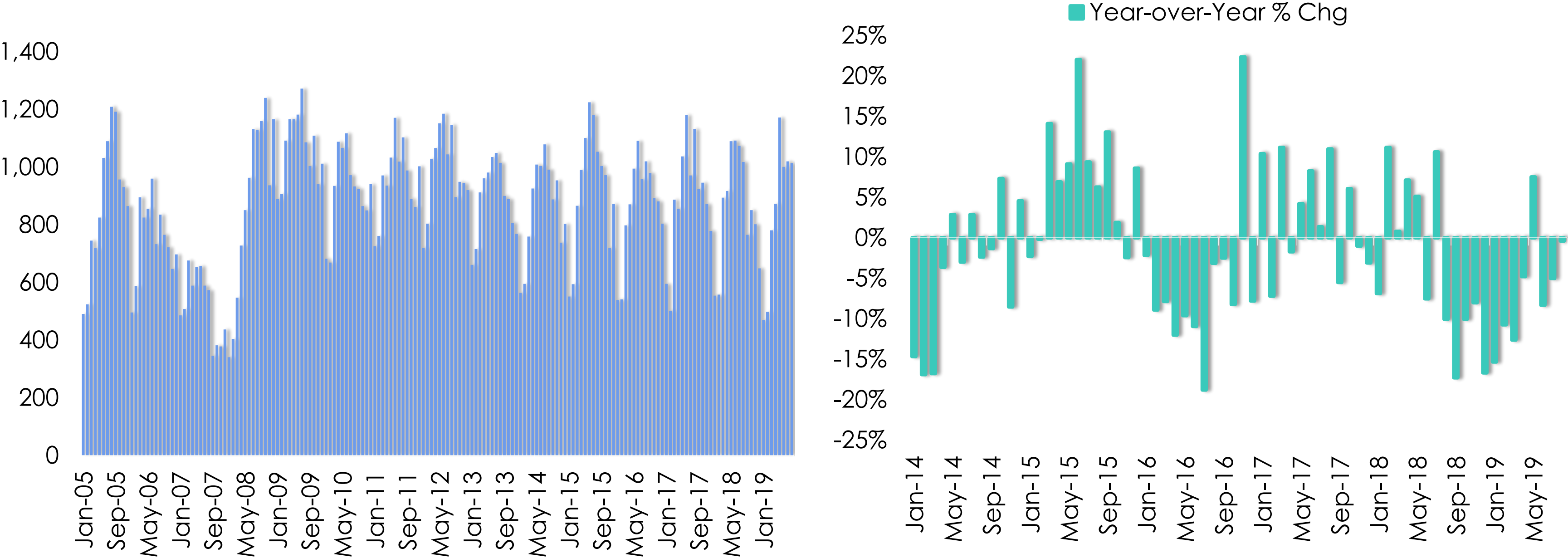
100.0%

% of Active
Listings with
Reduced Prices

36.0%

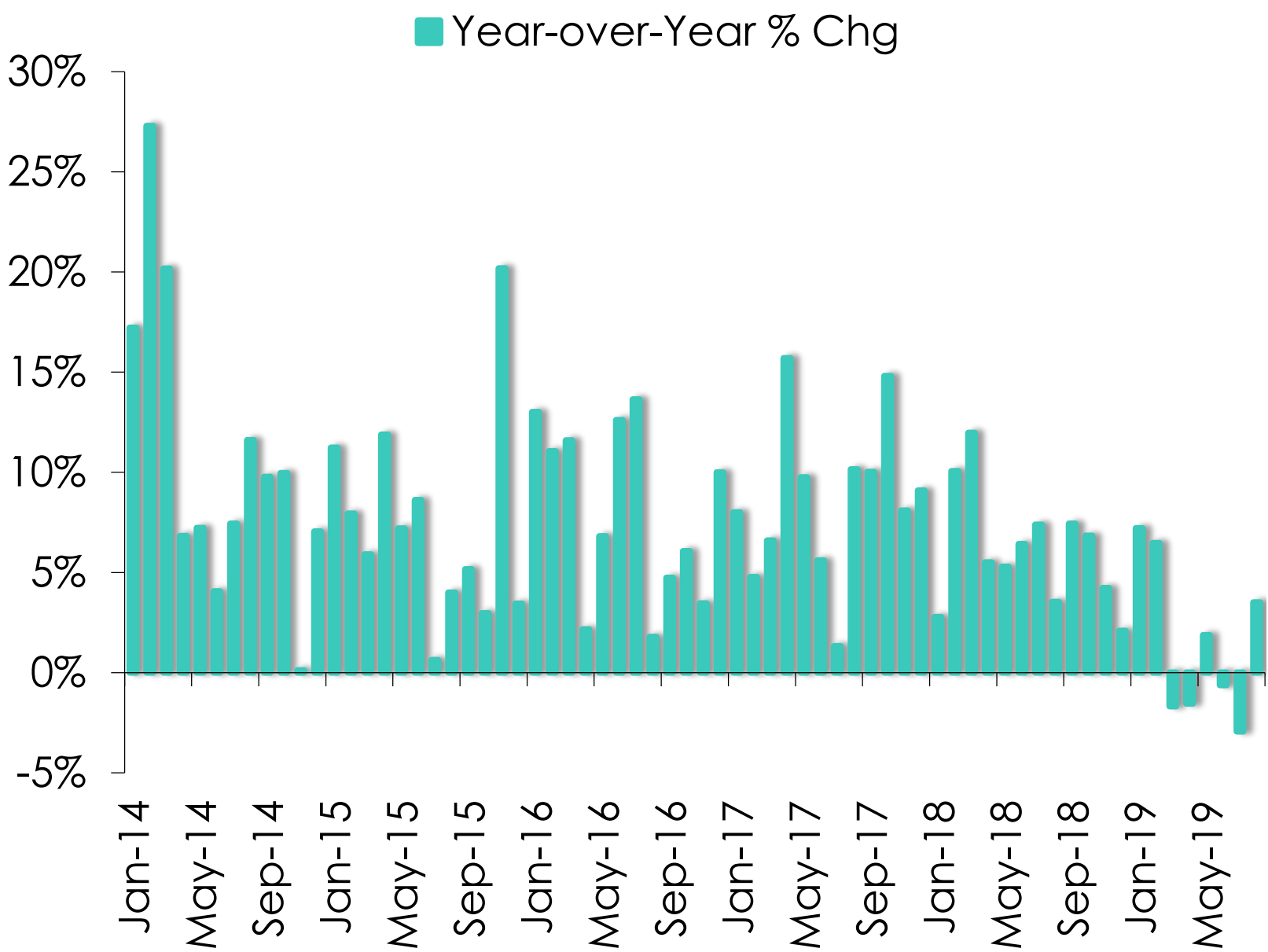
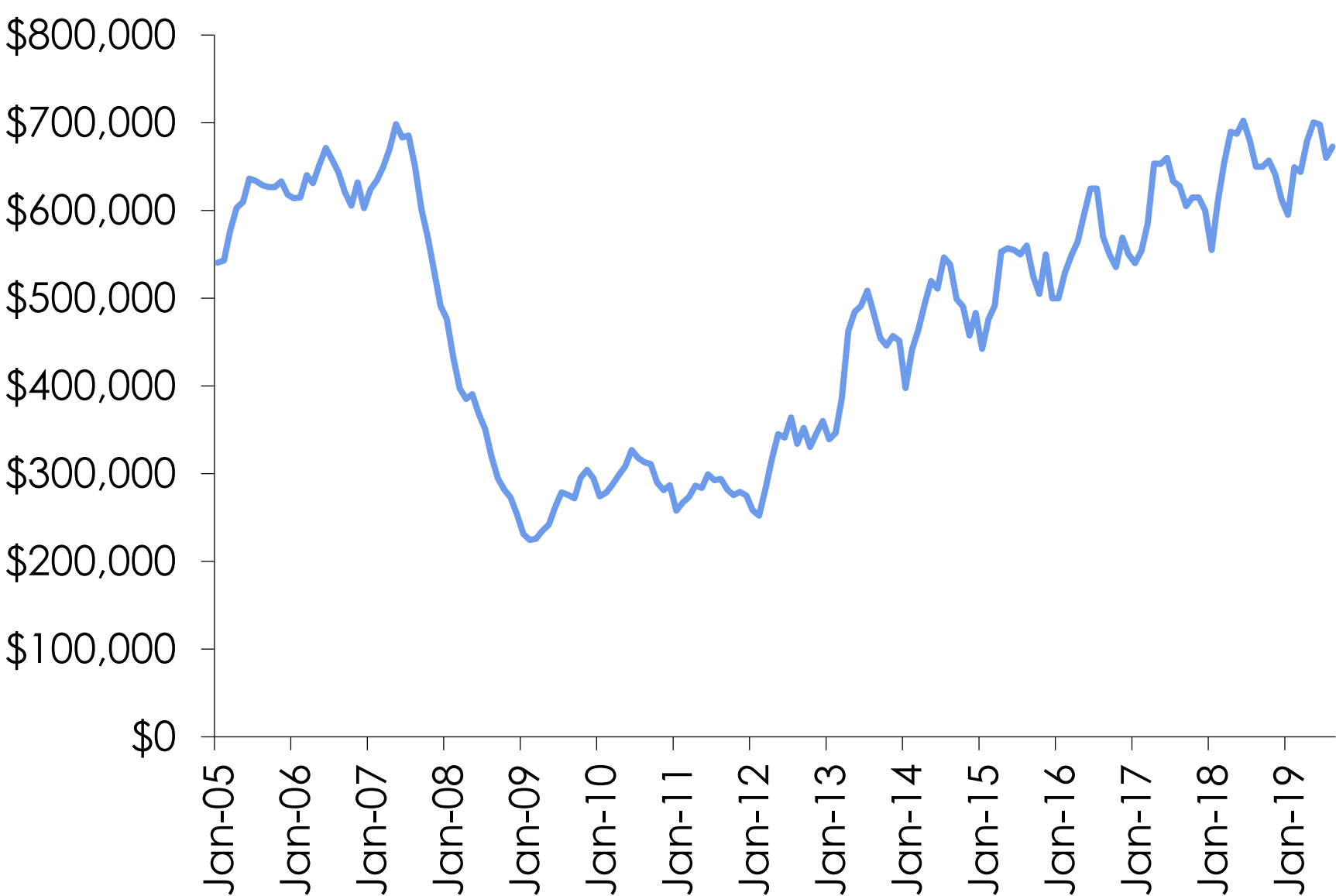
Contra Costa sales down 12 of last 13 months

