

BIG TRENDS TO WATCH IN THE MARKET

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www.SacramentoAppraisalBlog.com



STRANGER TRENDS

Ways I'm describing the market:

- It feels a bit normal right now
- Competitive if priced right
- Modest price growth
- Slumping volume
- There's an element of uncertainty

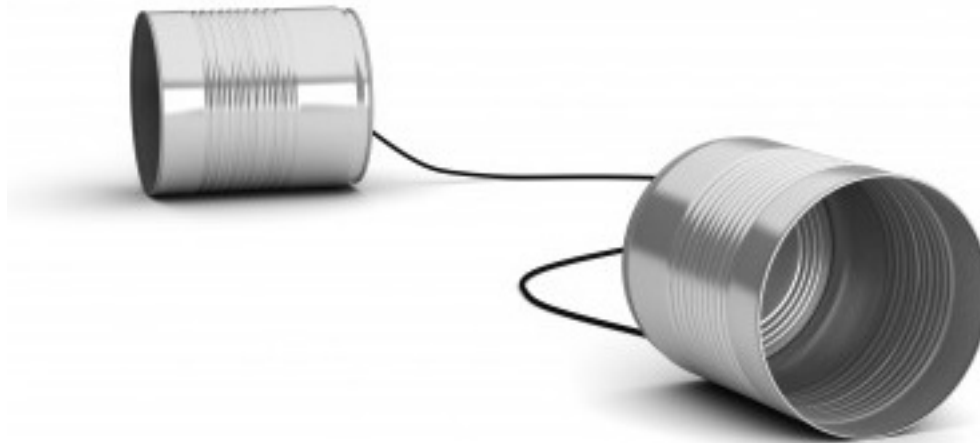
Sellers are behind the times...



How buyers think of sellers...



There's been a disconnect between buyers & sellers





PRIVATE PROPERTIES

Joe Montana Relists California Estate at 41% Discount

In a nod to his days as a San Francisco 49er, the legendary quarterback initially listed the 500-acre property for \$49 million in 2009





This house has been on the market for 7 years. \$29M originally and now \$15M
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SELLERS	BUYERS
The market is blazing “hot”	Price increases are more subdued
Expects to fetch a huge price	Wants to pay a reasonable price
Aims to sell to a Bay Area buyer	Most buyers are locals
Expects buyers to overpay	Very cautious about overpaying
Fixer will break all pricing records	Won't pay top dollar for junk
Struggling to listen to pricing advice	Listening to advice from agent
Expects crazy bidding wars	Will walk if the price is too high
Thinks cash buyers are dominating	Only 14% of buyers are using all cash
Thinks buyers are desperate	Picky & patient for the right house
Concerned about a housing “bubble”	Concerned about a housing “bubble”
Paying less attention to the comps	Watching every single sale and listing

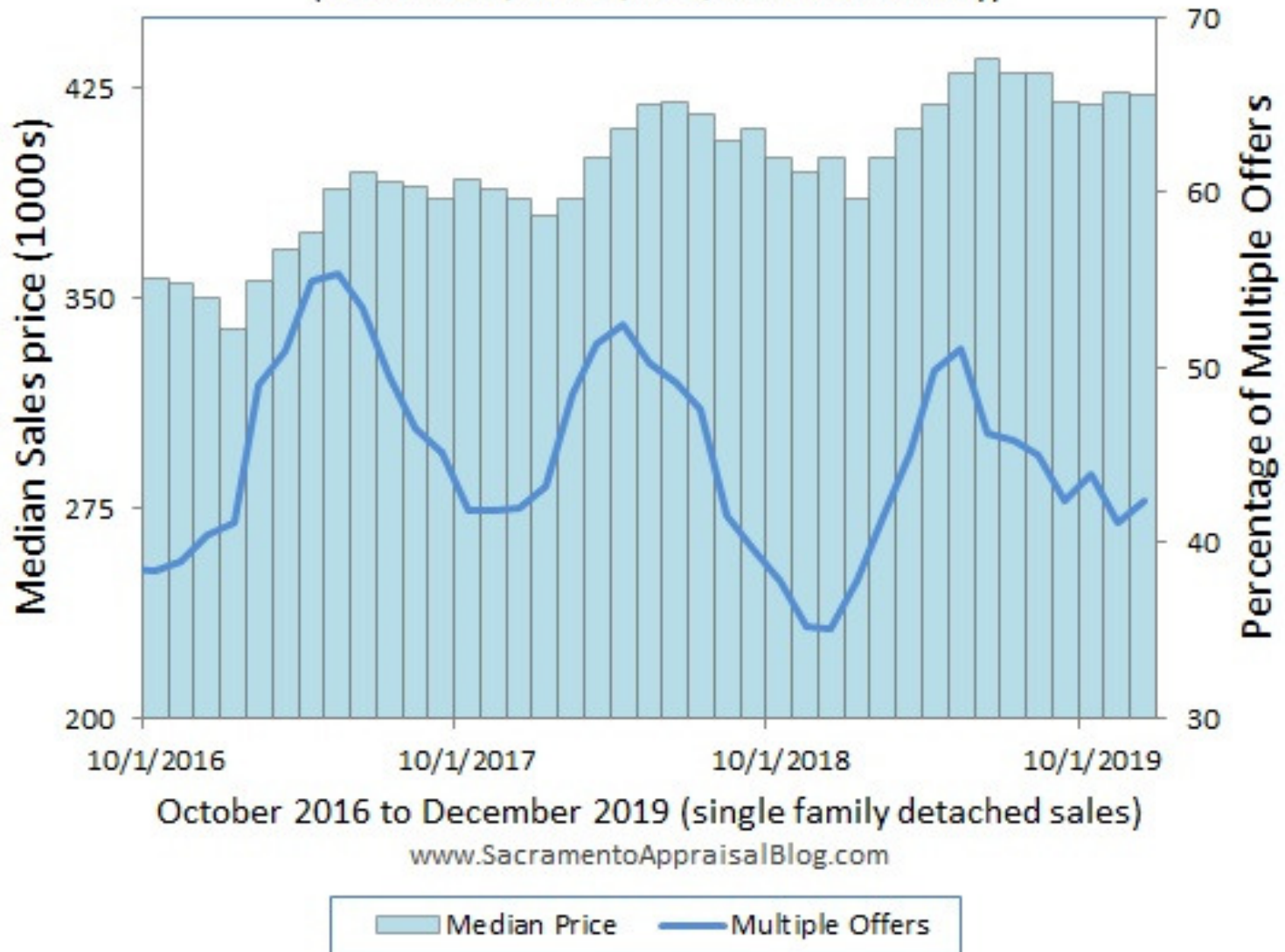
How many offers are Sacramento sellers getting?

Number of Offers	Number of pendings	Percentage of all pendings
1	1,149	59.5%
2	376	19.5%
3	187	9.7%
4	90	4.6%
5	46	2.3%
6	24	1.2%
7	18	0.9%
8	9	0.4%
9	9	0.4%
10	2	0.1%



Based on pending sales in Sacramento MetroList as of 01/12/2020 for single family detached properties with condos. Areas include Sacramento, Placer, Yolo, & El Dorado County. www.SacramentoAppraisalBlog.com

Median Price & Multiple Offers (Sacramento, Placer, Yolo, El Dorado County)



October 2016 to December 2019 (single family detached sales)

www.SacramentoAppraisalBlog.com



How much of a force are cash buyers?



Breaking down the region in 2019

Cash: 13.6%

FHA: 15.2%

VA: 5.7%

Conv: 63.0%



Breaking down El Dorado in 2019

Cash: 16.5%

FHA: 9.2%

VA: 5.1%

Conv: 65.5%



The way we talk about the market vs the market



Cash Sales in the Sacramento Region



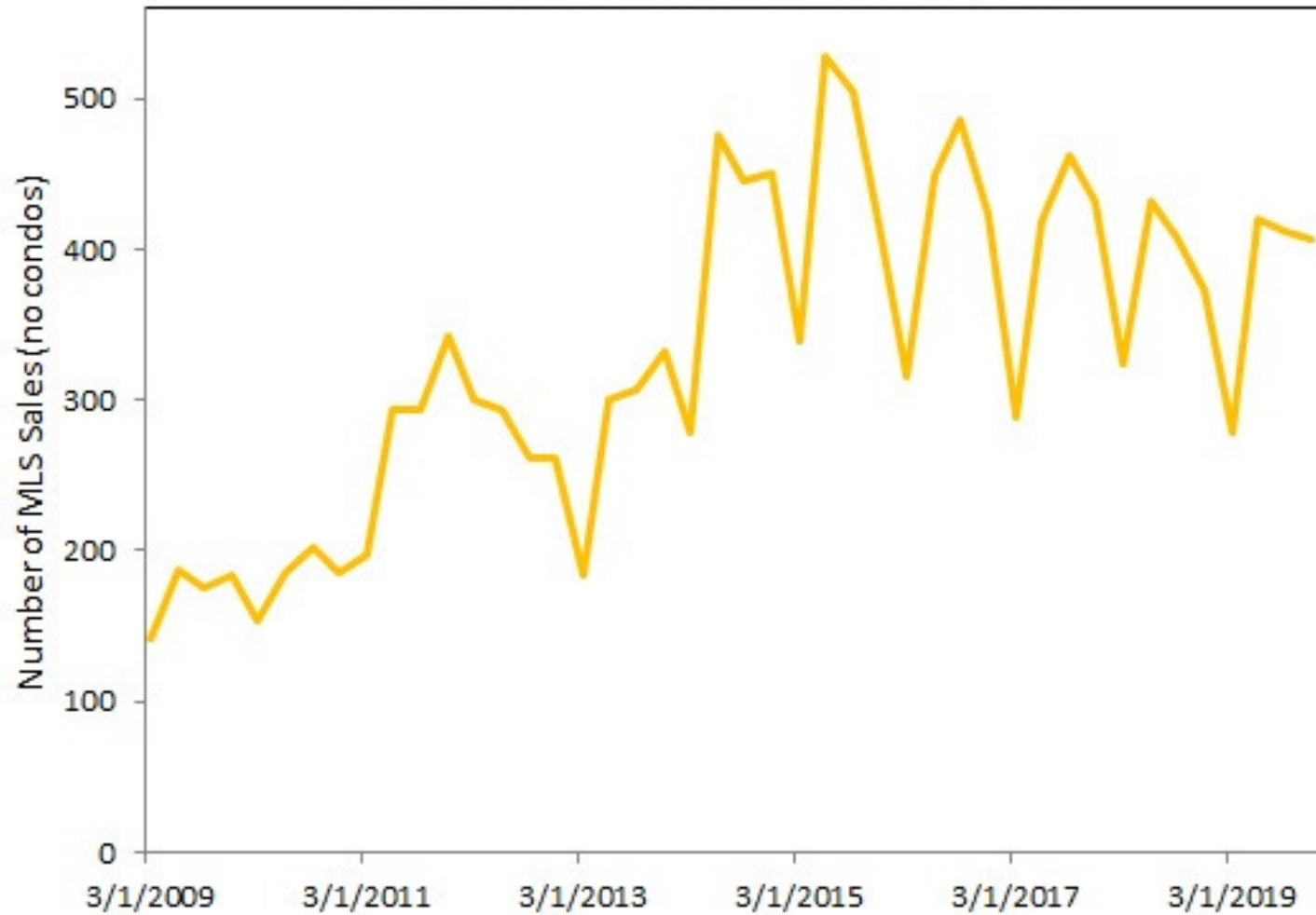
Q1 2009 to Q4 2019

Sac, Placer, Yolo, El Dorado County

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VA Sales in the Sacramento Region



Q1 2009 to Q4 2019

Sac, Placer, Yolo, El Dorado County

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FHA Sales in the Sacramento Region



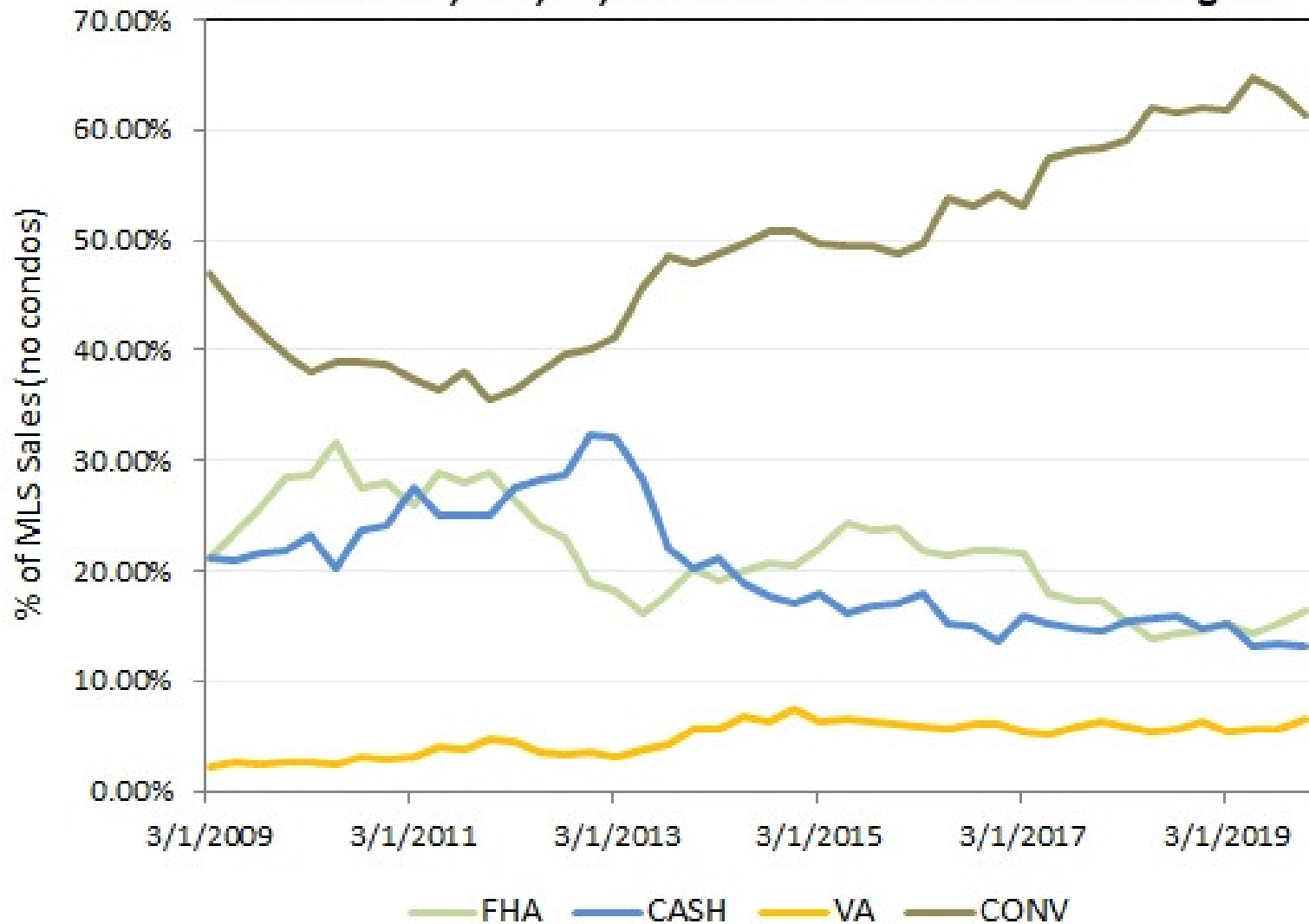
Q1 2009 to Q4 2019

Sac, Placer, Yolo, El Dorado County

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Conventional, FHA, VA, & Cash Sales in the Sacramento Region



