

BIG TRENDS TO WATCH IN THE MARKET

Ryan Lundquist - Appraiser
www.SacramentoAppraisalBlog.com



Home sellers will remain on the sideline, but millennials are on the move.



Source: realtor.com 2020 Economic Forecast



Forecast Snapshot (December 2019)

Summary (annualized)	2018	2019	2020	2021
30-year PMMS (%)	4.6	3.9	3.8	3.8
Total home sales (M)	6.0	6.0	6.2	6.3
House price growth (%)	5.1	3.2	2.8	2.1
Total originations (\$B)	\$1,700	\$2,107	\$1,983	\$1,852

REAL ESTATE FORECAST SUMMIT

2019 NAR REAL ESTATE FORECAST SUMMIT: CONSENSUS FORECAST

Probability of a Recession in 2020: 29%

FORECAST:	2019 A	2020 F	2021 F
GDP Growth	2.1%	2.0%	1.9%
Unemployment Rate	3.6%	3.7%	3.9%
30-Year Fixed Mortgage Rate	3.7%	3.8%	4.0%
Home Price Change (Year-Over-Year)	5.0%	3.6%	3.5%
Housing Starts Forecast (Single Family and Multi-Family Units)	1.31 Mil	1.31 Mil	1.37 Mil
Commercial Price Change (Year-Over-Year)	4.2%	3.6%	3.4%
Apartment Rents	3.3%	3.8%	3.6%



Ryan Lundquist
@SacAppraiser



What do you think home prices will do in 2020? Please vote.



129 votes · Final results

7:13 PM · 1/13/20 · [Twitter Web App](#)

STRANGER TRENDS

Ways I'm describing the market:

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

Sellers are behind the times...



How buyers think of sellers...





Price history

DATE	EVENT	PRICE
5/14/2015	Price change	\$14,855,000 (-7.2%)
1/15/2015	Price change	\$16,000,000 (-35.2%)
1/14/2015	Price change	\$24,700,000 (+54.4%)
12/18/2013	Price change	\$16,000,000 (-23.8%)
1/18/2013	Price change	\$21,000,000 (-27.6%)
3/1/2012	Listed for sale	\$29,000,000



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?

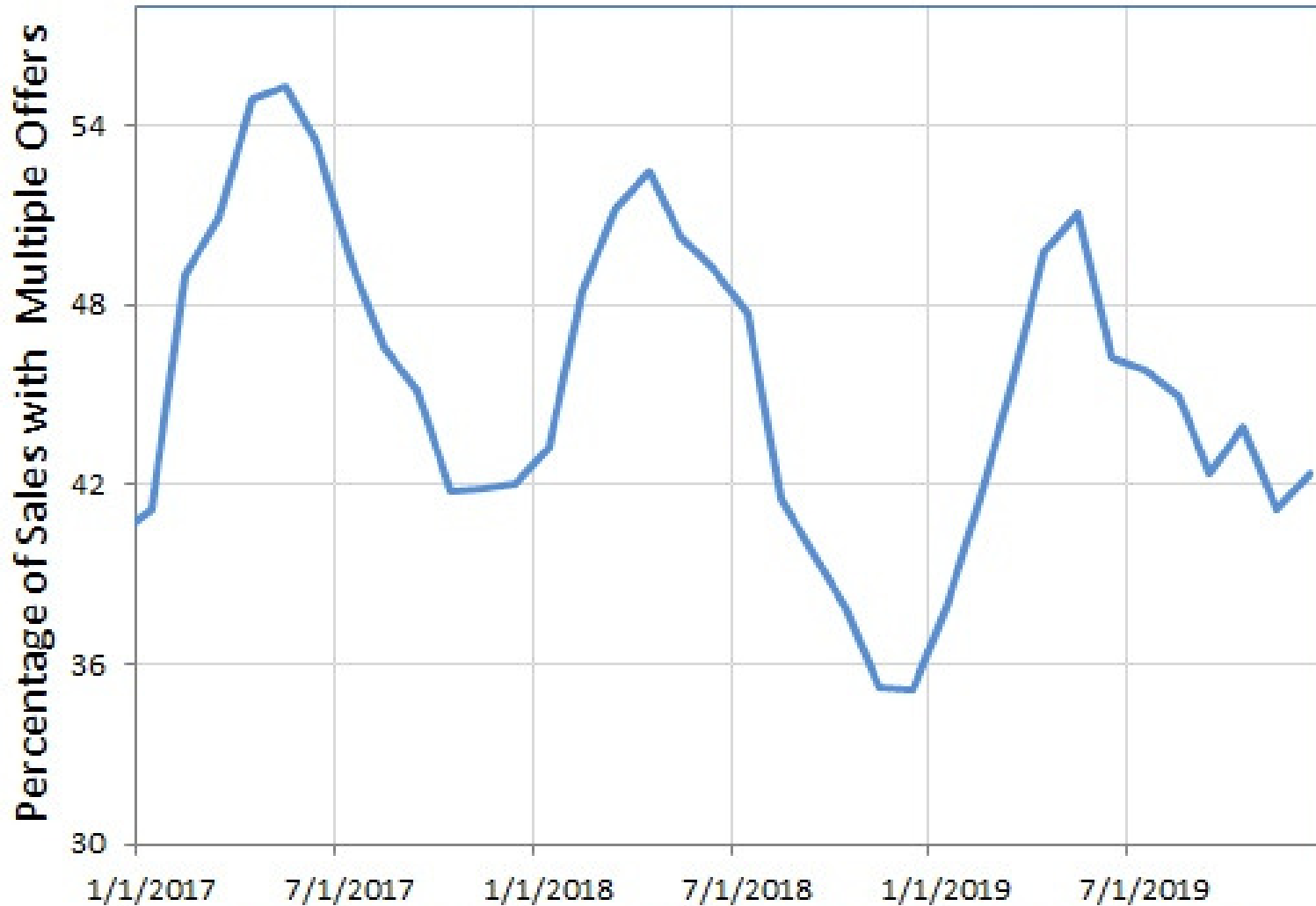
Number of Offers	Number of pendings	Percentage of all pendings
1	1,149	59.5%
2	376	19.5%
3	187	9.7%
4	90	4.6%
5	46	2.3%
6	24	1.2%
7	18	0.9%
8	9	0.4%
9	9	0.4%
10	2	0.1%



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

Sales with Multiple Offers

(Sacramento, Placer, Yolo, El Dorado County)



January 2017 to December 2019 (single family detached sales)

www.SacramentoAppraisalBlog.com

How much of a force are cash buyers?



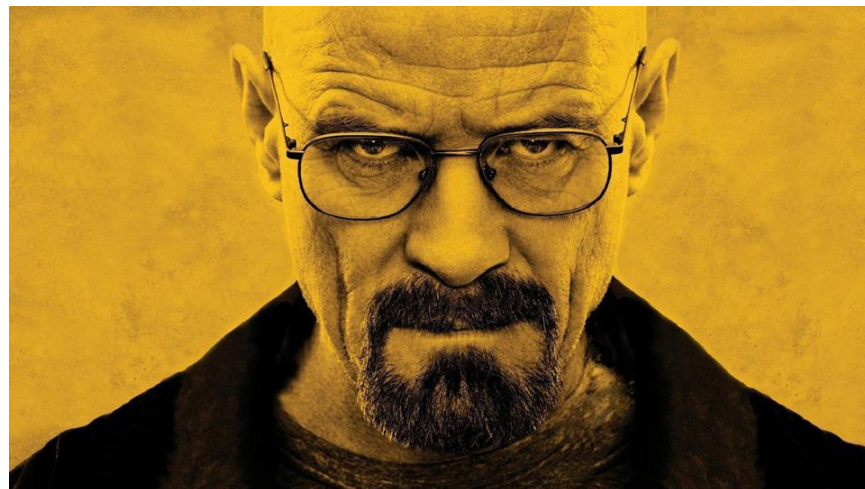
Breaking down the region in 2019

Cash: 13.6%

FHA: 15.2%

VA: 5.7%

Conv: 63.0%



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

Placer County in 2019

Cash: 17.9%

FHA: 8.9%

VA: 6.5%

Conv: 64.2%



Sacramento County in 2019

Cash: 11.6%

FHA: 18.8%

VA: 5.6%

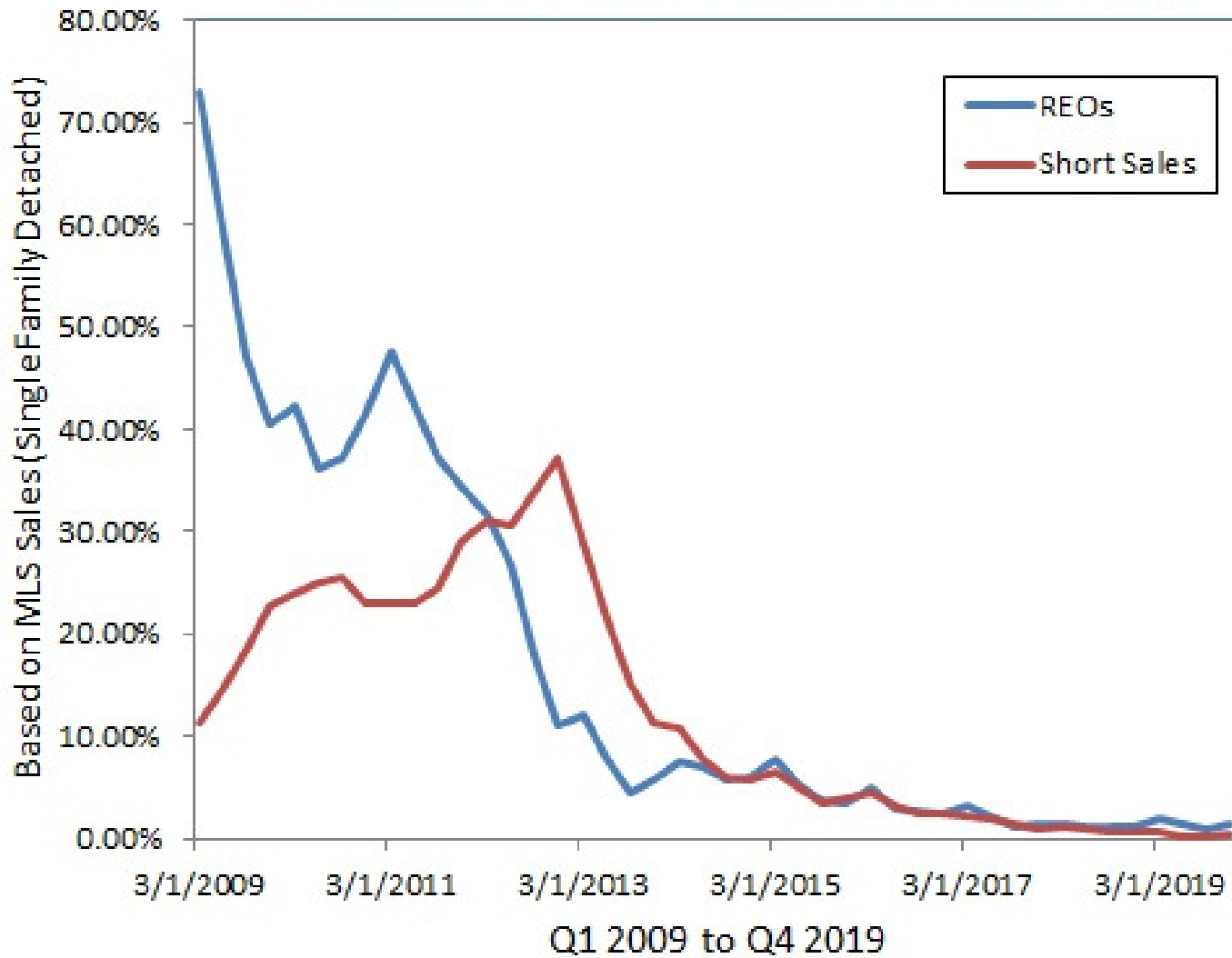
Conv: 61.6%



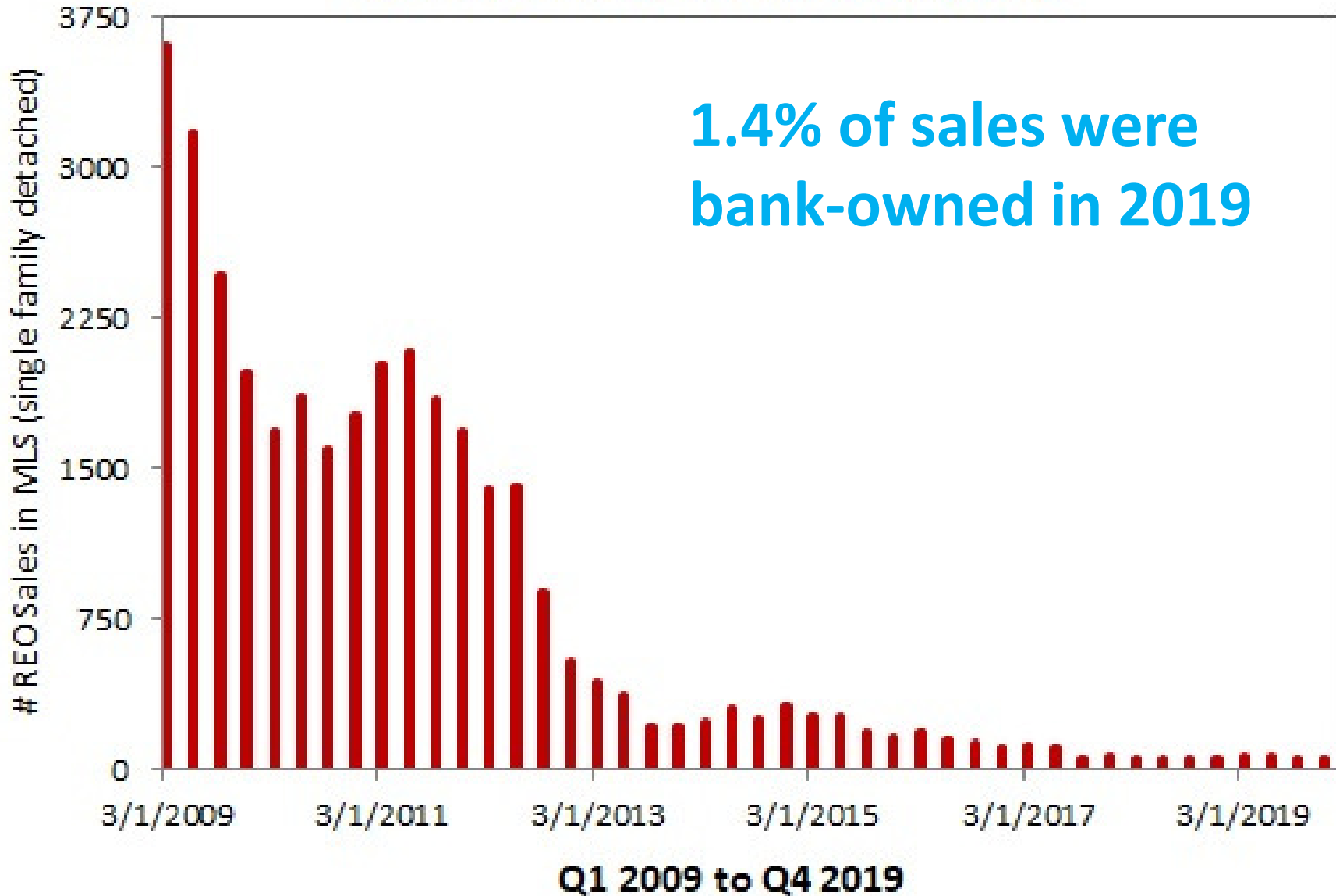
**Are we seeing more
distressed properties?**



