

BIG TRENDS TO WATCH IN THE MARKET

Ryan Lundquist - Appraiser
www.SacramentoAppraisalBlog.com



Things to get out of this talk:

- 1) Understand more fully what the market is doing.
- 2) Pick up some ways to describe the market to clients.
- 3) Get some ideas for where to focus business in 2020.





BIZ & TECH // NET WORTH - KATHLEEN PENDER

Bay Area home-price slump continues



Kathleen Pender

Sep. 26, 2019

Updated: Sep. 26, 2019 11:25 p.m.



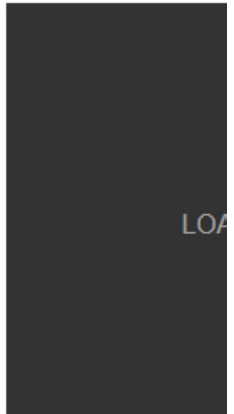
BUSINESS

Bubble Watch: On a global scale, California housing is simply “overvalued”

L.A. ranked as 13th diciest region among 24 cities tracked; San Francisco No. 10.



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Some California Housing Markets More At Risk Should Recession Hit

 [Randol White](#)

Tuesday, September 10, 2019 | Sacramento, CA | [Permalink](#)



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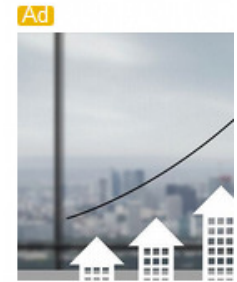
Is The Sacramento Real Estate Bubble Ready To Burst?

By Rachel Wulff July 29, 2019 at 11:26 pm Filed Under: Real Estate, Sacramento Housing



SACRAMENTO (CBS13) – For the first time in 14 years, Sacramento home prices are nearing where they were prior to the market crash in the mid-2000s, which has some worried it could happen again.

Experts say the numbers are the same but tell a different story.



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California's housing market probably will slow in 2020, Realtors say

Median home price probably will rise only 2.5% to \$607,900

September 26, 2019 By Kathleen Howley

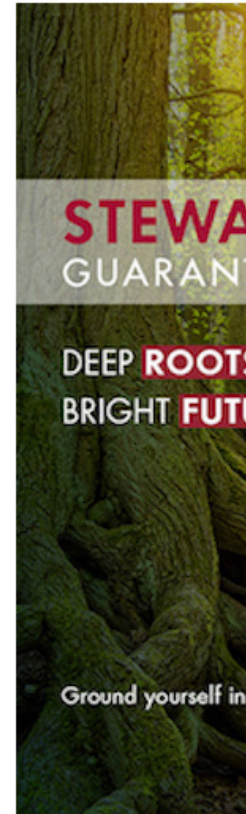
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Economic uncertainty and high prices are muting the housing market in the nation's most populous state, according to the **California Association of Realtors**.

The median home price in California likely will increase by 2.5% to \$607,900 in 2020, slowing from a projected 4.1% annual gain in 2019, CAR said in a forecast Thursday. Sales of existing single-family homes probably will gain 0.8% in 2020 to reach 393,500, following a 3.1% drop this year from 2018's level, the group said.

Low mortgage rates are making it easier for buyers to afford homes, but that's being offset by the Trump administration's trade wars that have increased the chances of an economic contraction, said Jared Martin, president of CAR.

"Buyers have more purchasing power than in years past, but they may be reluctant to get off the sidelines because of economic and market uncertainties," Martin said. "Additionally, an affordability crunch will cut into



STRANGER —TRENDS—

Ways I'm describing the market:

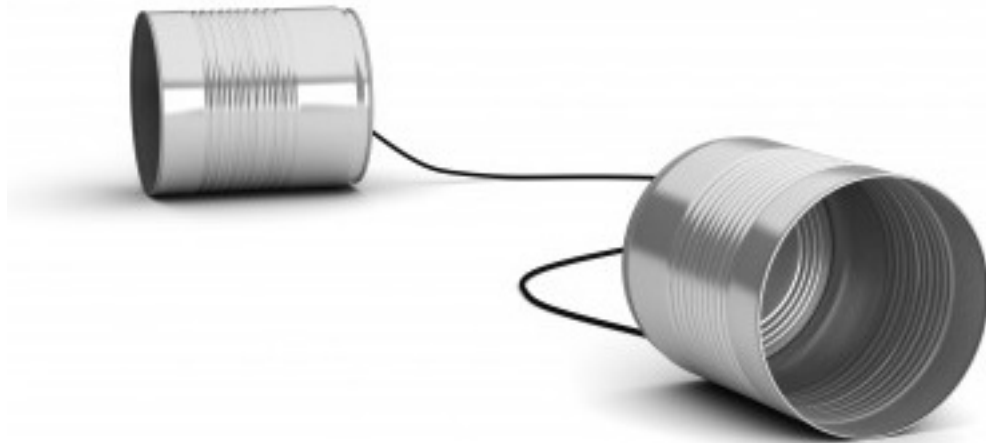
- It feels a bit normal right now
- Competitive if priced right
- Modest price growth
- Slumping volume
- There's an element of uncertainty

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**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

It's a different market than it used to be...

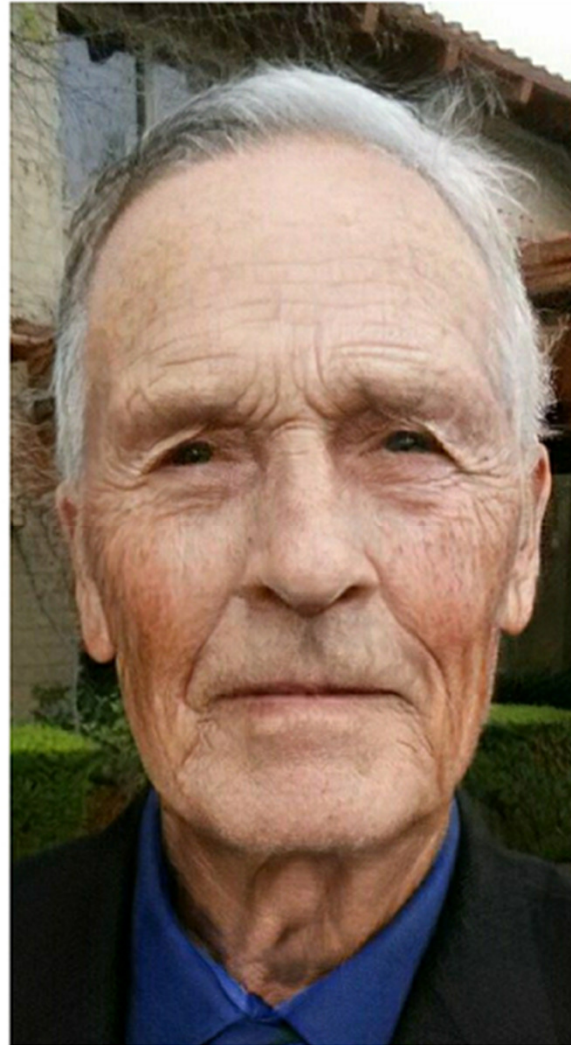


1990s Brad Pitt



2019 Brad Pitt

The way we talk about the market vs the market



How many offers are Sacramento sellers getting?

Number of Offers	Number of pendings	Percentage of all pendings
1	1,783	59.2%
2	602	20.0%
3	315	10.4%
4	141	4.7%
5	69	2.3%
6	34	1.1%
7	25	0.8%
8	14	0.4%
9	7	0.2%
10	5	0.1%



Based on pending sales in Sacramento Metrolist in the region as of 09/30/2019. Single family and condos in Sacramento, Placer, Yolo, & El Dorado County. www.SacramentoAppraisalBlog.com

Sales with Multiple Offers

(Sacramento, Placer, Yolo, El Dorado County)



January 2017 to September 2019 (single family detached sales)

www.SacramentoAppraisalBlog.com

How much of a force are cash buyers?



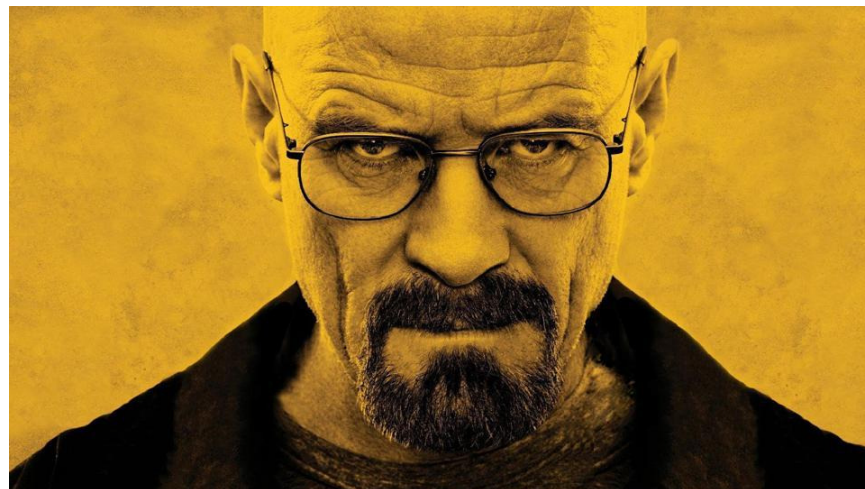
Breaking down the region in 2019

Cash: 14.0%

FHA: 14.7%

VA: 5.6%

Conv: 63.4%



Breaking down PLACER in 2019

Cash: 18.3%

FHA: 8.4%

VA: 6.2%

Conv: 64.6%



Above \$1M in the Region (2019)