Q1 2009 to Q4 2019

Sac, Placer, Yolo, El Dorado County

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Above \$1M in the Region (2019)

Cash: 22.3%

FHA: 0%

VA: 0.6%

Conv: 74.0%



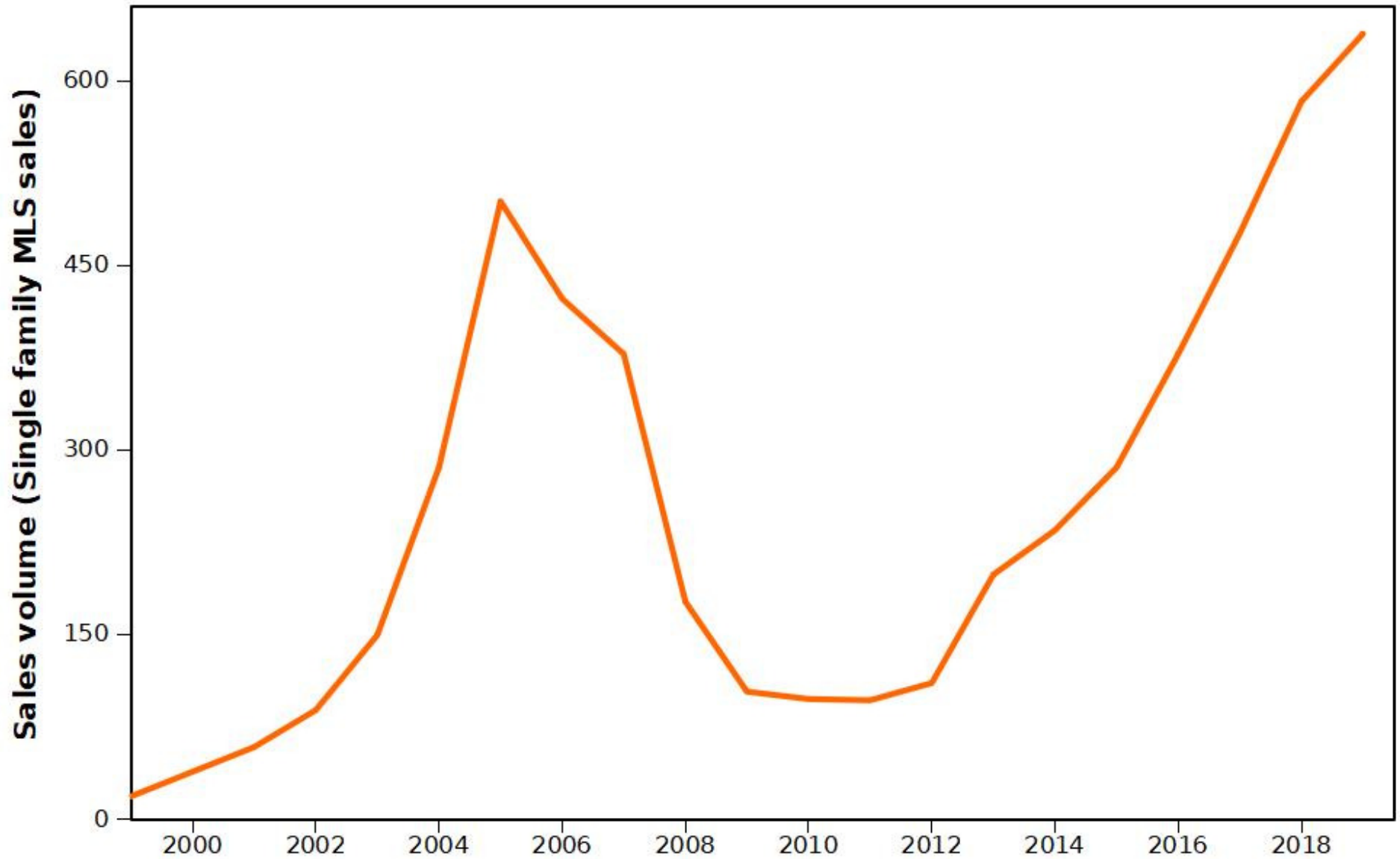
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Single family sales in MLS in
Jan - Dec 2019 in Sac Region
Sac, Placer, Yolo, El Dorado



Million Dollar Sales in the Sacramento Region

(Sac, Placer, Yolo, El Dorado Counties)

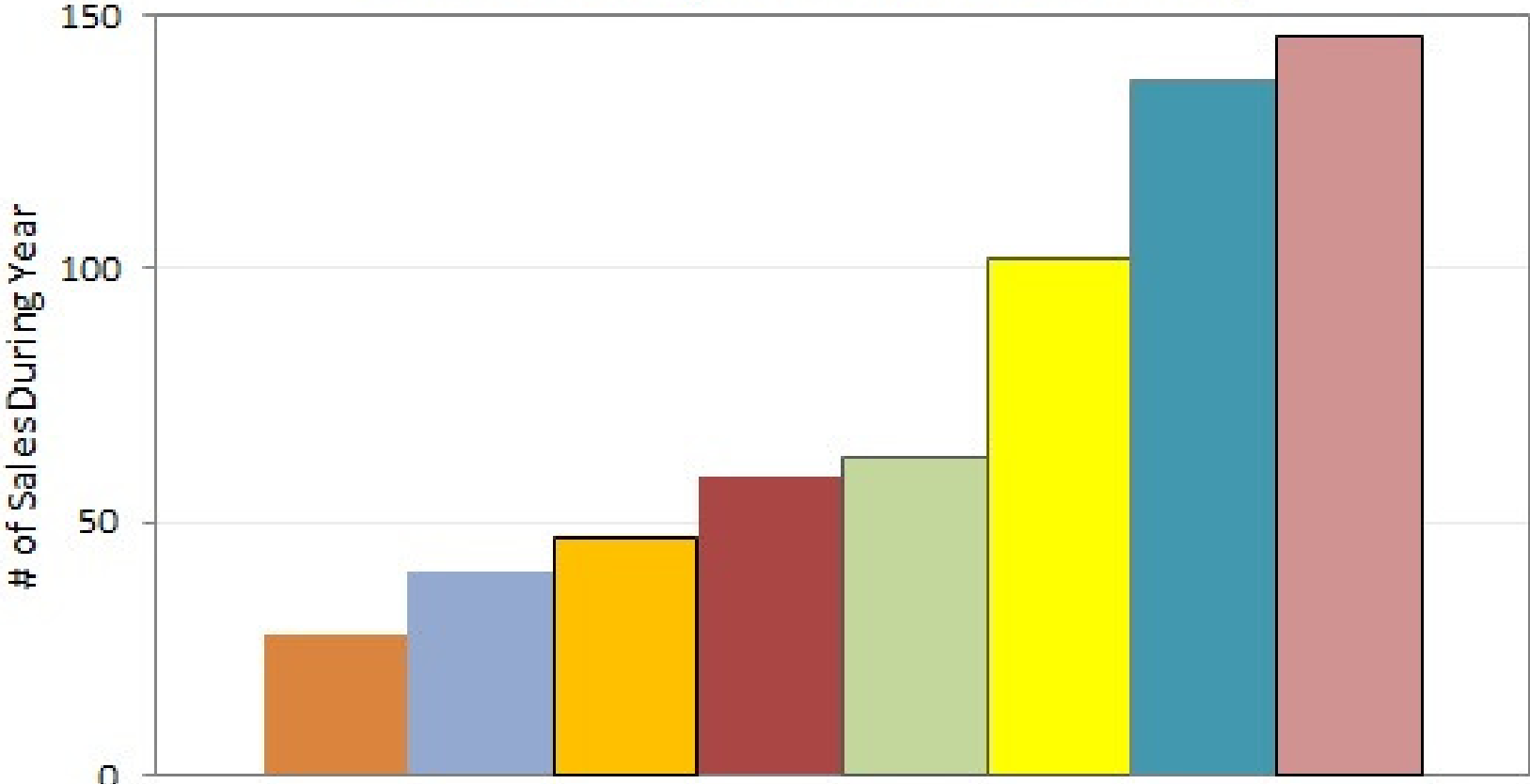


1999 to 2019

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Sales Above \$1M in El Dorado County



2012 2013 2014 2015 2016 2017 2018 2019

Price in MLS (single family detached)

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Top 10 Residential Sales in Sacramento County

- 1) **Sierra Oaks Vista:** \$5.0M in 2019
- 2) **Sierra Oaks:** \$4.7M in 2013
- 3) **Elk Grove Estate:** \$4.6M in 2005
- 4) **Downtown Condo:** \$4.1M in 2018
- 5) **Carmichael Governor's Mansion:** \$4.1M in 2004
- 6) **East Sac 45th Street:** \$3.8M in 2019
- 7) **Sierra Oaks Vista:** \$3.75M in 2019
- 8) **Gavin Newsom Home:** \$3.7M in 2018
- 9) **Garden Highway:** \$3.67M in 2007
- 10) **East Sac 45th Street:** \$3.35M in 2019



A market of outliers...

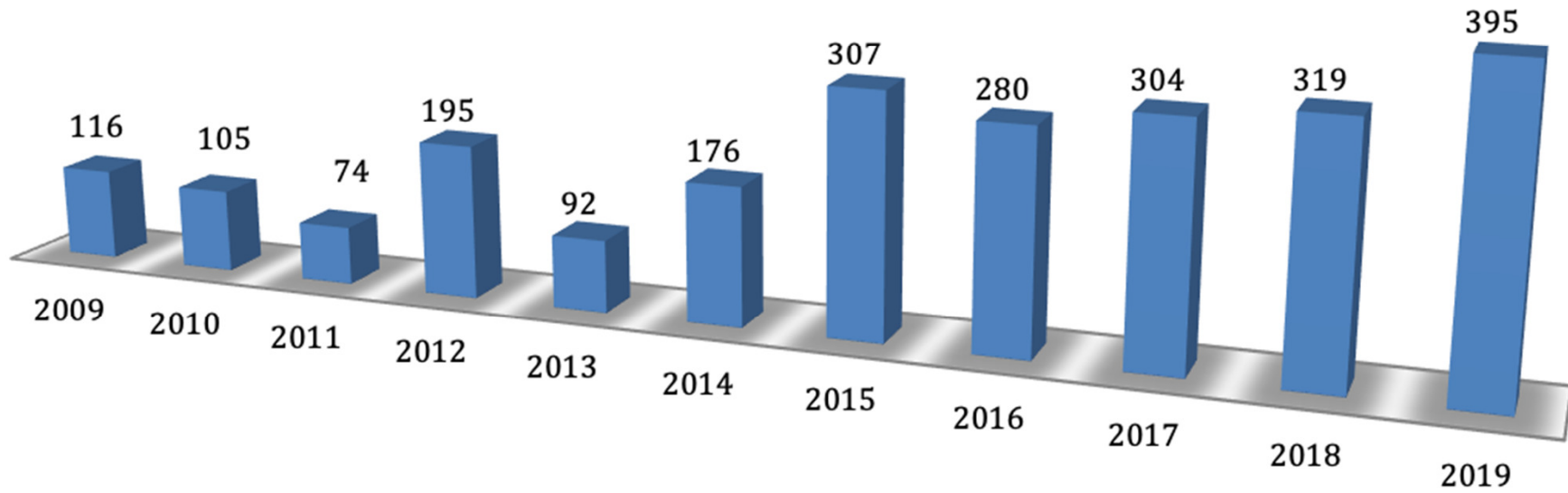
- 8.4% more million dollar sales this year
- 2.5% of all sales sold above \$1M
- 654 sales in 2019
- 82 days to sell on average
- 45% of homes sold in less than 30 days