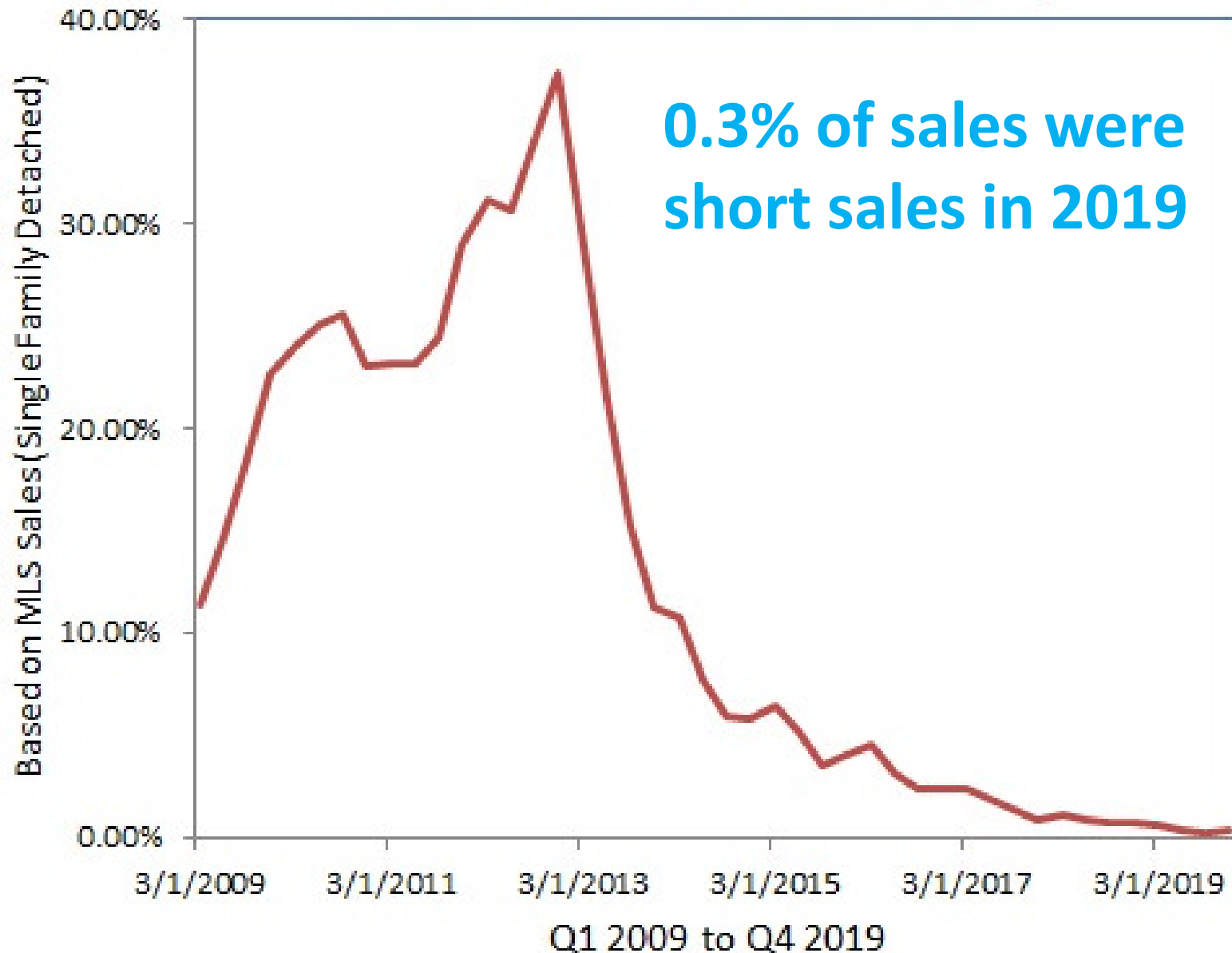
REOs & Short Sales in Sacramento County



Number of REOs in Sacramento County



Short Sales in Sacramento County



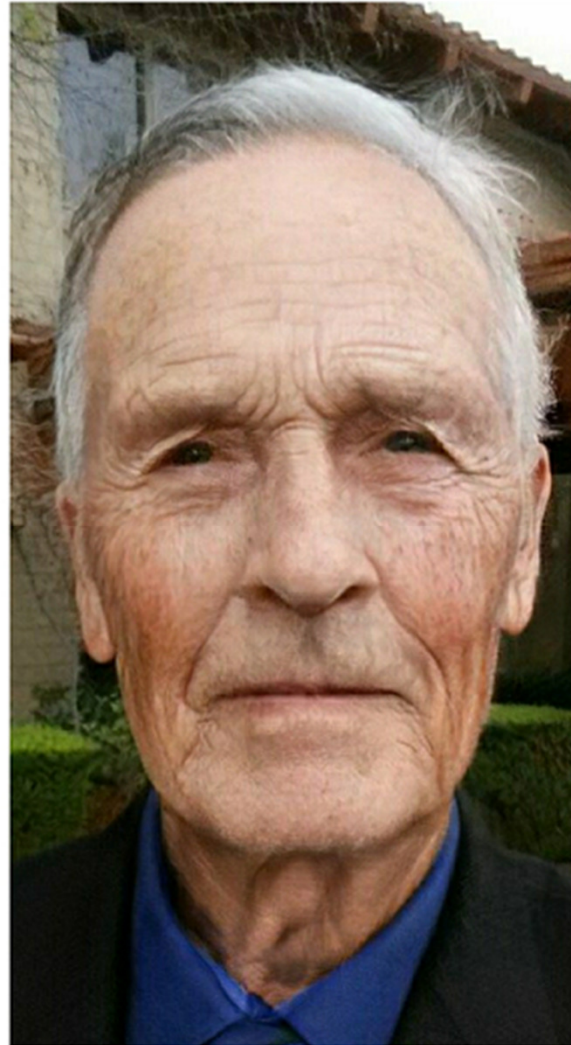


Distressed in 2019

Bank-owned: 0.7%

Short sales: 0.3%

The way we talk about the market vs the market



Cash Sales in the Sacramento Region

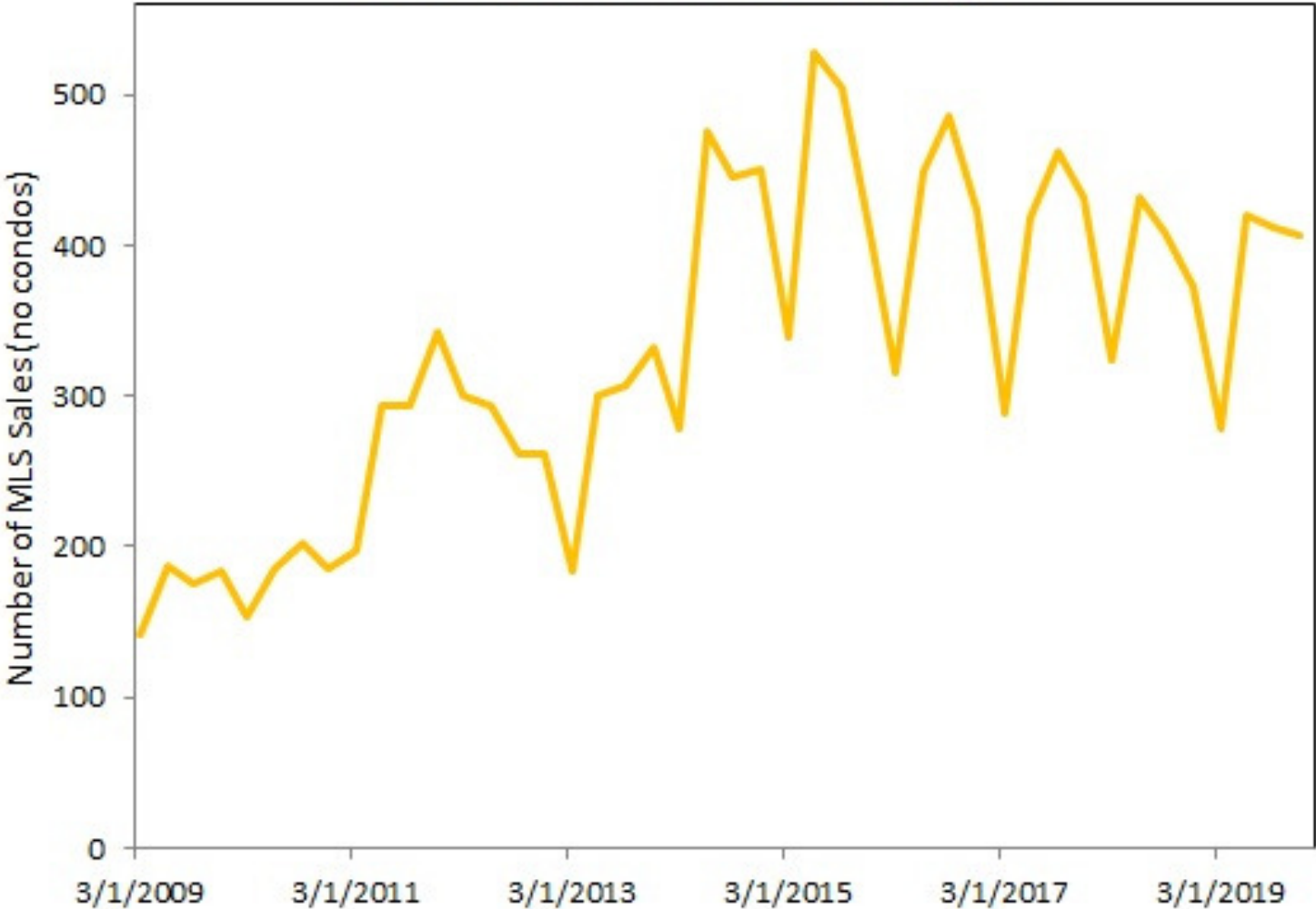


Q1 2009 to Q4 2019

Sac, Placer, Yolo, El Dorado County

www.SacramentoAppraisalBlog.com

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

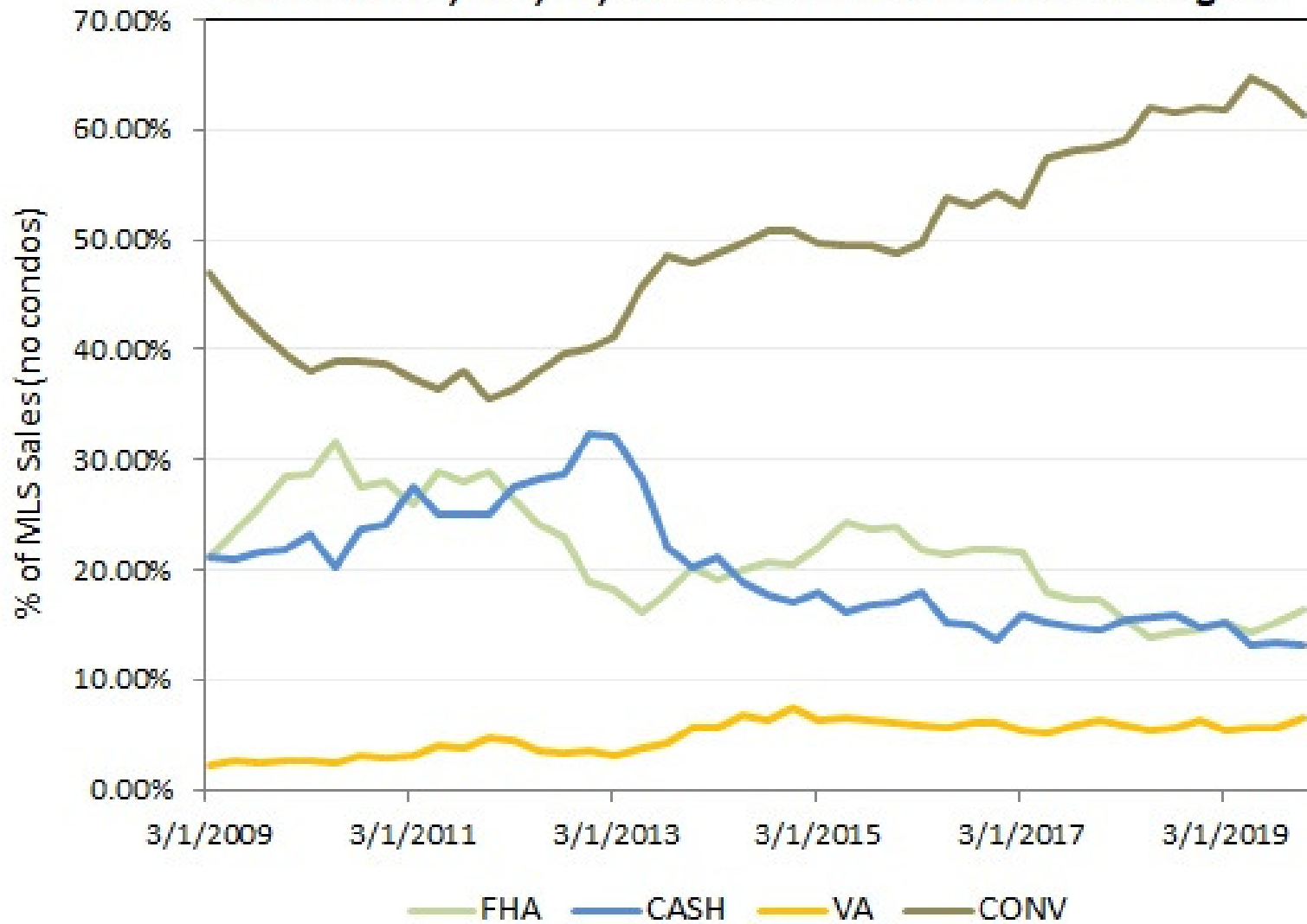


Q1 2009 to Q4 2019

Sac, Placer, Yolo, El Dorado County

www.SacramentoAppraisalBlog.com

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



Q1 2009 to Q4 2019

Sac, Placer, Yolo, El Dorado County

www.SacramentoAppraisalBlog.com

Above \$1M in the Region (2019)