August 2019 Sales: 1,014 Units, -5.1% YTD, -0.4% YTY

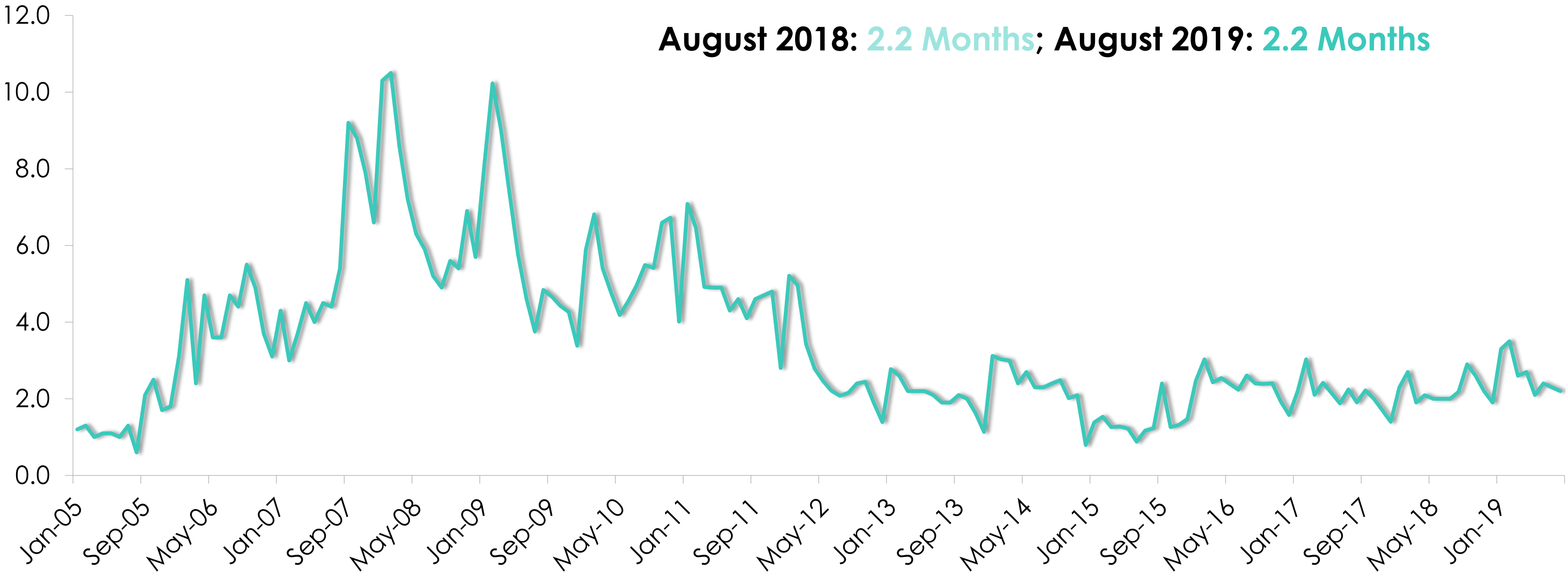


Median home price still on an upward trend but leveling off

August 2019: \$672,750, Up 3.5% YTY



Inventory remains tight



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.



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



Local **Housing Market Update**

monthly
market
report
August
2019

Antioch, California

Median Price



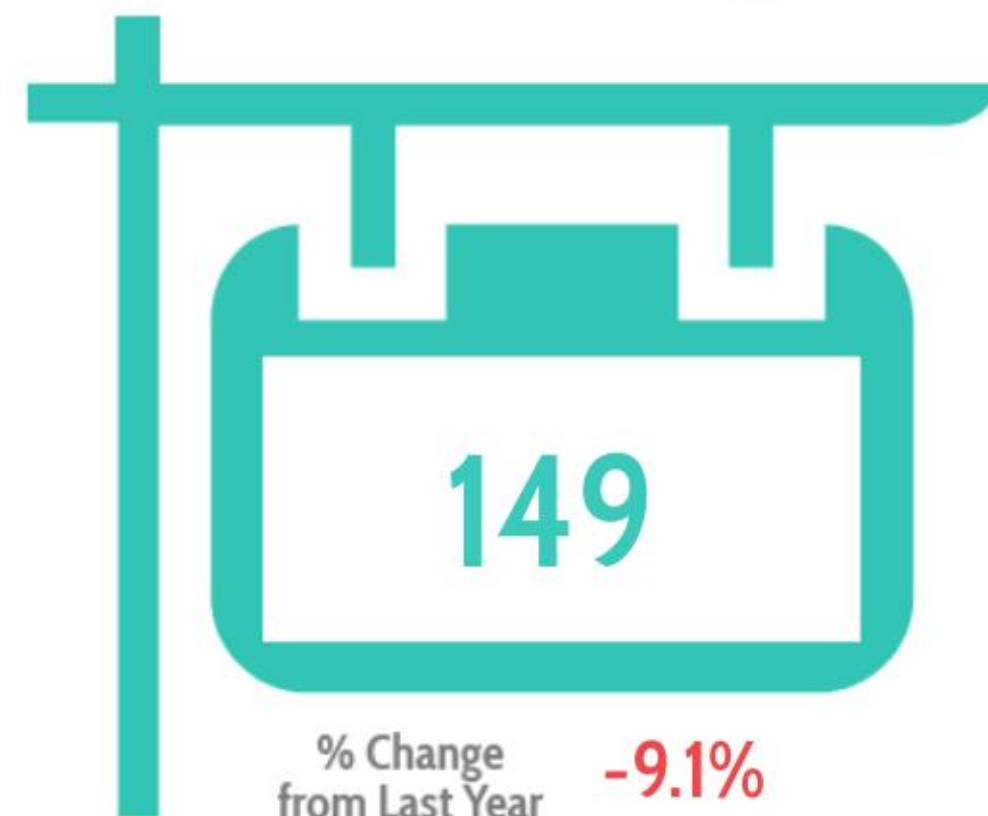
% Change
from Last Year **+7.2%**

Home Sales



% Change
from Last Year **-7.9%**

Active Listings



% Change
from Last Year **-9.1%**

Market Competition

Median
Days on
Market

18

Sales to
List Price %

100.0%

% of Active
Listings with
Reduced Prices

34.2%

monthly
market
report
August
2019

Concord, California

Median Price



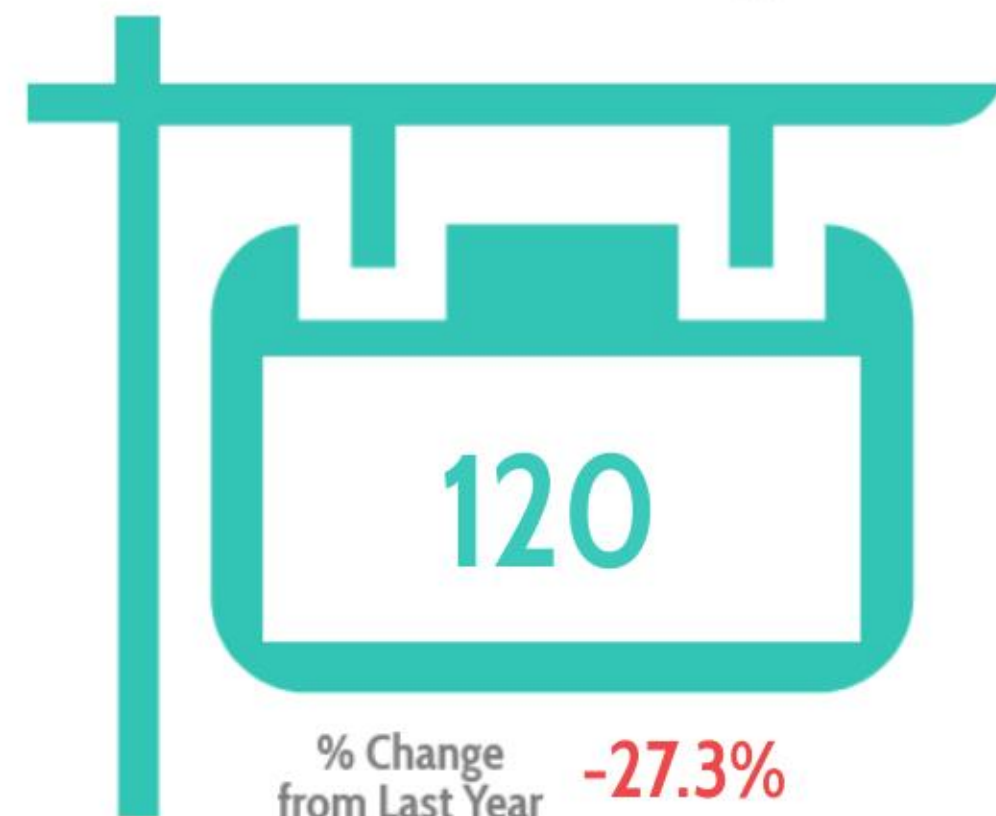
% Change
from Last Year **+5.5%**

Home Sales



% Change
from Last Year **-6.4%**

Active Listings



% Change
from Last Year **-27.3%**

Market Competition

Median
Days on
Market

13

Sales to
List Price %

100.9%

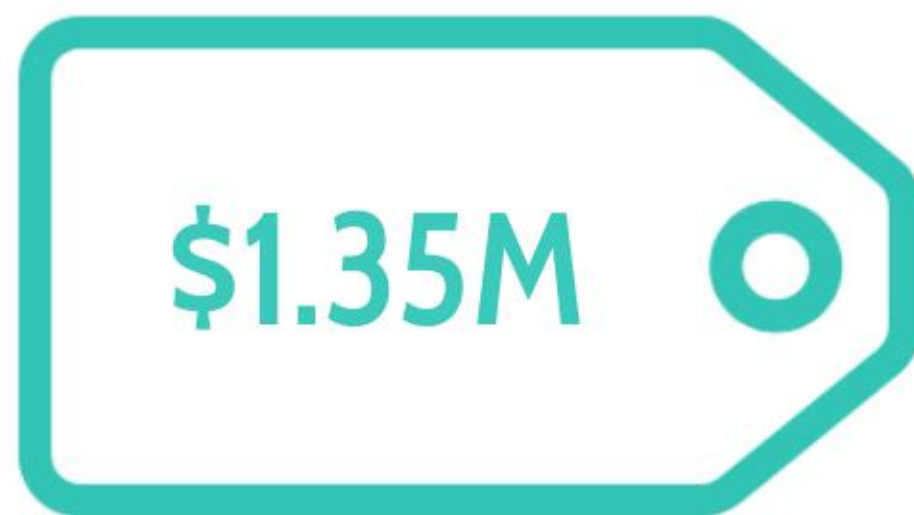
% of Active
Listings with
Reduced Prices