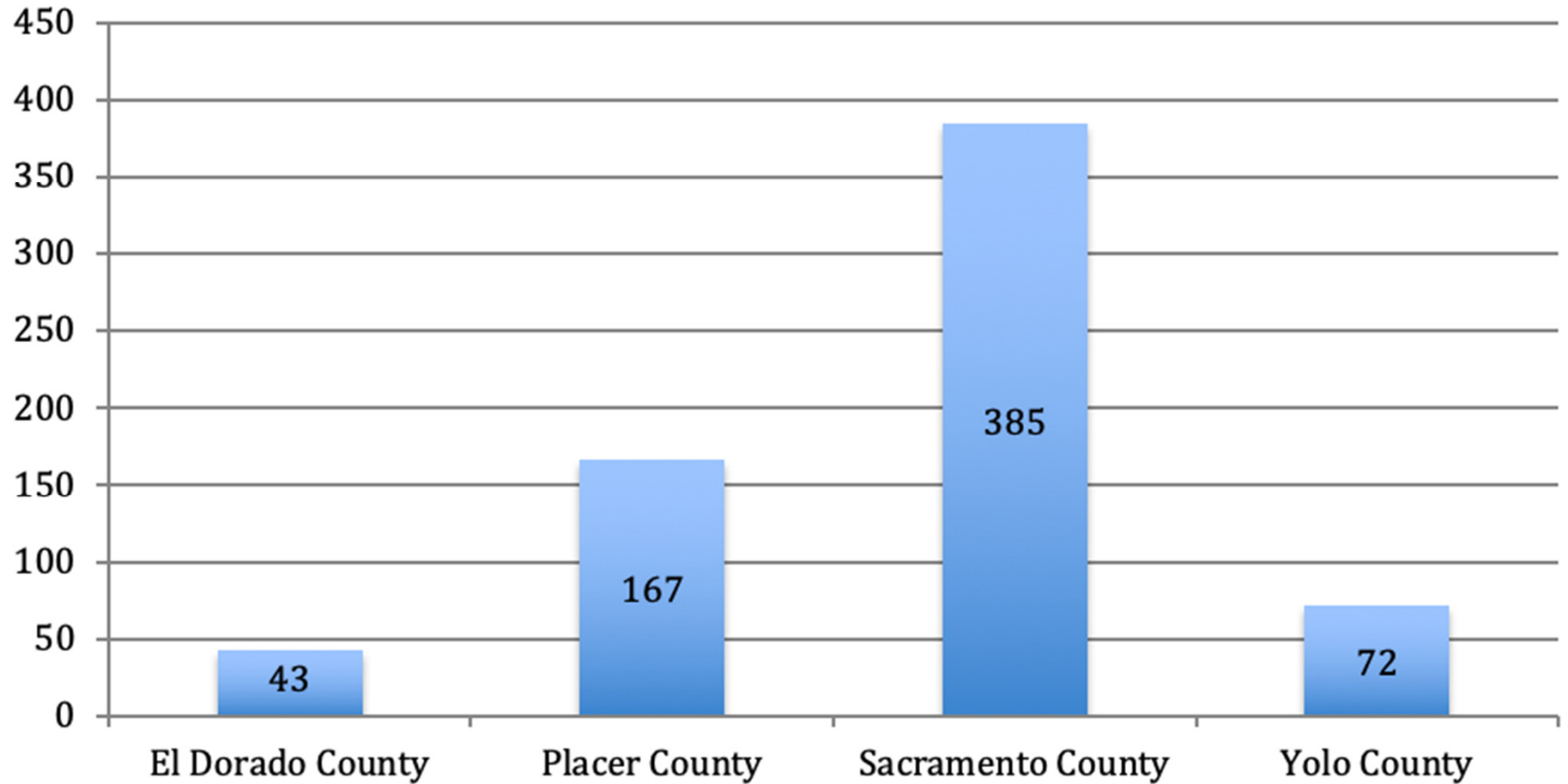
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Single family sales in MLS in
Jan - Dec 2019 in Sac Region
Sac, Placer, Yolo, El Dorado

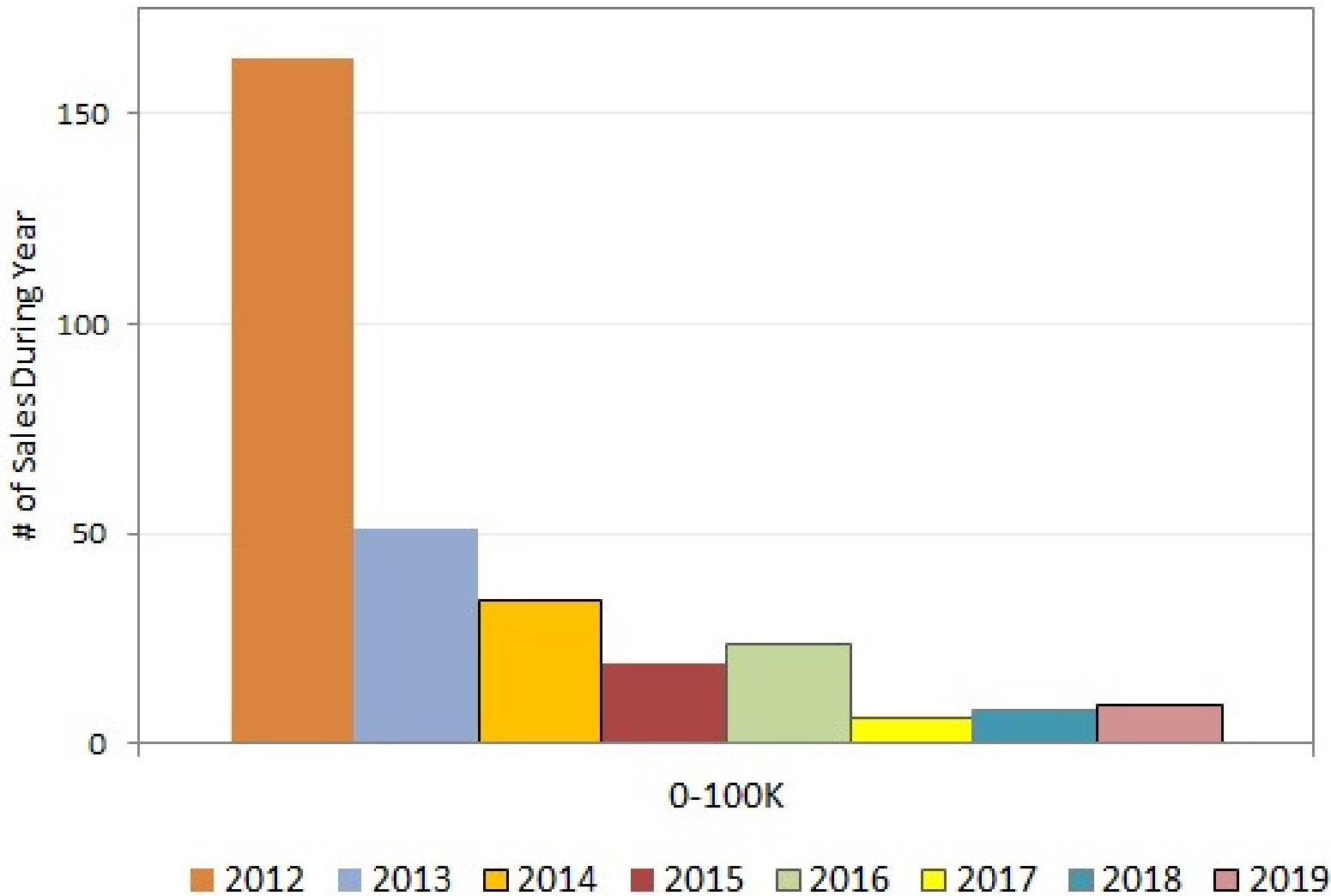
Total New Home Sales November 2019



Single Family November Permit Data



Sales by Price Range in El Dorado County



Price in MLS (single family detached)

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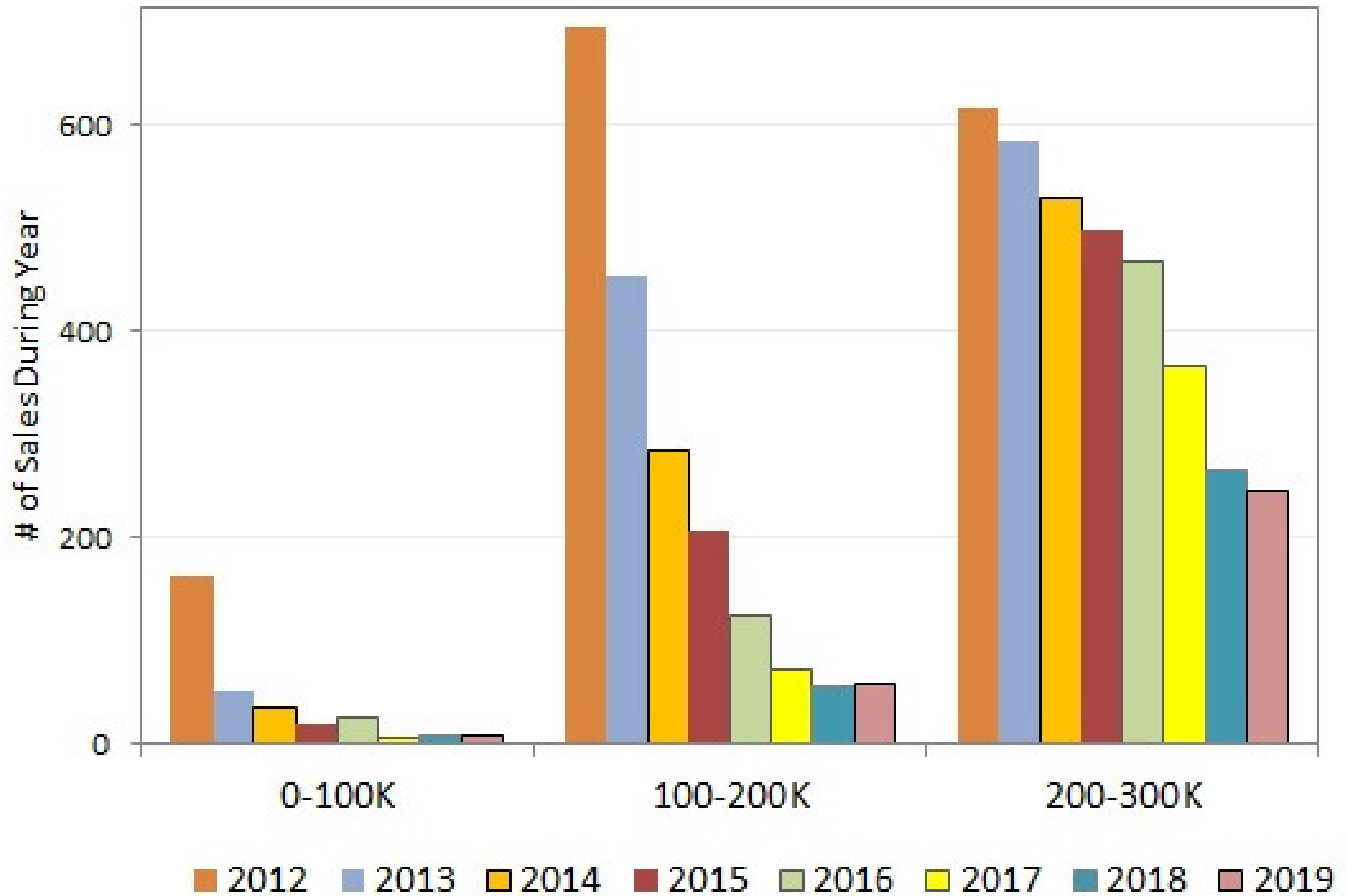
Average rent in Sacramento has increased **69%** over the past decade.

Median household income has increased **43%** over the past decade.



The Decade in Housing Trends: Grown-Up Millennials, High-Earning Renters and ...
This past decade has transformed the relationship between America and its housing, especially when it comes to renting. While the recession pushed many t...
Sacramento Appraisal Blog | October 2020
rentcafe.com

Sales by Price Range in El Dorado County under \$300K

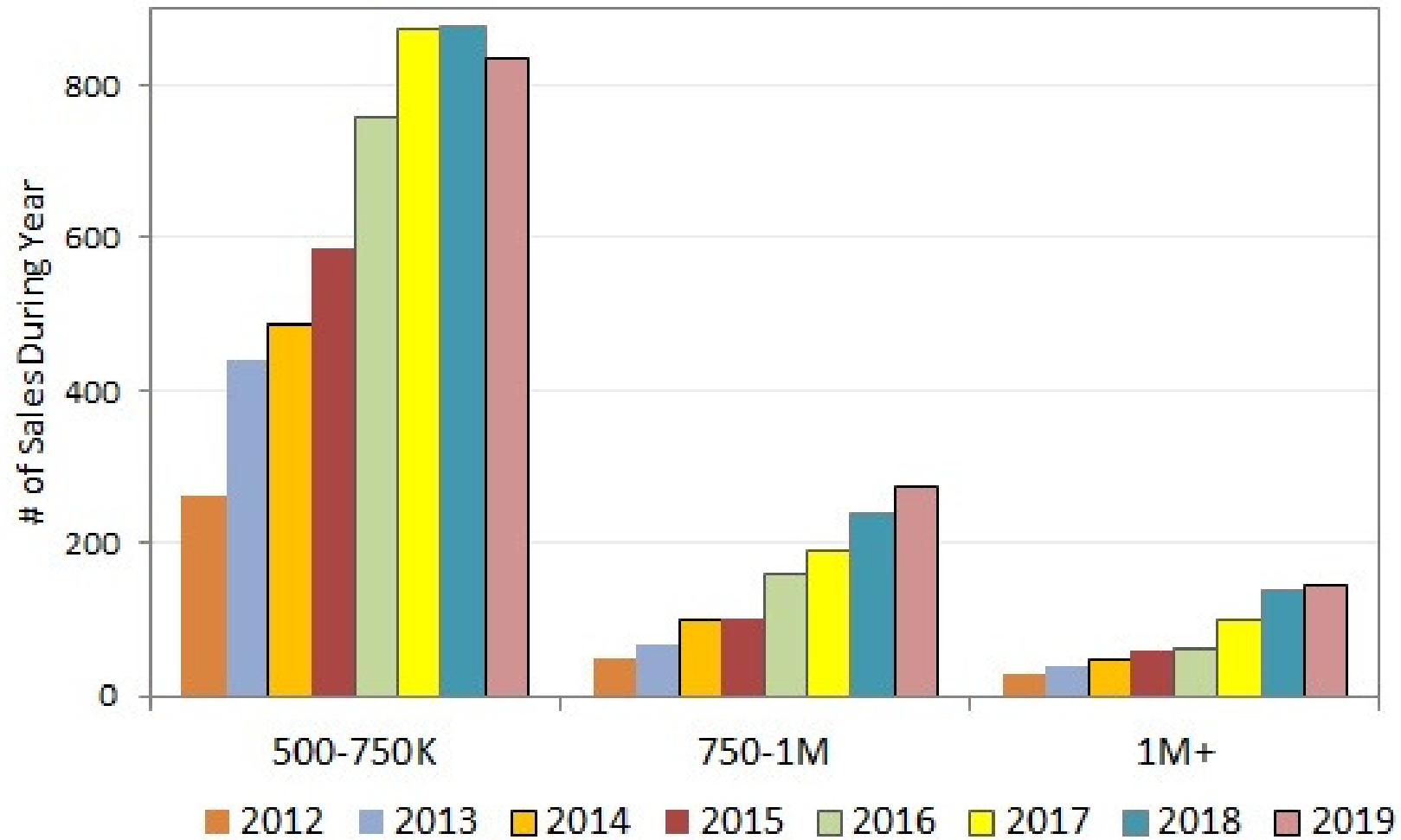


Price in MLS (single family detached)

