

BIG TRENDS TO WATCH IN THE MARKET

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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...

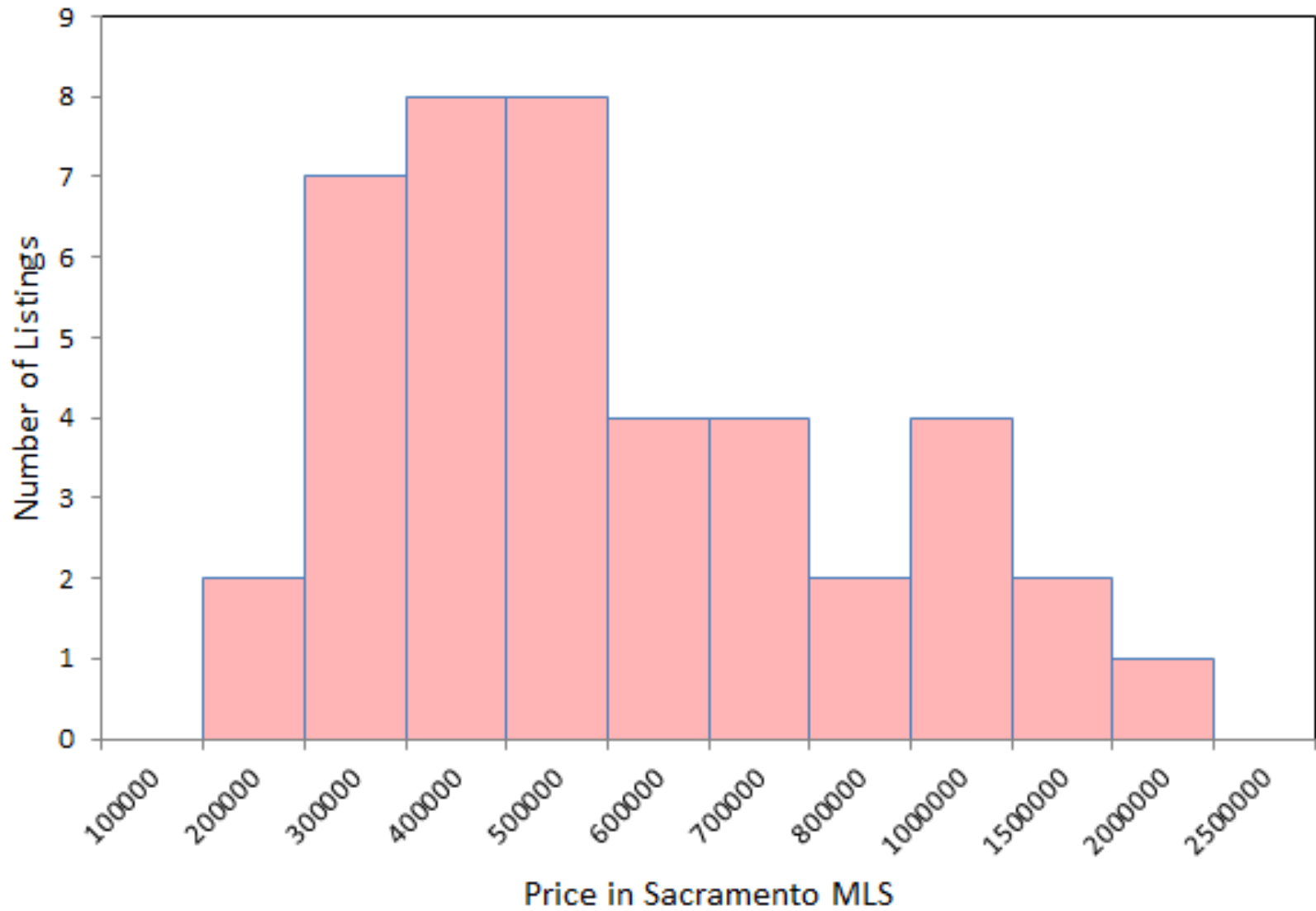


How buyers think of sellers...