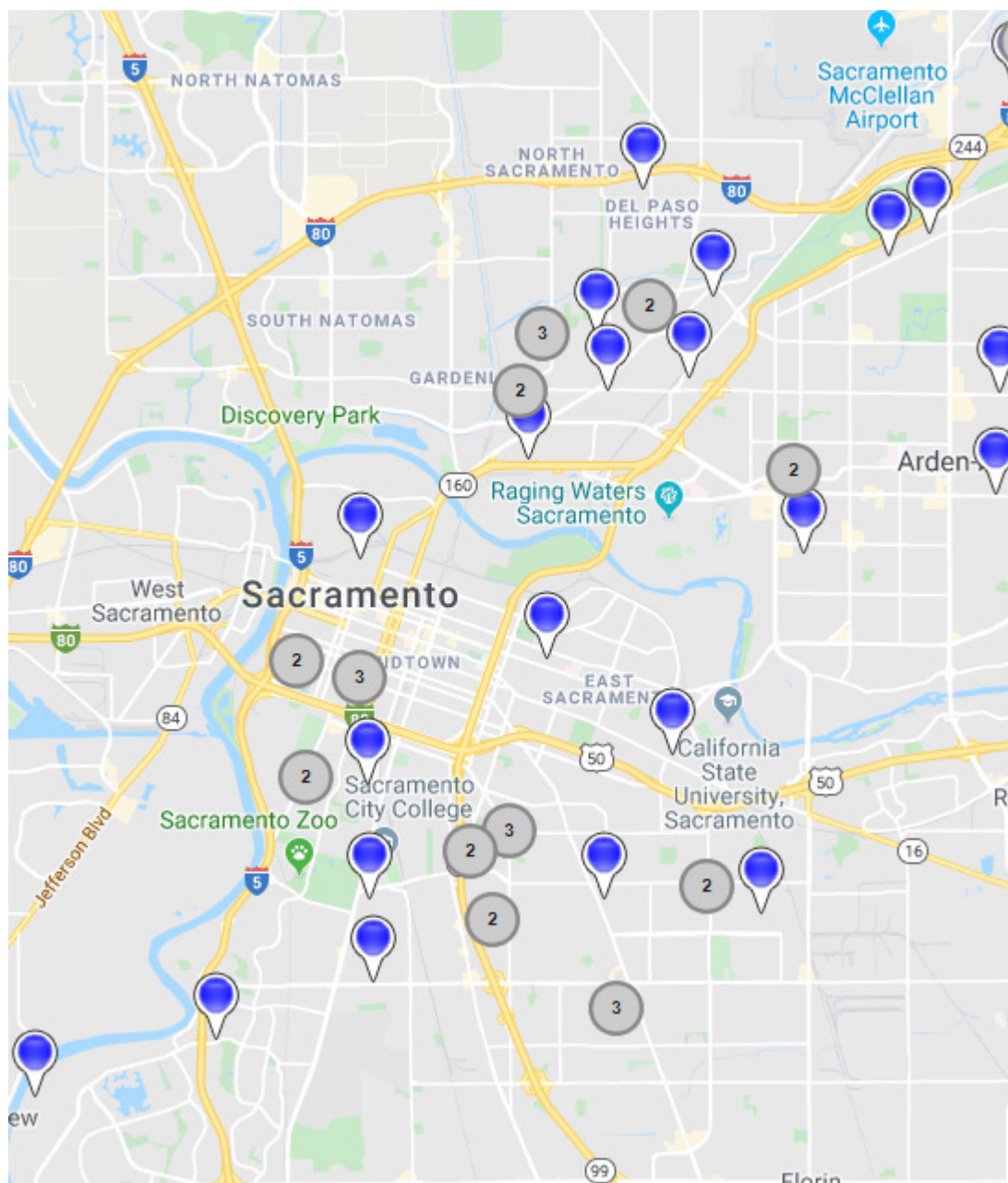
Cash: 21.4%

FHA: 0%

VA: 0.9%

Conv: 75.0%







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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



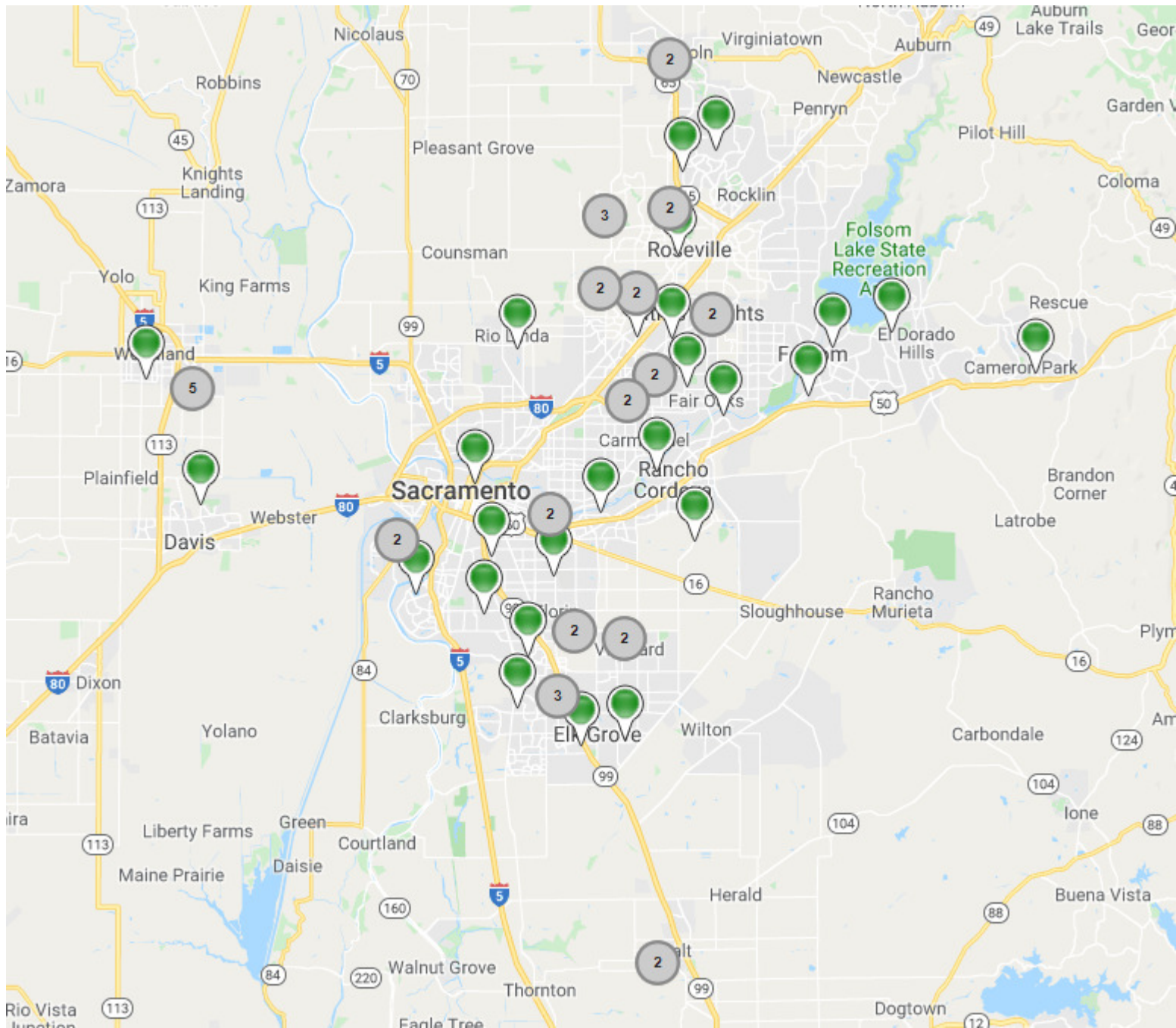
Single family sales in Metrolist as of 11/1/2019 (except 1 & 7 were private sales)

SacramentoAppraisalBlog.com

A market of outliers...

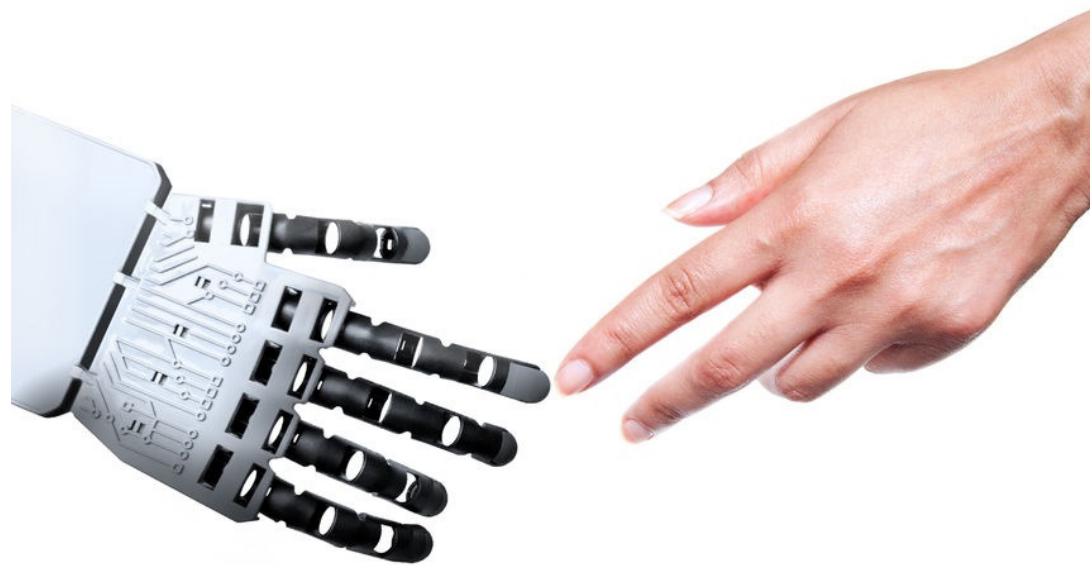
- 8.5% more million dollar sales this year
- 2.4% of all sales sold above \$1M
- 602 sales in 2019
- 82 days to sell on average
- 46.5% of homes sold in less than 30 days
- 404 active listings