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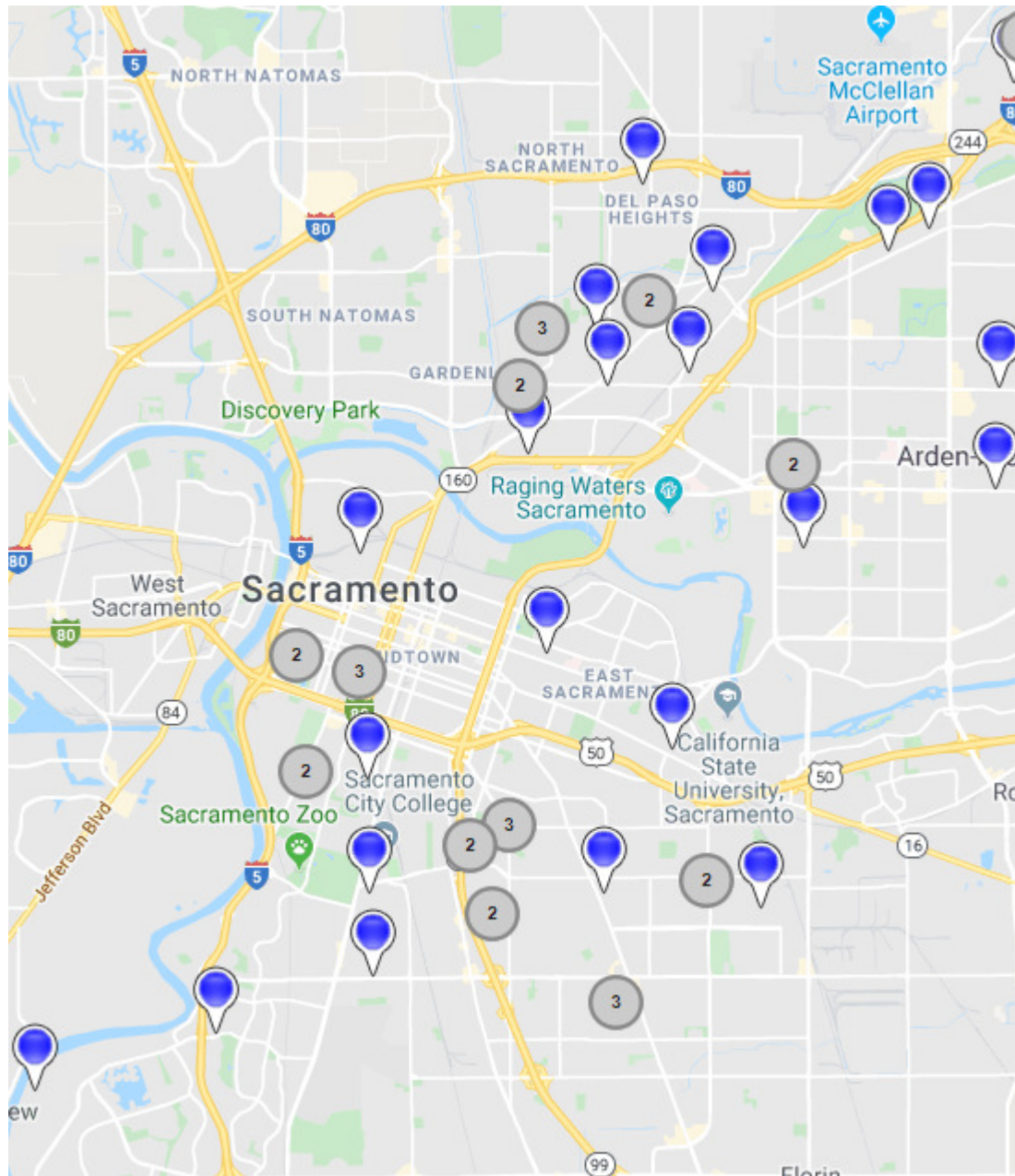
Sales Above \$500K in El Dorado County



Price in MLS (single family detached)

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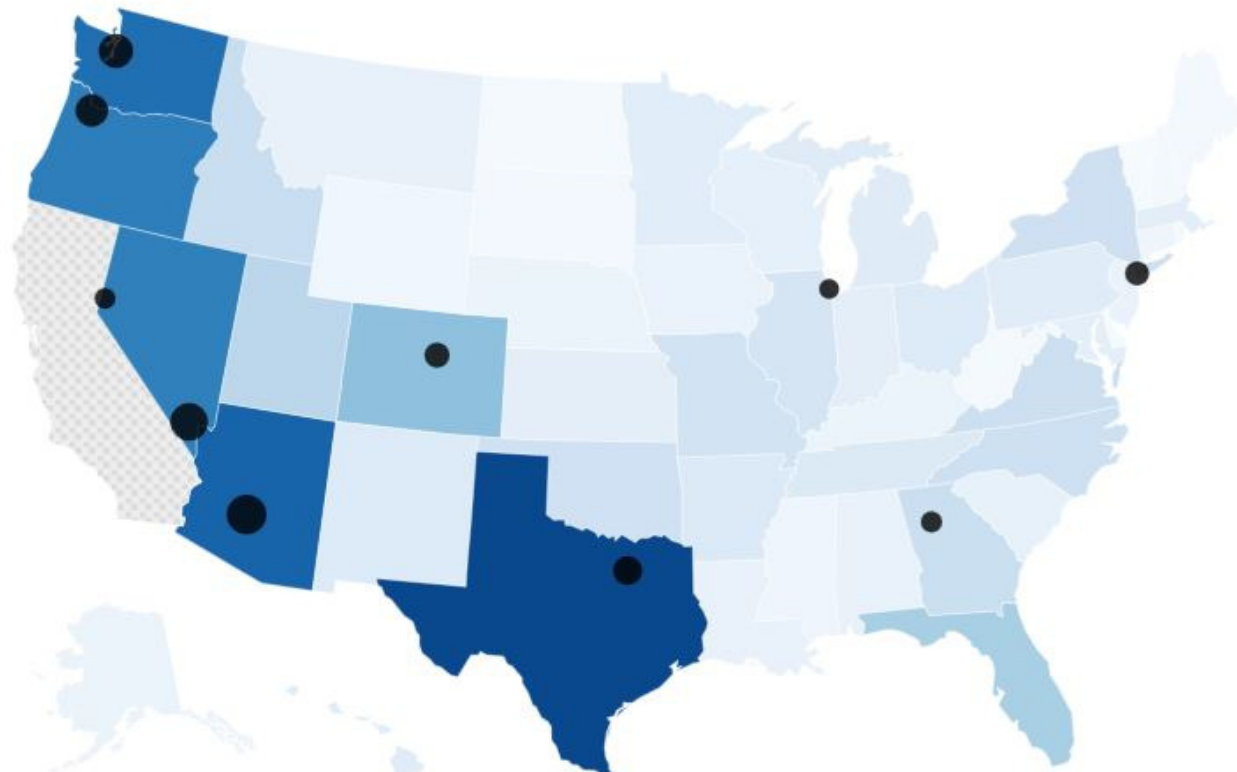
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For the better part of three decades, Californians who leave the state have mostly gone to other parts of the country, notably to Texas and neighboring states such as Oregon, Nevada and Arizona. The dot-com bust, Great Recession and recently soaring housing prices all have helped fuel the exodus. Now more than 7 million people born in California call other states home.

Where Californians have moved...



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Source: [2013-2017 Five Year American Community Survey](#)

Where are Californians moving?

State	# of Residents
Texas	86,164
Arizona	68,516
Washington	55,467
Nevada	50,707
Oregon	43,058
Colorado	28,288
Florida	26,888
New York	25,255
Idaho	21,018

Based on 2018 American Community Survey US Census Bureau

www.SacramentoAppraisalBlog.com

Who is moving to California?

State	# of Residents
Washington	38,007
Texas	37,810
New York	34,848
Arizona	33,670
Oregon	24,050
Florida	22,464
Nevada	22,433
Illinois	22,165
Colorado	18,755

Based on 2018 American Community Survey US Census Bureau

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Census Flows Mapper

[View County Statistics](#)

[View Data Table](#)

[About This Map](#)

[FAQ](#)

[Toggle Cities](#)

Search for a county or click on the map

Sacramento County, California

Choose a dataset

- 2013-2017
- 2012-2016
- 2011-2015
- 2010-2014
- 2009-2013
- 2008-2012
- 2007-2011
- 2006-2010

Choose a type of migration flow

- Net
- Outbound
- Inbound

Choose a characteristic

Total

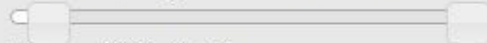
Choose a color palette

Orange/Blue

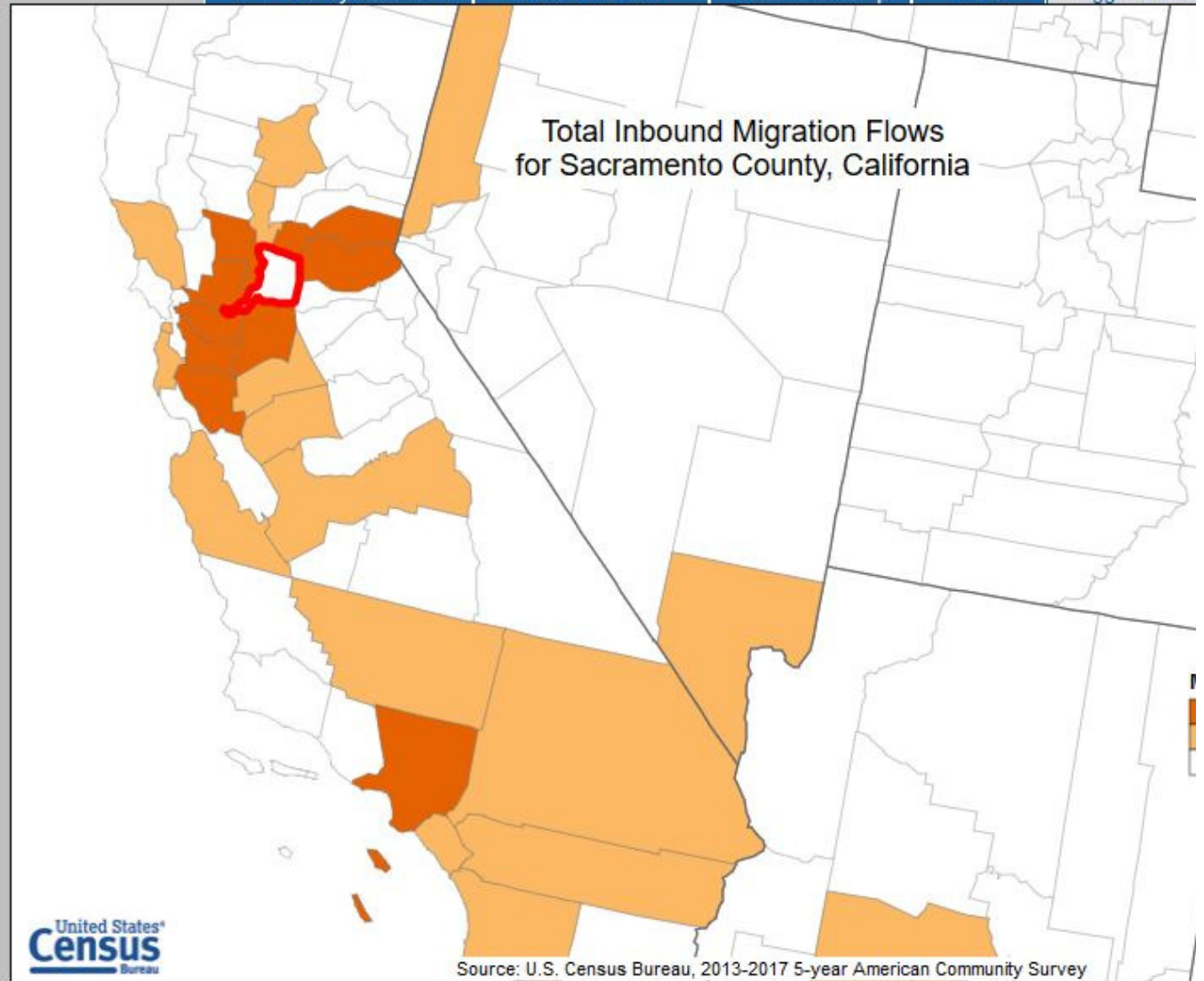
Choose a classification type

Natural Breaks

Select flow by number of movers



Range: 498 to 6,461



Census Flows Mapper

Search for a county or click on the map

El Dorado County, California

Choose a dataset

- 2013-2017 2012-2016
 2011-2015 2010-2014
 2009-2013 2008-2012
 2007-2011 2006-2010