Cash: 22.3%

FHA: 0%

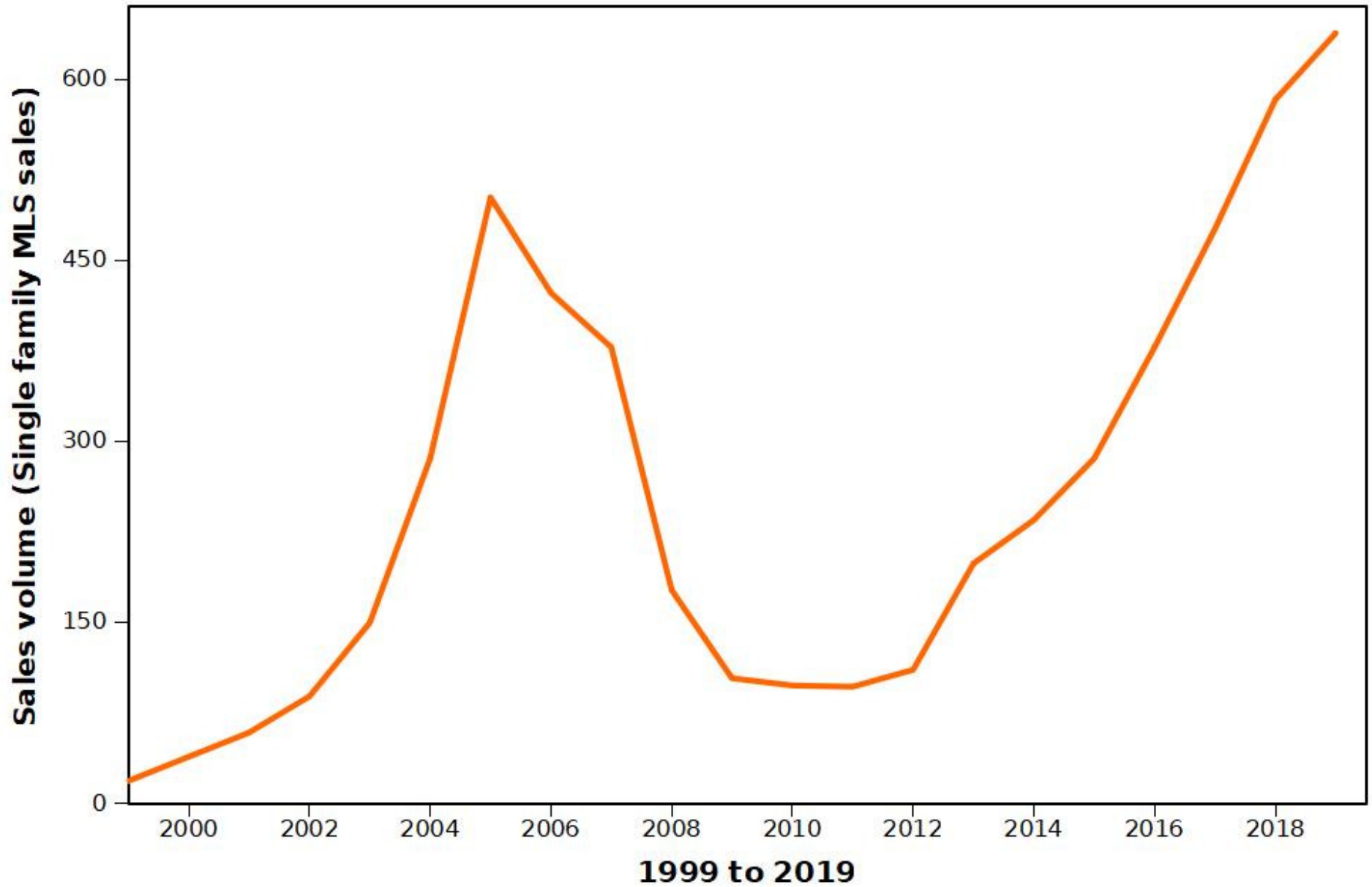
VA: 0.6%

Conv: 74.0%

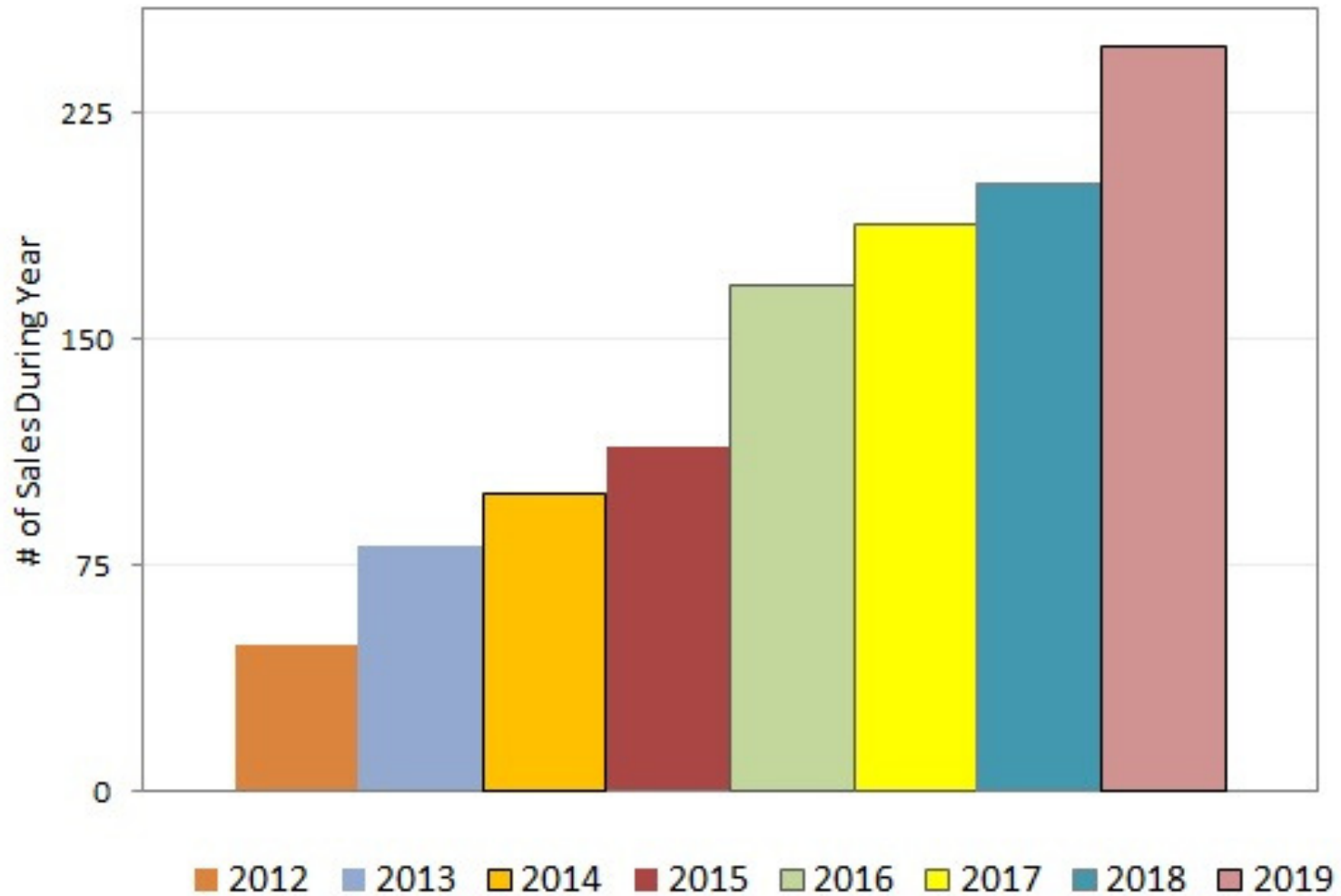


Million Dollar Sales in the Sacramento Region

(Sac, Placer, Yolo, El Dorado Counties)



Sales by Price Range in Placer County above \$1M



Price in MLS (single family detached)
www.SacramentoAppraisalBlog.com

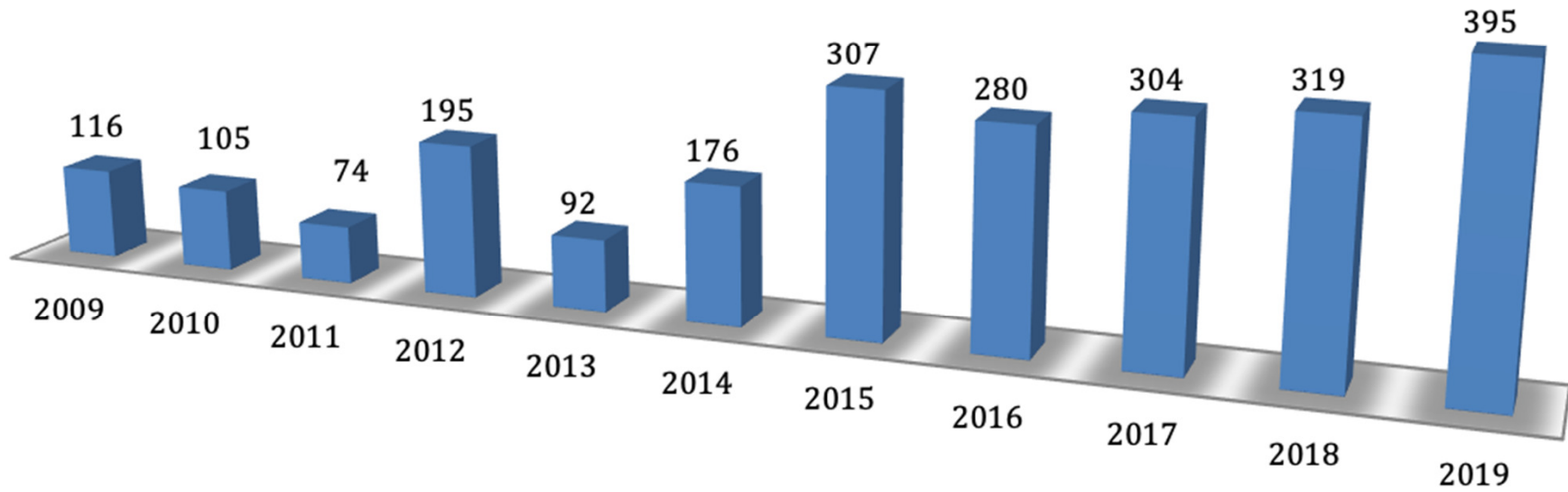
A market of outliers...

- 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

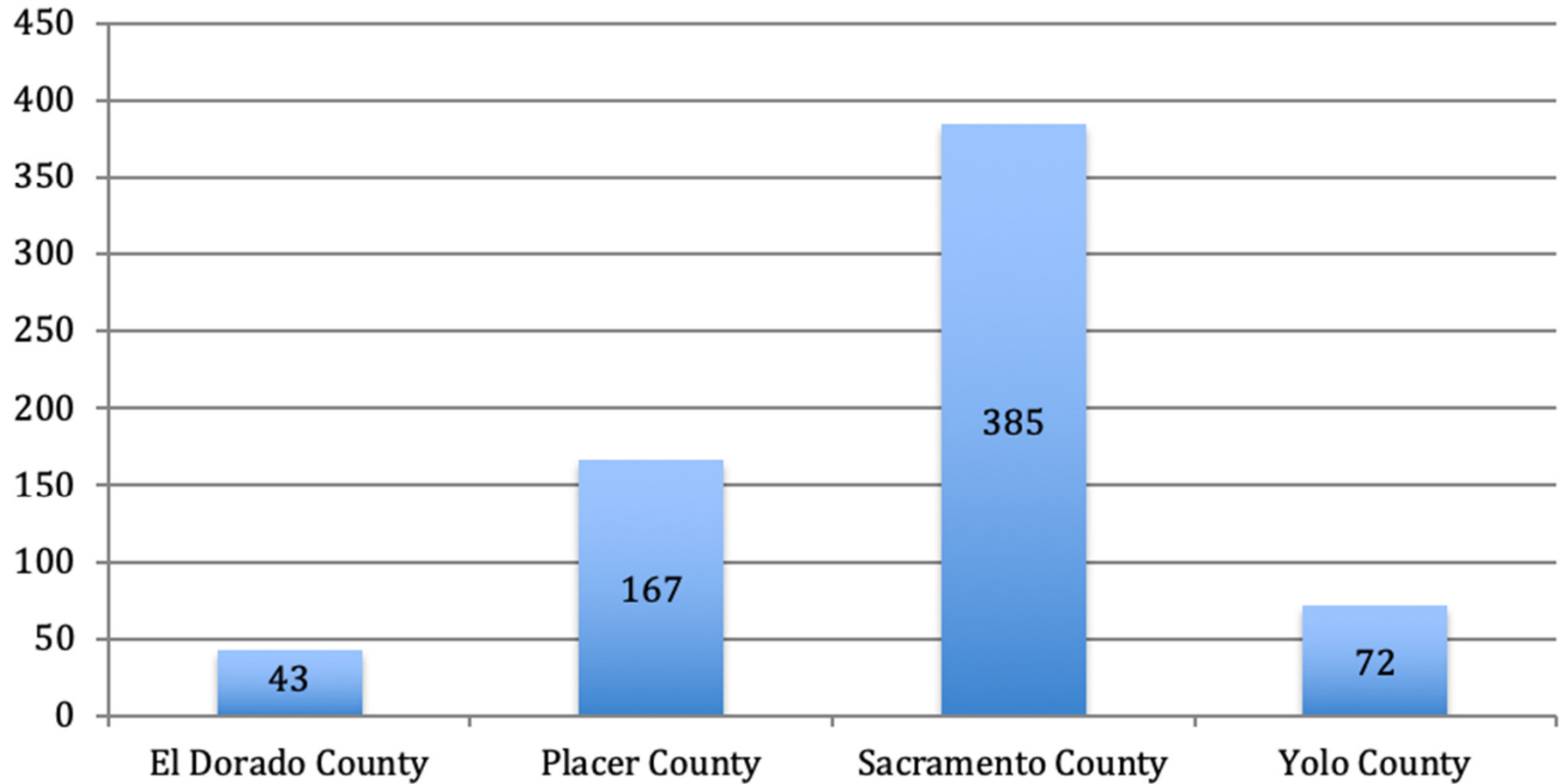


Single family sales in MLS in
Jan - Dec 2019 in Sac Region
Sac, Placer, Yolo, El Dorado