BIG IDEA

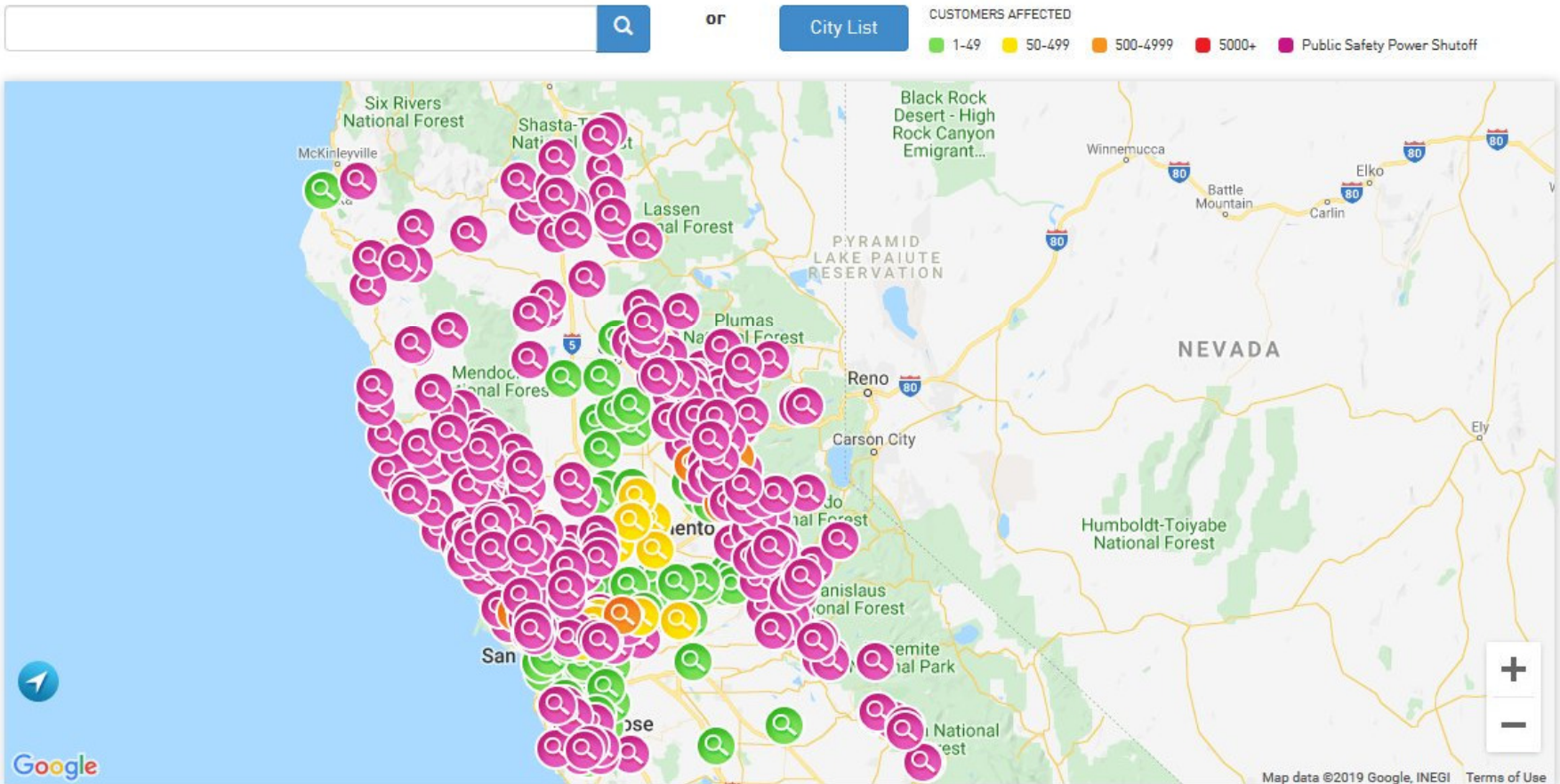
**Diversify into submarkets where
iBuyer models are not going**





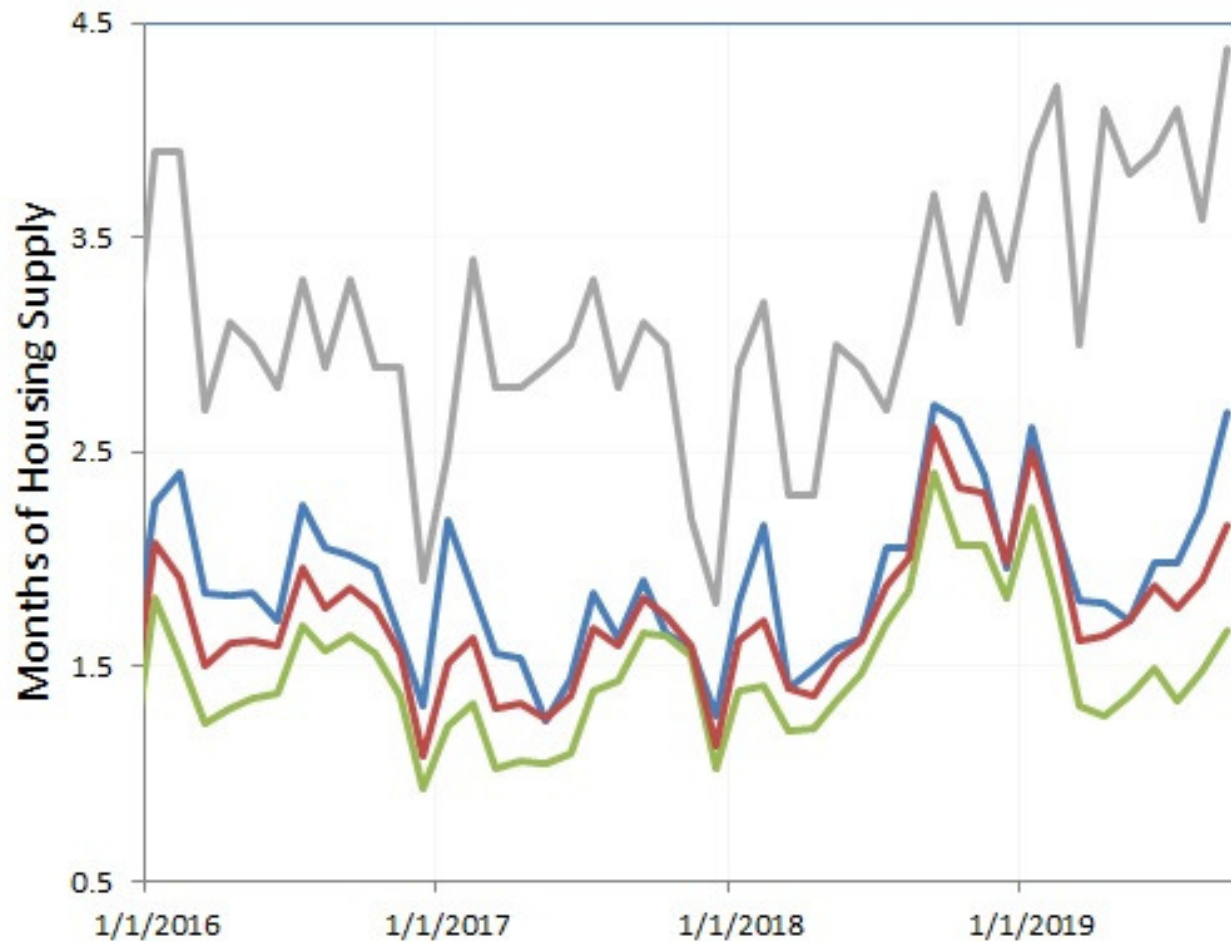
Outage Center

Select an outage on the map, or search to view outage details. Enter your street address to report an electric outage.



Outage information is updated every 30 minutes. Please [refresh](#) the Outage map for the latest updates.

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



January 2016 through September 2019 (single family detached)

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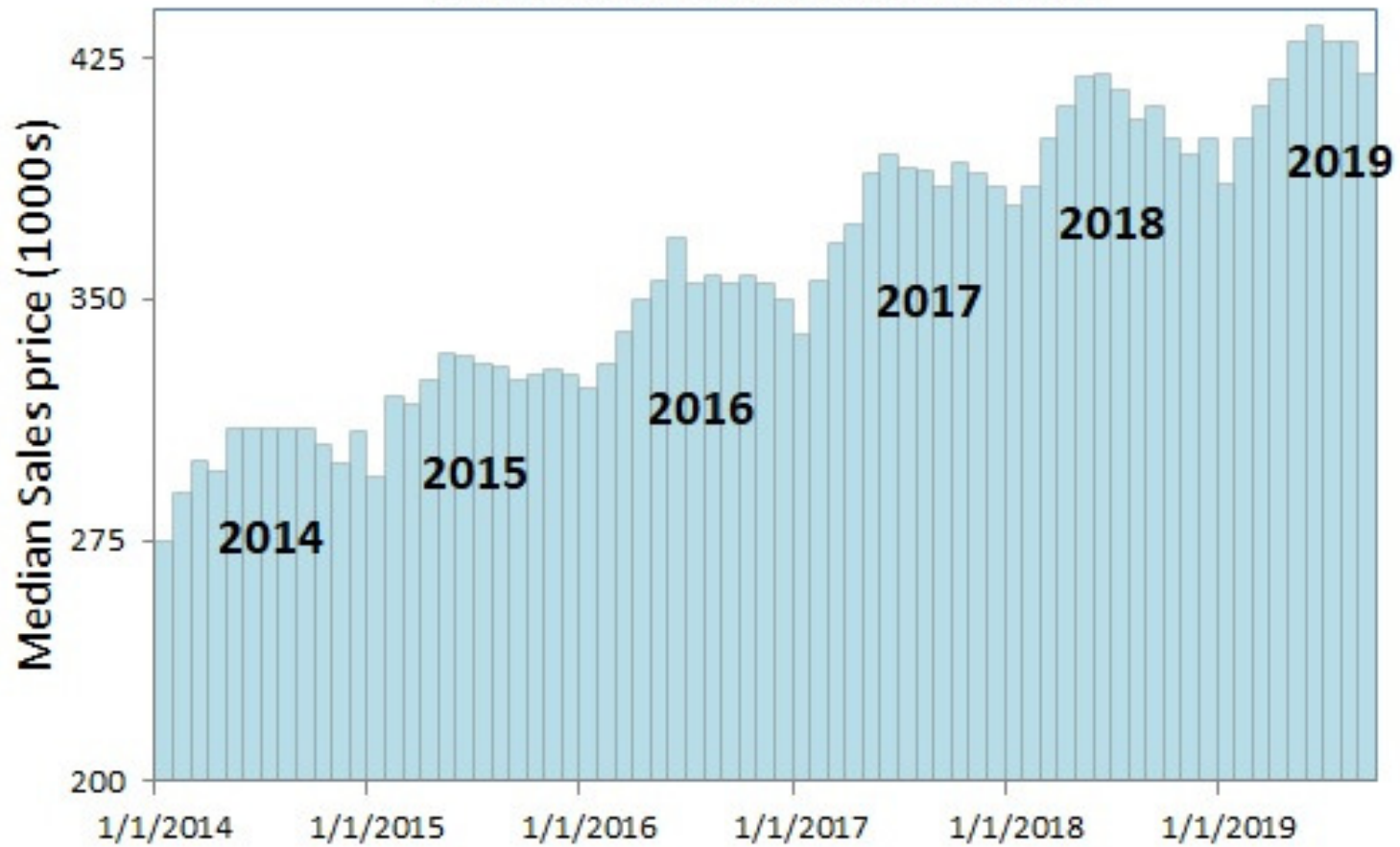


Let's look at local trends

What do you see?