Choose a type of migration flow

- Net Outbound Inbound

Choose a characteristic

Total

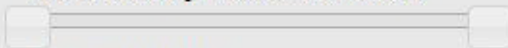
Choose a color palette

Orange/Blue

Choose a classification type

Natural Breaks

Select flow by number of movers



Range: 0 to 2,932

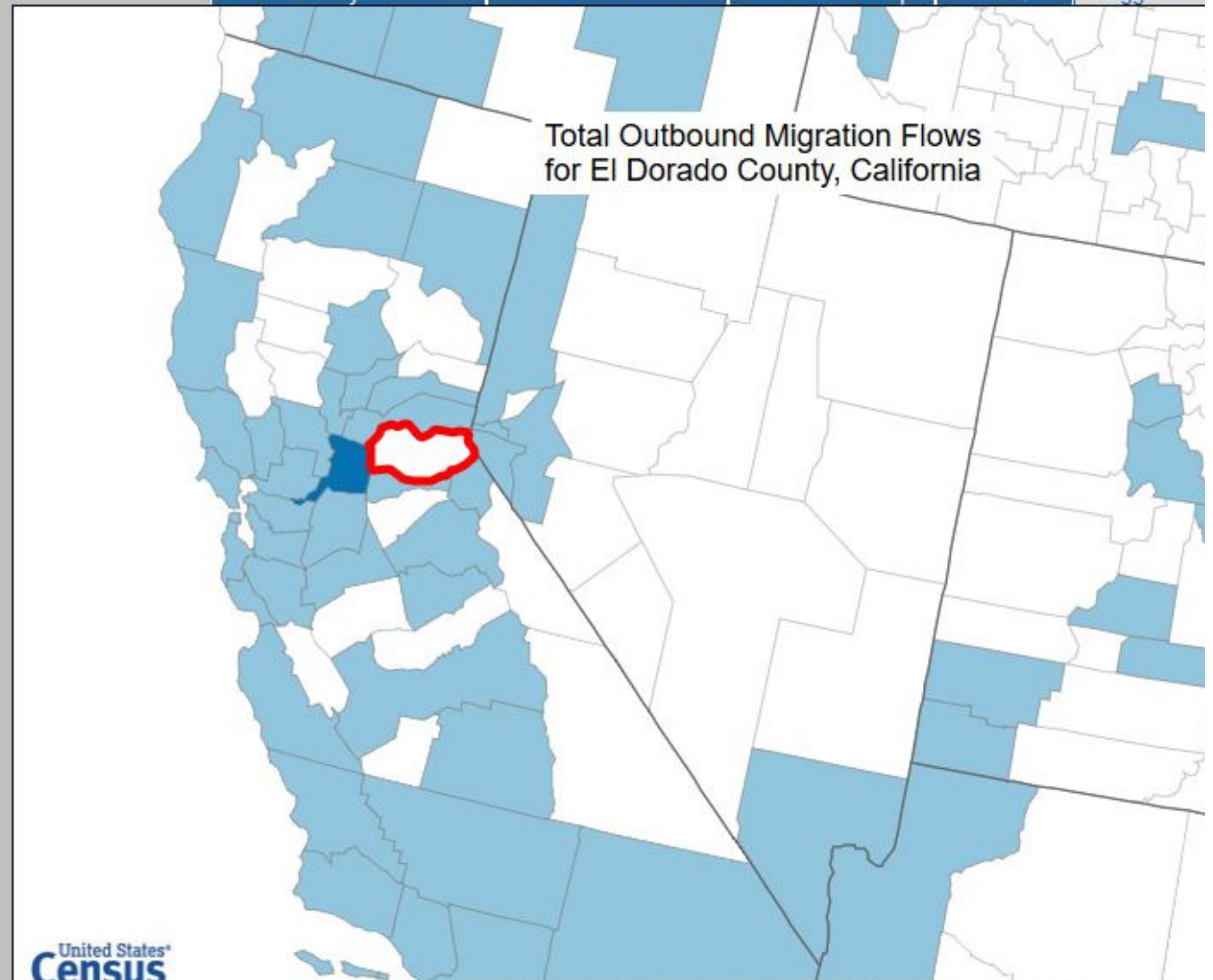
[View County Statistics](#)

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[About This Map](#)

[FAQ](#)

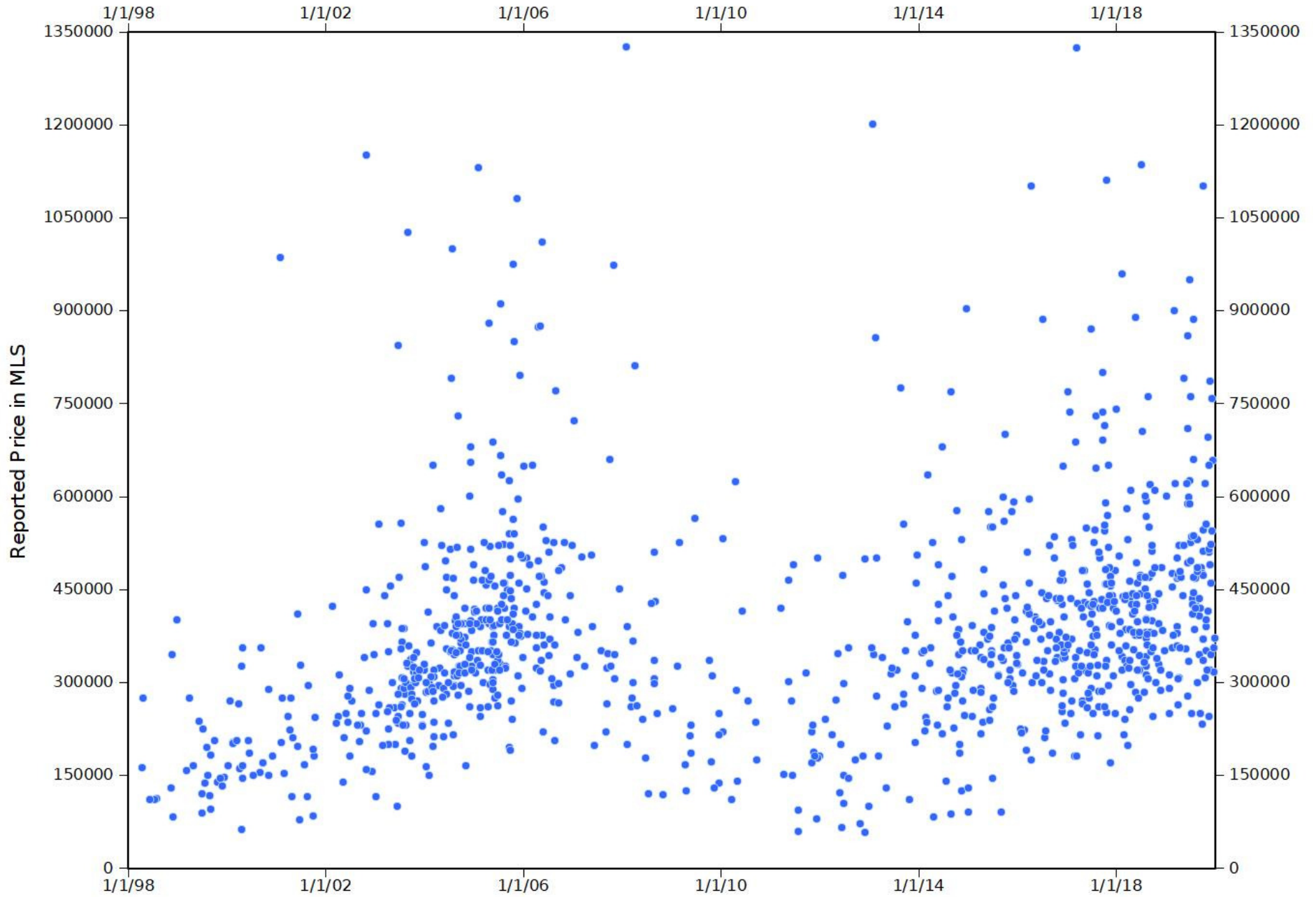
[Toggle Cities](#)



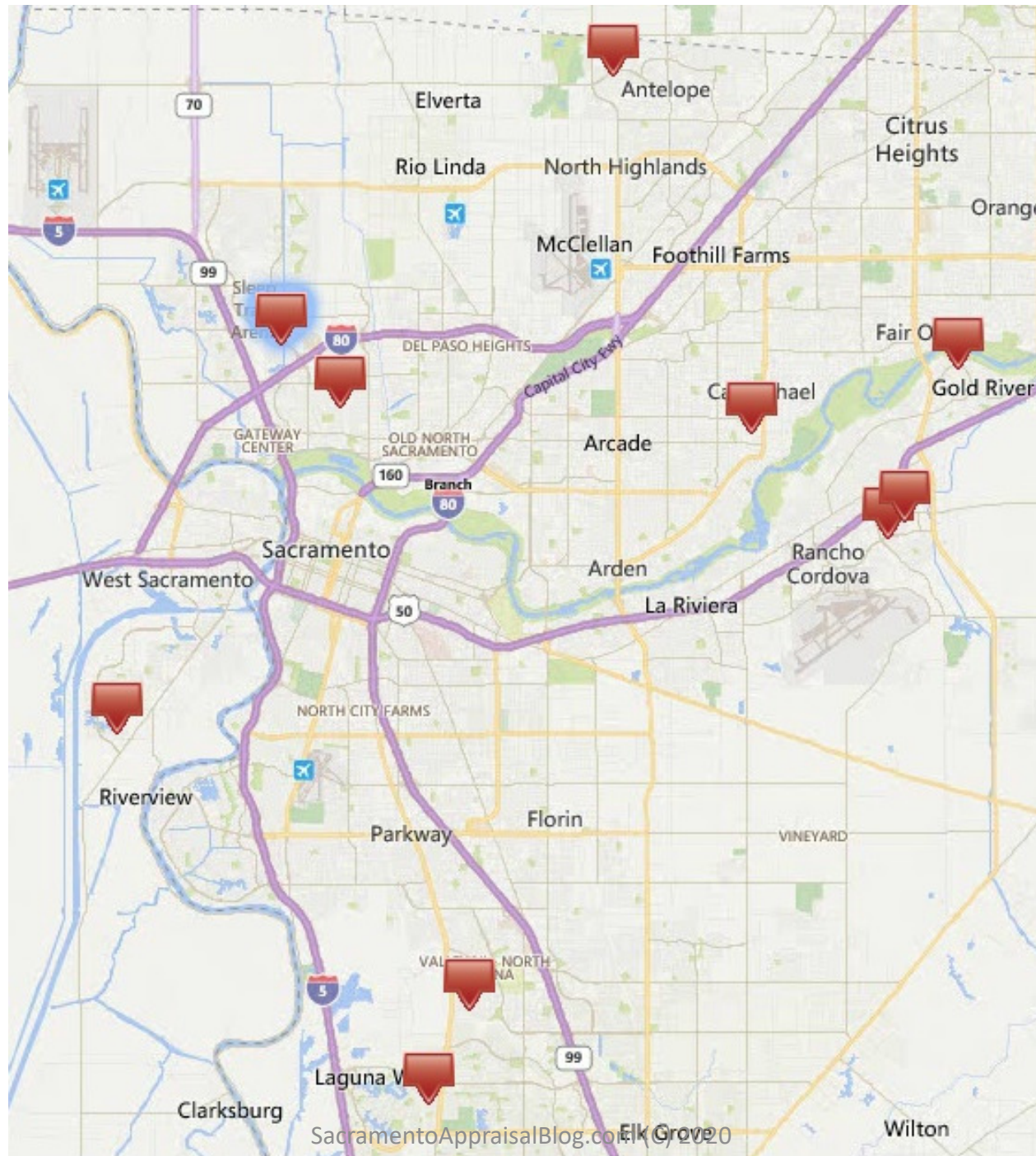
Who has incentive to buy in today's market?