Total New Home Sales November 2019



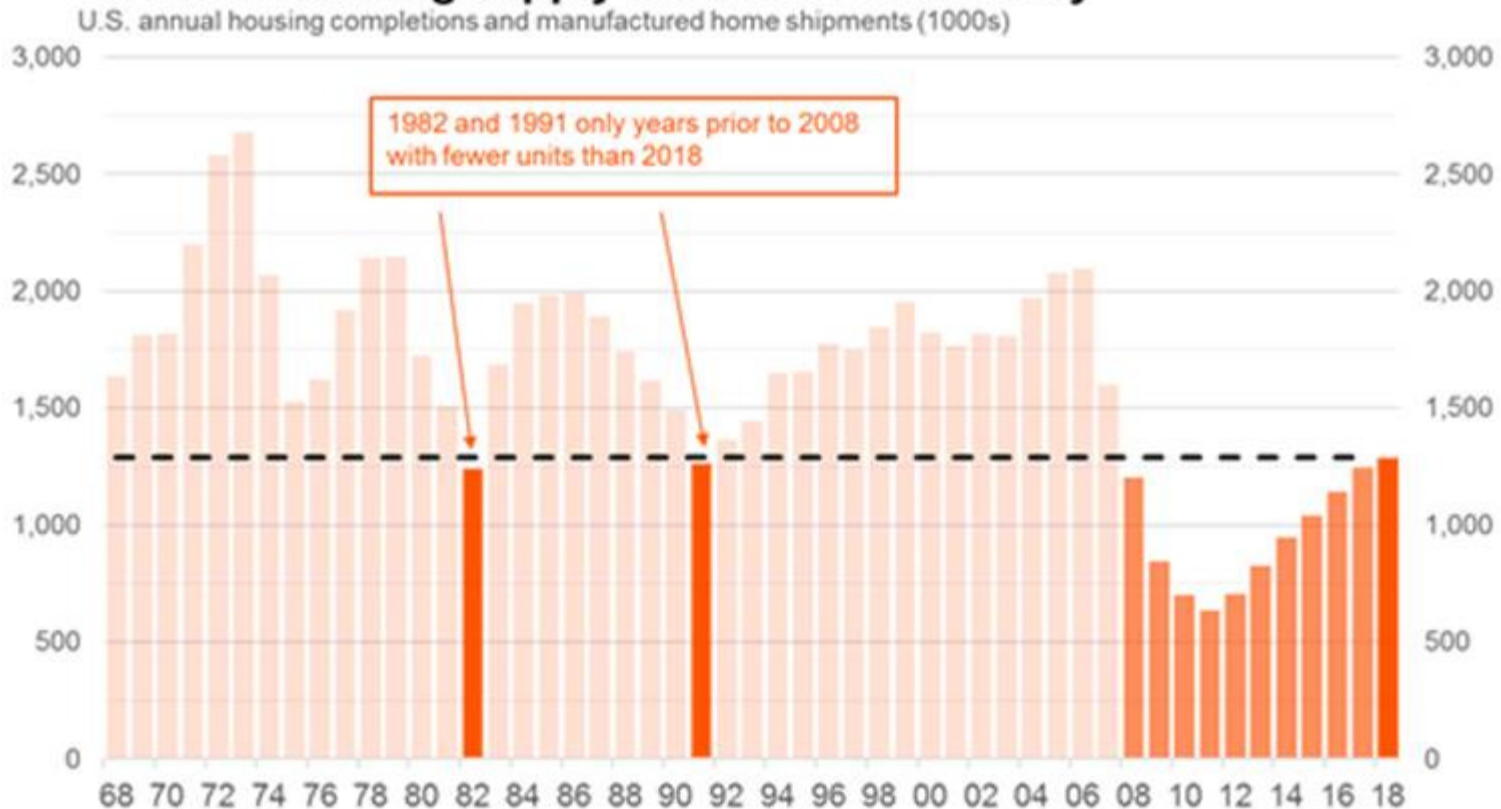
Single Family November Permit Data



U.S. added fewer gross housing units than in 2018 in only two years prior to 2008

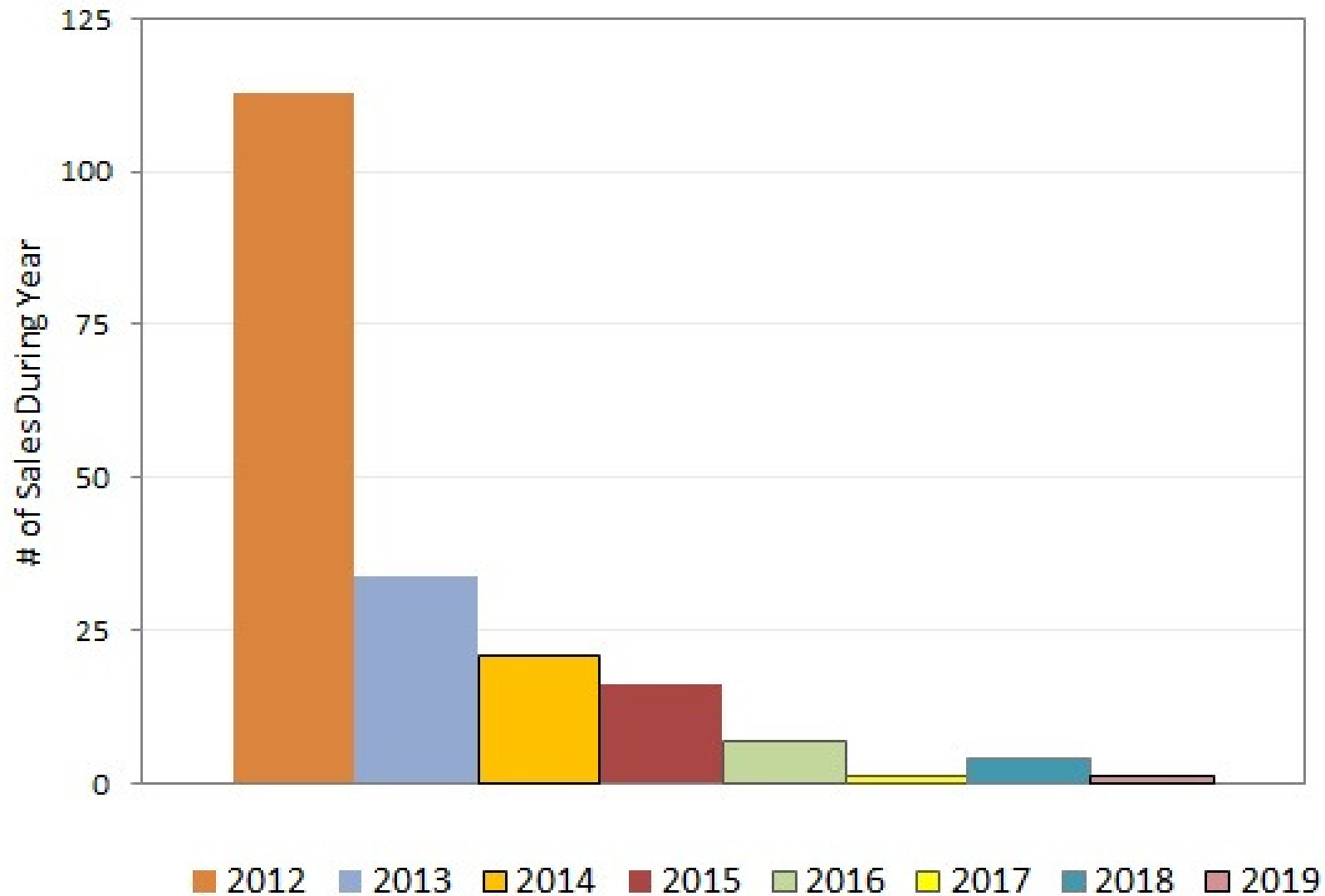


U.S. new housing supply low relative to history



Source: U.S. Census Bureau and Department of Housing and Urban Development, Institute for Building Technology & Safety

Sales by Price Range in Placer County under \$100K



Price in MLS (single family detached)

www.SacramentoAppraisalBlog.com

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

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



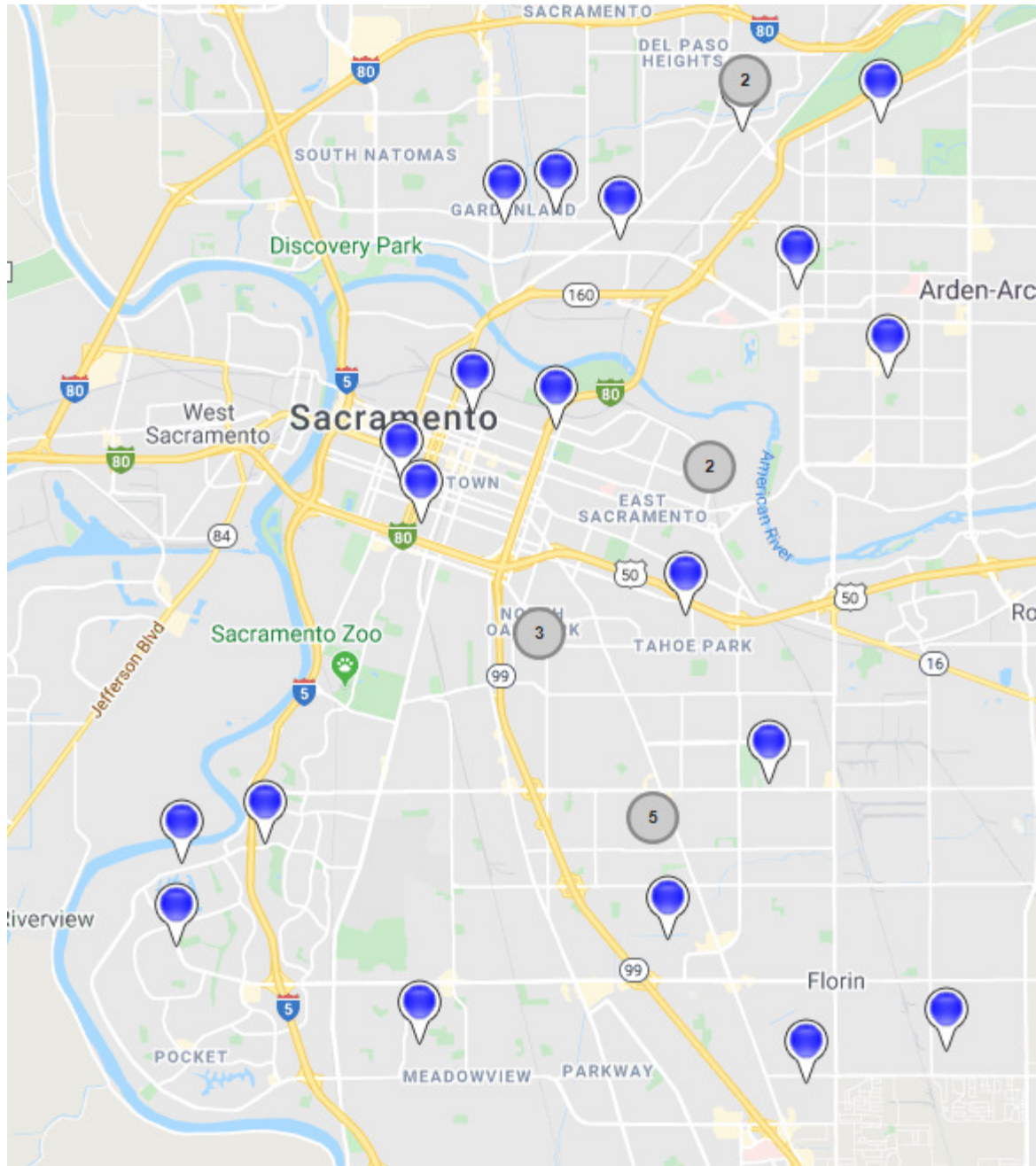
The Decade in Housing Trends: Grown-Up Millennials, High-Earning Renters and ...

This past decade has transformed the relationship between America and its housing, especially when it comes to renting. While the recession pushed many t...

rentcafe.com

Placer County	Jan 2012	Dec 2019	Dollar Change	% Change
Median Price	\$252,000	\$496,000	+\$244,000	+97%
Average Price	\$279,485	\$542,180	+\$262,695	+94%
Avg Price Per Sq Ft	\$129	\$245	+\$116	+90%

Sacramento County	Jan 2012	Dec 2019	Dollar Change	% Change
Median Price	\$160,000	\$385,000	+\$225,000	+140%
Average Price	\$179,000	\$418,858	+\$239,858	+133%
Avg Price Per Sq Ft	\$106	\$241	+\$135	+127%



Quick tips:

- Be careful how you market properties
- Be aware of rent when choosing comps

“You can raise rents. Rent is \$1,000, but market rent is \$1,500.”