Price reductions in past 24 hours in Sacramento region

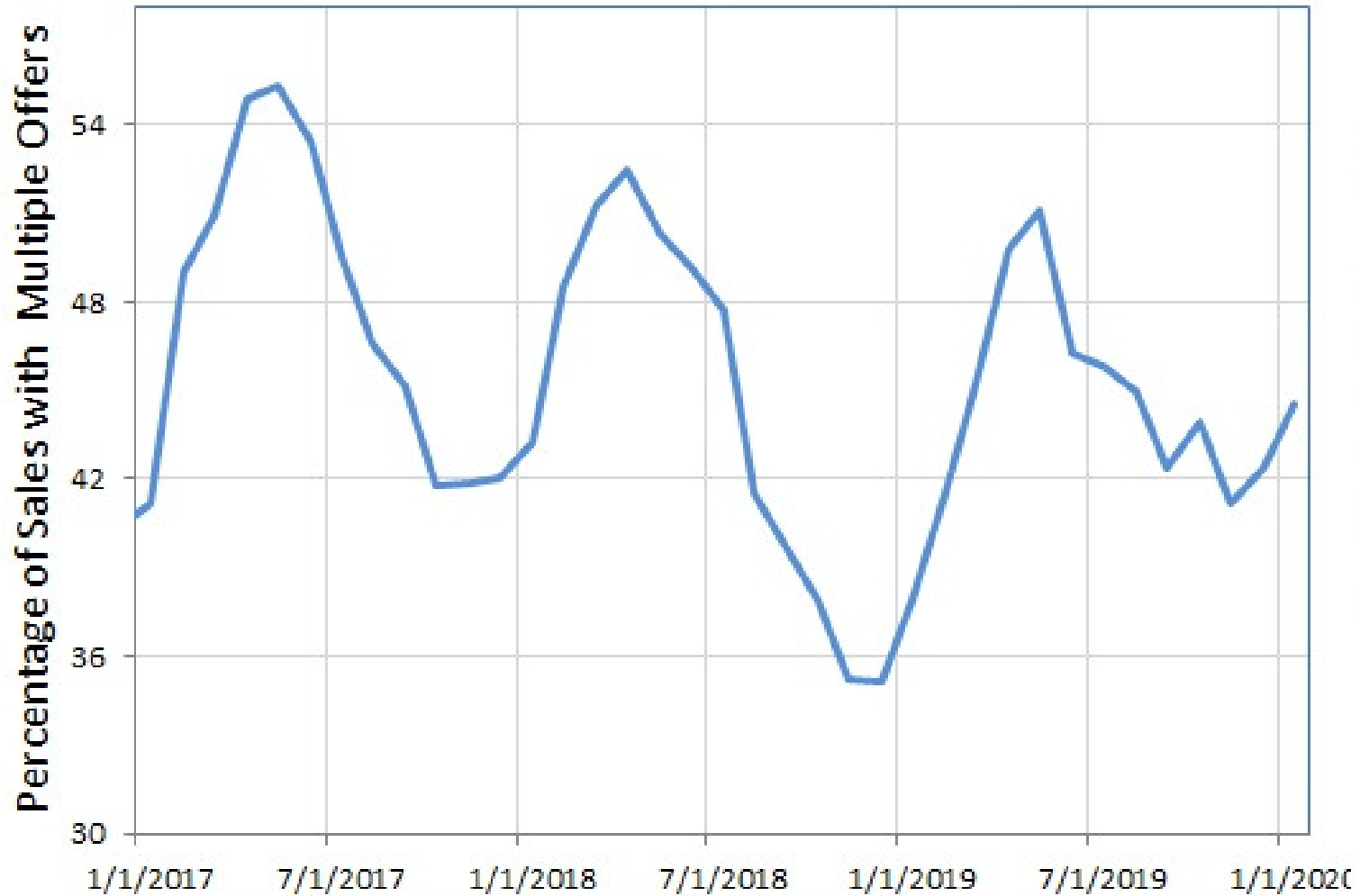


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| SELLERS | BUYERS |
|--|--|
| The market is blazing “hot” | Price increases are more subdued |
| Expects to fetch a huge price | Wants to pay a reasonable price |
| Aims to sell to a Bay Area buyer | Most buyers are locals |
| Expects buyers to overpay | 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 |

Sales with Multiple Offers

(Sacramento, Placer, Yolo, El Dorado County)



January 2017 to January 2020 (single family detached sales)