28.3%

monthly
market
report
August
2019

Danville, California

Median Price



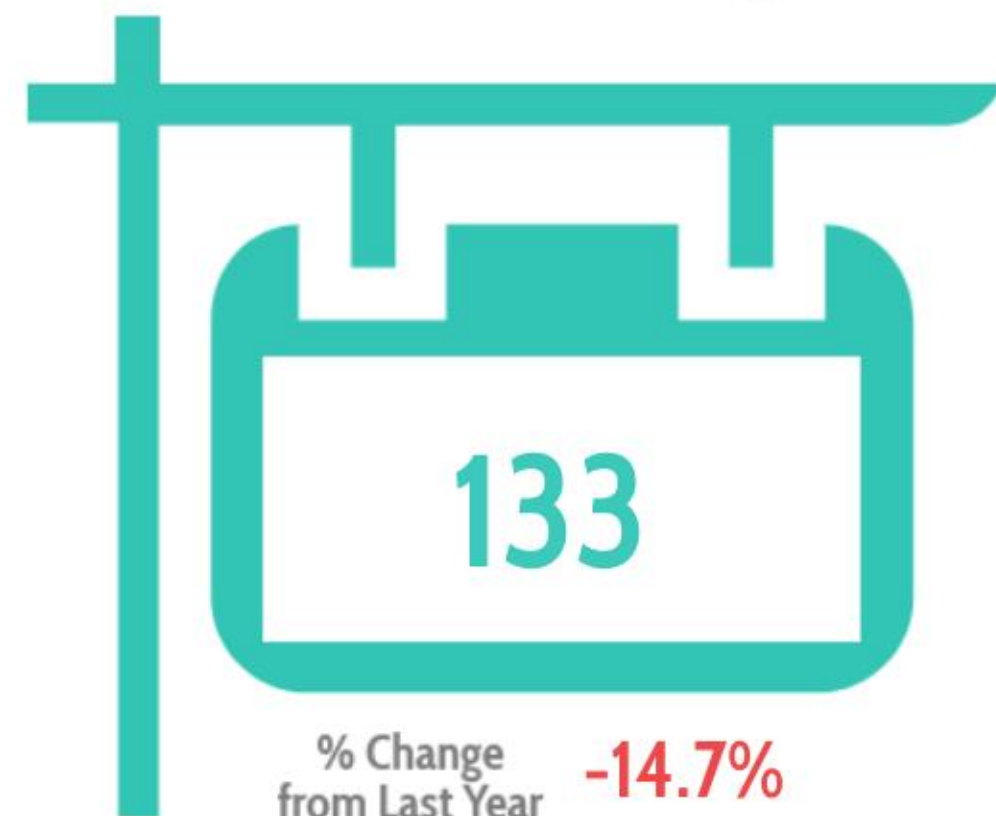
% Change
from Last Year **-2.2%**

Home Sales



% Change
from Last Year **+1.4%**

Active Listings



% Change
from Last Year **-14.7%**

Market Competition

Median
Days on
Market

19

Sales to
List Price %

99.0%

% of Active
Listings with
Reduced Prices

39.1%

monthly
market
report
August
2019

Walnut Creek, California

Median Price



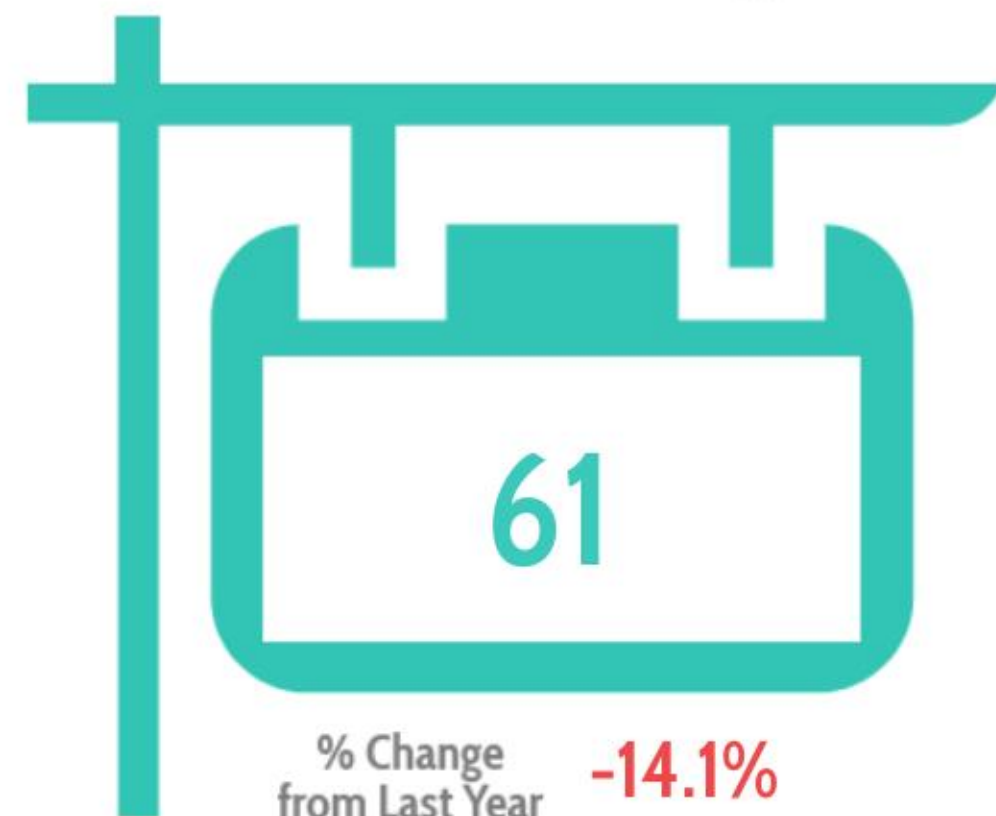
% Change
from Last Year **+10.2%**

Home Sales



% Change
from Last Year **+8.7%**

Active Listings



% Change
from Last Year **-14.1%**

Market Competition

Median
Days on
Market

13

Sales to
List Price %

100.0%

% of Active
Listings with
Reduced Prices

32.8%



Outlook

Economic fundamentals solid... for now



GDP **2.0%**
2019-Q2



Consumption **4.7%**
2019-Q2



Core CPI **2.4%**
September 2019



Unemployment **3.5%**
September 2019



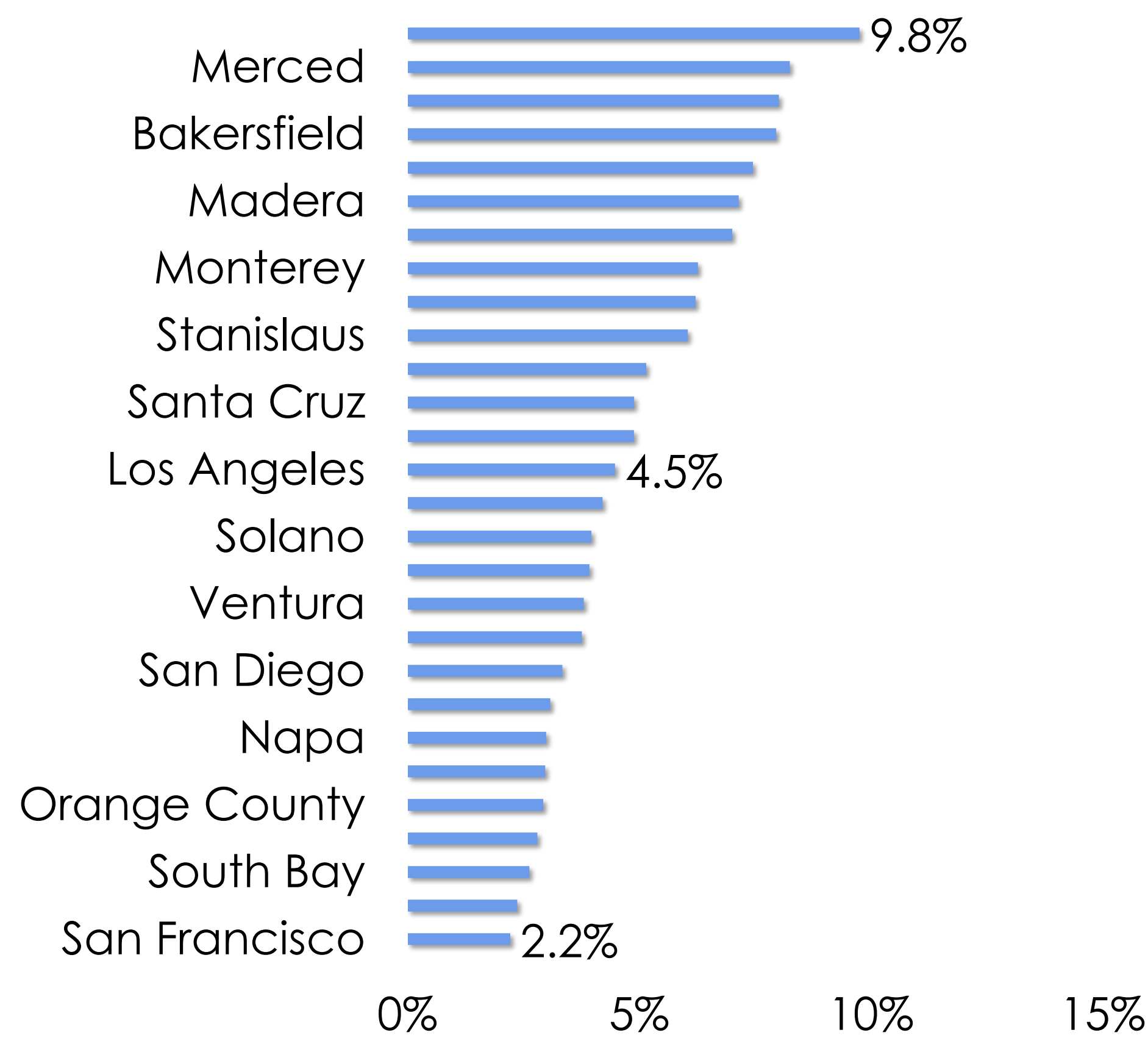
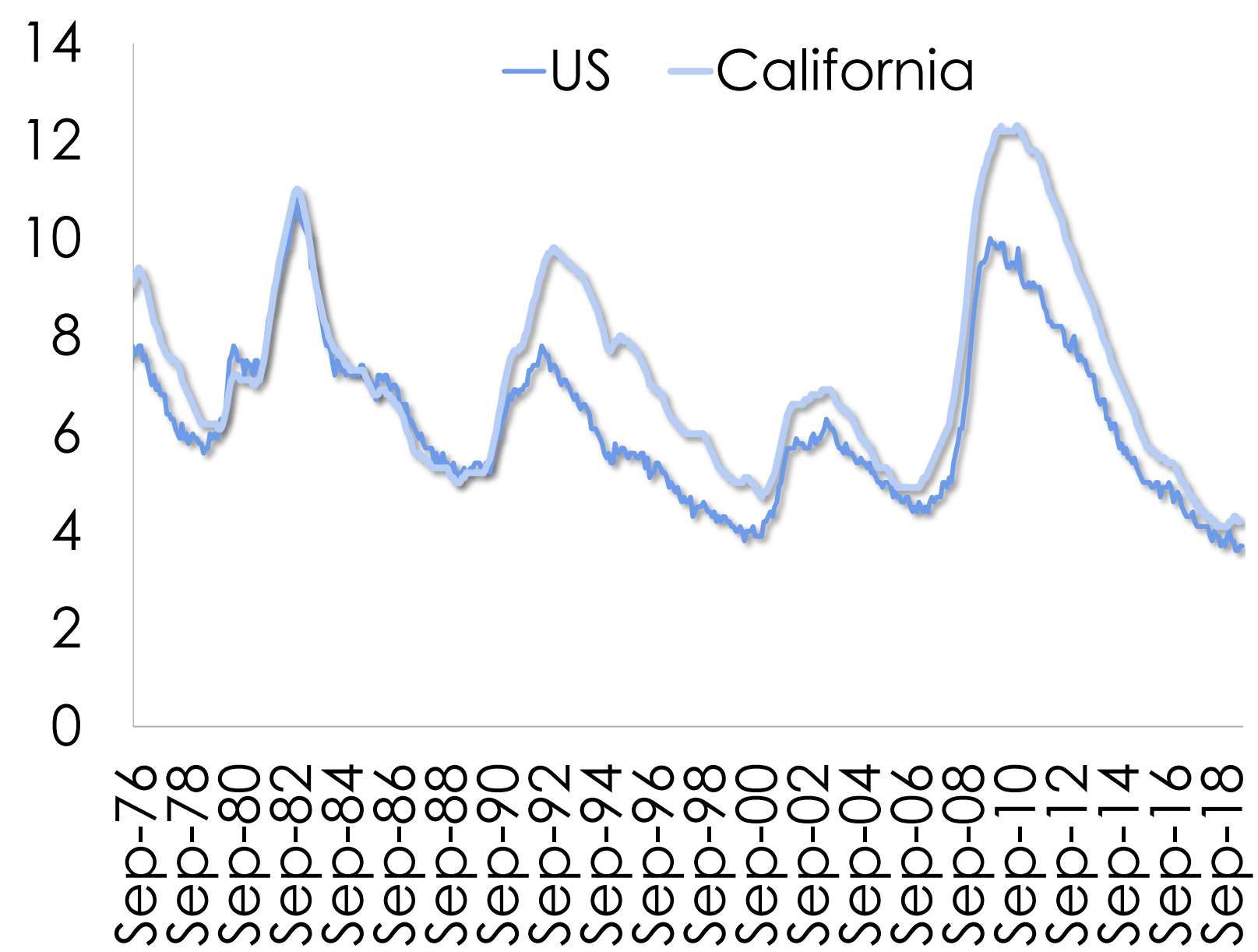
Job Growth **1.4%**
September 2019