1031 Exchange Sales in Sacramento Region

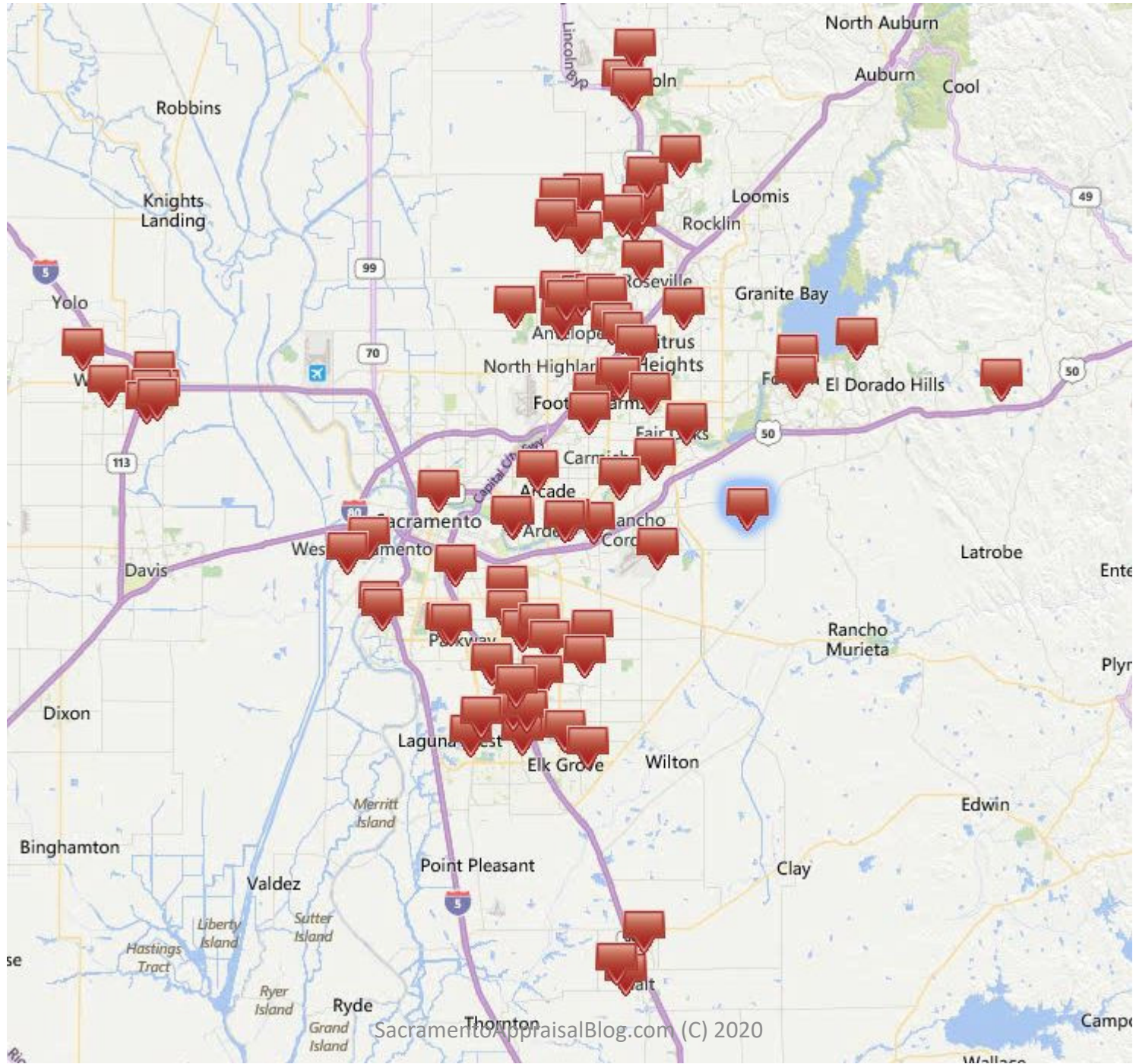


January 1998 to January 2020 (Sac, Placer, Yolo, El Dorado)



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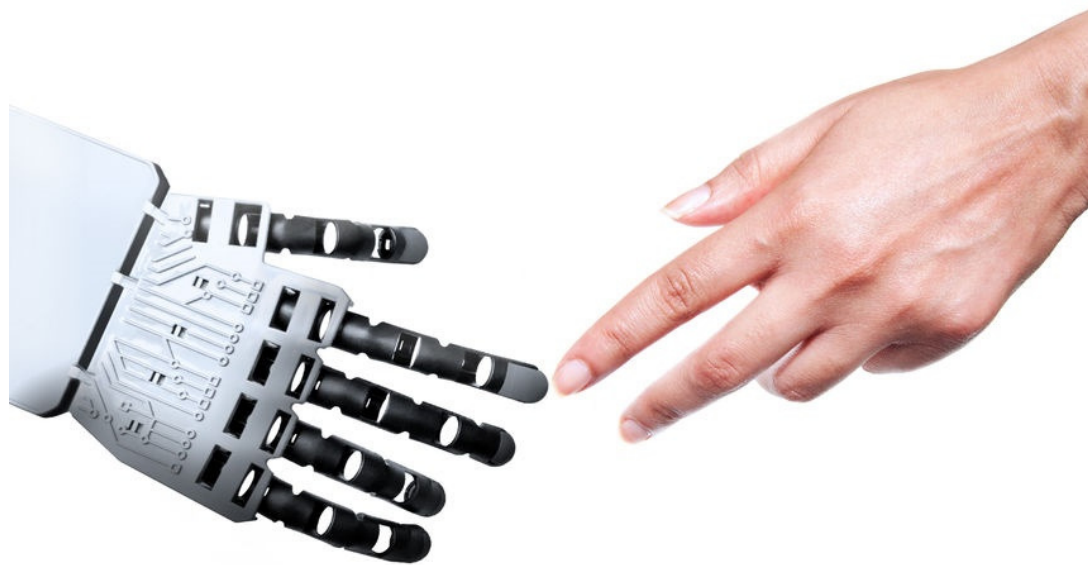




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BIG IDEA

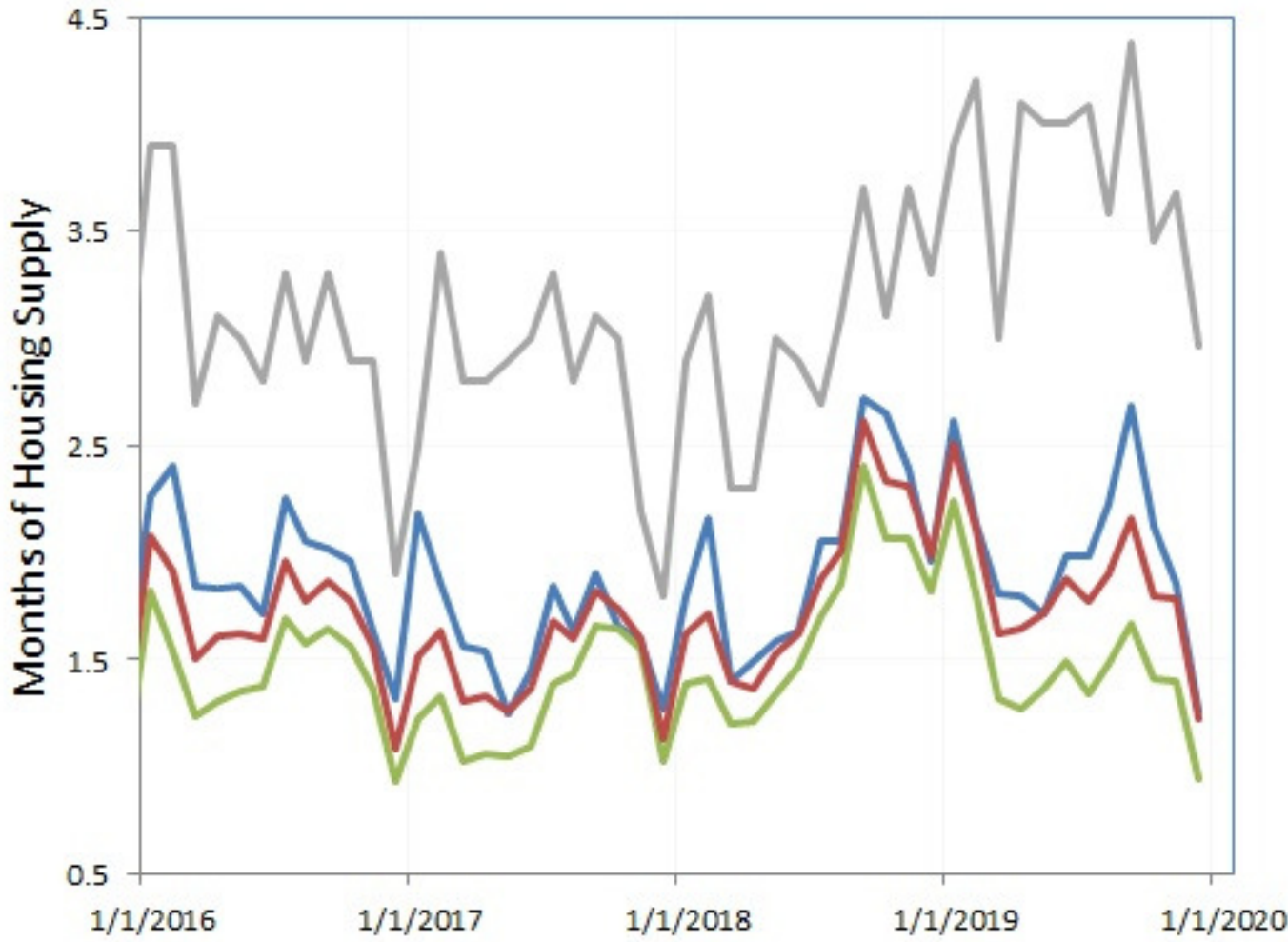
**Diversify into submarkets where
iBuyer models are not going**



How has rising fire insurance made a difference in El Dorado County?

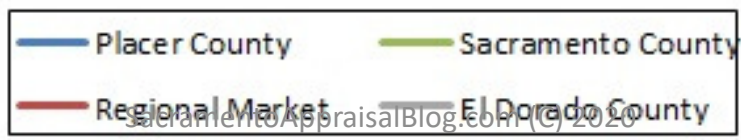


Inventory in Placer County, Sac County, El Dorado County & the Sac Region (Sac, Placer, Yolo, & El Dorado)



January 2016 through December 2019 (single family detached)

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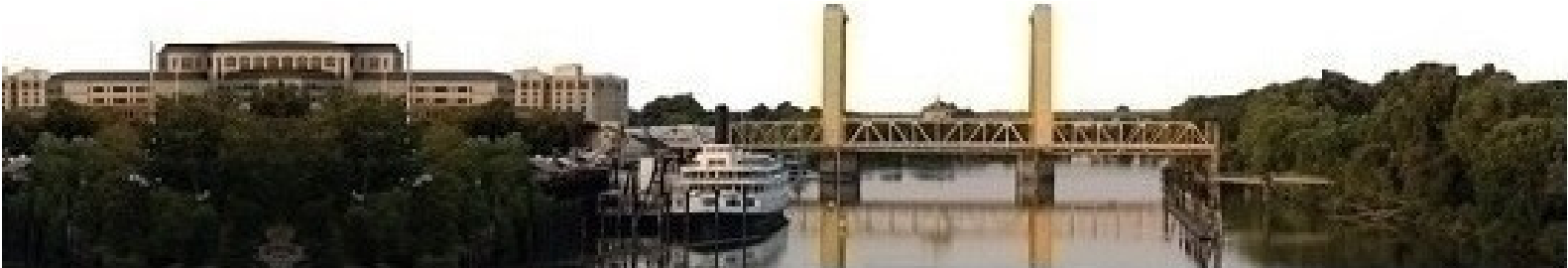


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The bigger picture of sales volume

El Dorado County Sales Volume

Year	December Sales	Past Year of Sales
2013	201	2,618
2014	181	2,431
2015	196	2,540
2016	217	2,693
2017	246	2,783
2018	168	2,684
2019	176	2,488



Stats based on single family detached MLS sales

www.SacramentoAppraisalBlog.com

December 2019:
+4.7%

Past 12 Months:
-7.3%

The bigger picture of sales volume

Sales volume in Sacramento County

Year	December Sales	Past Year of Sales
2013	1,289	17,084
2014	1,277	15,808
2015	1,534	17,592
2016	1,475	17,969
2017	1,392	17,640
2018	1,071	17,028
2019	1,203	16,438



Stats based on single family detached MLS sales

www.SacramentoAppraisalBlog.com

December 2019:
+12.3%

Past 12 Months:
-3.4%

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The bigger picture of sales volume

Sales Volume in Sacramento Region

Year	December Sales	Past Year of Sales
2013	1,997	26,890
2014	2,051	25,130
2015	2,349	27,925
2016	2,312	28,539
2017	2,202	28,355
2018	1,697	26,969
2019	1,940	26,320



Sacramento, Placer, Yolo, & El Dorado Counties (single family detached MLS sales)

SacramentoAppraisalBlog.com

December 2019:
+14.3%

Past 12 Months:
-2.4%

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What is the market actually doing in El Dorado County?



El Dorado County

Metric	2015	2016	2017	2018	2019
Median Price	403,500	430,000	460,000	500,000	499,900
Avg Sales Price	435,641	466,390	502,568	549,029	557,521
Short Sales	84	47	36	22	14
REOs	140	105	68	26	36
Sales Volume	2,540	2,693	2,783	2,684	2,482
CDOM	64	56	52	50	63

All El Dorado County besides EDH & Cameron Park

Metric	2015	2016	2017	2018	2019
Median Price	310,500	340,000	369,500	385,000	395,000 (+2.6%)
Avg Sales Price	340,936	374,698	411,806	435,364	438,055
Short Sales	58	25	24	9	9
REOs	113	85	48	18	32
Sales Volume	1,428	1,540	1,570	1,466	1,373 (-6.3%)
CDOM	69	60	52	60	72 (+12)

Only EDH & Cameron Park

Metric	2015	2016	2017	2018	2019
Median Price	505,000	545,000	569,000	615,000	629,500 (+2.3%)
Avg Sales Price	557,584	588,859	620,042	685,949	703,835
Short Sales	26	22	12	13	5
REOs	27	20	20	8	4
Sales Volume	1,111	1,153	1,213	1,217	1,115 (-8.3%)
CDOM	58	50	51	39	52 (+13)

El Dorado County



Advice for El Dorado County:

- Be sure your narrative lines up with actual stats
- Share accurate stats with local media
- Realize outsiders are thinking about El Dorado differently
- Talk about what is happening in the trenches of escrows
- Share success stories
- Find people who have incentive to buy and sell