GOODBYE CA

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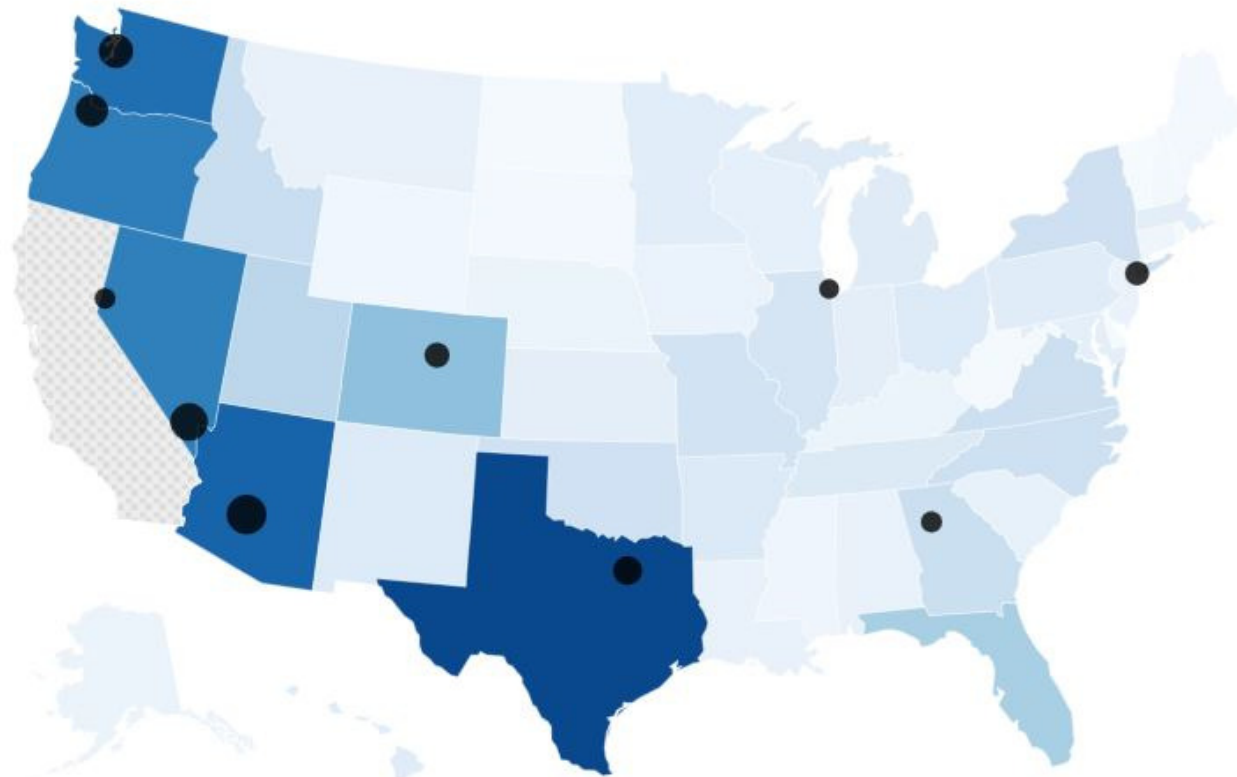


For the better part of three decades, Californians who leave the state have mostly gone to other parts of the country, notably to Texas and neighboring states such as Oregon, Nevada and Arizona. The dot-com bust, Great Recession and recently soaring housing prices all have helped fuel the exodus. Now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

Where Californians have moved...

180,000 ○ ○ 400,000

0



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](#)[Togg](#)

Search for a county or click on the map

Placer 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

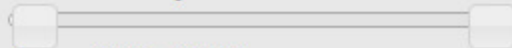
Choose a color palette

Orange/Blue

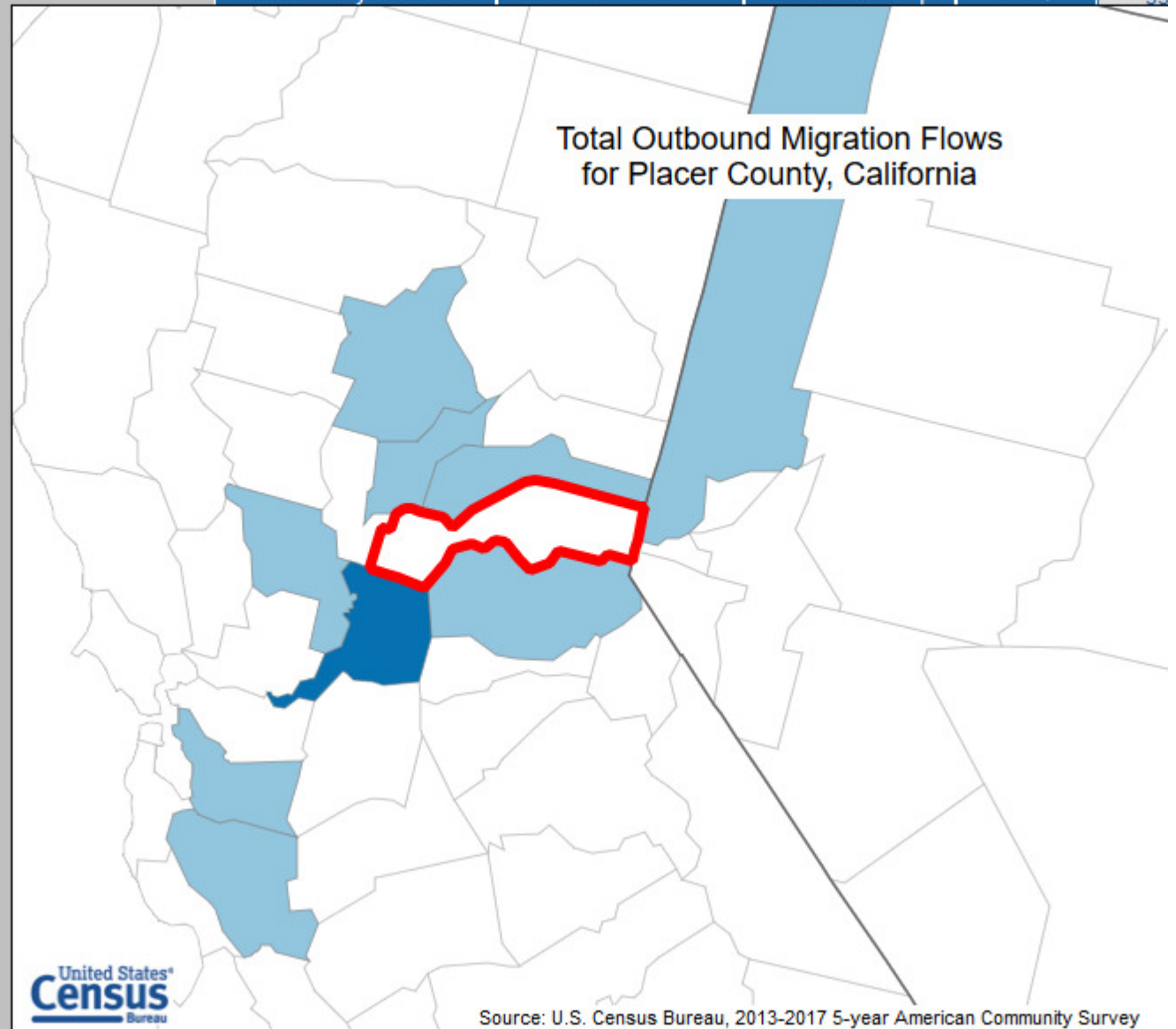
Choose a classification type

Natural Breaks

Select flow by number of movers



Range: 305 to 6,461





TRIAL OFFER | Try for \$1 a week

that search leads to Texas. California lost 1 million residents to other states from 2007 to 2016, about 2.5% of its total population, and Texas was the most popular destination, according to a [2018 report](#) from the state [Legislative Analyst's Office](#). The main reasons Californians cited for wanting to leave: high housing costs (71%), taxes (58%) and [the state's political culture](#) (46%).

<https://www.latimes.com/world-nation/story/2020-01-22/californians-looking-to-leave-tour-their-destination-texas>

The Northern California Megaregion

Just 88 miles apart, the Greater Sacramento and Bay Area economies are inextricably linked. This Megaregion is a focal point for global innovation with a highly educated shared workforce of 220,948.

133,461

travel from Greater Sacramento to the Bay Area

87,487

travel from the Bay Area to Greater Sacramento

#1

Sacramento is the #1 destination for Bay Area residents looking to move

29,091

people move from the Bay Area to Greater Sacramento annually

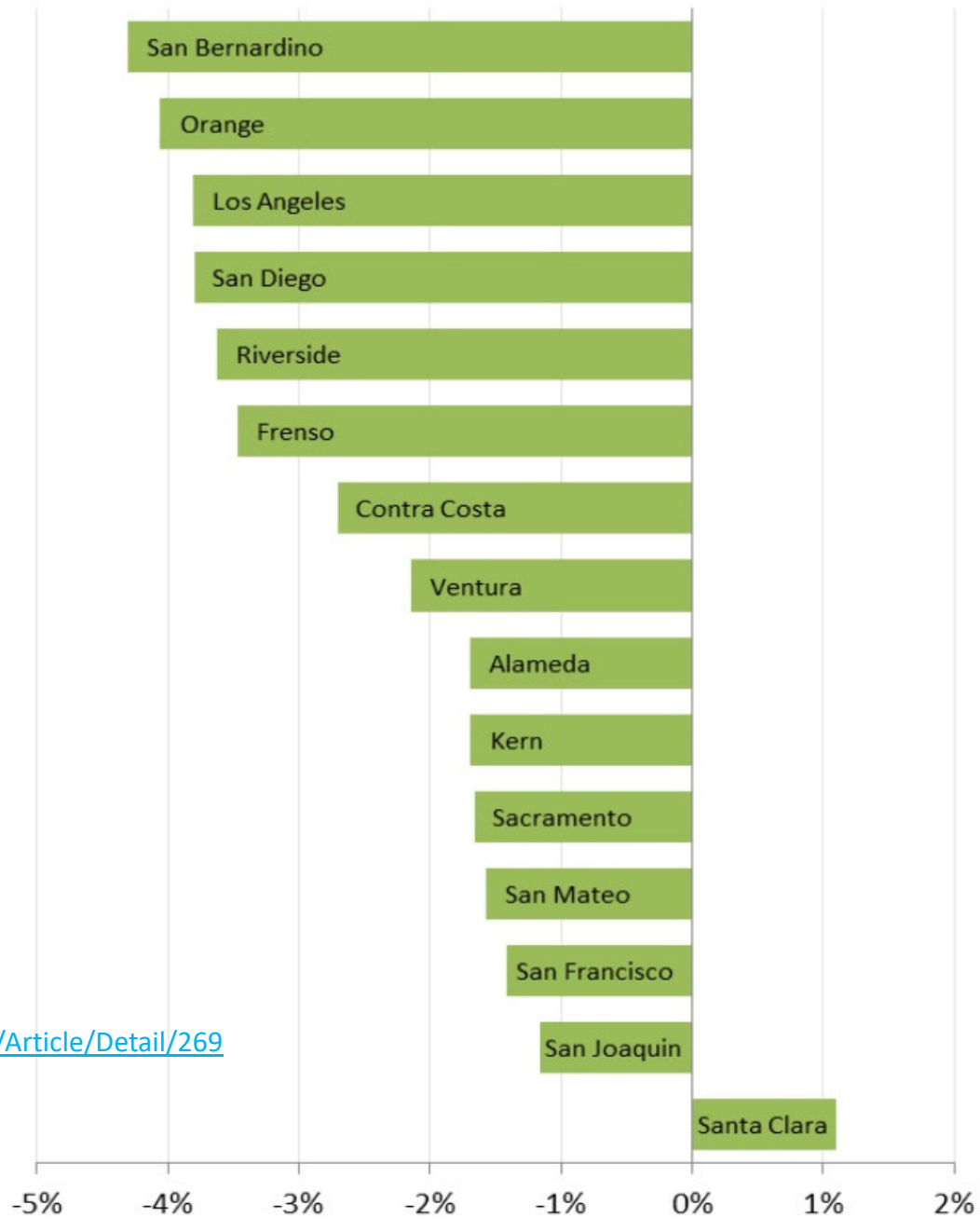


Sources: Redfin: 2018 Migration Trends, US Census County to County Migration Data 2012-2016

Source: www.selectsacramento.com

Net Migration Between California Counties and Other States

Net Domestic Migration As a Percent of Total Population (2007 to 2016)