SOURCE: Bureau of Labor Statistics & Bureau of Economic Analysis



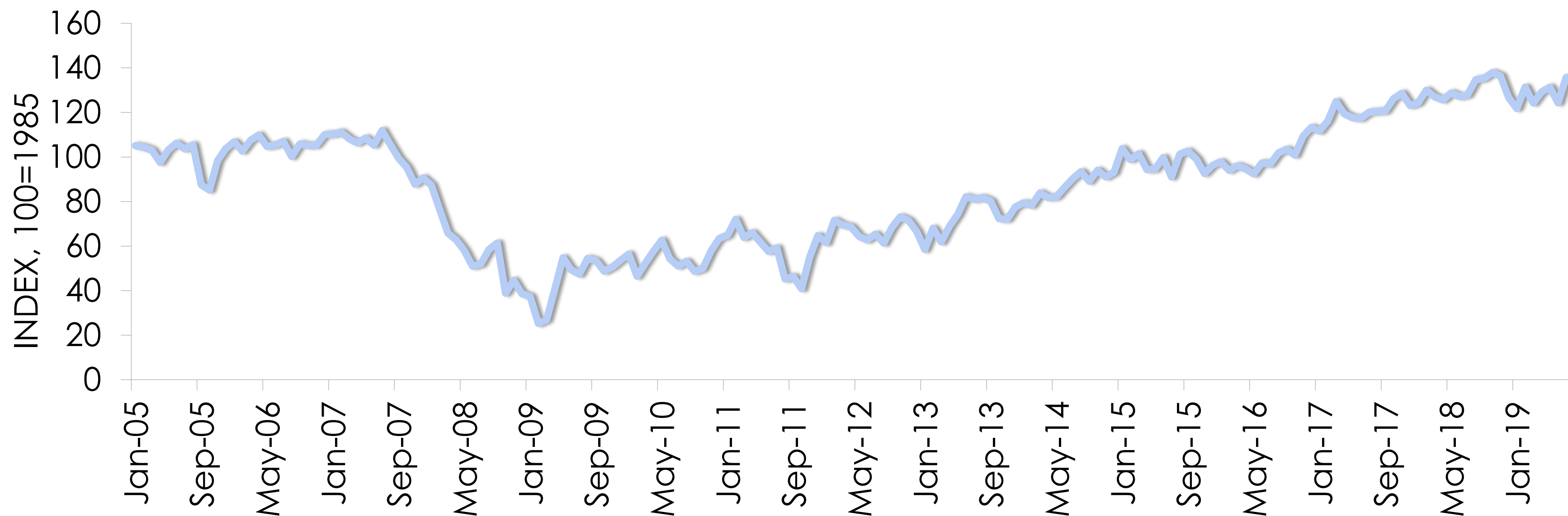
CALIFORNIA ASSOCIATION OF REALTORS®

Unemployment at lowest rate in 50 years



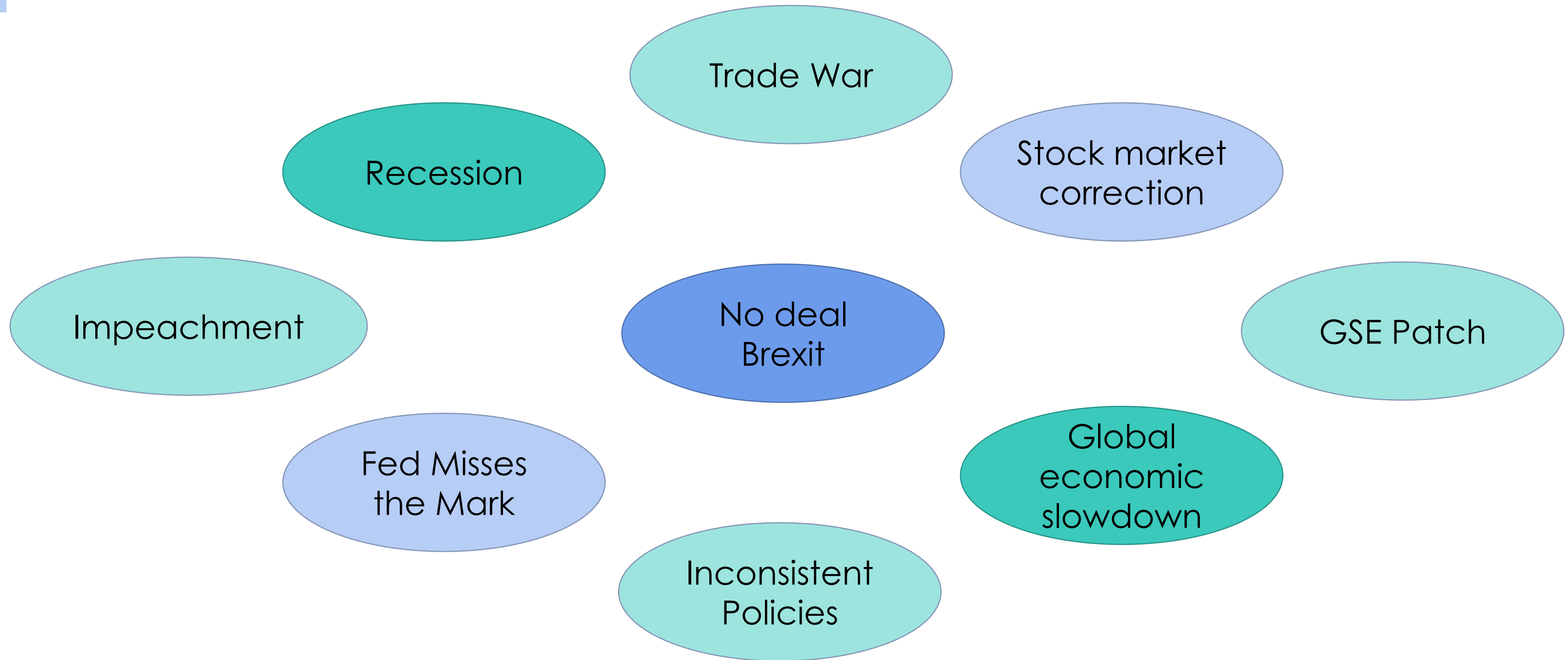
Consumer Confidence dropped 9 points in September