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FRESH STATS



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%



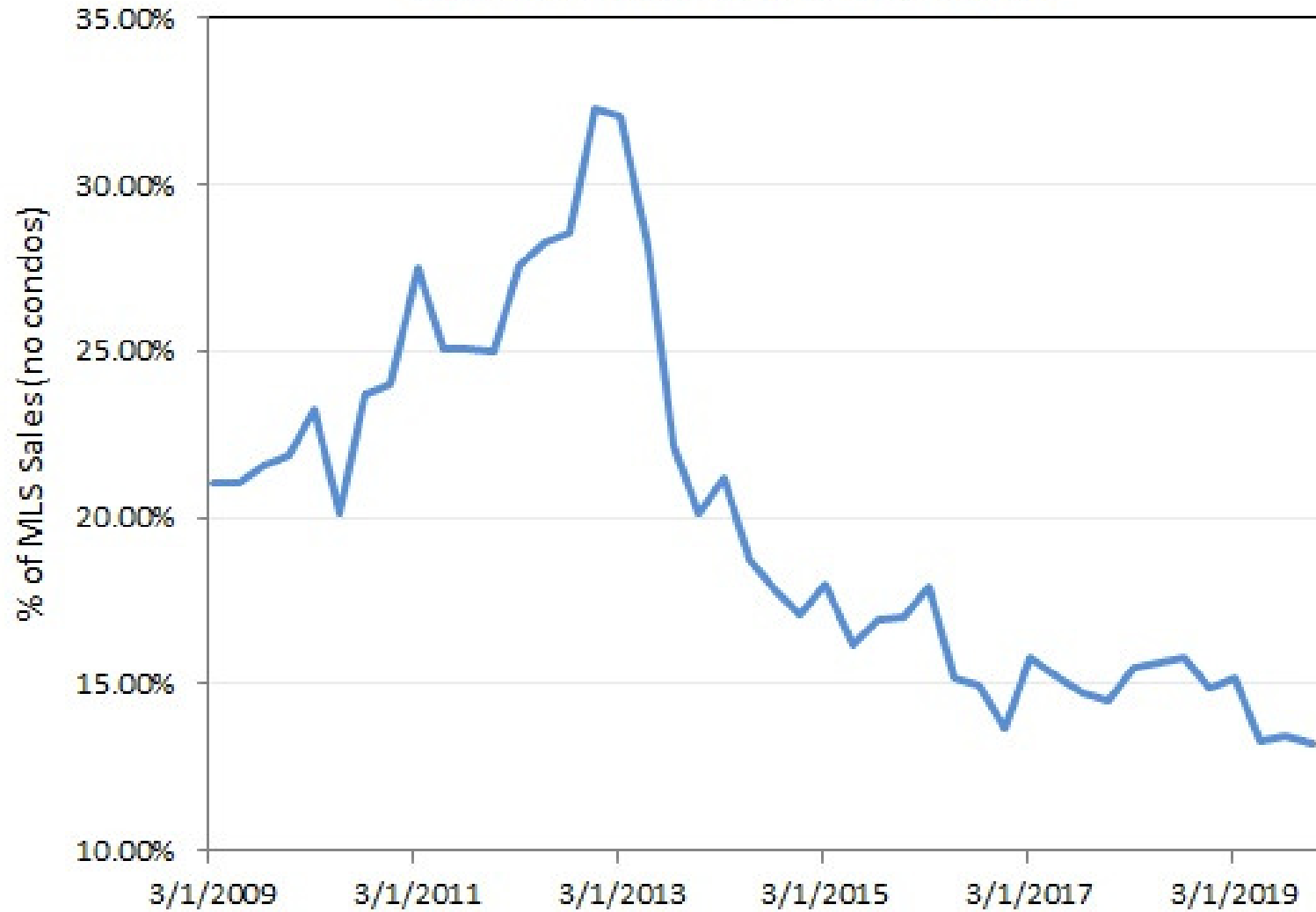
The way we talk about the market vs the market



| El Dorado County | Homes with Pools (%) |
|-------------------------|-----------------------------|
| Under \$300K | 7.5% |
| \$300-400K | 14.1% |
| \$400-500K | 16.1% |
| \$500-700K | 28.8% |
| \$700-1M | 45.4% |
| \$1-1.5M | 60.7% |
| \$1.5-2.0M | 55.5% |
| \$2.0M+ | 75.0% |

The percentage of homes with pools is based on MLS sales from Jan 1, 2018 to Feb 18 2020 listed as having a built-in pool (no condos) www.SacramentoAppraisalBlog.com

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

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FHA Sales in the Sacramento Region