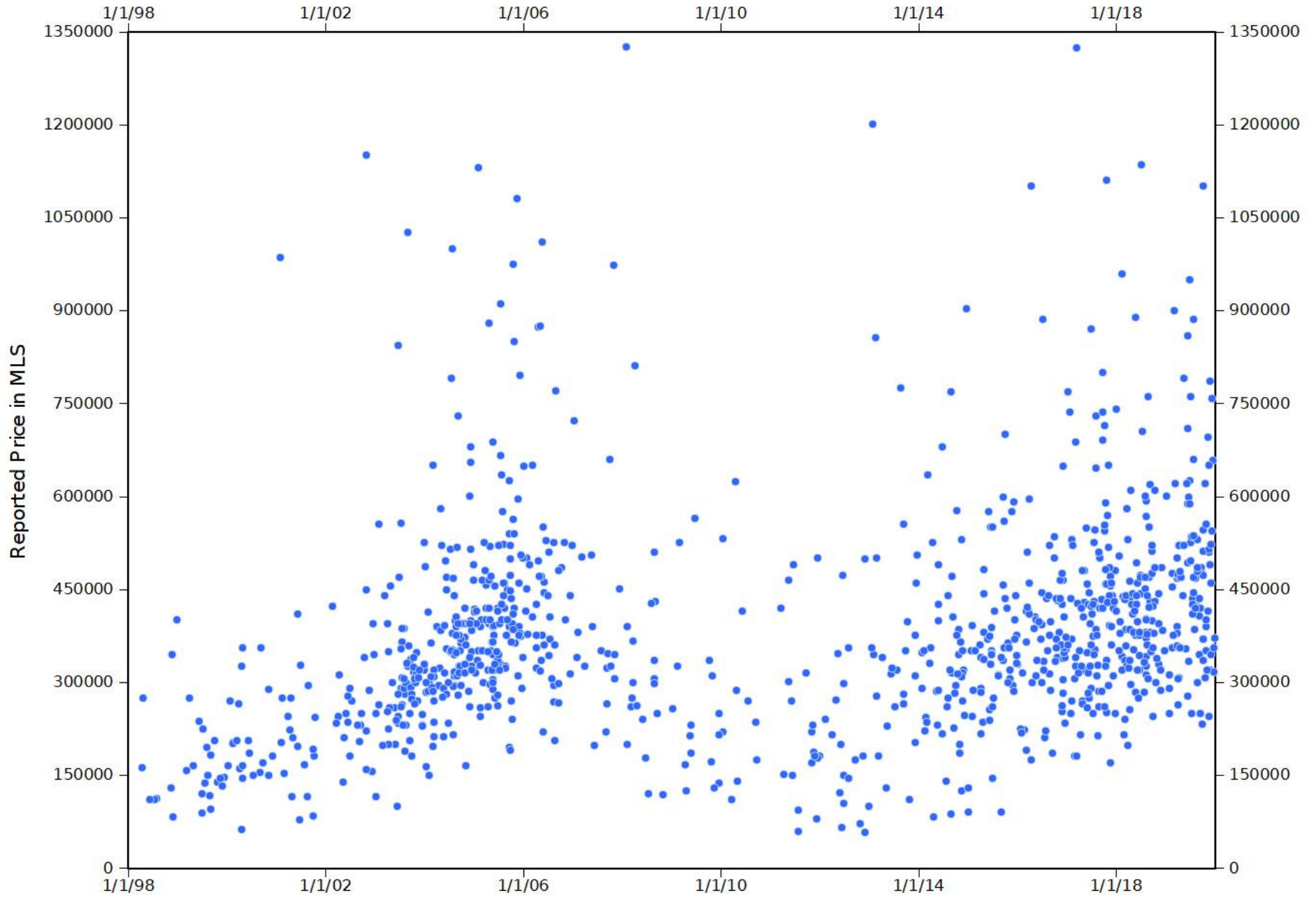


<https://lao.ca.gov/LAOEconTax/Article/Detail/269>

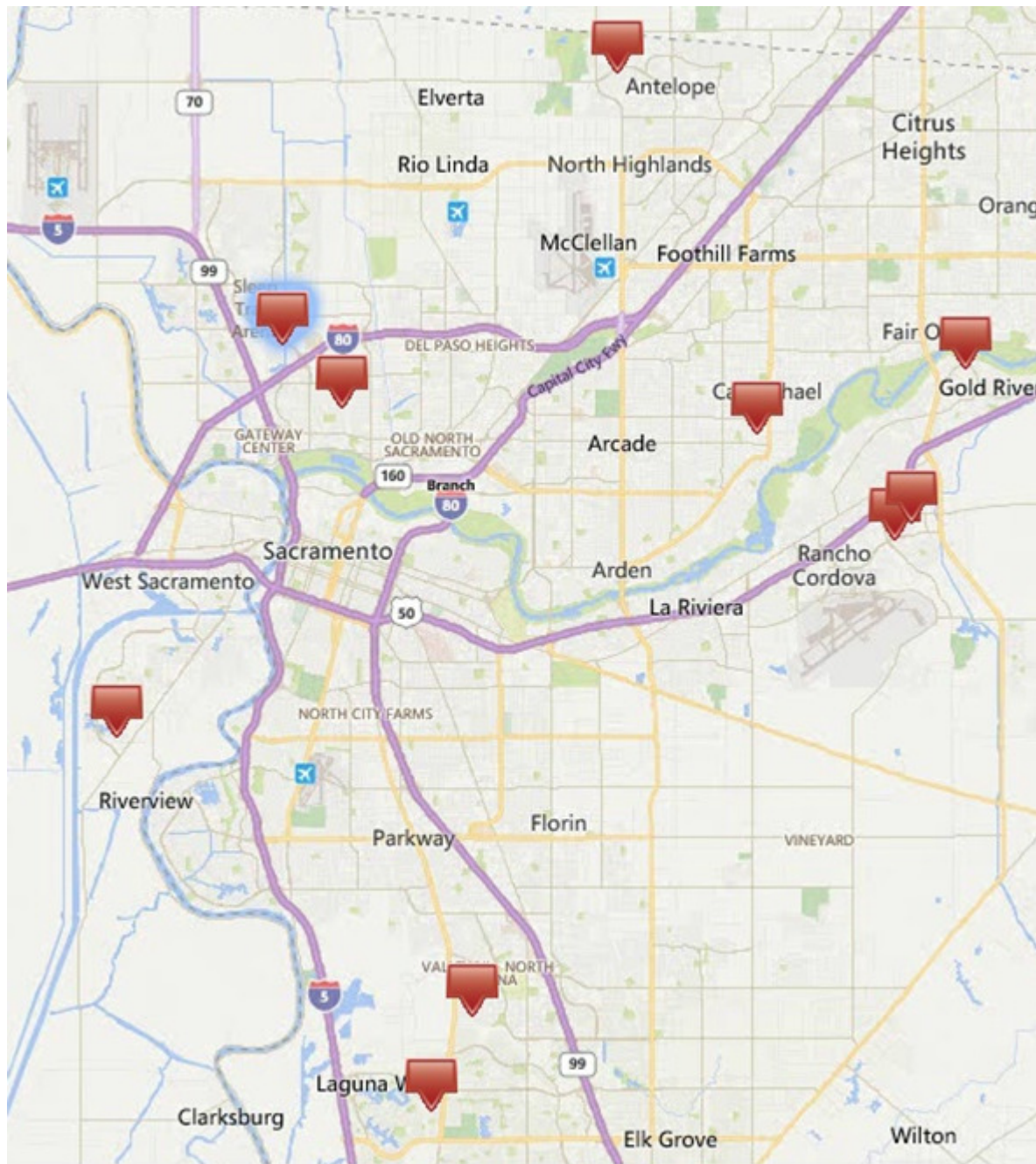
Who has incentive to buy in today's market?

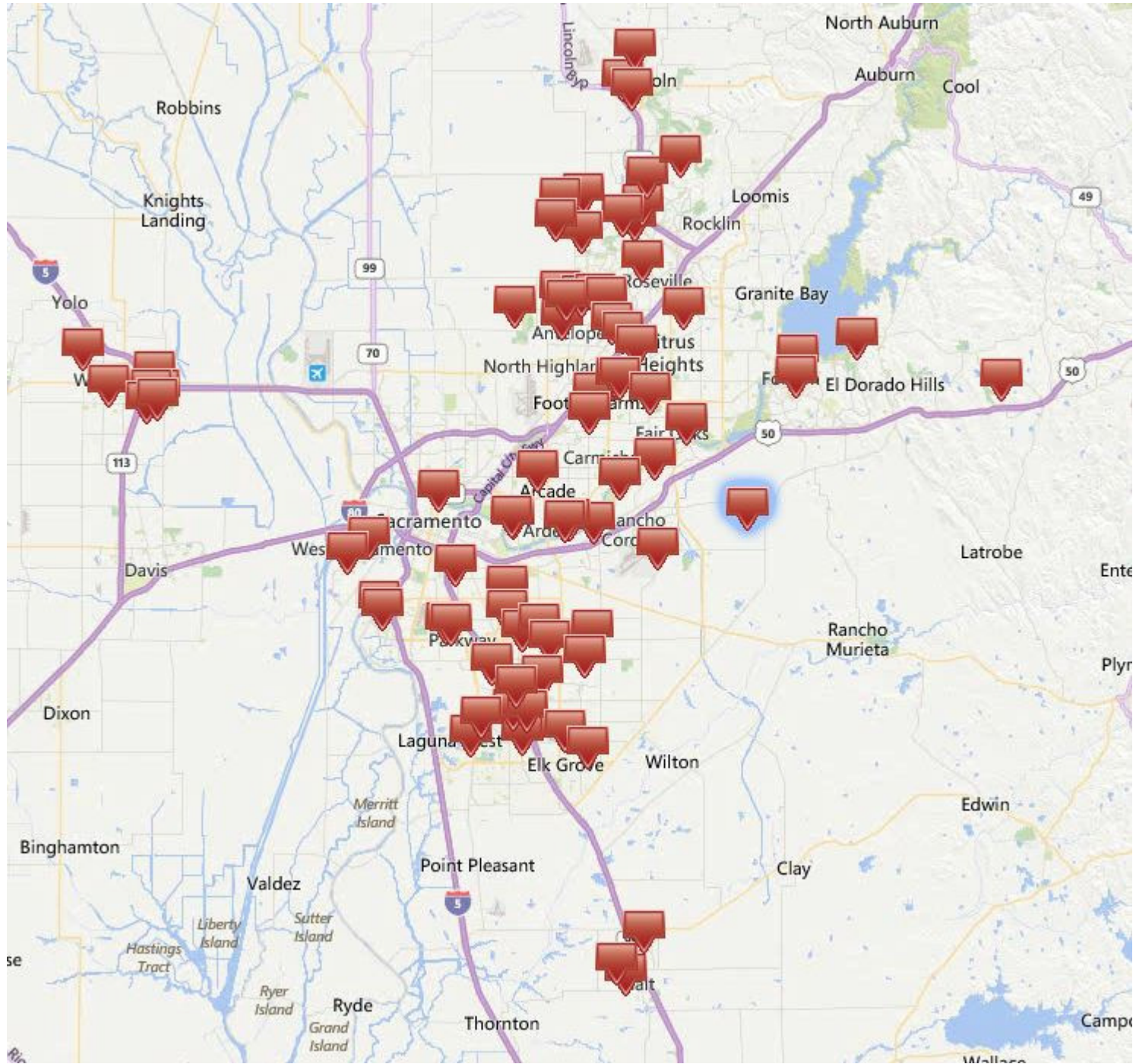


1031 Exchange Sales in Sacramento Region



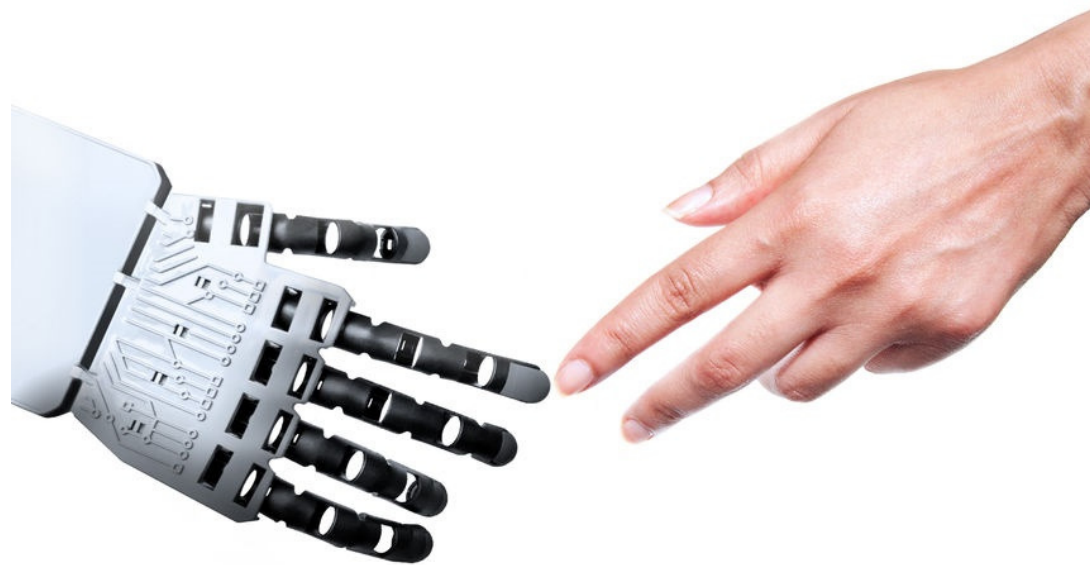
January 1998 to January 2020 (Sac, Placer, Yolo, El Dorado)





BIG IDEA

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



Is sales volume really slumping?



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%

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

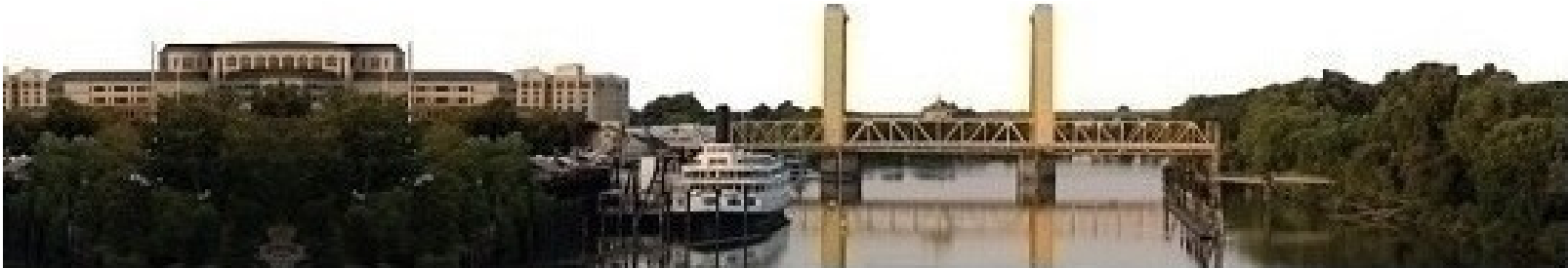
December 2019:
+14.3%

Past 12 Months:
-2.4%

The bigger picture of sales volume

Placer County Sales Volume

Year	December Sales	Past Year of Sales
2013	389	5,552
2014	473	5,391
2015	477	6,112
2016	478	6,101
2017	450	6,152
2018	364	5,724
2019	436	5,820



Stats based on single family detached MLS sales

www.SacramentoAppraisalBlog.com

December 2019:
+19.8%

Past 12 Months:
+1.6%

How long did it take to sell last year?

Sacramento: 34.5

Placer: 41

Yolo: 20

El Dorado: 63

Sac Region: 39



CDOM

Single family detached sales
in MLS in Jan - Dec 2019

How much longer than last year?