September 2019 125.1

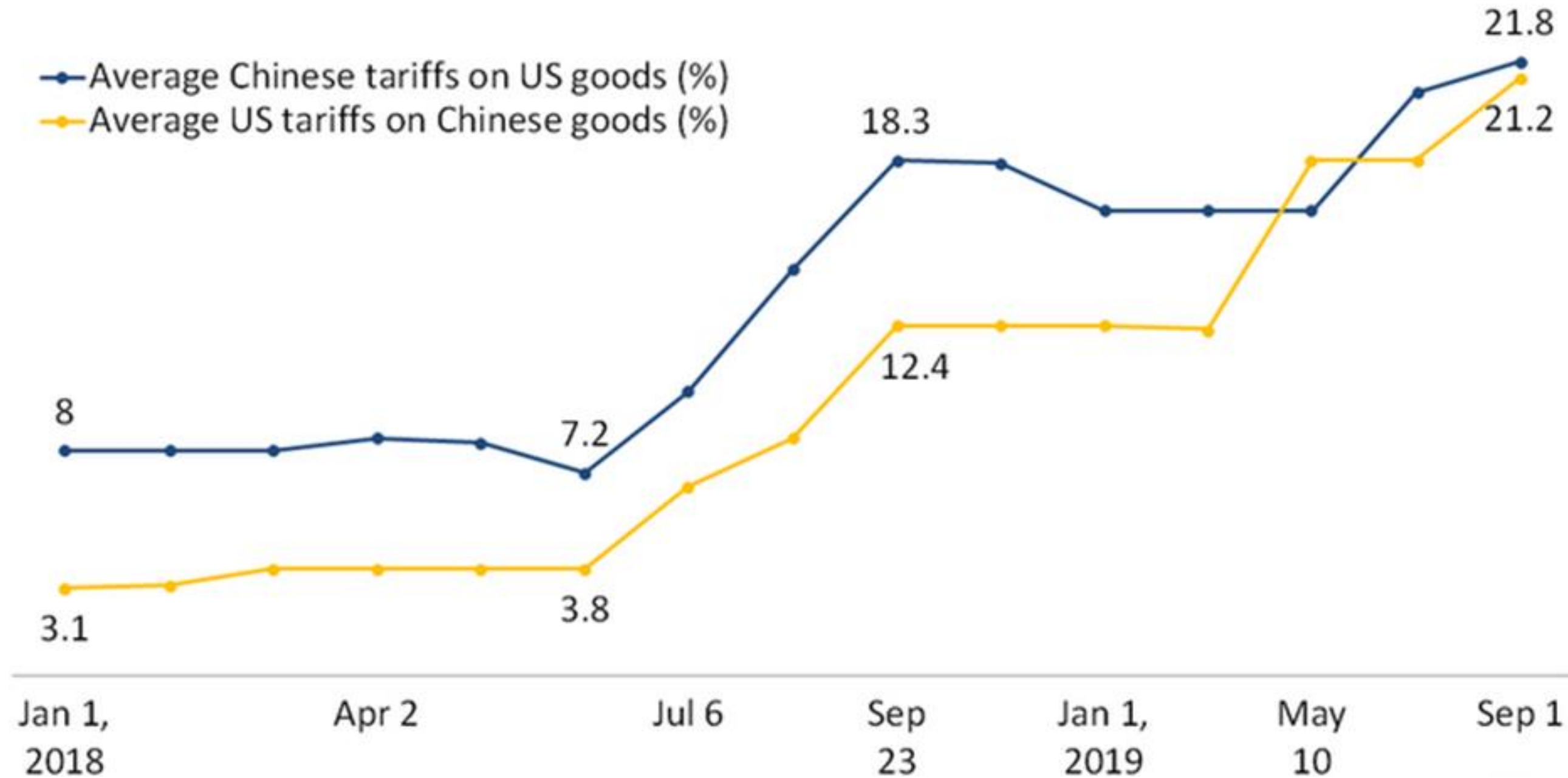


SERIES: Consumer Confidence
SOURCE: The Conference Board

What is everyone worried about? **Everything.**



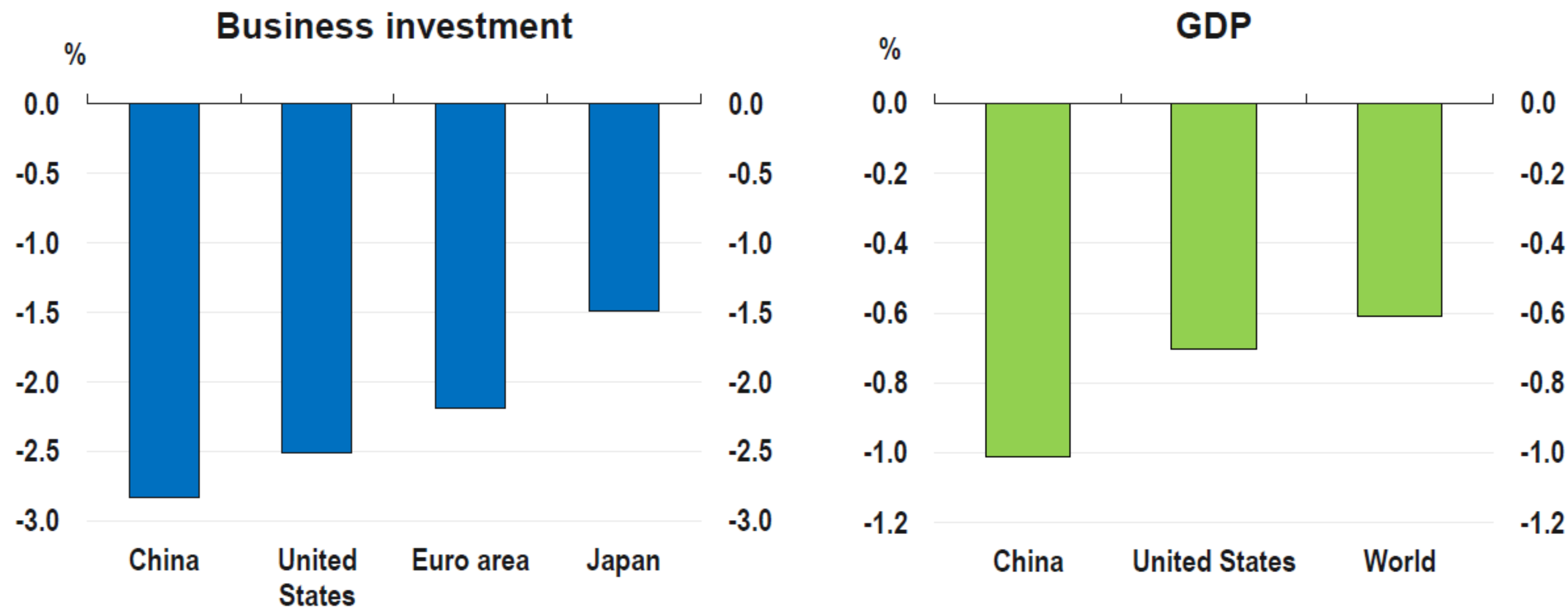
U.S. – China Tariff War



SOURCE: CNBC, PIIE, USTR, International Trade Center, China's finance ministry

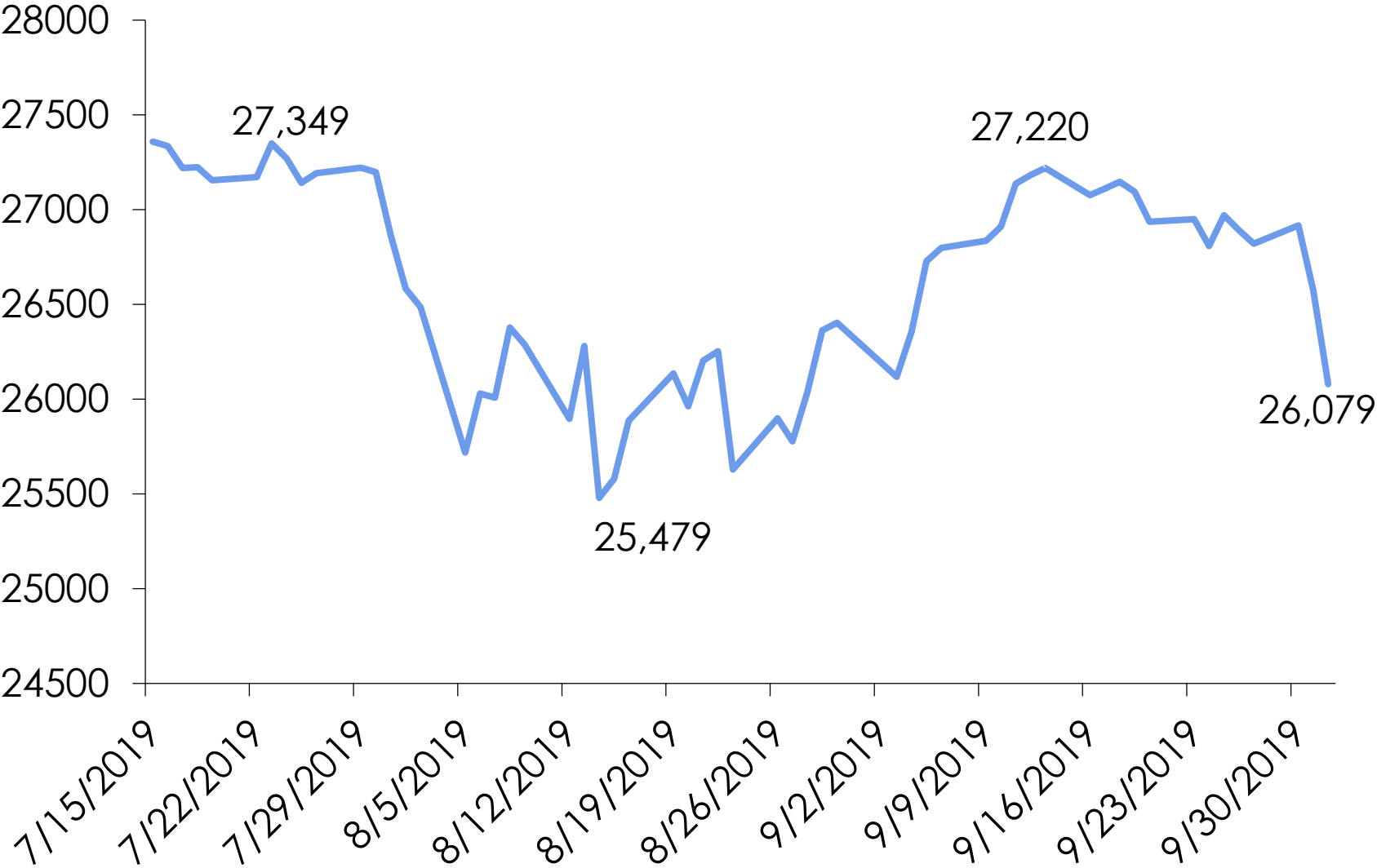
Impact of U.S. – China trade restrictions

Difference from baseline after 2 to 3 years

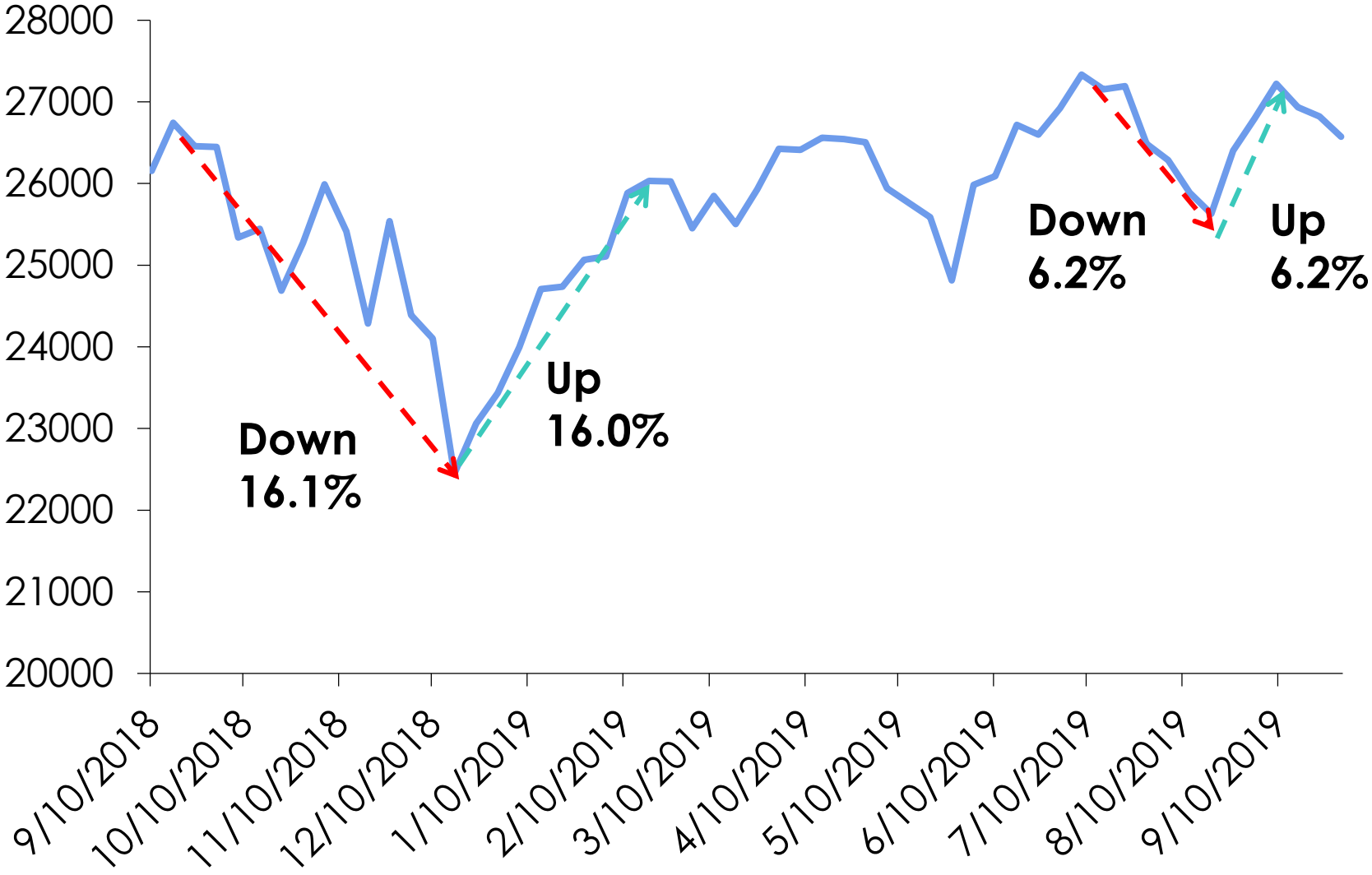


Stock market volatility

(7/15/19 – 10/02/19)



(9/10/18 – 9/30/19)





Threats to the market

Wildfire insurance crisis

- California homeowners struggle to buy fire insurance
- Stung by \$24 billion in losses, insurers are raising rates and dumping customers
- Homeowners are finding their premium up by thousands of dollars



Wildfires caused many to have insurance issues

27% have had issues with fire insurance (either themselves or their clients)

Have you or your clients had difficulties with fire insurance/homeowner's insurance that covers damage due to fire? (n=3,224)



Issues encountered

- 42% had difficulty in obtaining insurance
- 32% had an increase in premium
- 24% had a policy cancellation

Which of the following issues have been encountered? Please select all that apply. (n=1,687)



Inability to obtain insurance is hurting the housing market


34% had a potential buyer
decide not to buy because
they had difficulty obtaining
fire insurance