Median Price in Sacramento Region

(Sacramento, Placer, Yolo, El Dorado County)



Jan 2014 through September 2019 (single family detached sales)

www.SacramentoAppraisalBlog.com

Sacramento Region Market Trends

Monthly Data	September 2018	September 2019	Change
Median Price	\$410,000	\$420,000	+2.4%
Average Price	\$452,314	\$471,569	+4.2%
Average Price Per Sq Ft	\$240.9	\$244	+1.2%
Months of Supply	2.61	2.16	-17.2%
Closed Sales	2,025	2,125	+4.9%
Days on Market (CDOM)	35	36	+1
Year Over Year Data	Previous Year	Past Year	Change
Closed Sales	27,956	25,889	-7.4%



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

SacramentoAppraisalBlog.com

Last month vs this month in the Sacramento Region

Monthly Data	August 2019	September 2019	Change
Median Price	\$429,995	\$420,000	-2.3%
Average Price	\$471,655	\$471,569	0
Average Price Per <u>Sq</u> Ft	\$246.3	\$244	-0.9%
Months of Supply	1.90	2.16	+13.6%
Closed Sales	2,490	2,125	-14.6%
Days on Market (CDOM)	32	36	+4



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

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The median price in October is up about 7%
from last year. **Is the market on fire?**



Are prices really slowing down?



Monthly Median Price in Sacramento Region

September	Median Price	Change
2013	\$284,000	+30.8%
2014	\$309,970	+9.1%
2015	\$325,000	+4.8%
2016	\$355,000	+9.2%
2017	\$385,000	+8.4%
2018	\$410,000	+6.4%
2019	\$420,000	+2.4%



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	\$284,750	+33.0%
2014	\$310,000	+8.8%
2015	\$327,000	+5.5%
2016	\$356,000	+8.8%
2017	\$389,900	+9.5%
2018	\$410,000	+5.1%
2019	\$427,000	+4.1%

Date: July 1 to September 30 of each given year



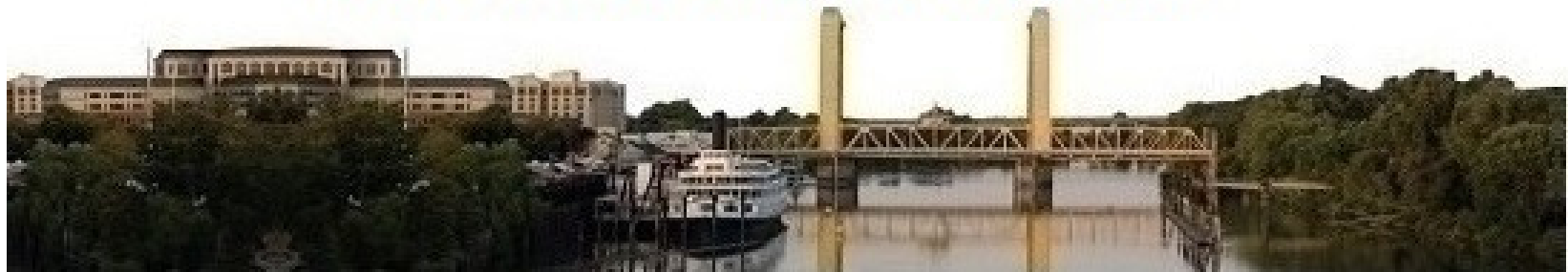
Sacramento, Placer, Yolo, & El Dorado Counties (single family detached MLS sales)

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Annual Median Price in Sacramento Region

Year	Median Price	Change
2013	\$255,000	+30.7%
2014	\$299,000	+17.2%
2015	\$320,000	+7.0%
2016	\$345,000	+7.8%
2017	\$373,000	+8.1%
2018	\$400,000	+7.2%
2019	\$415,000	+3.7%

Based on 12 months of sales through September each year



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

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The market used to be going 80mph...



Metaphor from Barry Habib

Two Truths:

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



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.”

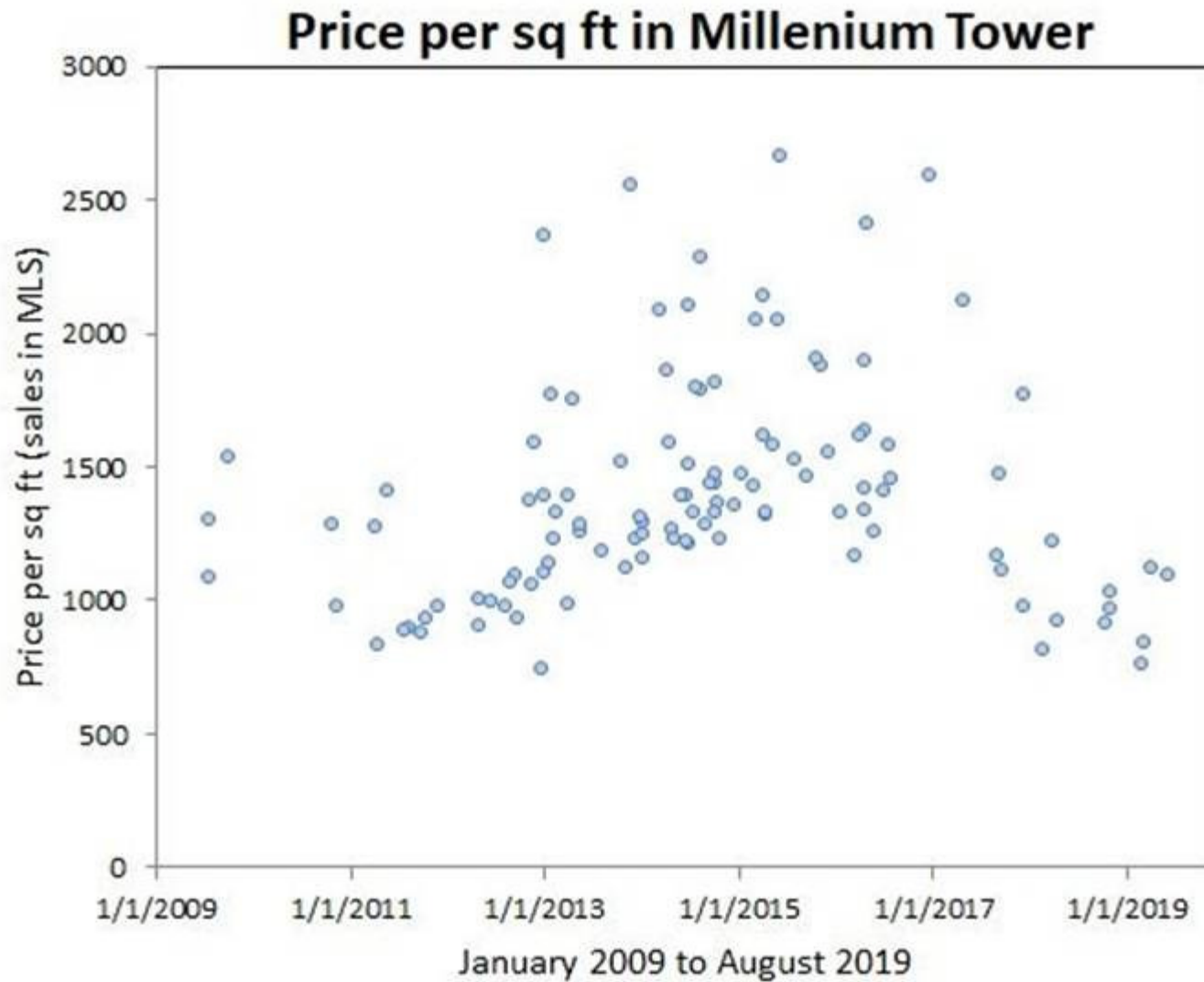
“Sales are down because of Bay Area buyers.”

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





“It’s just sinking a little bit...”



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



Will prices tank during a recession?

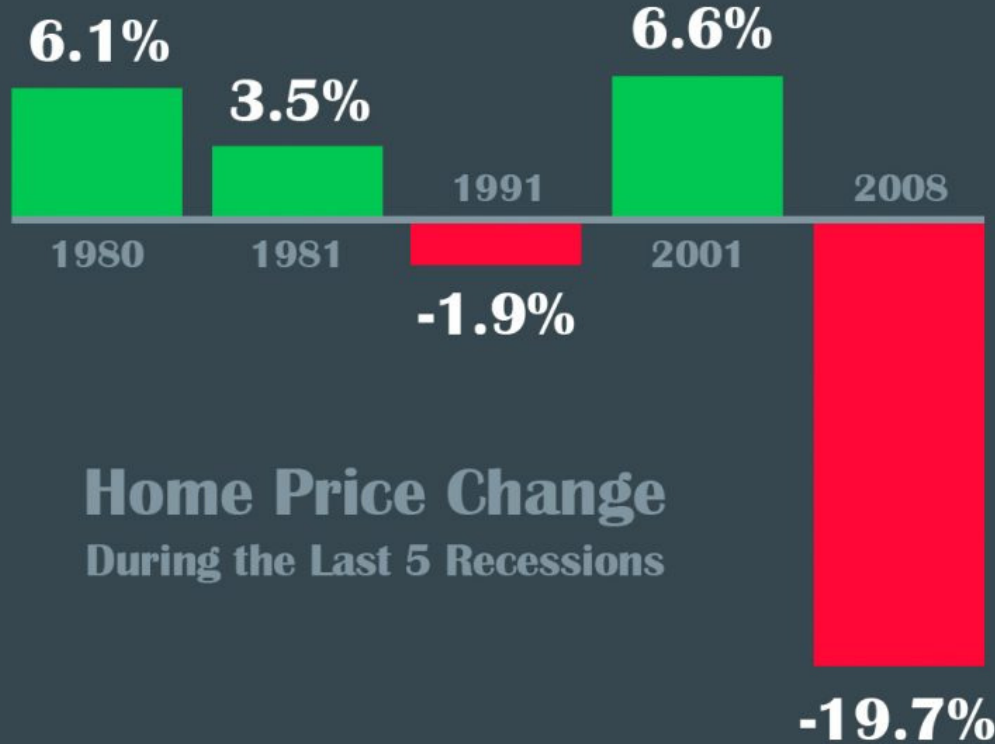


“Recession”

**Does
Not
Equal**

**“Housing
Crisis”**

Home prices have **appreciated**
during **3 of the last 5** recessions!