Sacramento: +3.5

Placer: +3

Yolo: +6

El Dorado: +13

Sac Region: +4



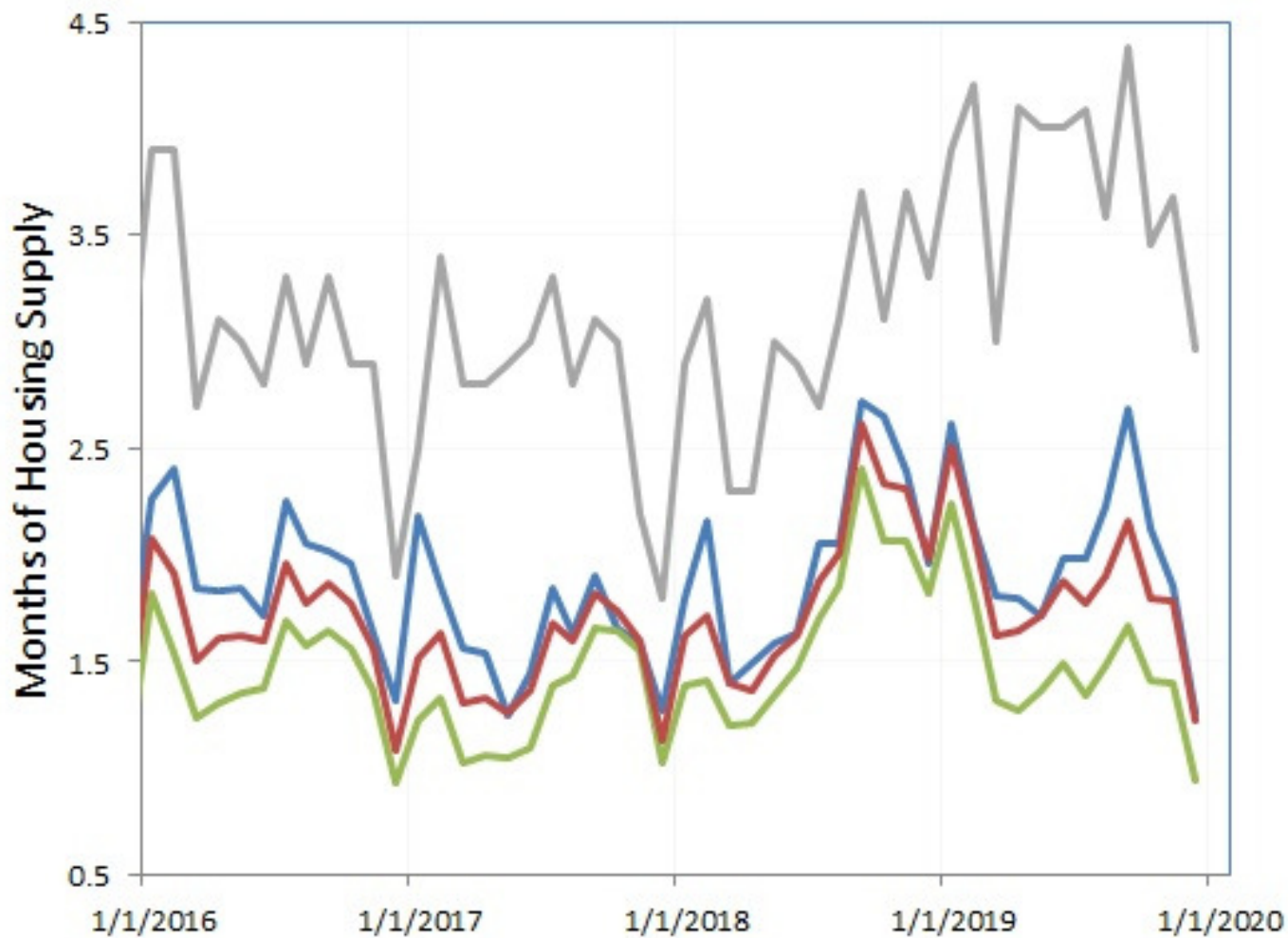
CDOM

Single family detached sales
in MLS in Jan - Dec 2019

Does rising fire insurance matter for 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)

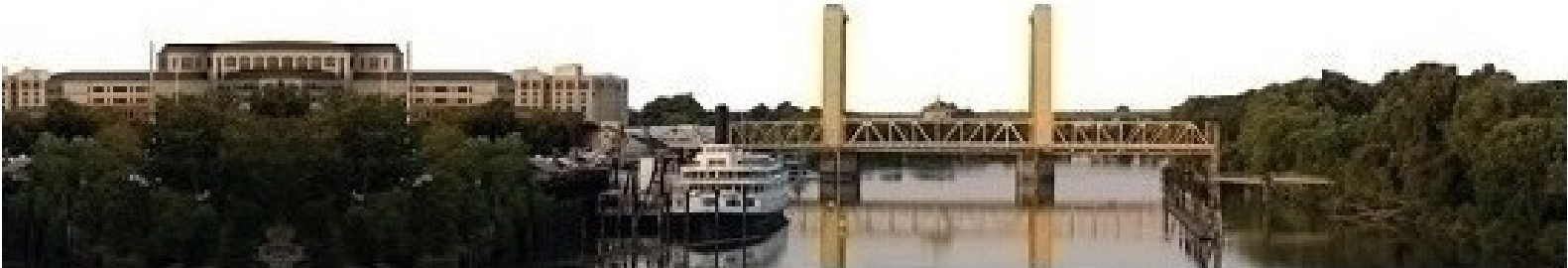
www.SacramentoAppraisalBlog.com



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%

FIRE AREA (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%)
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)

NON-FIRE AREA (El Dorado Hills & Cameron Park)

Metric	2015	2016	2017	2018	2019
Median Price	505,000	545,000	569,000	615,000	629,500 (+2.3%)
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)

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?



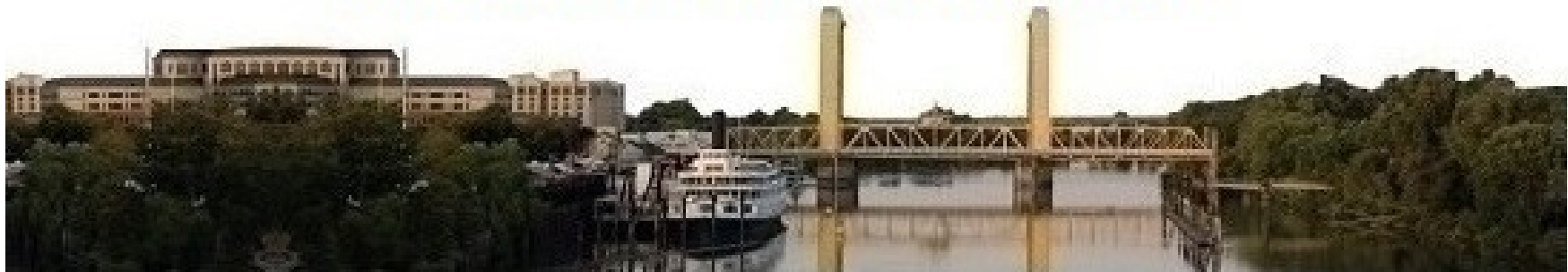
Placer County



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

The market used to be going 80mph...



Metaphor from Barry Habib

SLOW is not a dirty word in real estate





John Wake @JohnWake · Nov 15, 2019

The 4 takeaways from every real estate industry press release ever.

- Prices up. Buy before they go higher.
- Price down. Buy before they go up.
- Interest rates up. Buy before they go higher.
- Interest rates down. Buy before they go up.

In short, "Buy now!"



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”

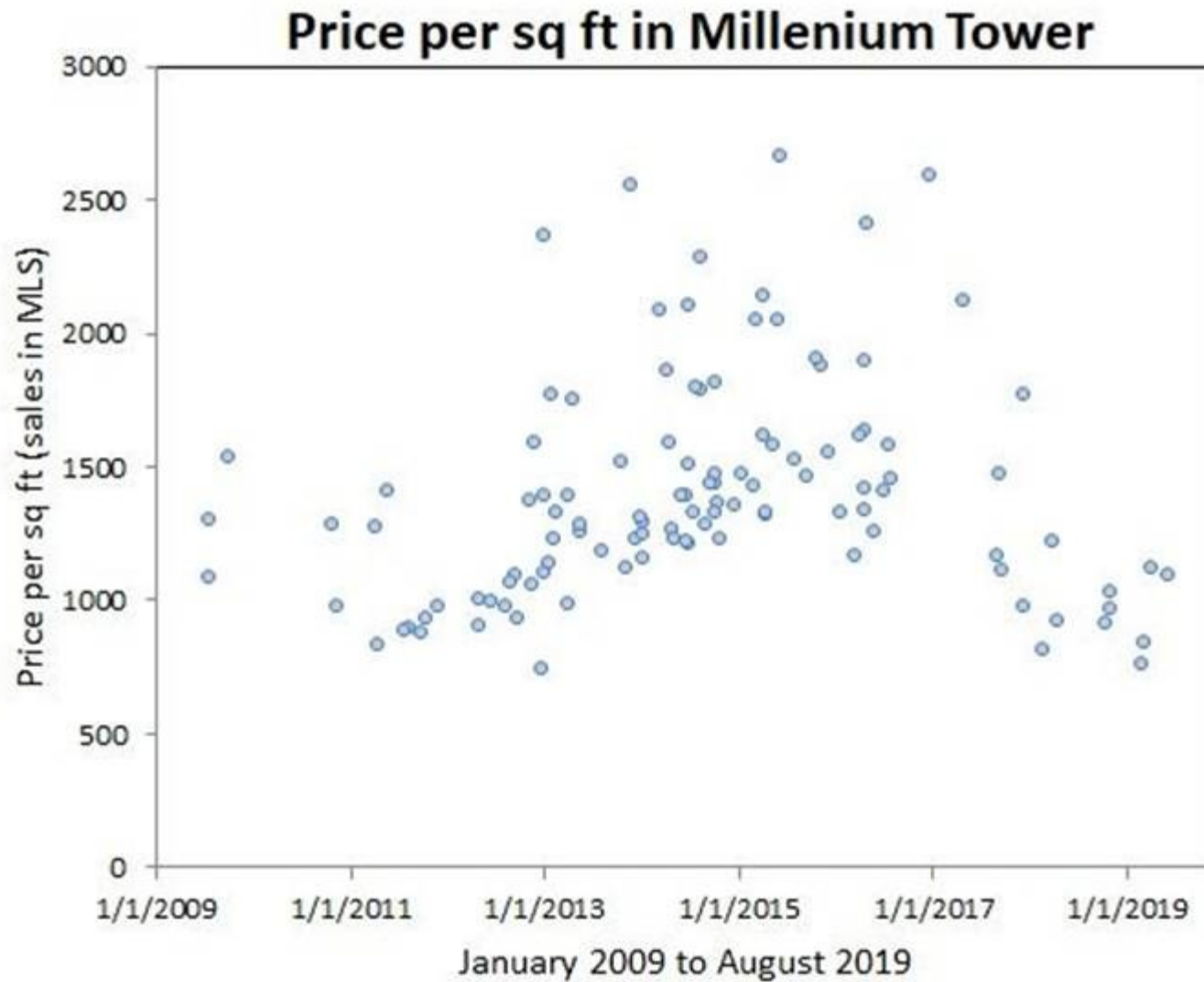
“The market is slower because of more Bay Area buyers”

“Sales are down because we have less listings”





“It’s just sinking a little bit...”

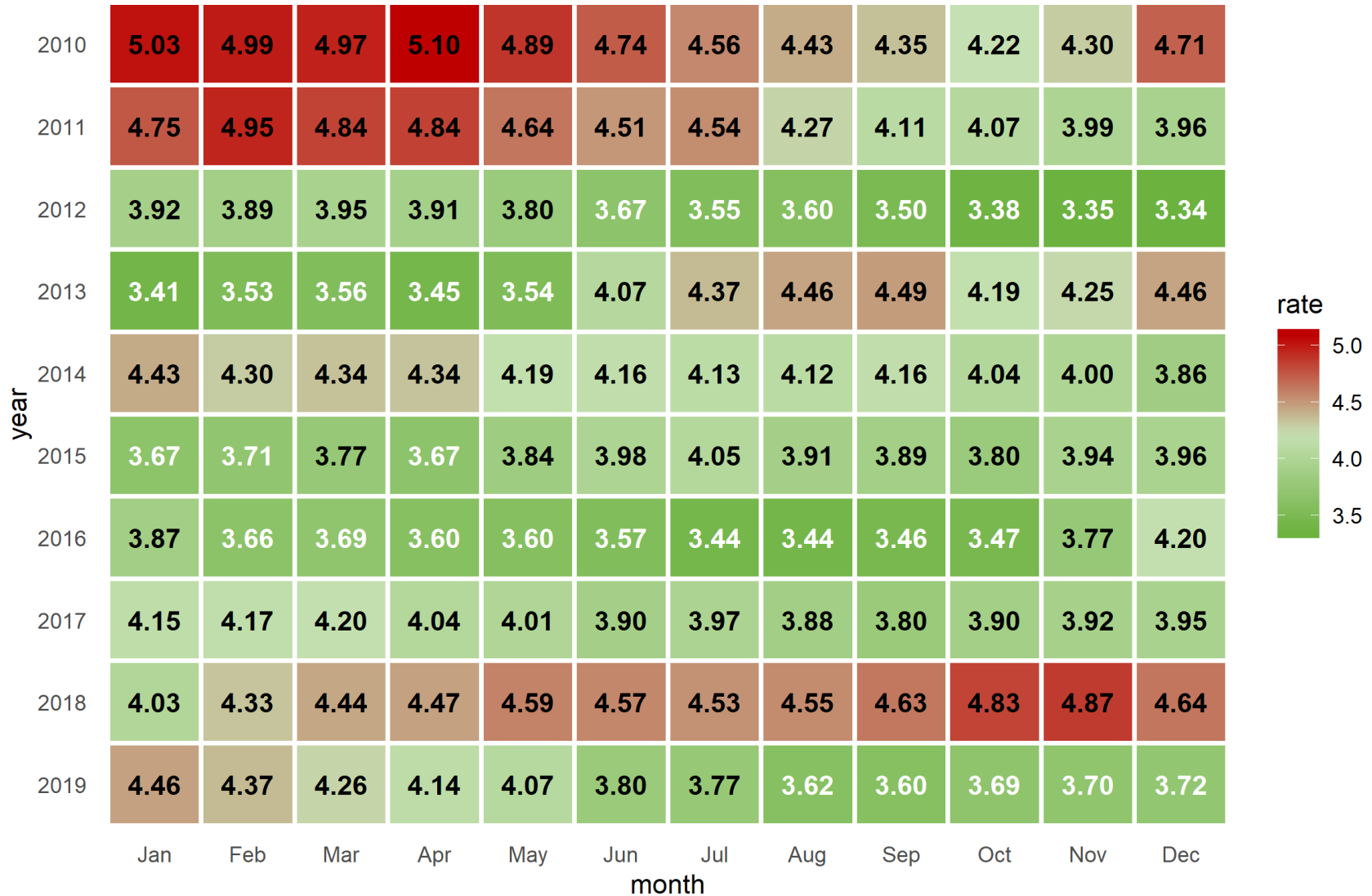


**“How do I convince someone
the market is okay?”**



Monthly average mortgage rates by year

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



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

Mortgage rate trends

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



@lenkiefier Source: Freddie Mac Primary Mortgage Market Survey through January 23, 2020

Inventory is down 35% from last year in Placer County. Should we be concerned?