Have you had any potential buyer who decided not to buy because they had difficulty obtaining fire insurance? (n=1,687)



iBuyer:
**a niche, a real threat or
an opportunity?**



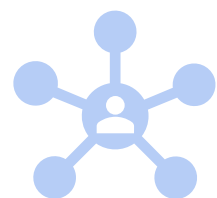


The industry has seen new **internal
models...**

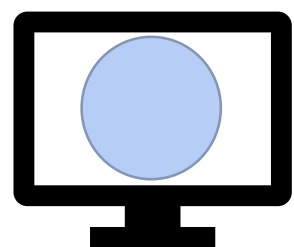


Shift of power: broker to agent

Technology is the driving vehicle



Broker-centric



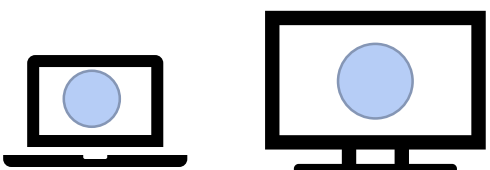
1960s-1970s

Main frame
computer

Broker has all the
information



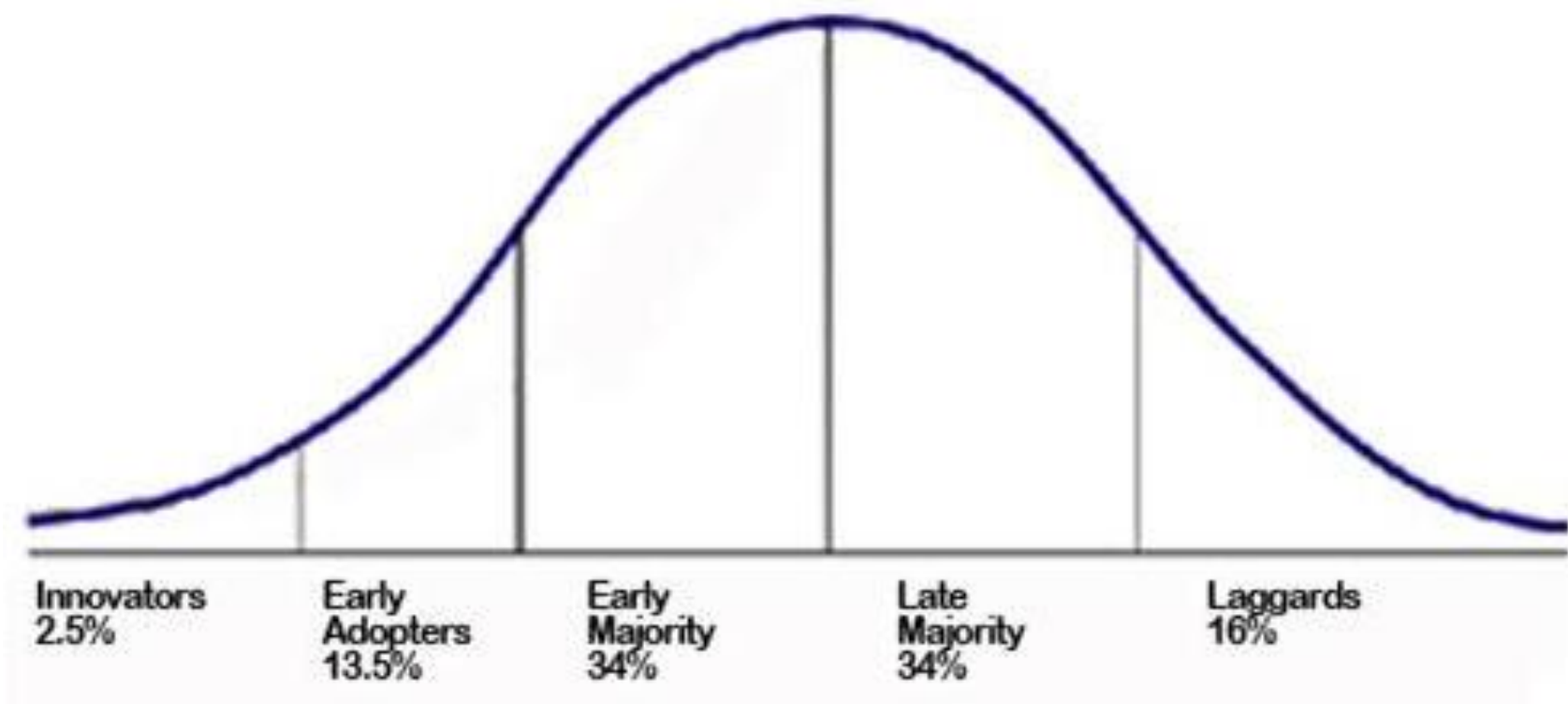
Agent-centric



1980s-1990s

Personal computers

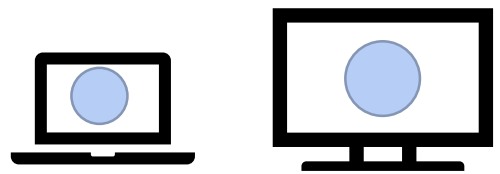
Agents have more
information access



The next shift: agent to consumer???



Agent-centric



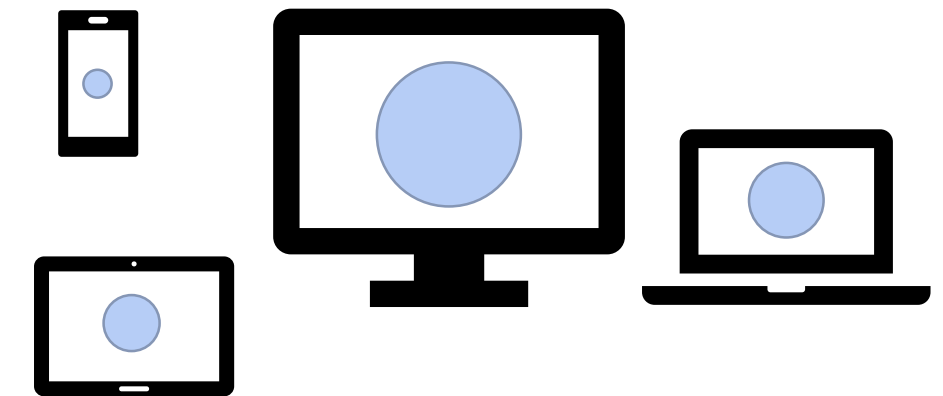
1980s-1990s

Personal computers

Agents have more information access



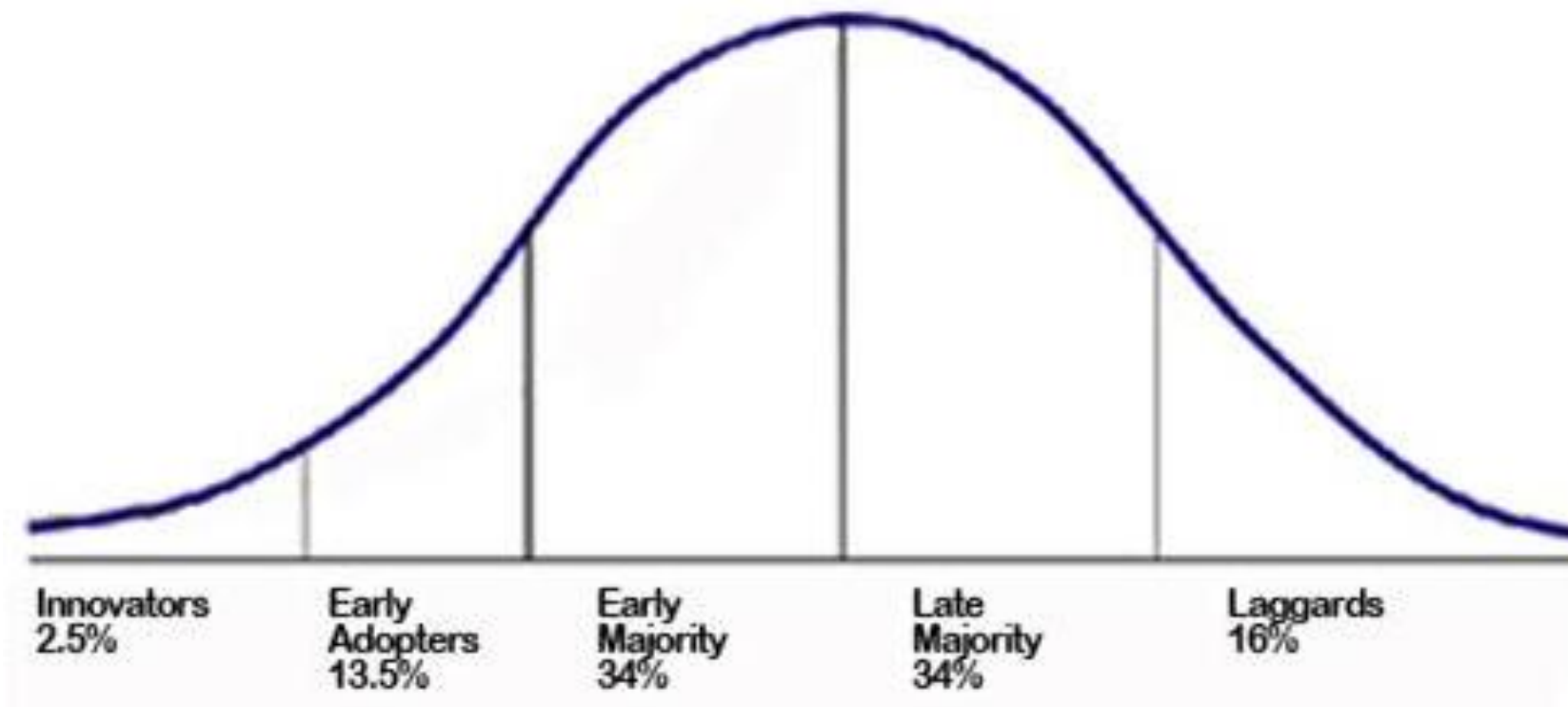
Consumer-centric



2000s – 2010s

Internet and mobile

Consumers have all the information



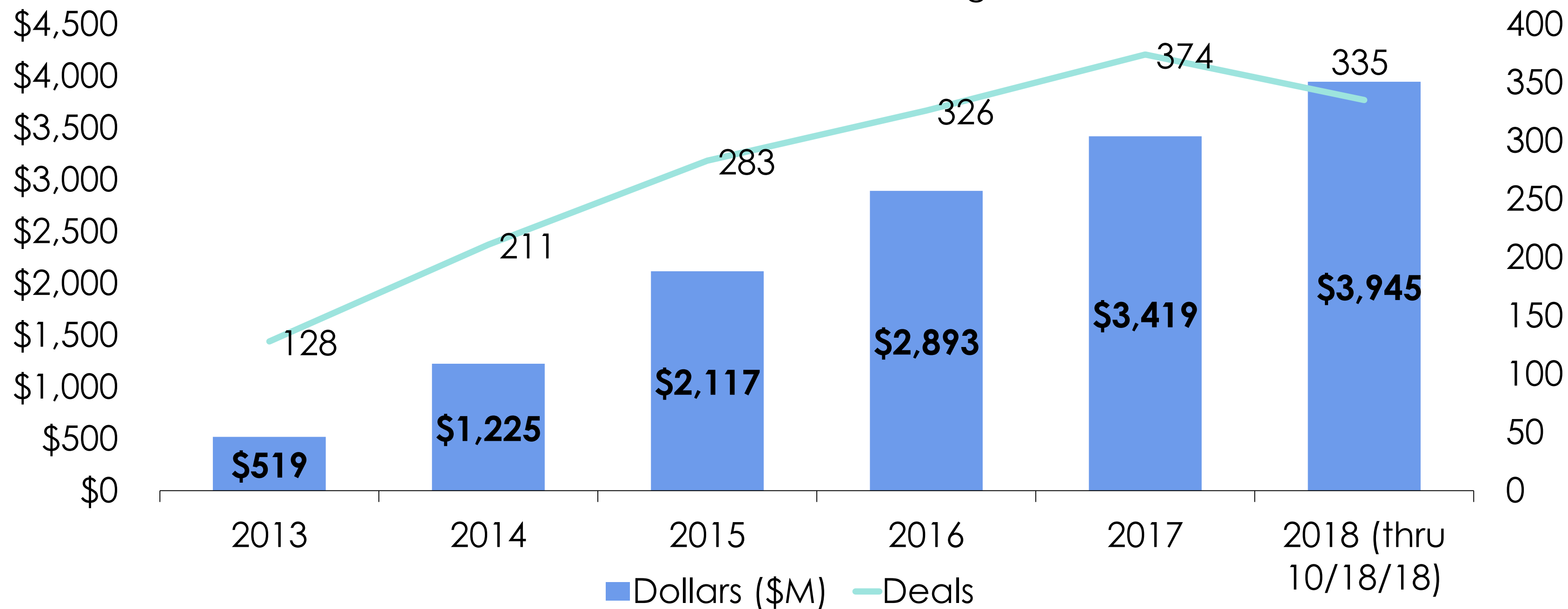
How do the venture capitalists see us?