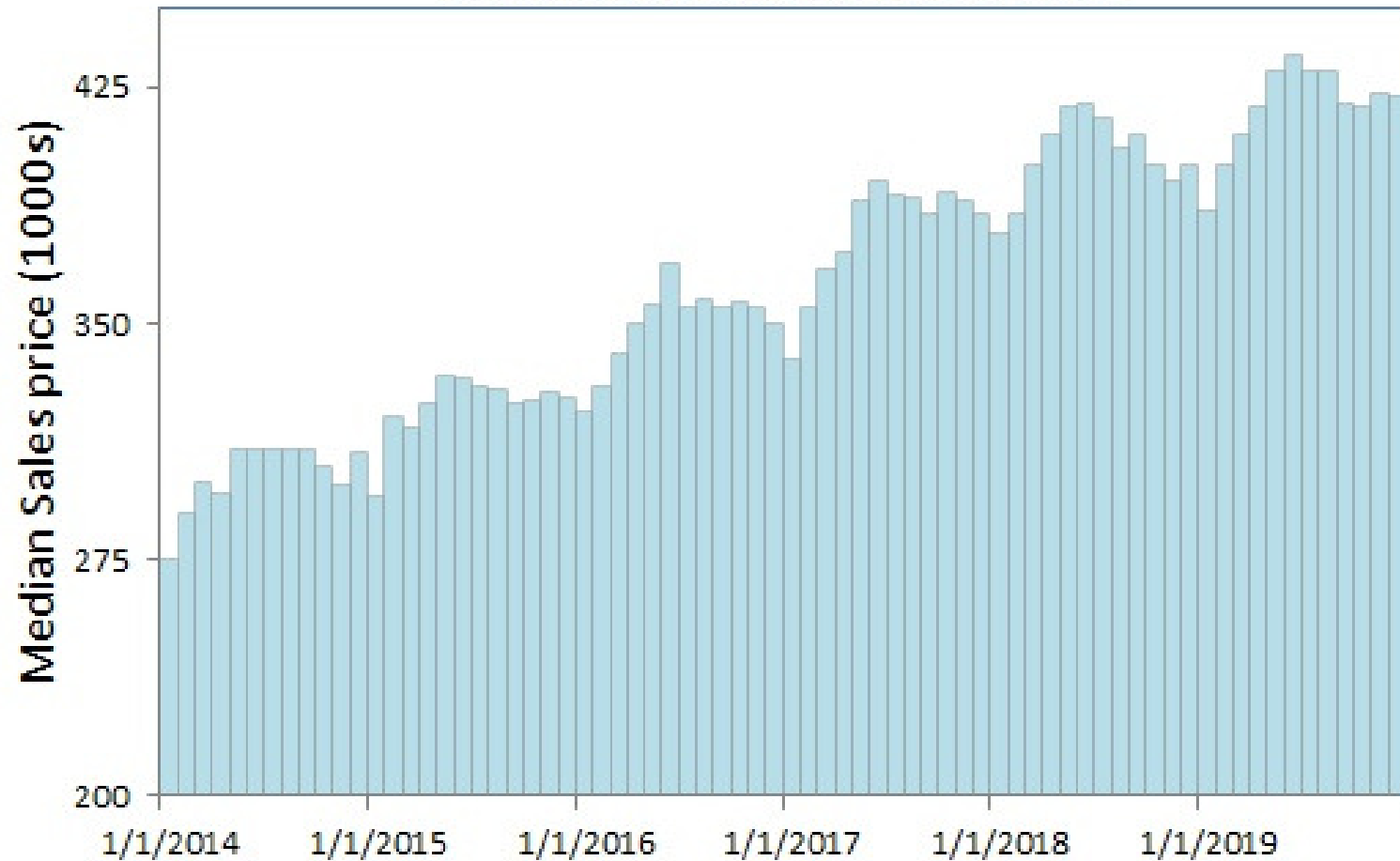
Are prices really slowing down?



What do you see?

Median Price in Sacramento Region

(Sacramento, Placer, Yolo, El Dorado County)



Jan 2014 through December 2019 (single family detached sales)

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Annual Median Price in Sacramento Region

Year	Median Price	Change
2013	\$269,900	+31.6%
2014	\$302,950	+12.2%
2015	\$325,000	+7.2%
2016	\$350,000	+7.7%
2017	\$380,000	+8.5%
2018	\$405,000	+6.5%
2019	\$420,000	+3.7%

Based on past 12 months of sales through December each year



Sacramento, Placer, Yolo, & El Dorado Counties (single family detached MLS sales)

SacramentoAppraisalBlog.com

Monthly Median Price in Sacramento Region

December	Median Price	Change
2013	\$280,000	+22.6%
2014	\$309,000	+10.3%
2015	\$326,500	+5.6%
2016	\$350,000	+7.2%
2017	\$385,000	+10.0%
2018	\$400,000	+3.9%
2019	\$422,550	+5.6%



Sacramento, Placer, Yolo, & El Dorado Counties (single family detached MLS sales)

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Past 90 days of Sales in Sacramento Region

Year	Median Price	Change
2013	\$280,000	+25.1%
2014	\$302,500	+8.0%
2015	\$326,000	+7.7%
2016	\$353,244	+8.3%
2017	\$387,000	+9.5%
2018	\$400,000	+3.3%
2019	\$420,000	+5.0%

Date: October 1 to December 31 of each given year



Sacramento, Placer, Yolo, & El Dorado Counties (single family detached MLS sales)

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The market used to be going 80mph...



Two Truths:

- 1) Price momentum is slowing
- 2) SLOW is not a dirty word in real estate



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Many try to find a way to explain away the slowness

“The market is slower because of the rain.”

“The market is slow because of all the smoke from the Camp Fire.”

“Sales are down because we have less listings”

“We’ve had less new construction which makes it slower...”

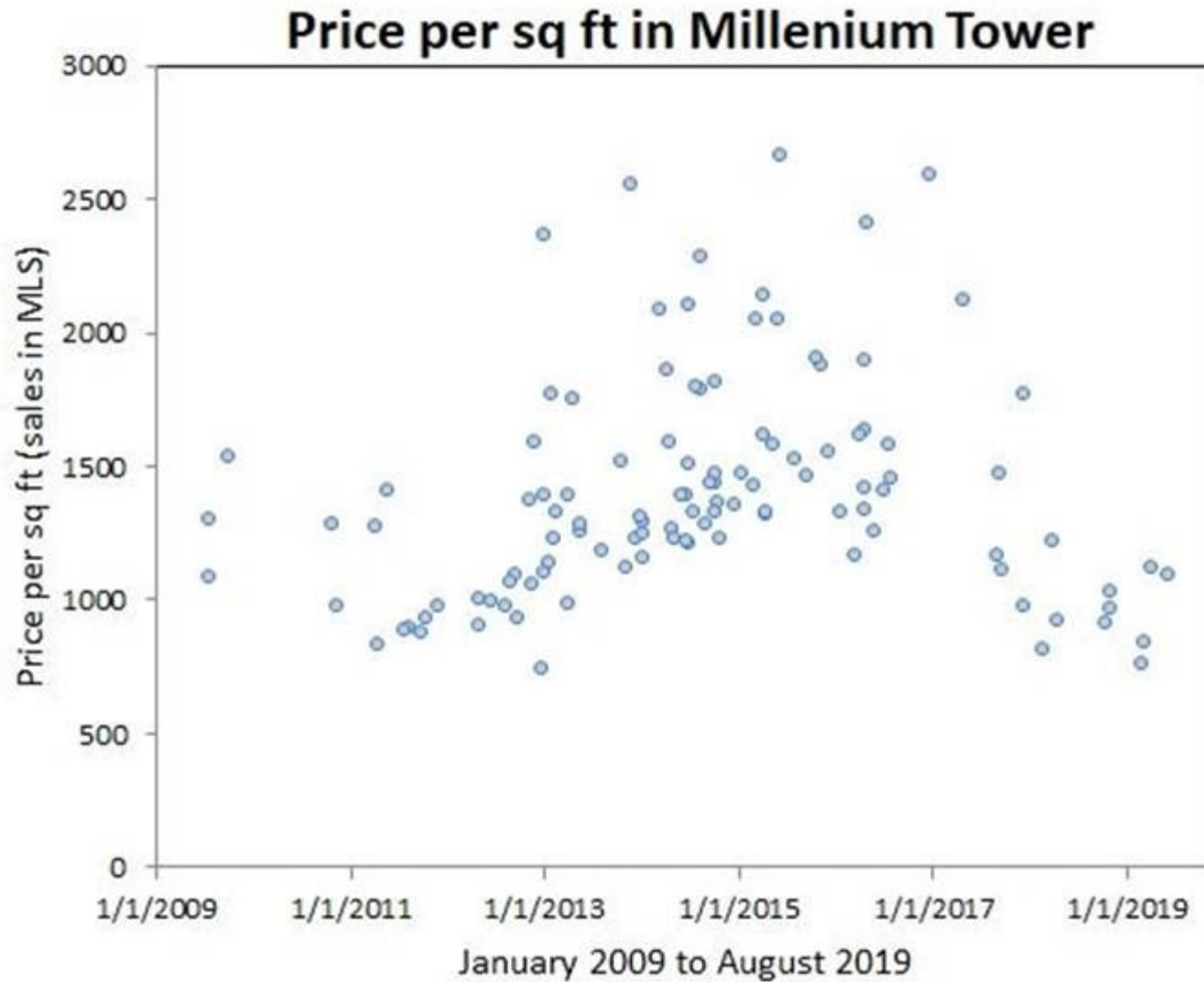


imgflip.com

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“It’s just sinking a little bit...”

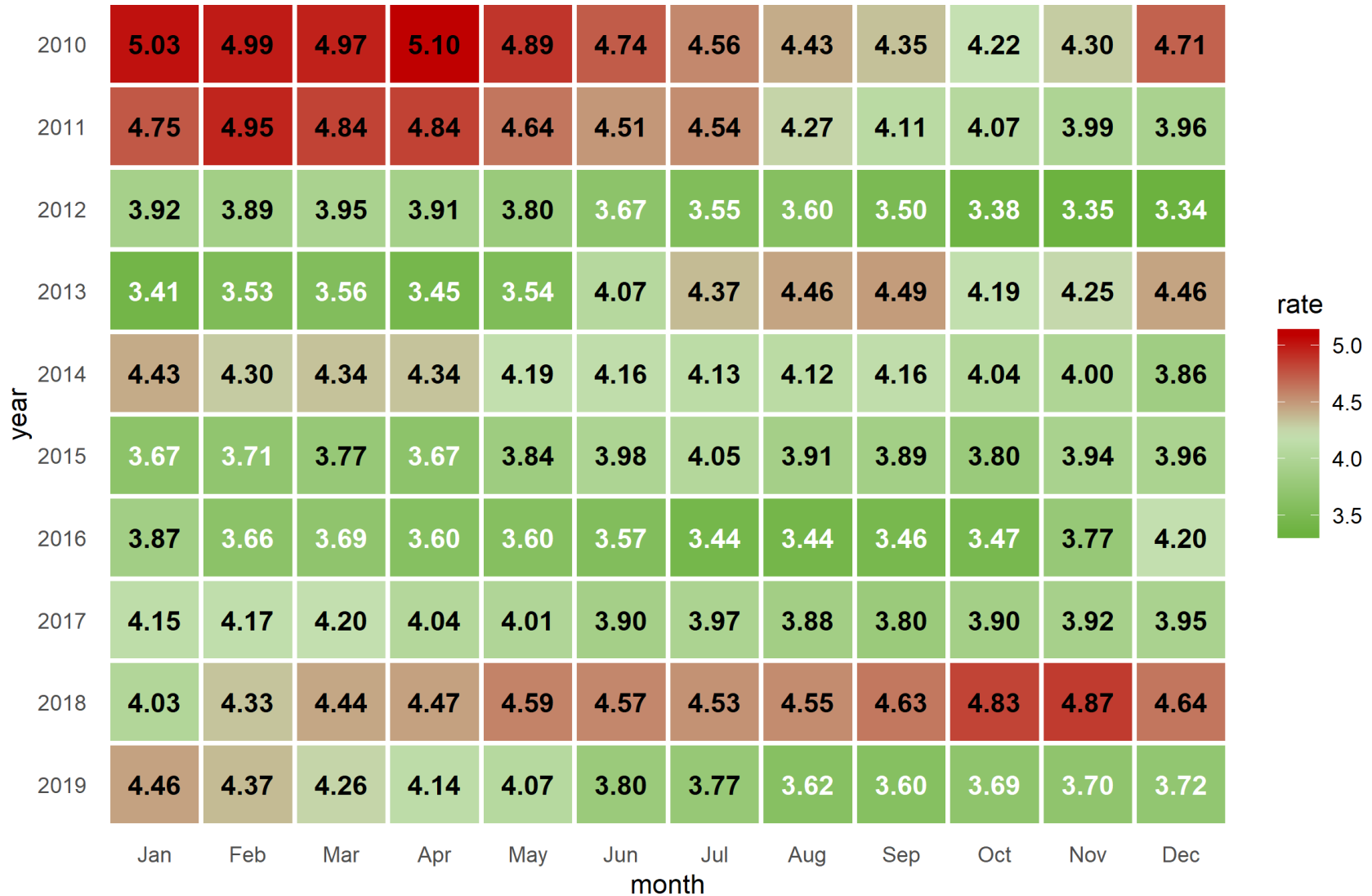


**“How do I convince someone
the market is okay?”**



Monthly average mortgage rates by year

U.S. average 30-year fixed mortgage rate (%)