Home Price Change
During the Last 5 Recessions

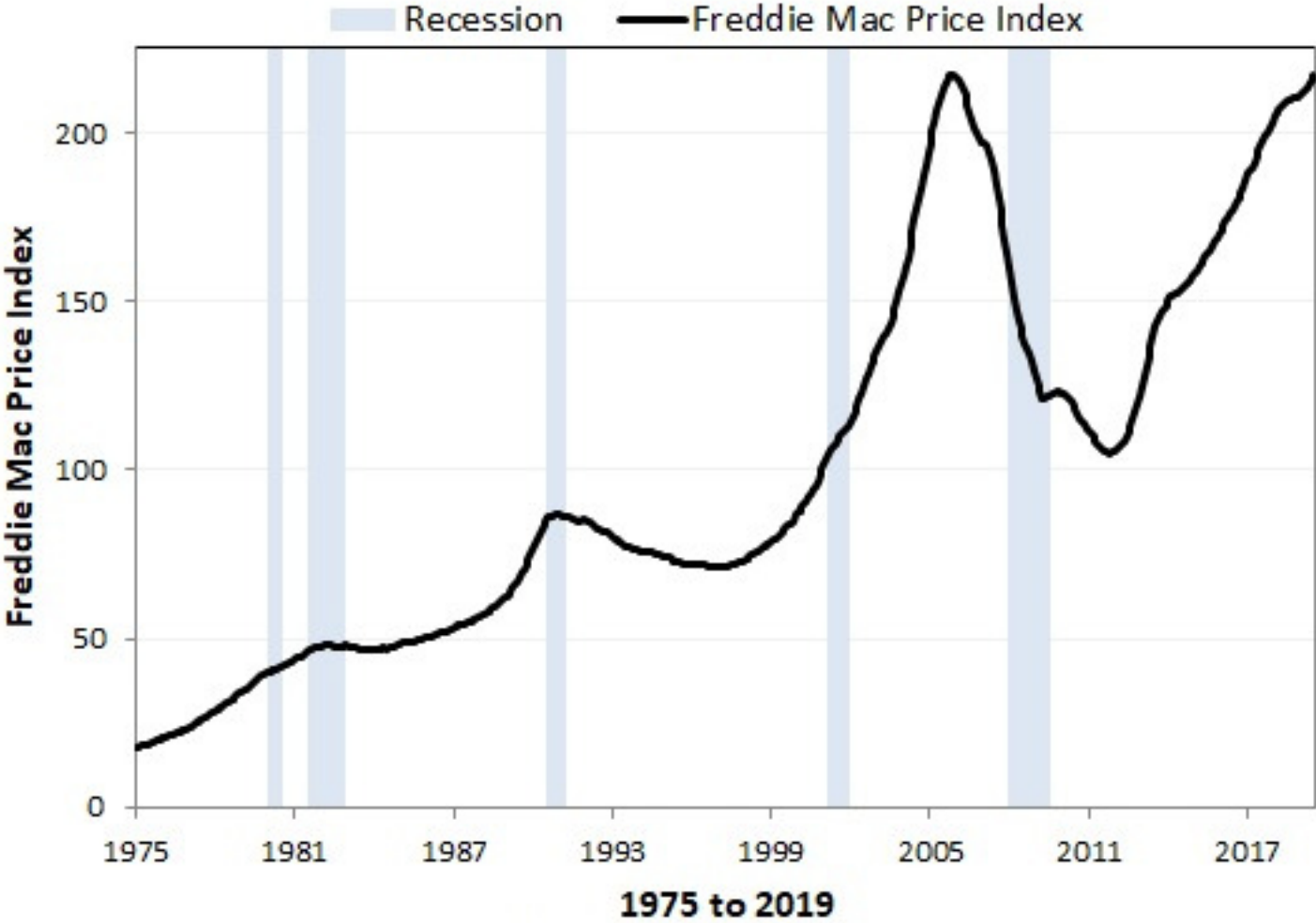
Source: CoreLogic

Deep Recession Thoughts

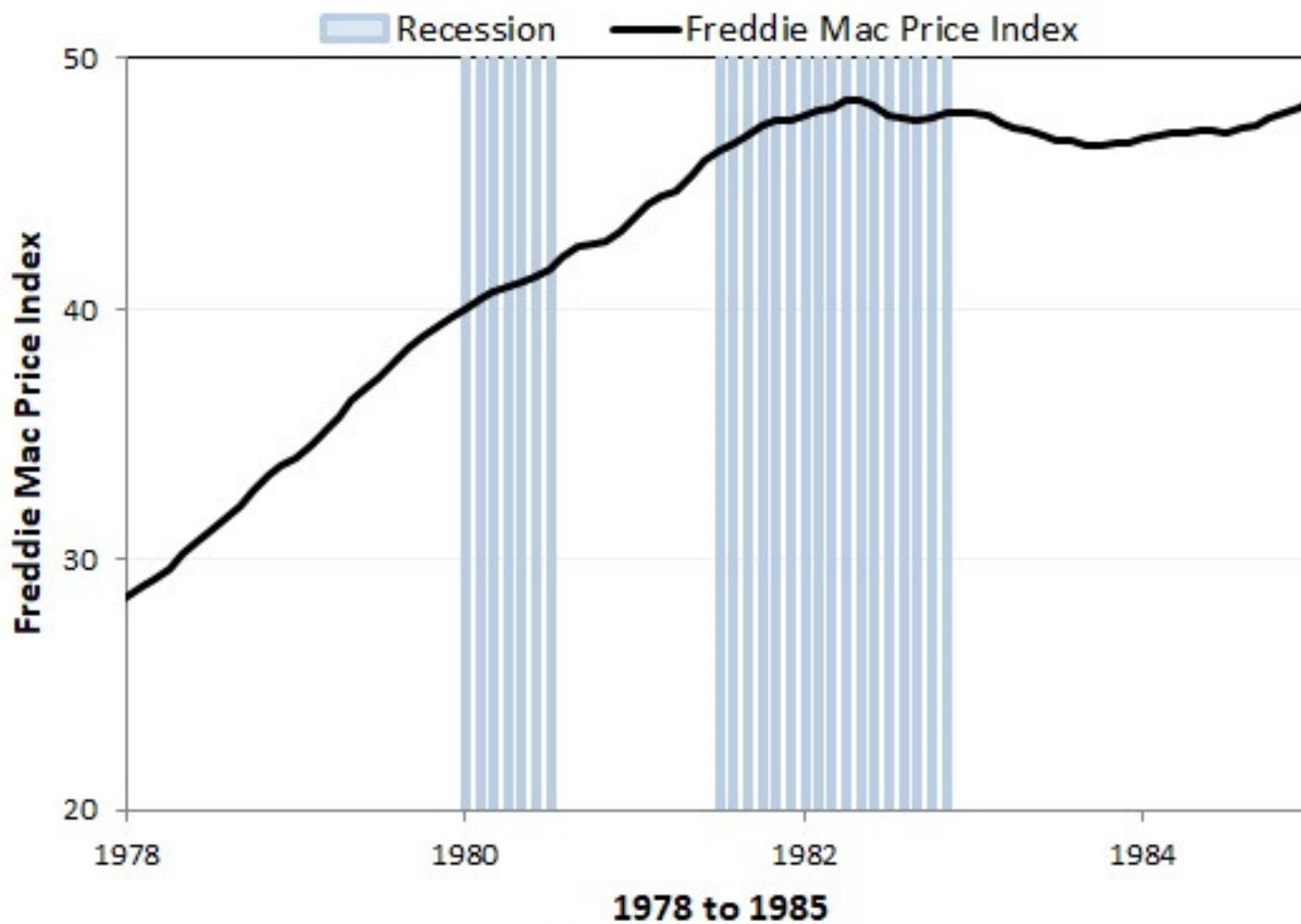
- Not all recessions are created equal.
- The severity of a recession matters.
- Prices don't always decline during a recession.
- Prices can decline **after** a recession.