What are the ramifications of having so much \$\$\$ flowing into the real estate industry?



VC capital changing the rules of the game

Real estate tech financing trend



iBuying is being driven by multi-billion dollar organizations, not scrappy start-ups.

Opendoor

\$1.3B

equity raised



\$7.1B

market cap

Offerpad

\$150M

equity raised

knock

\$60.5M

equity raised

REDFIN | NOW

\$1.8B

market cap

Source: Company disclosures, public markets March 2019. Offerpad amount based on author's best estimate.

Growing Quickly

In Phoenix (the biggest iBuyer market), iBuyers have nearly 6% market share, with Opendoor the largest.

6%

All iBuyers

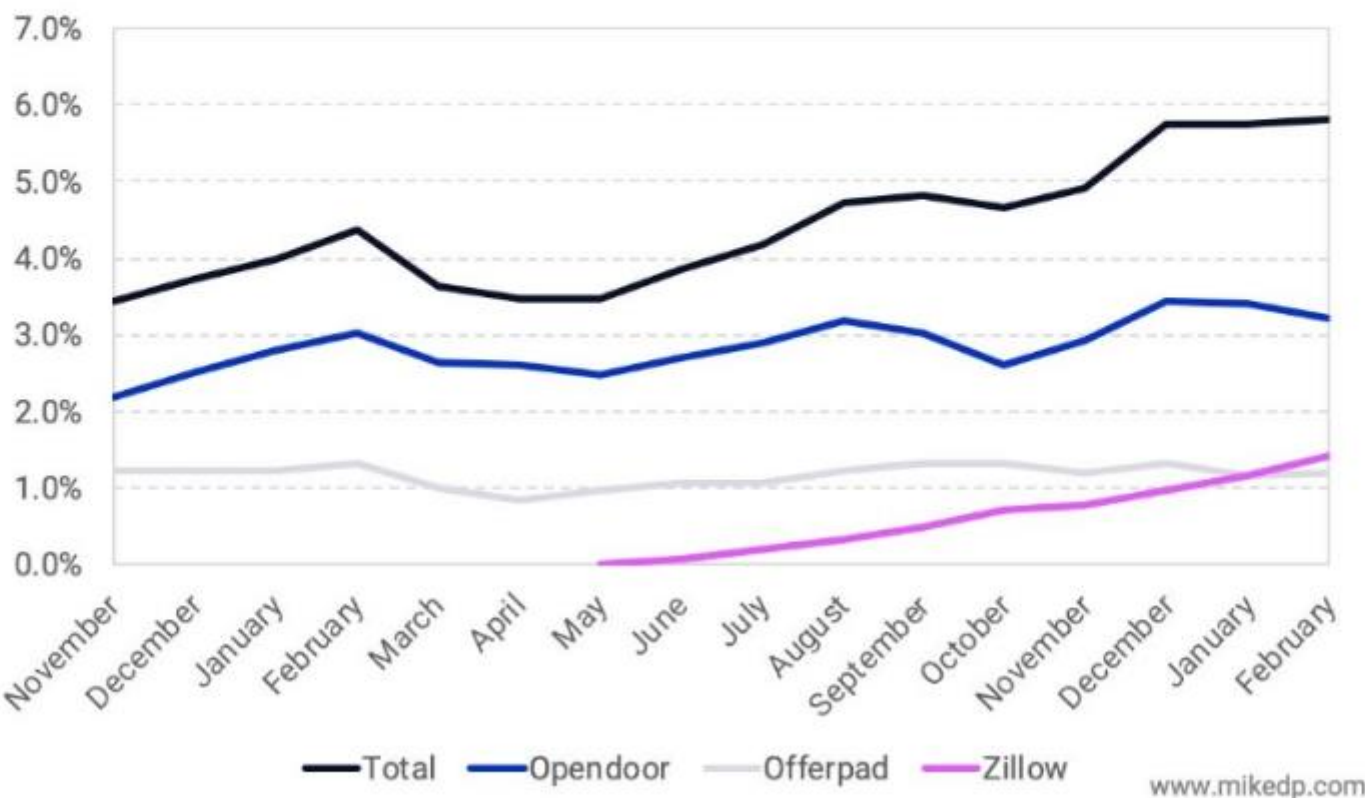
3%

Opendoor

Based on February 2019 transactions.

iBuyer market share in Phoenix has steadily increased, up to nearly 6 percent in Feb 2019.

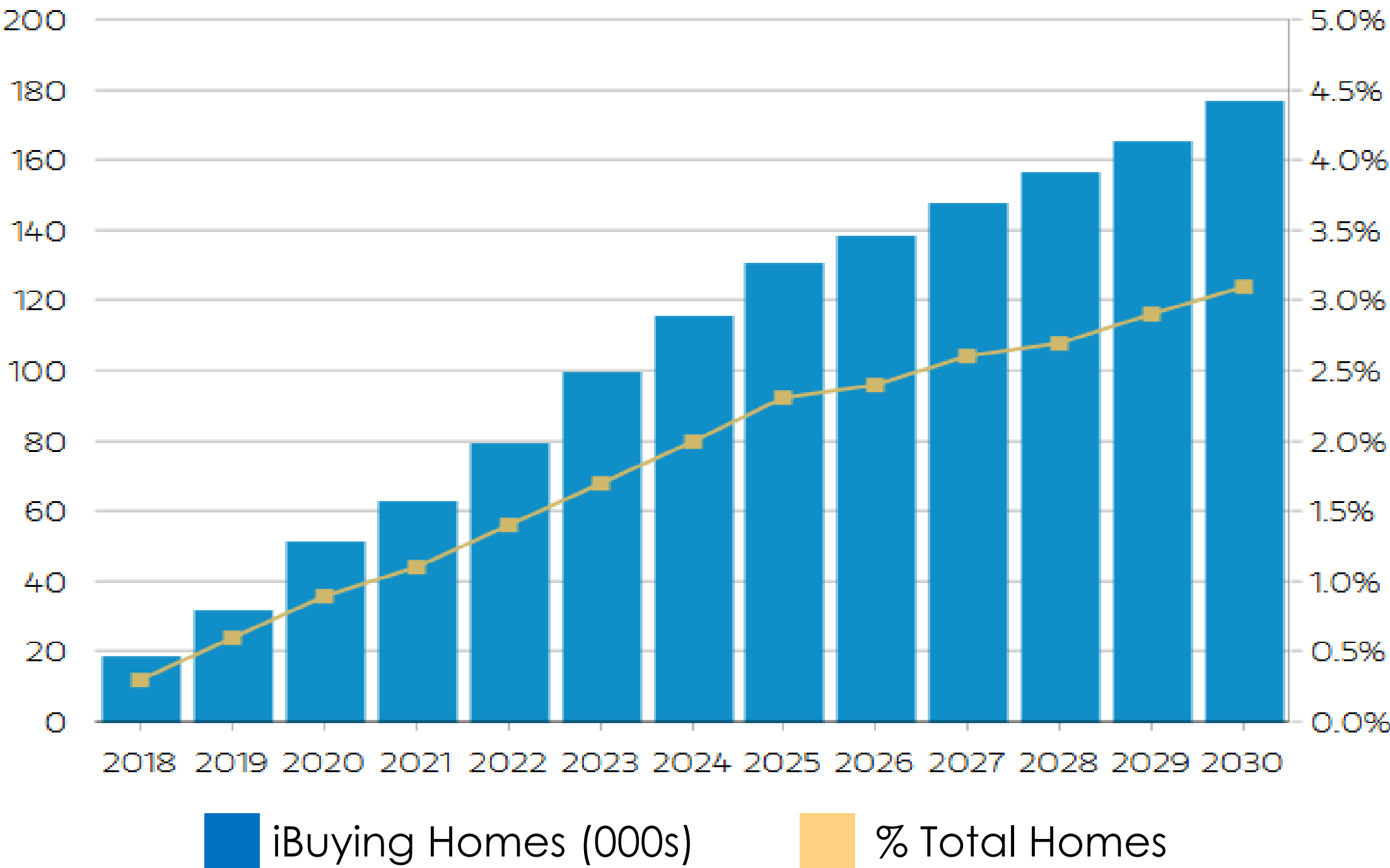
iBuyer Market Share, Phoenix



Source: A variety of aggregate and market-specific data sources, detailed in the appendix.

Impact of iBuyers on Residential Real Estate

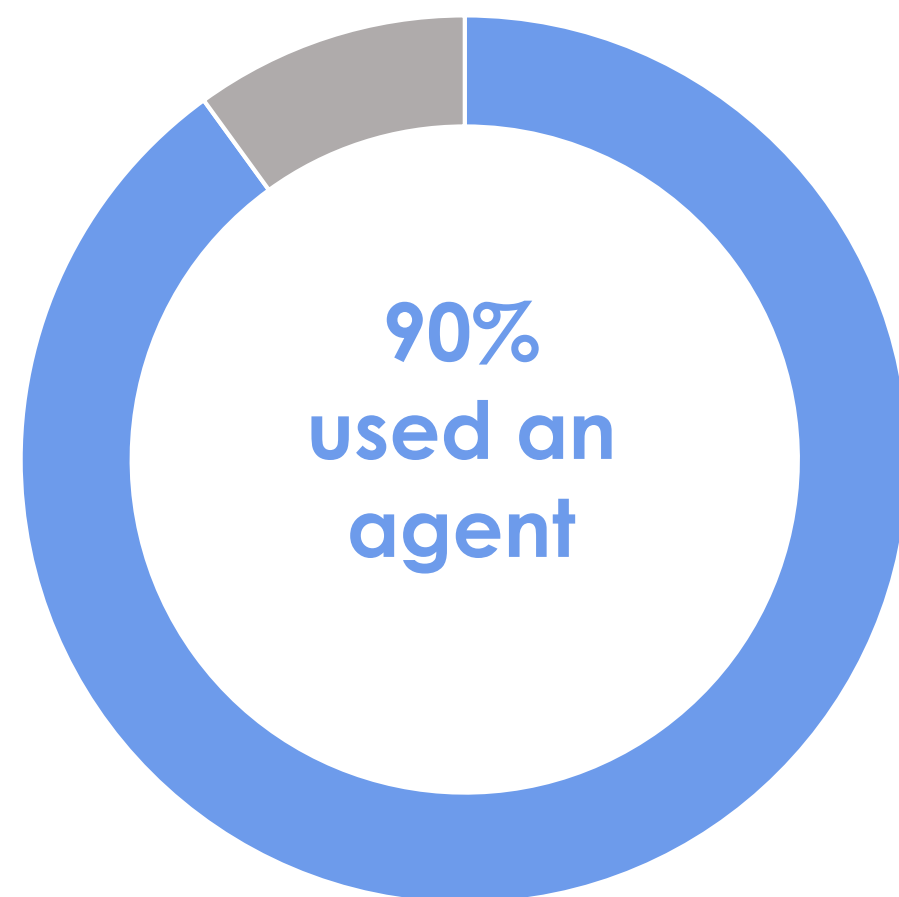
**“The iBuying Market
could reach ~3% total
transaction penetration
by 2030, the equivalent
of ~175k homes.”
(Morgan Stanley)**