Monthly Inventory in Placer County



January 2016 through December 2019

www.SacramentoAppraisalBlog.com

“I’m feeling hesitant about the market”



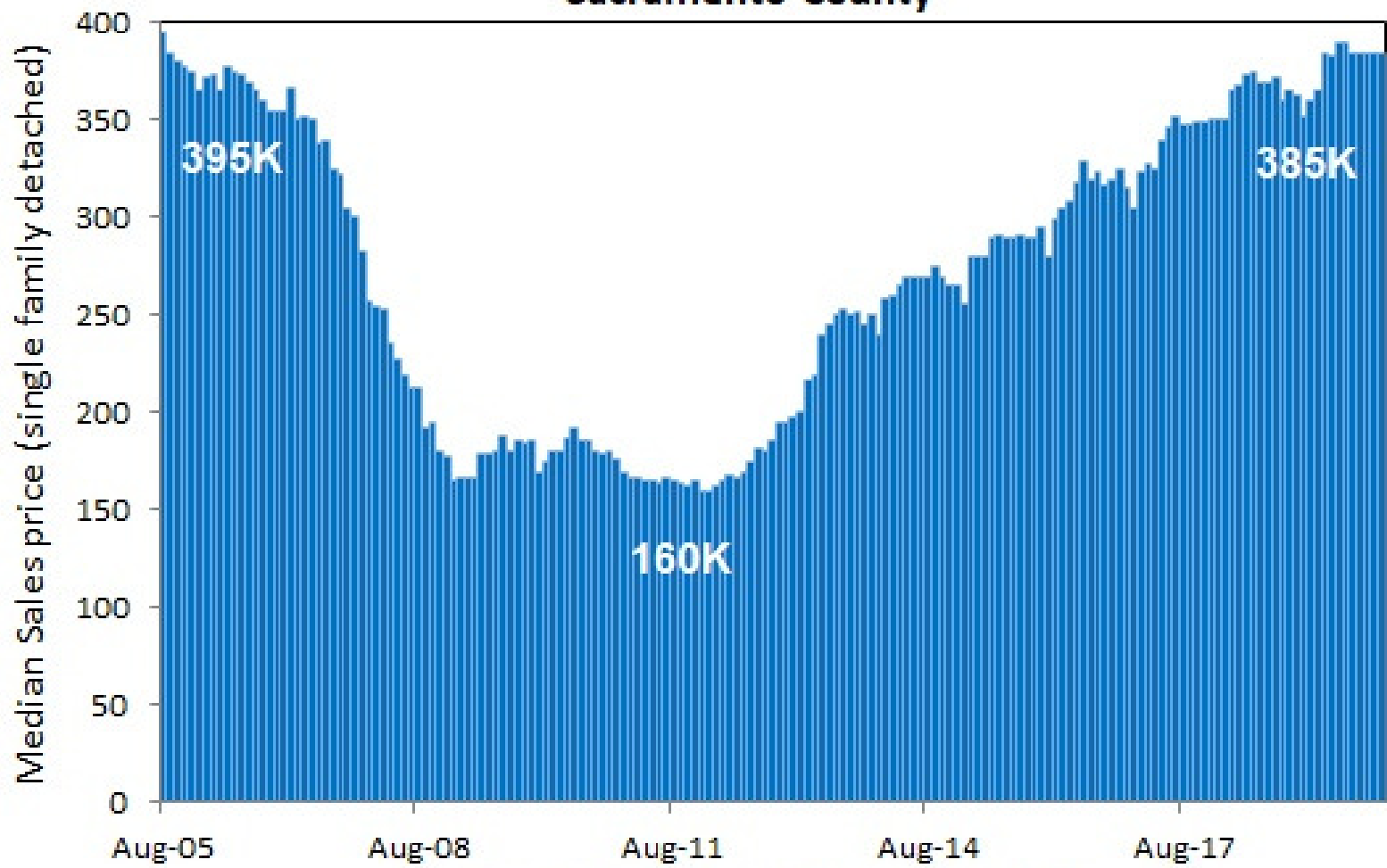
“I’m going to wait until the market crashes”



“I’ll buy if Brad & Jen get back together...”



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

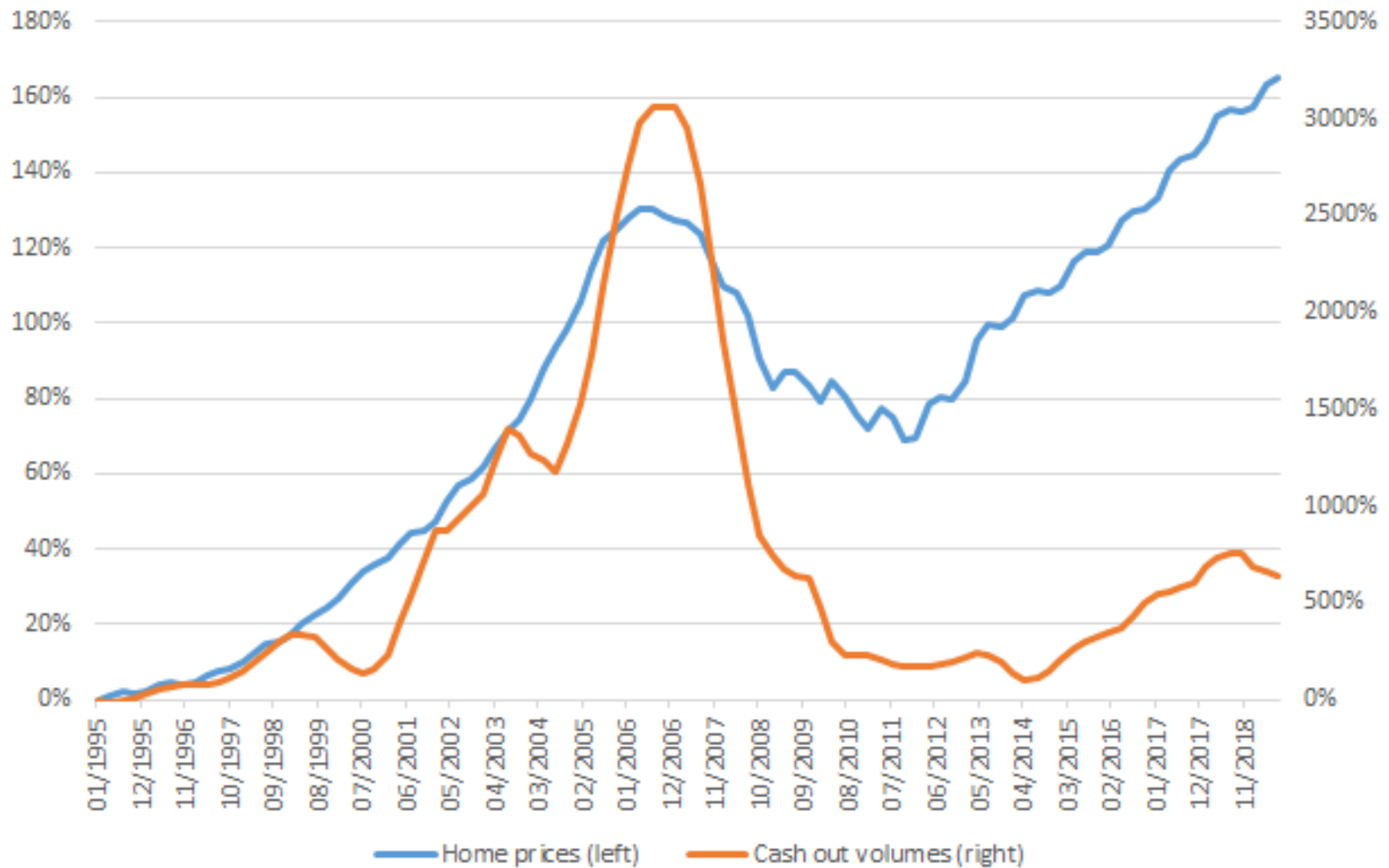


August 2005 through December 2019

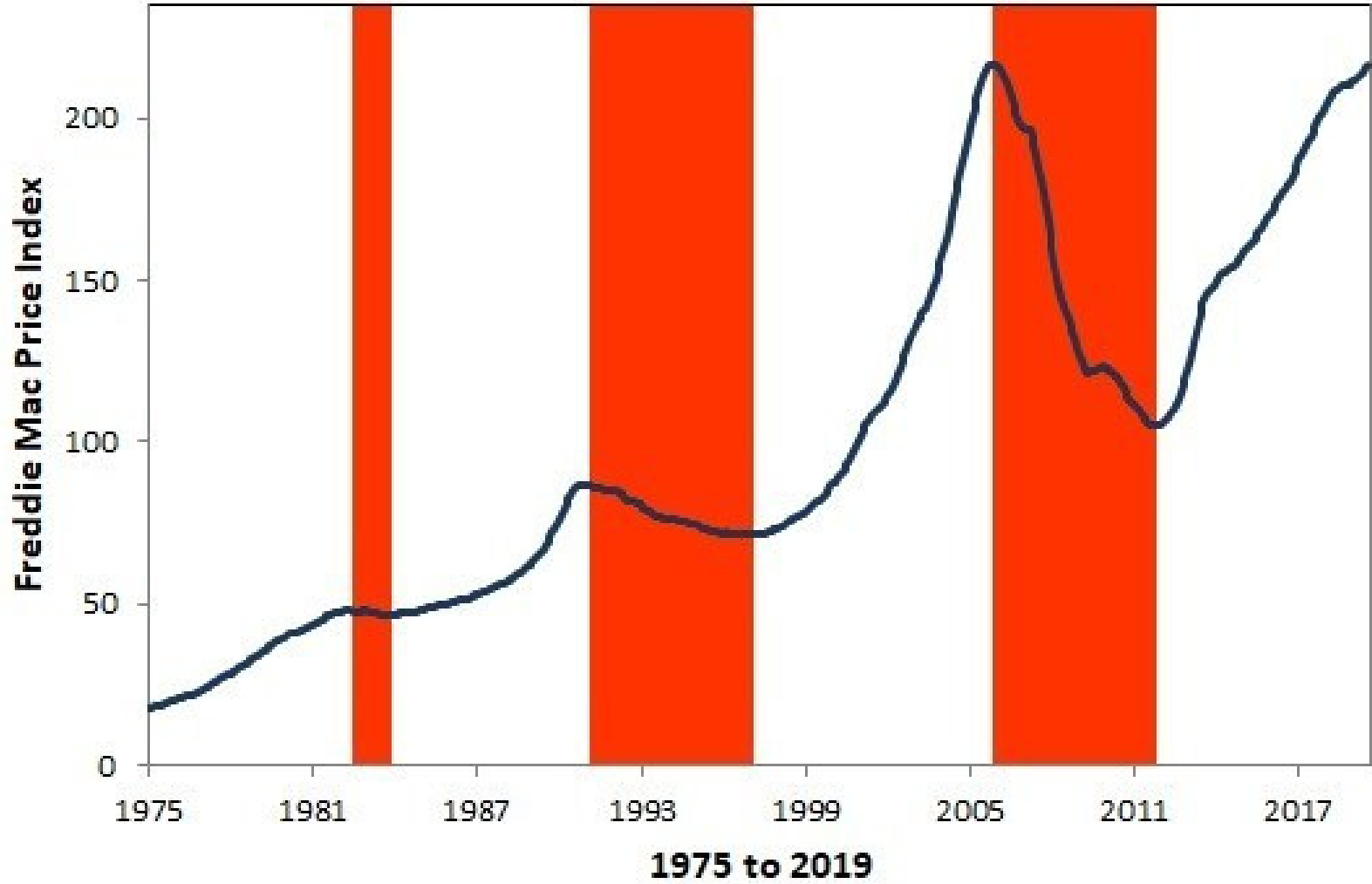
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Tapped Out

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



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



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	\$499,000	+3.9%	

Placer County SFR Detached Sales Annual Median Price as of 1/12/2020

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) Expect buyers to become more picky this year.
- 8) Don't overprice your listings (and find ways to help sellers not overprice).
- 9) Ask people on Facebook when they bought their first house (just kidding).
- 10) Crush it to find deals because you're competing with Zillow now.
- 11) Study other markets where locals are moving.
- 12) Become well-informed about how 1031 exchanges work.
- 13) Be in tune with rent control laws to avoid marketing mistakes.
- 14) Watch the PG&E issue closely. If this becomes prolonged some people will move.
- 15) Be aware of challenges to commissions and avoid price-fixing language.
- 16) Study migration patterns so you can help owners wanting to move out of the market.
- 17) Find sellers who feel like we're near the top and want to cash out.
- 18) Find buyers who are moving because of their lifestyle and ability to afford.
- 19) Keep an eye on the Bay Area market and be ready for some inbound growth if prices dip.
- 20) Diversify where the iBuyer models are not going.
- 21) Be aware of consumer behavior if we head toward a recession (tighten finances / smaller homes)
- 22) Don't keep doing the same thing because it won't work in every market.

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