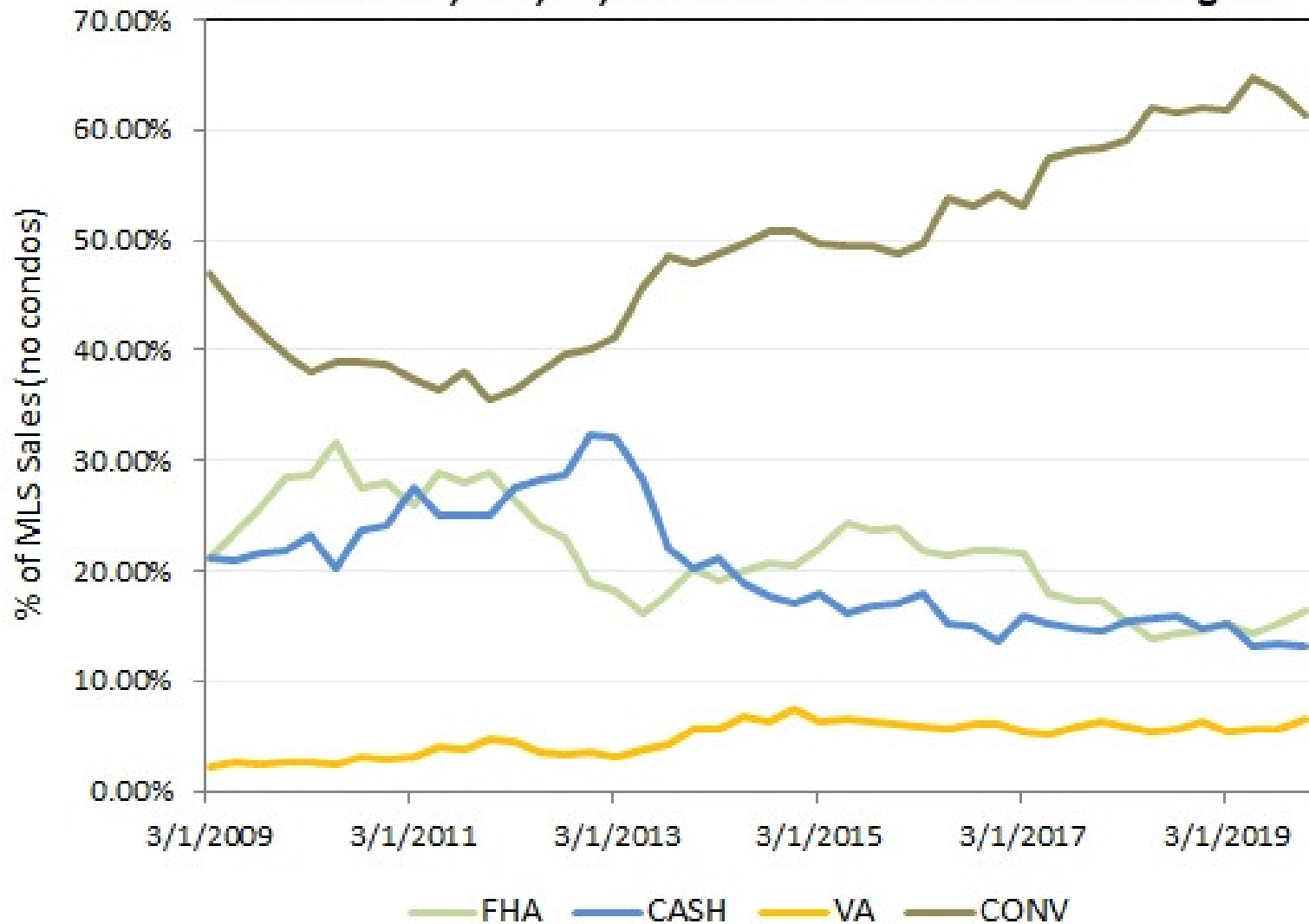
Q1 2009 to Q4 2019

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%



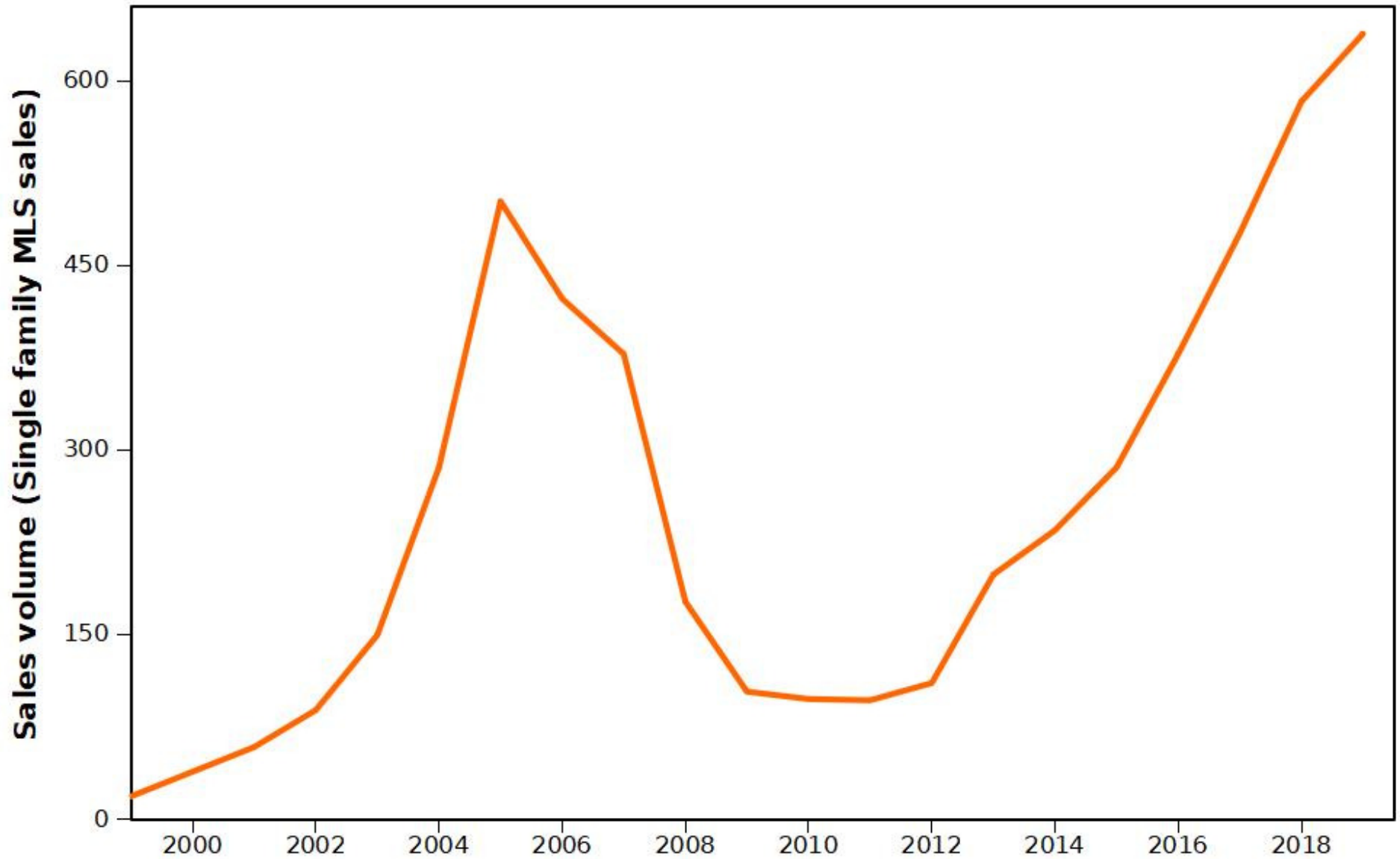
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Single family sales in MLS in
Jan - Dec 2019 in Sac Region
Sac, Placer, Yolo, El Dorado



Million Dollar Sales in the Sacramento Region

(Sac, Placer, Yolo, El Dorado Counties)