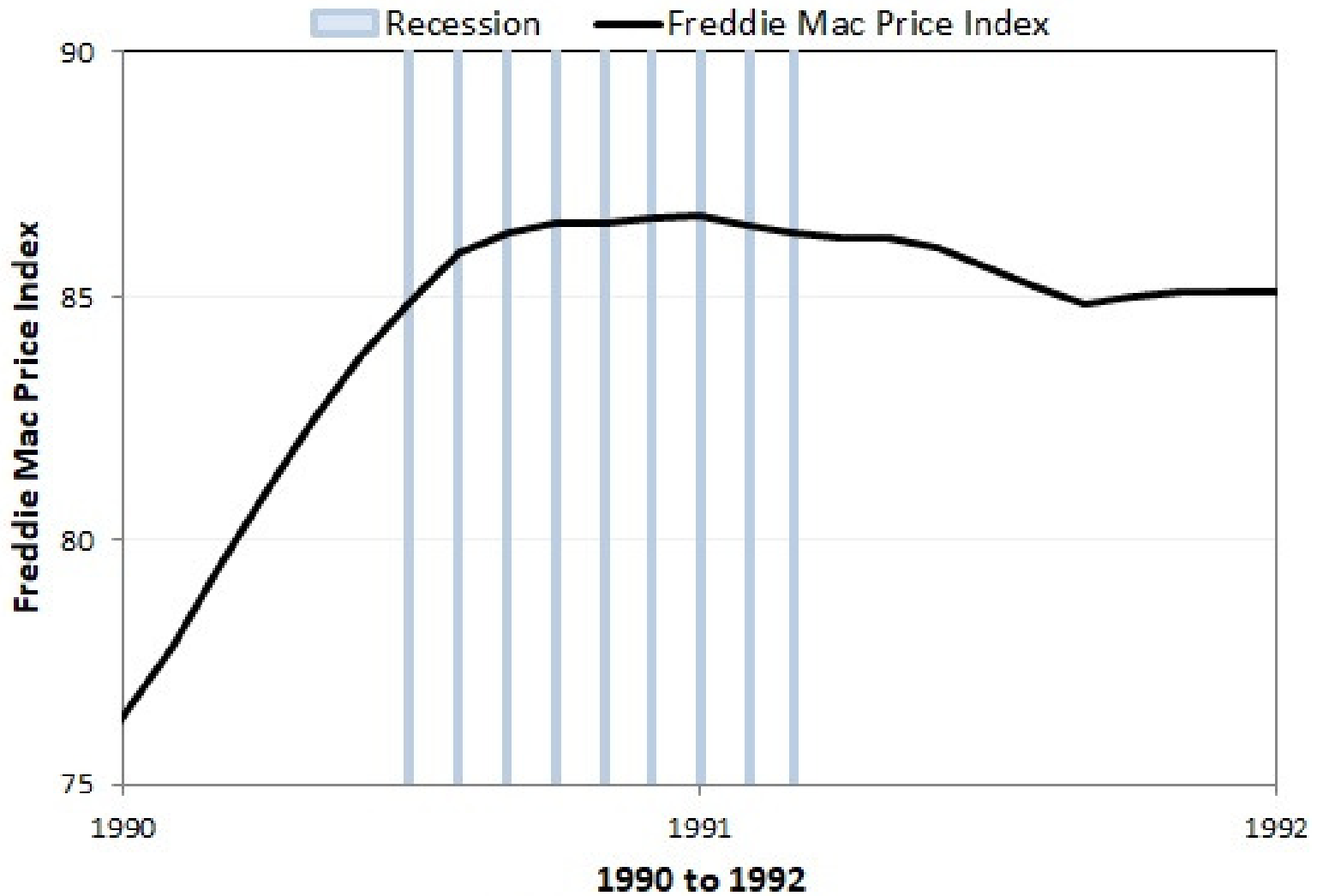
Sacramento Home Prices During a Recession



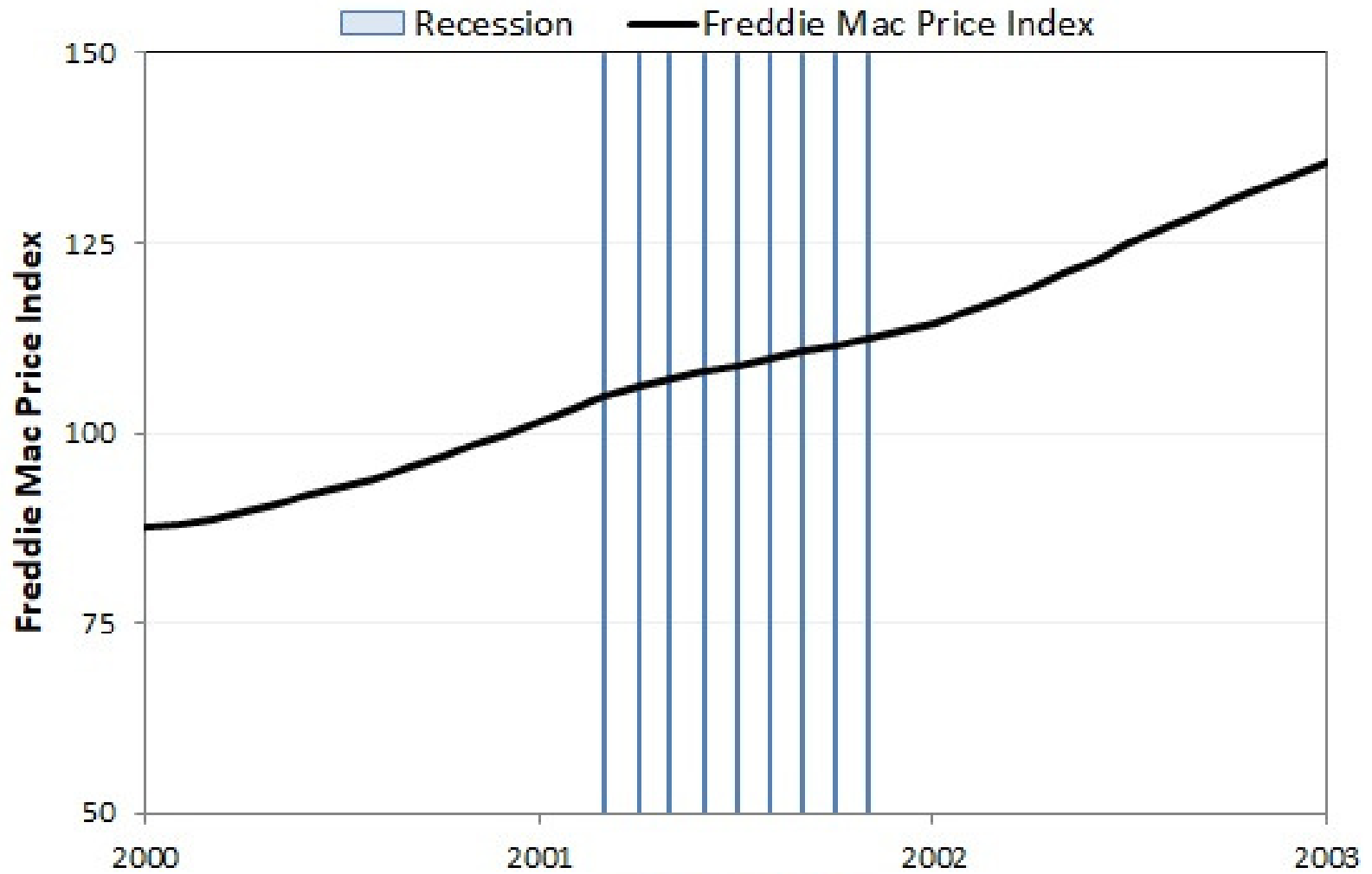
Sacramento Home Prices During a Recession



Sacramento Home Prices During a Recession



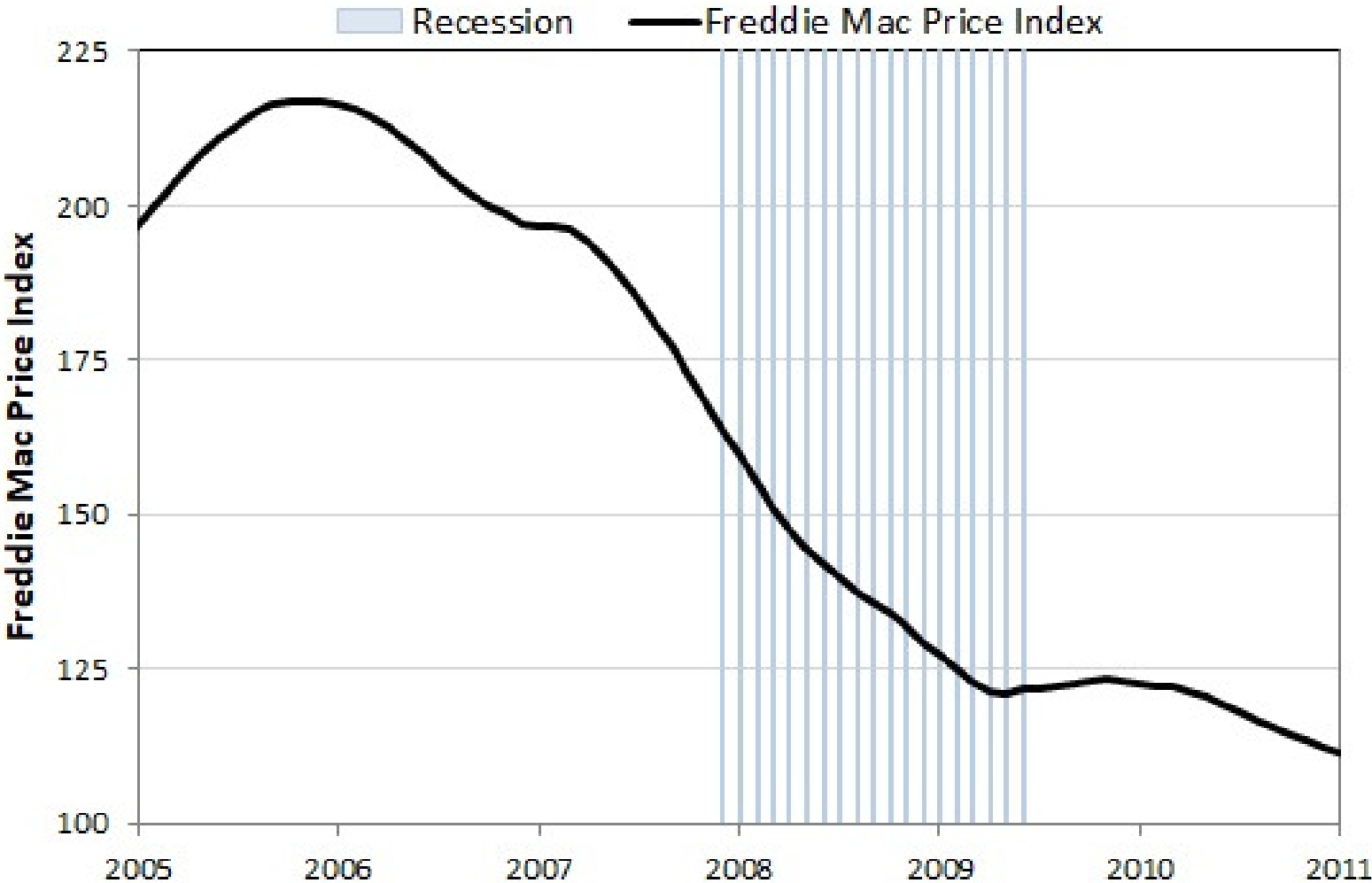
Sacramento Home Prices During a Recession