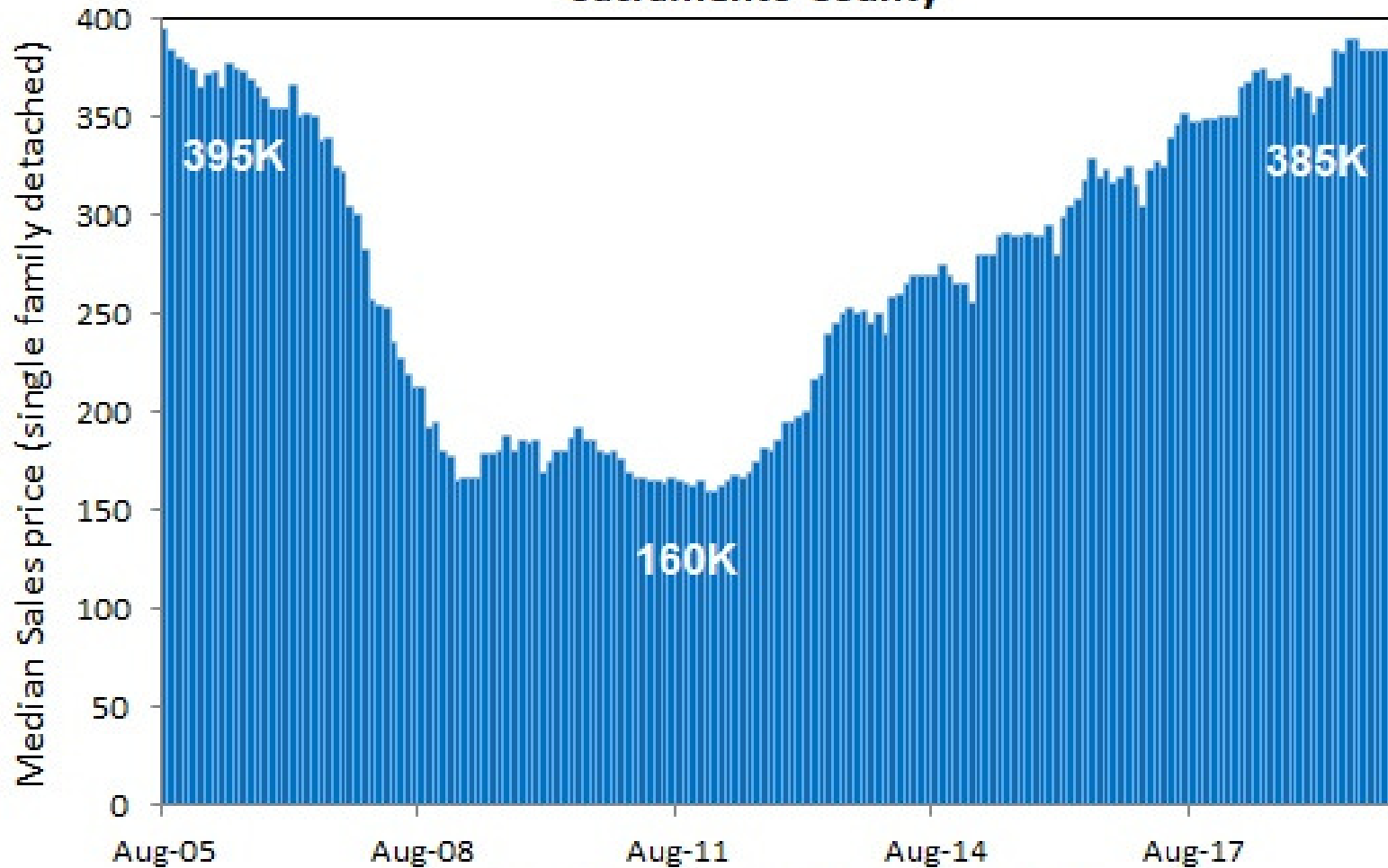


@lenkieferr Source: Freddie Mac Primary Mortgage Market Survey through January 02, 2020

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PRICE CYCLE THOUGHTS

Median Price Since the "Bubble" Popped in 2005 Sacramento County



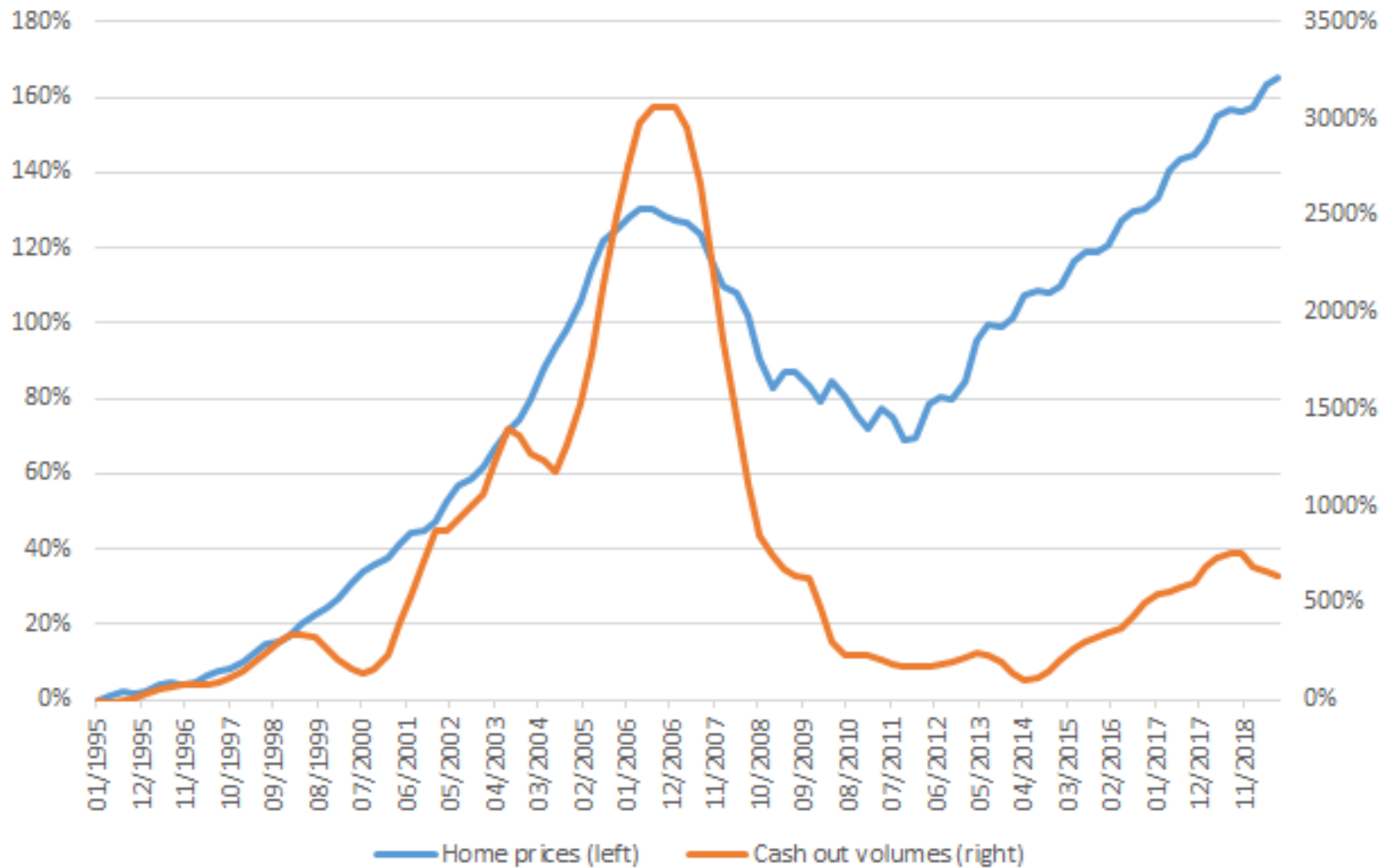
August 2005 through December 2019

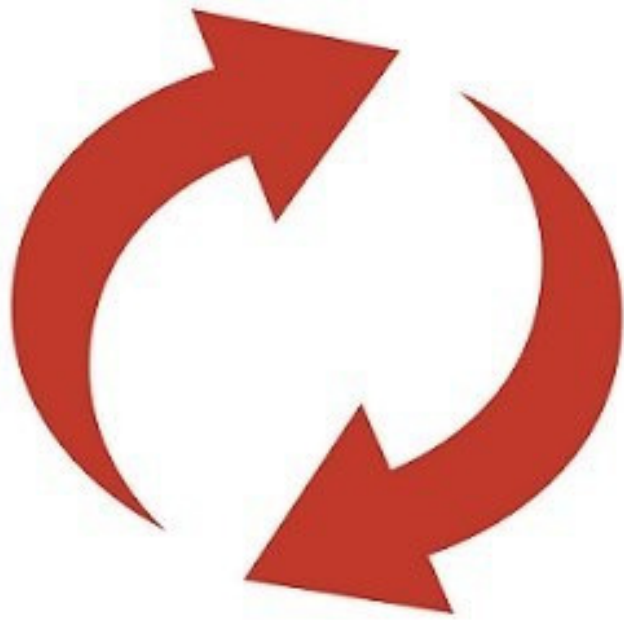
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Tapped Out

Home prices are at new highs but cash out refi and heloc volumes are much lower

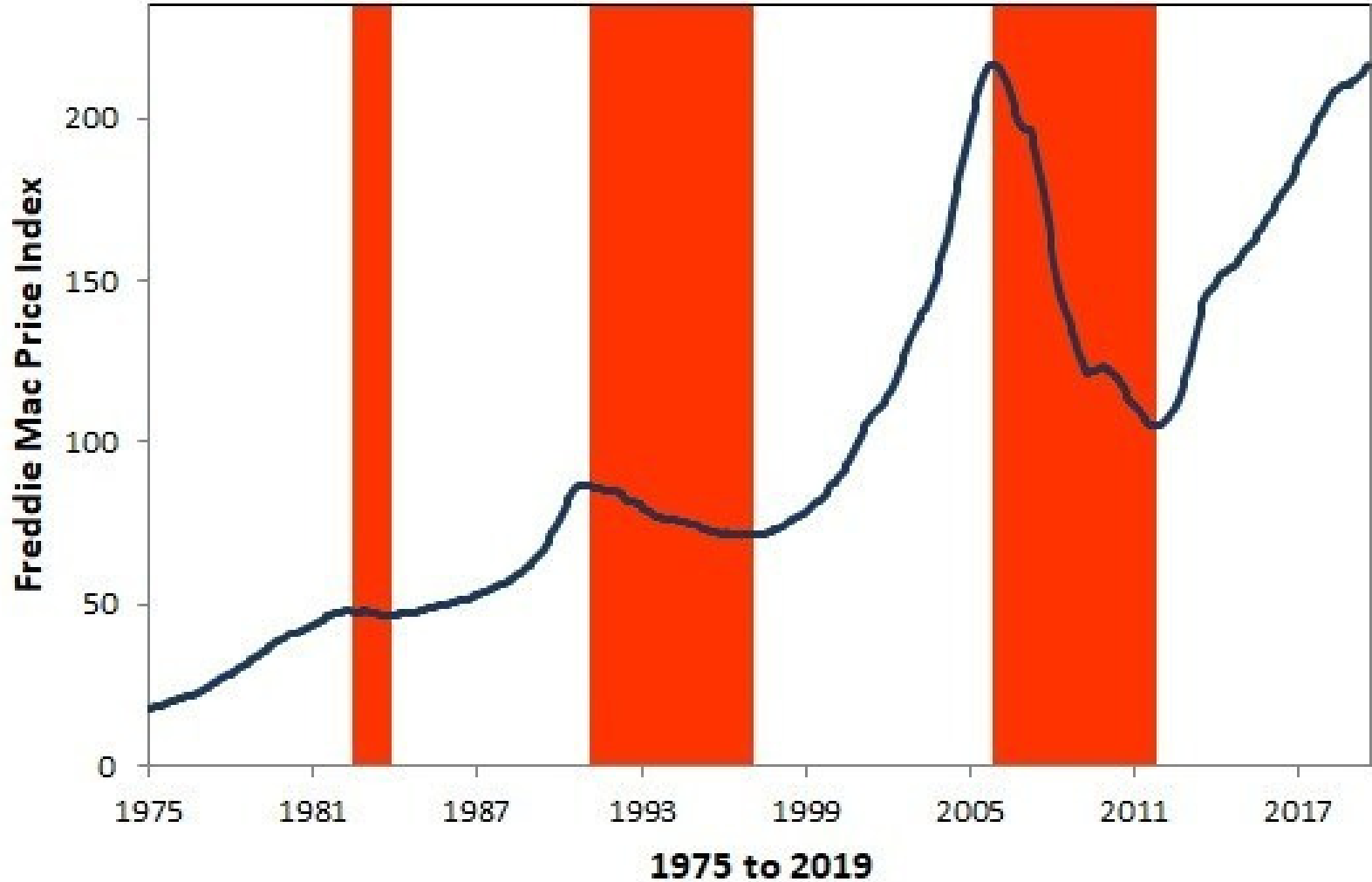




**Does the market
really change every
seven years?**

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Real Estate Price Cycles in Sacramento



Down Market — Freddie Mac Price Index

How long were the past few up price cycles?

1980s: 7.1 years
1990s: 8.6 years
Current: 8.1 years



How long did the past few **down price cycles** last?

1980s: 17 months

1990s: 5.9 years

2000s: 5.9 years



Can you be successful in any market?

Closing thoughts to focus business in 2020

- 1) Be fluent in trends so you can spot what is normal vs what is not.
- 2) Be careful about regurgitating sensational headlines that might not apply in our market.
- 3) Don't be afraid to call the market soft or slower if it is. You earn credibility for doing that.
- 4) Realize we can have a market that feels really competitive without major price growth.
- 5) Watch Prop 13 reform closely and find opportunities from that.
- 6) Be well prepared for "bubble" conversations.
- 7) Educate your sellers about how picky buyers are.
- 8) Don't overprice your listings (and find ways to help sellers not overprice).
- 9) Crush it to find deals because you're competing with Zillow now.
- 10) Study other markets where locals are moving.
- 11) Become well-informed about how 1031 exchanges work.
- 12) Be in tune with rent control laws to avoid marketing mistakes.
- 13) Watch the PG&E issue closely. If this becomes prolonged some people will move.
- 14) Be aware of challenges to commissions and avoid price-fixing language.
- 15) Study migration patterns so you can help owners wanting to move out of the market.
- 16) Find sellers who have incentive to move right now.
- 17) Find buyers who are moving because of their lifestyle and ability to afford.
- 18) Keep an eye on the Bay Area market and be ready for some inbound growth.
- 19) Diversify where the iBuyer models are not going.
- 20) Be aware of consumer behavior if we head toward a recession (tighten finances / smaller homes)
- 21) Don't keep doing the same thing because it won't work in every market.



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