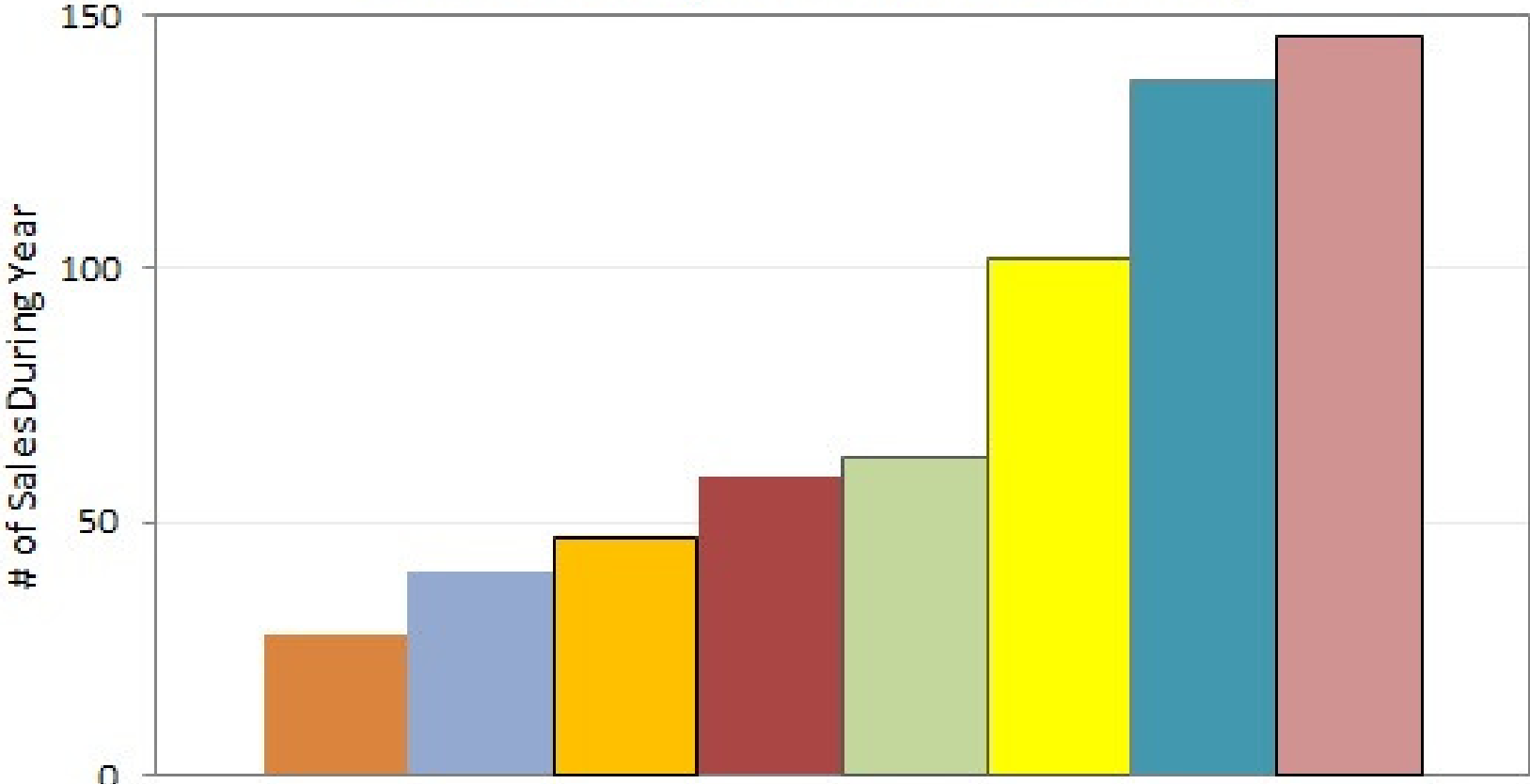


1999 to 2019

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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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A market of outliers...

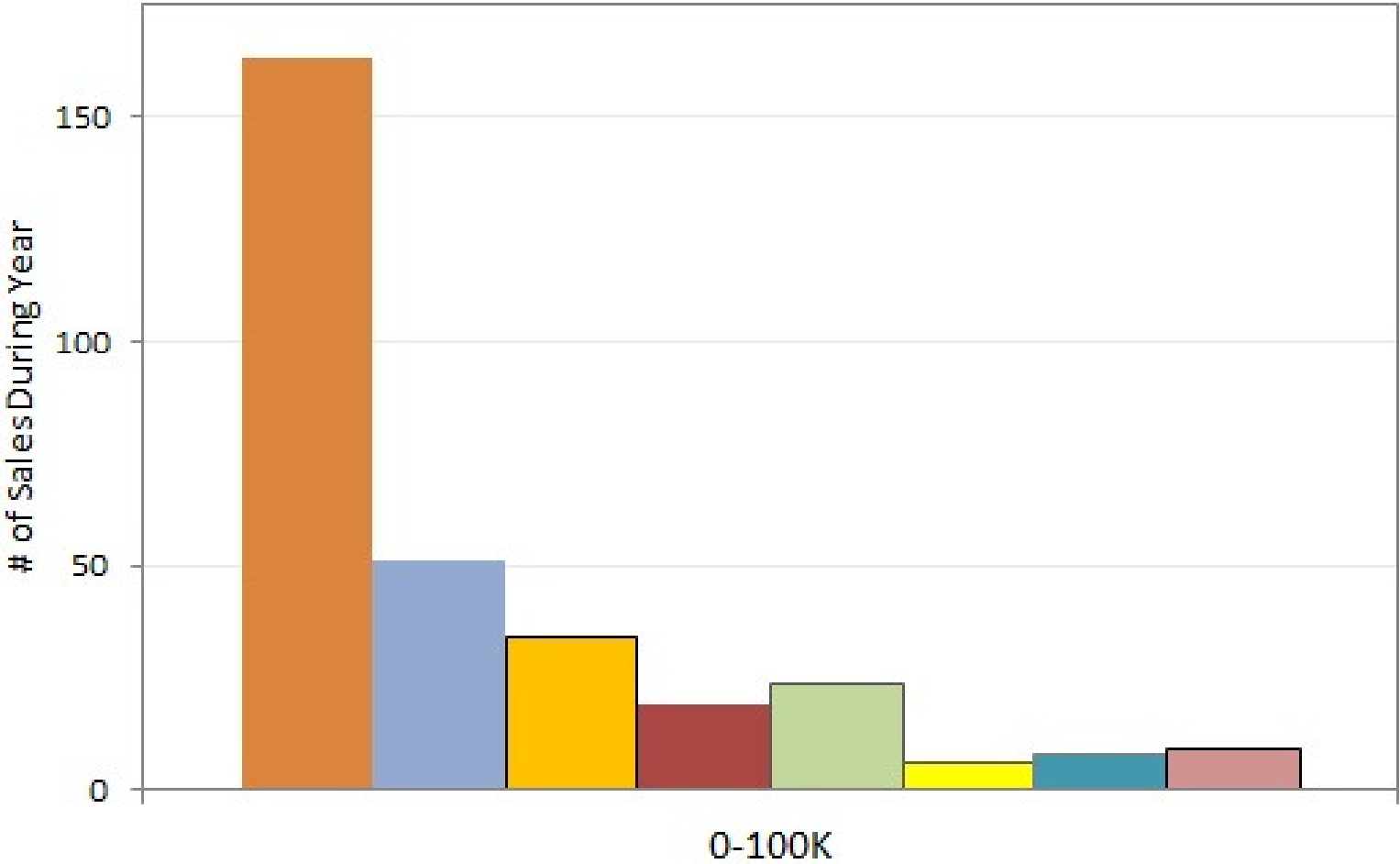
- 8.4% more million dollar sales this year
- 2.5% of all sales sold above \$1M
- 654 sales in 2019
- 82 days to sell on average
- 45% of homes sold in less than 30 days