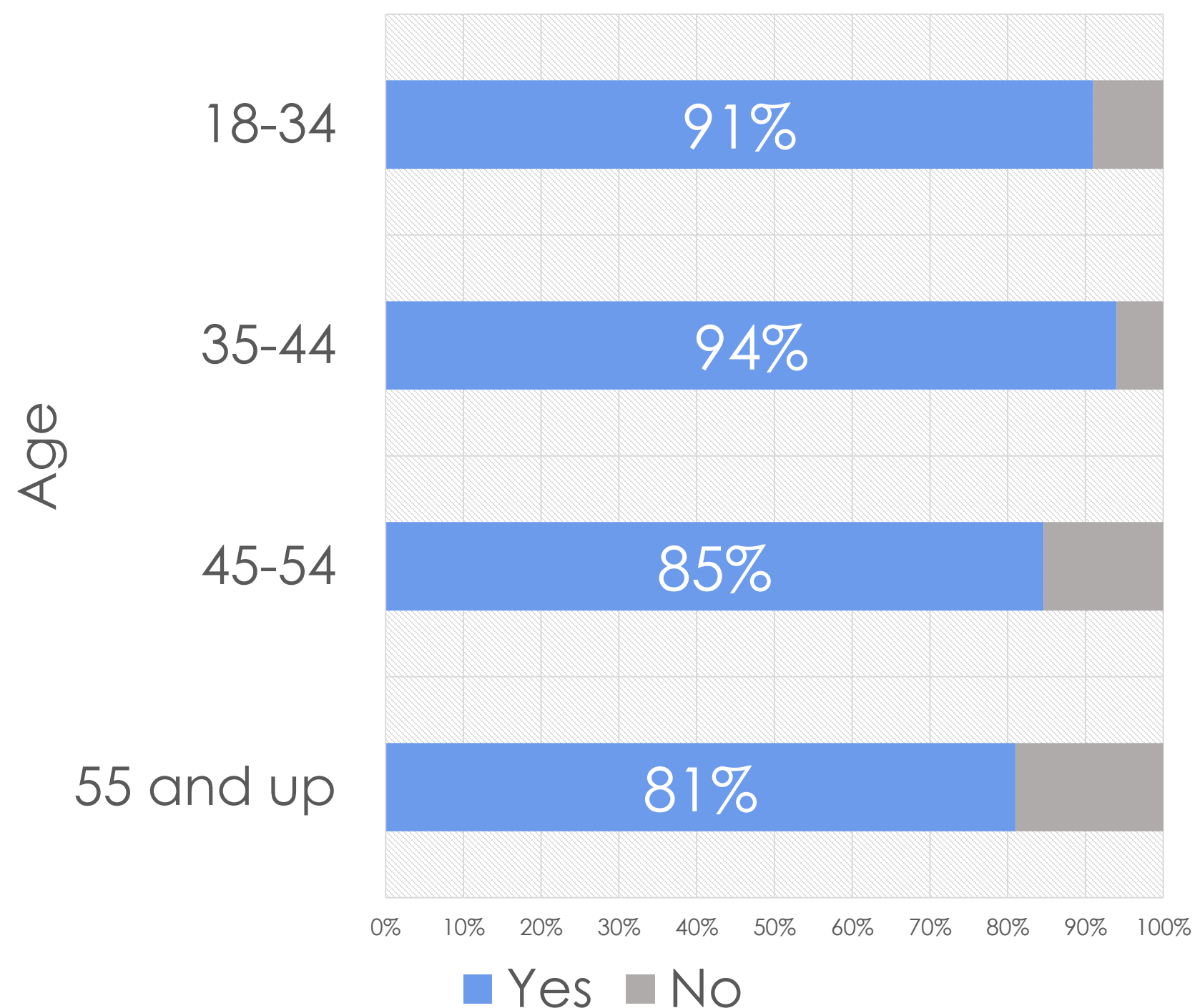
Source: Morgan Stanley Research

Where could this lead? iBuyer
is a viable alternative for those focused
on convenience & certainty AND
sets a floor for home prices.
What beats a zestimate? A real offer
from an iBuyer.

Majority of buyers and sellers **used** an agent



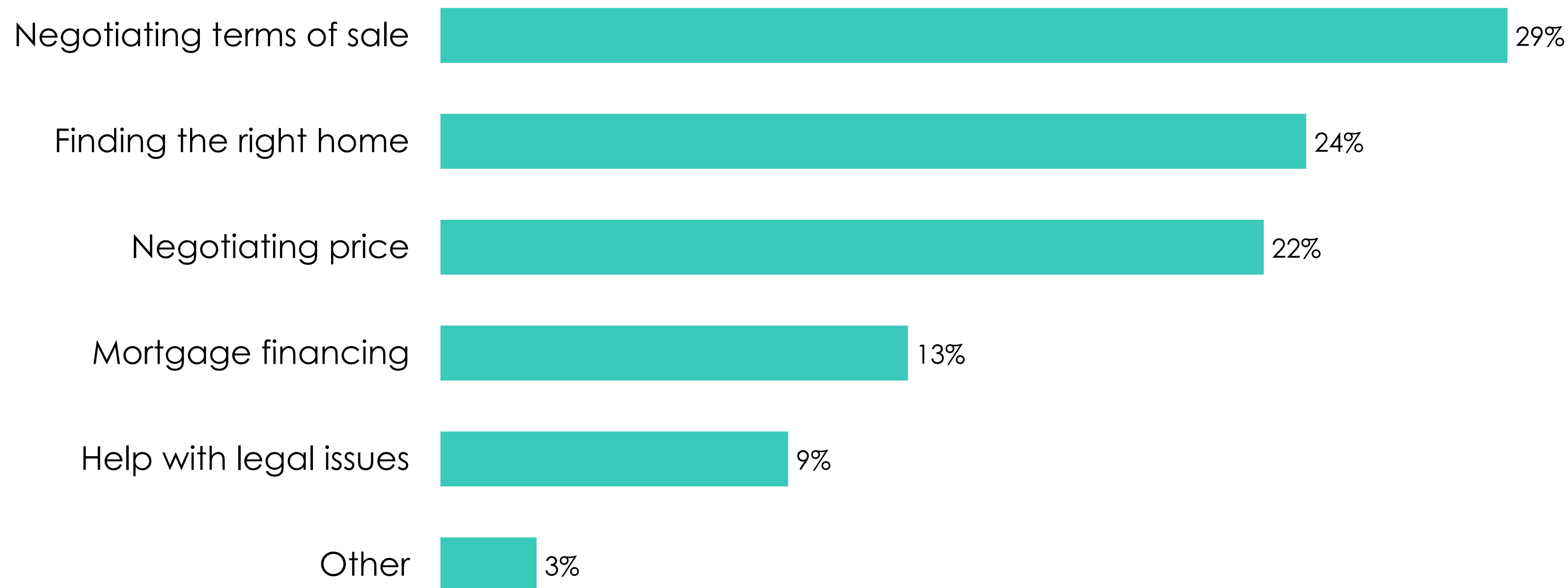
-Up 5% from 2014
-Up 9% from 2001



SERIES: 2018 REALTRENDS Consumer Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

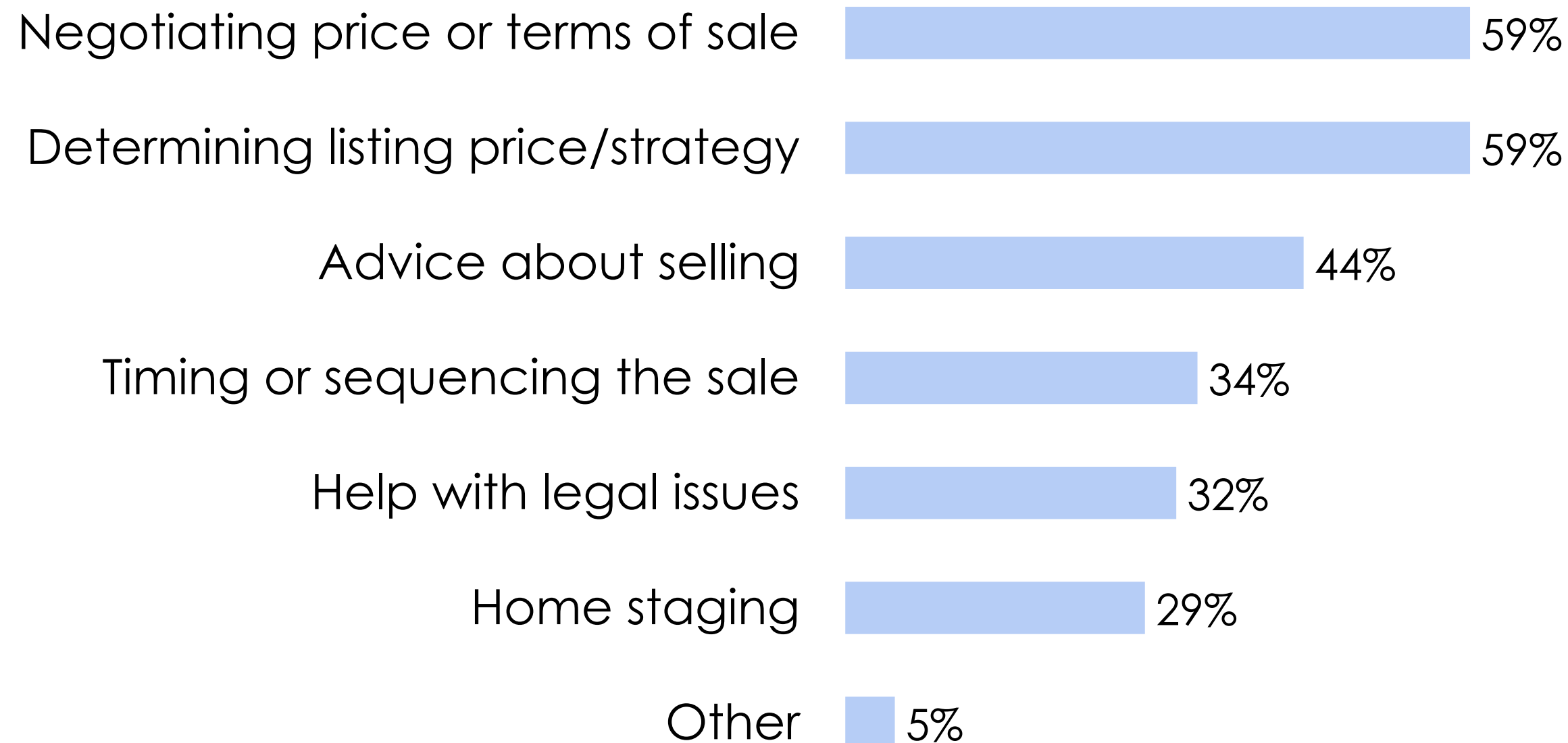
Over half of buyers needed help with negotiating terms of sale and price

In which part of the transaction did you need the most assistance from your agent? (n=949)



Sellers needed assistance with a variety of things during the sale

With which part(s) of the sale did you need assistance from your agent?
(n=942)



How to **adapt?** **Embrace technology**

It is not going away, whether you like it or not.

- Understand it
- Invest in it
- Take advantage of it



True stars will be those who adapt, and they will dominate the future

- There will be fewer agents overall
- Fewer agents working part-time
- Productivity will trend upwards
- Professional sports analogy: stars prosper



The Industry will continue to **evolve...**

Don't Get
Left Behind



U.S. economic outlook

	2015	2016	2017	2018	2019p	2020f
US GDP	2.6%	1.6%	2.3%	2.9%	2.4%	1.7%
Nonfarm Job Growth	2.1%	1.8%	1.4%	1.6%	1.5%	0.9%
Unemployment	5.3%	4.9%	4.4%	3.9%	3.7%	3.8%
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%	2.2%	2.3%



California economic outlook

	2015	2016	2017	2018	2019p	2020f
Nonfarm Job Growth	2.7%	2.3%	1.6%	2.0%	1.5%	1.0%
Unemployment	6.2%	5.5%	4.8%	4.2%	4.3%	4.5%
CA Population (Million)	39.0	39.2	39.5	39.7	39.9	40.1
Population Growth	0.9%	0.7%	0.7%	0.6%	0.5%	0.4%



2020 California Housing Market Forecast

	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%





Thank You

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