2000 to 2003

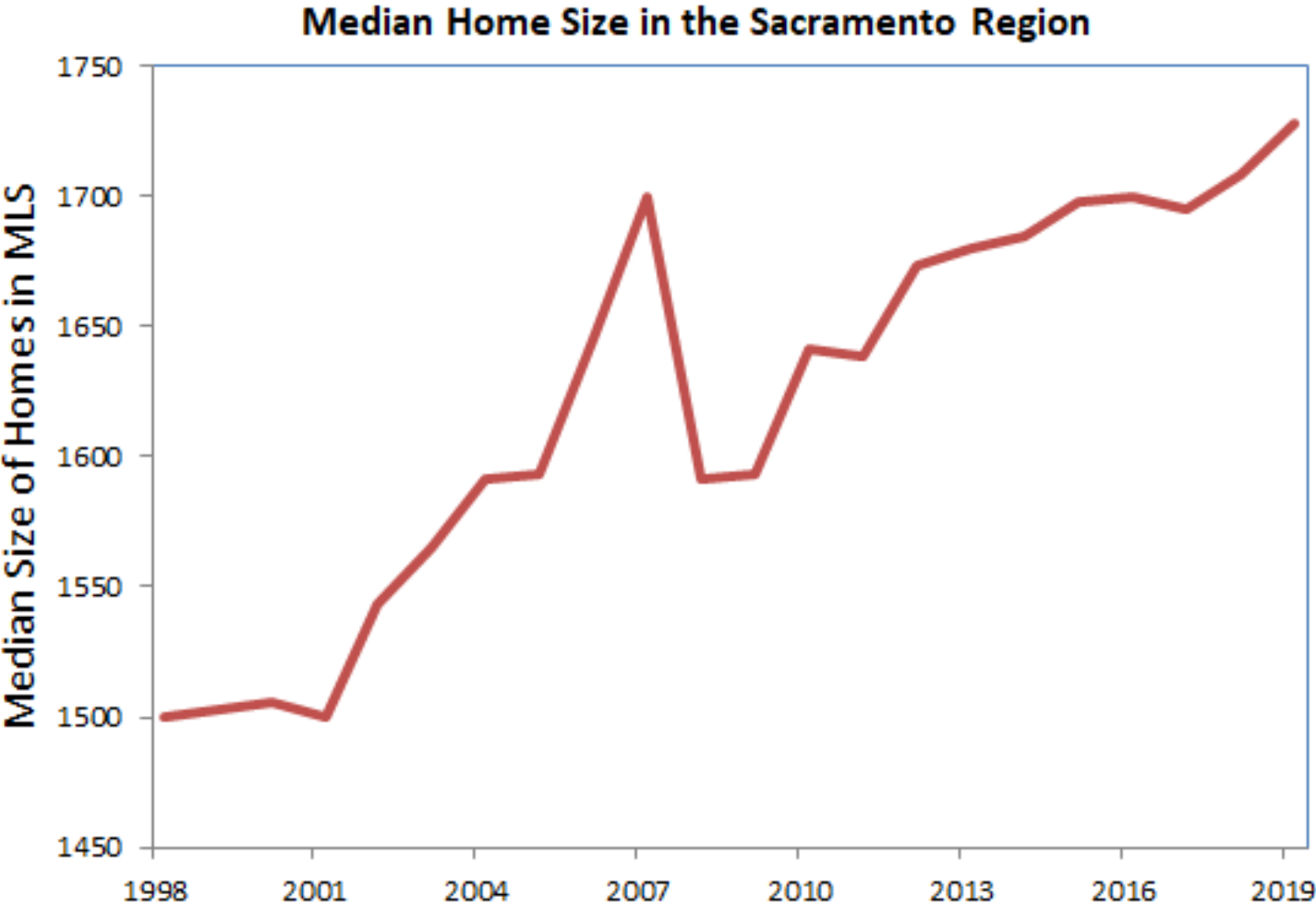
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Sacramento Home Prices During a Recession



2005 to 2011

What happened to the size of homes during the recession?



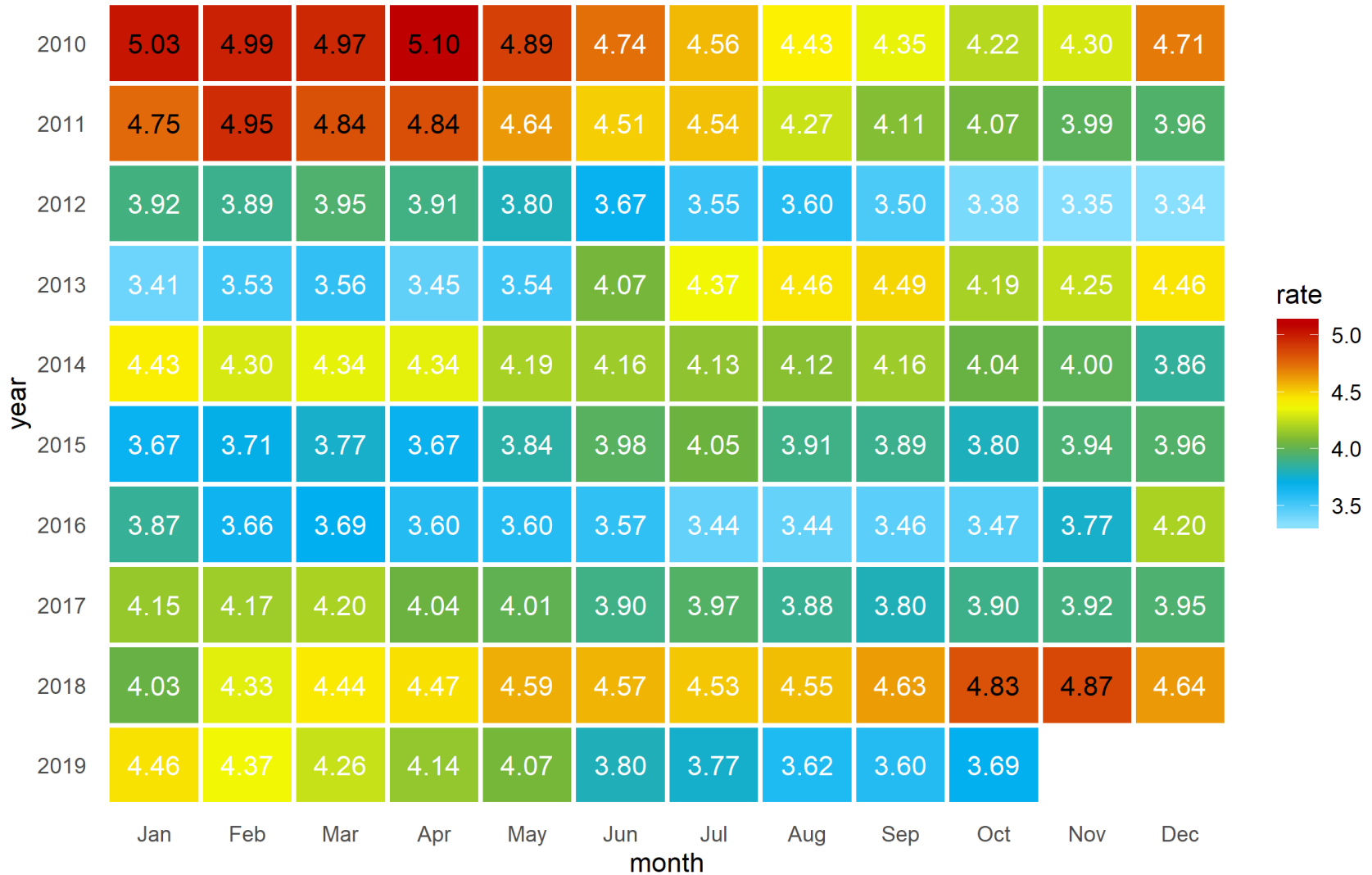
1998 to 2019

Sac, Placer, Yolo, El Dorado County
Annual Single Family Detached Sales

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Monthly average mortgage rates by year

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



@lenkiefier Source: Freddie Mac Primary Mortgage Market Survey through October 31, 2019
 Note: monthly average of weekly estimates rounded to even: round(0.5)=0, round(1.5)=2

Source: Leonard Kiefer @lenkiefier (Twitter)

Rate Takeaways:

- Low rates have helped propel the market up for 8 years
- Low rates changed the feel of the market this year
- The immediate future of the market is likely to be heavily influenced by the direction of rates
- Rates don't historically drive the market, but right now the market is hyper-sensitive to rate changes
- Low rates create less incentive to sell.
- Lowering rates further feels like a temporary solution



The bigger picture of sales volume

Sales volume in Sacramento County

Year	September Sales	Past Year of Sales
2013	1,409	18,124
2014	1,403	15,838
2015	1,598	17,084
2016	1,655	17,750
2017	1,531	17,861
2018	1,288	17,499
2019	1,349	16,231



Stats based on single family detached MLS sales

www.SacramentoAppraisalBlog.com

September 2019:
+4.7%

Past 12 Months:
-7.2%

The bigger picture of sales volume

Sales Volume in Sacramento Region

Year	September Sales	Past Year of Sales
2013	2,178	28,209
2014	2,234	25,099
2015	2,493	27,308
2016	2,579	28,127
2017	2,473	28,478
2018	2,025	27,956
2019	2,125	25,889



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

SacramentoAppraisalBlog.com

September 2019:
+4.9%

Past 12 Months:
-7.4%

Sales volume is down 5.1% since January in 2019 in the Sacramento Region.



Sales volume has slumped 15 of the past 17 months in the Sacramento Region



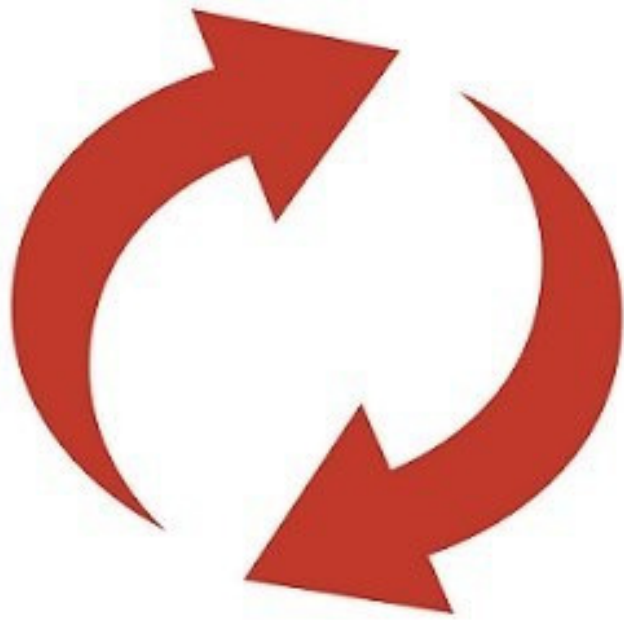
We had the second worst September in 11 years (but it was up from last year)



Some buyers are feeling hesitant about the market. Where is it going?