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

Sales by Price Range in El Dorado County



2012 2013 2014 2015 2016 2017 2018 2019

Price in MLS (single family detached)

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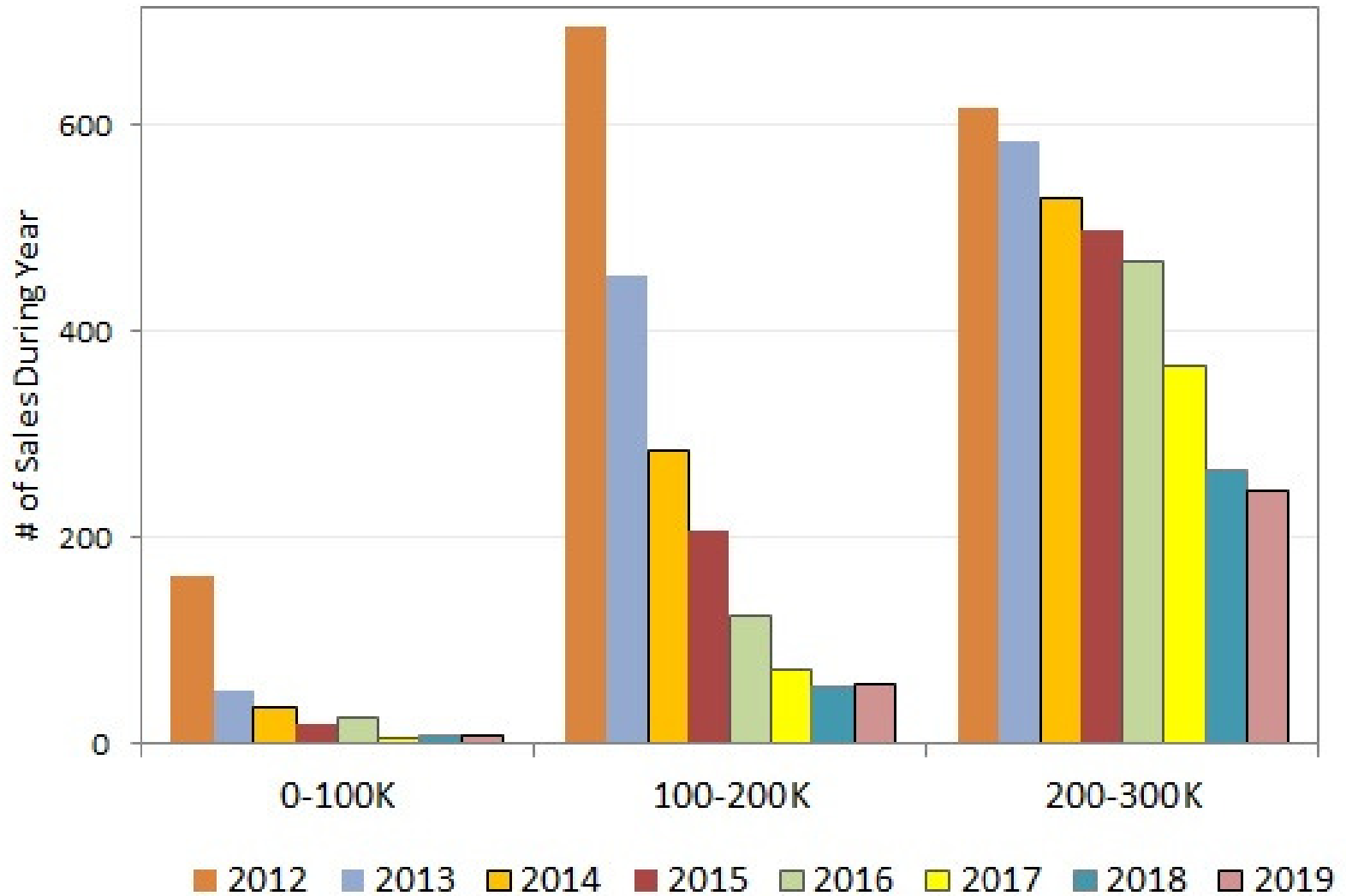
Average rent in Sacramento has increased **69%** over the past decade.