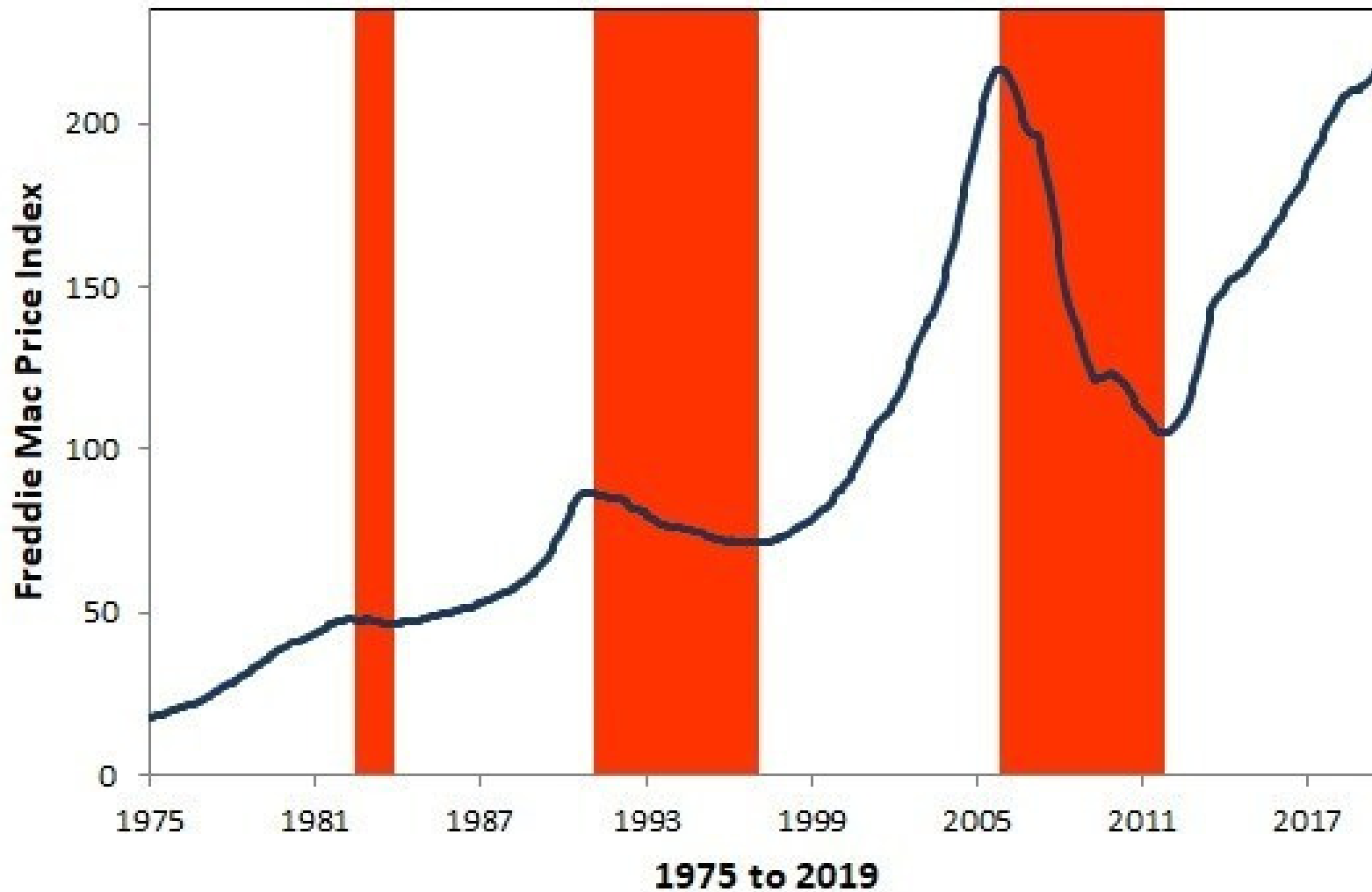
PRICE CYCLE THOUGHTS



**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: 7.7 years



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

1980s: 17 months

1990s: 5.9 years

2000s: 5.9 years



Sacramento County Price Cycles

Year	Median Price	Change	Trend
1999	\$132,000	+4.7%	Increasing
2000	\$145,000	+9.8%	
2001	\$175,000	+20.6%	
2002	\$209,875	+19.9%	
2003	\$247,000	+17.6%	
2004	\$312,000	+26.3%	
2005	\$372,000	+19.2%	
2006	\$369,000	-0.8%	Declining
2007	\$334,000	-9.4%	
2008	\$214,900	-35.6%	
2009	\$178,000	-17.1%	
2010	\$180,000	+1.1%	
2011	\$165,000	-8.3%	
2012	\$175,000	+6.0%	Increasing
2013	\$237,000	+35.4%	
2014	\$265,000	+11.8%	
2015	\$285,000	+7.5%	
2016	\$315,000	+10.5%	
2017	\$340,000	+7.9%	
2018	\$365,000	+6.8%	
2019	\$379,000	+3.8%	

Sacramento County SFR Detached Sales Annual Median Price as of 10/15/19

Placer County Price Cycles			
Year	Median Price	Change	Trend
1999	\$195,000	+8.4%	Increasing
2000	\$225,000	+15.4%	
2001	\$253,650	+12.7%	
2002	\$287,000	+13.1%	
2003	\$325,000	+13.2%	
2004	\$408,000	+25.5%	
2005	\$475,000	+16.4%	
2006	\$460,000	-3.1%	Declining
2007	\$425,000	-7.6%	
2008	\$338,000	-20.4%	
2009	\$295,000	-12.7%	
2010	\$282,000	-4.4%	
2011	\$260,000	-7.8%	
2012	\$280,000	+7.7%	Increasing
2013	\$350,000	+25.0%	
2014	\$375,438	+7.2%	
2015	\$391,170	+4.2%	
2016	\$425,000	+8.6%	
2017	\$453,000	+6.6%	
2018	\$480,000	+5.9%	
2019	\$499,990	+4.1%	
Placer County SFR Detached Sales Annual Median Price as of 10/15/19			
www.SacramentoAppraisalBlog.com			

Yolo County Price Cycles

Year	Median Price	Change	Trend
1999	\$165,000	+2.8%	Increasing
2000	\$192,000	+16.3%	
2001	\$225,000	+17.2%	
2002	\$268,300	+19.2%	
2003	\$298,250	+11.1%	
2004	\$369,292	+23.8%	
2005	\$435,000	+17.8%	
2006	\$450,000	+3.4%	
2007	\$425,000	-5.5%	Declining
2008	\$294,000	-30.8%	
2009	\$246,000	-16.3%	
2010	\$247,000	+0.4%	
2011	\$225,000	-8.9%	
2012	\$239,990	+6.6%	Increasing
2013	\$296,700	+23.6%	
2014	\$340,000	+14.6%	
2015	\$375,000	+10.3%	
2016	\$396,500	+5.7%	
2017	\$425,000	+7.2%	
2018	\$445,000	+4.7%	
2019	\$459,000	+3.1%	

Yolo County SFR Detached Sales Annual Median Price as of 10/15/19

El Dorado County Price Cycles

Year	Median Price	Change	Trend
1999	\$182,500	+6.7%	Increasing
2000	\$205,000	+12.3%	
2001	\$243,750	+18.9%	
2002	\$285,000	+16.9%	
2003	\$329,238	+15.5%	
2004	\$399,000	+21.2%	
2005	\$475,000	+18.8%	
2006	\$495,000	+4.2%	
2007	\$460,000	-7.1%	Declining
2008	\$379,000	-17.6%	
2009	\$325,000	-14.2%	
2010	\$299,900	-7.7%	
2011	\$262,500	-12.5%	
2012	\$275,000	+4.7%	Increasing
2013	\$344,500	+25.3%	
2014	\$370,000	+7.4%	
2015	\$405,000	+9.4%	
2016	\$430,000	+6.2%	
2017	\$460,000	+7.0%	
2018	\$500,000	+8.7%	
2019	\$505,000	+1.0%	

El Dorado County SFR Detached Sales Annual Median Price as of 10/15/19

Deep Bubble Thoughts

- Prices are similar, but dynamics are different
- There is no formula that says we'll pop at a certain price
- Some buyers are hesitant about buying today
- Most people buy based on lifestyle & affordability
- Some sellers are hoping to time the market perfectly
- The previous “bubble” is not a template for every market correction in the future
- “Which house do you want to ride down the market in?”
(Mike Gobbi)



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 the market is always either good or bad for some regardless of what prices are doing.
- 5) Be well prepared for "bubble" conversations.
- 6) Don't overprice your listings. Buyers are really sensitive to overpricing.
- 7) Crush it to find deals because you're competing with Zillow now.
- 8) Become well-informed about how 1031 exchanges work.
- 9) Watch for some investors wanting to sell in light of rent control.
- 10) Watch the PG&E issue closely. If this becomes prolonged some people will move.
- 11) Watch Prop 13 reform closely and find opportunities from that.
- 12) Increase your valuation skills. How would you value in a downward price cycle?
- 13) Study migration patterns so you can help owners wanting to move out of the market.
- 14) Find sellers who have incentive to move right now.
- 15) Find buyers who are moving because of their lifestyle and ability to afford.
- 16) Keep an eye on the Bay Area market and be ready for some inbound growth.
- 17) Diversify where the iBuyer models are not going.
- 18) Be aware of consumer behavior if we head toward a recession (tighten finances / smaller homes)
- 19) Be in tune with rent control laws so you can avoid mistakes.
- 20) Don't keep doing the same thing because it won't work in every market.

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