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

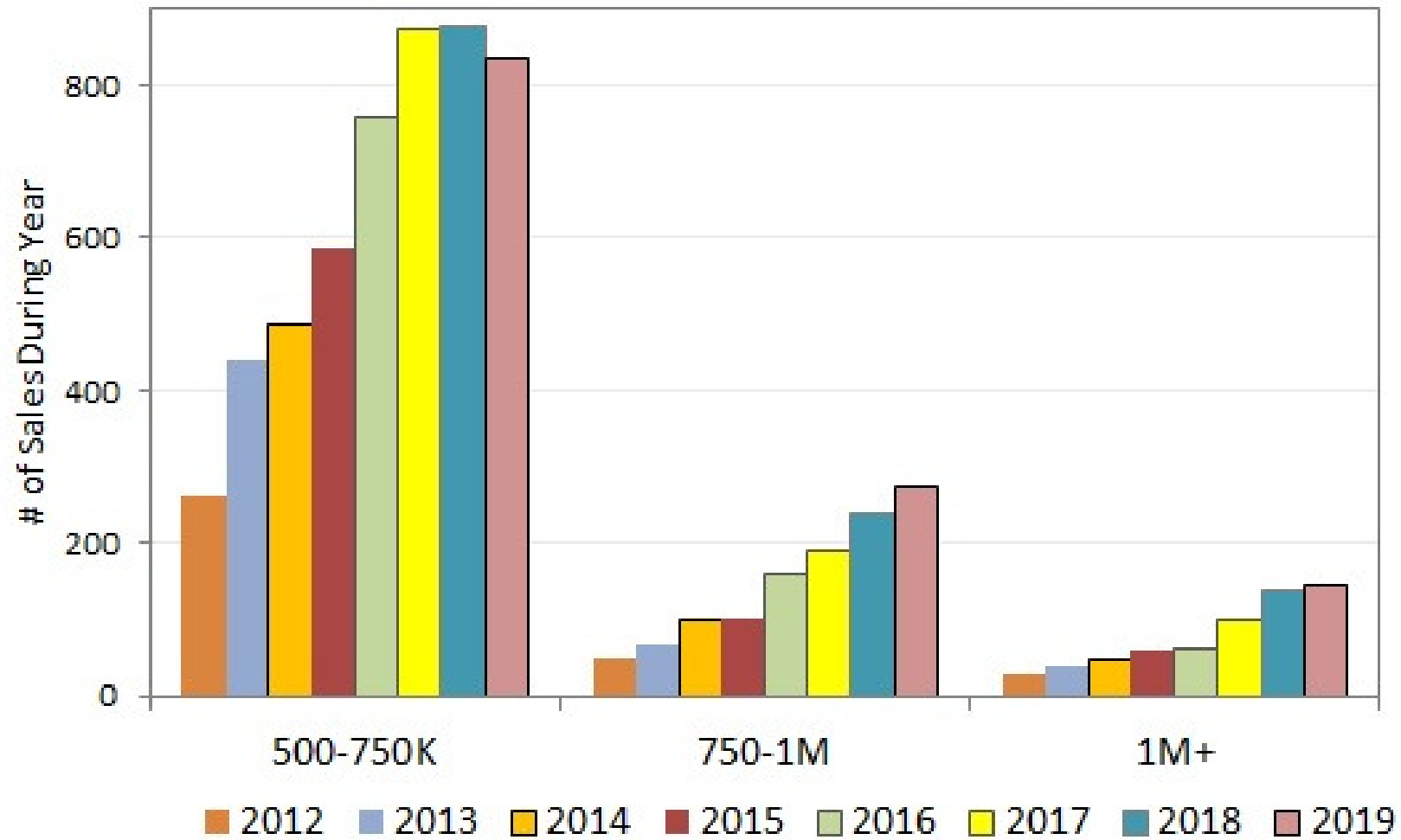


Price in MLS (single family detached)

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Sales Above \$500K in El Dorado County



Price in MLS (single family detached)

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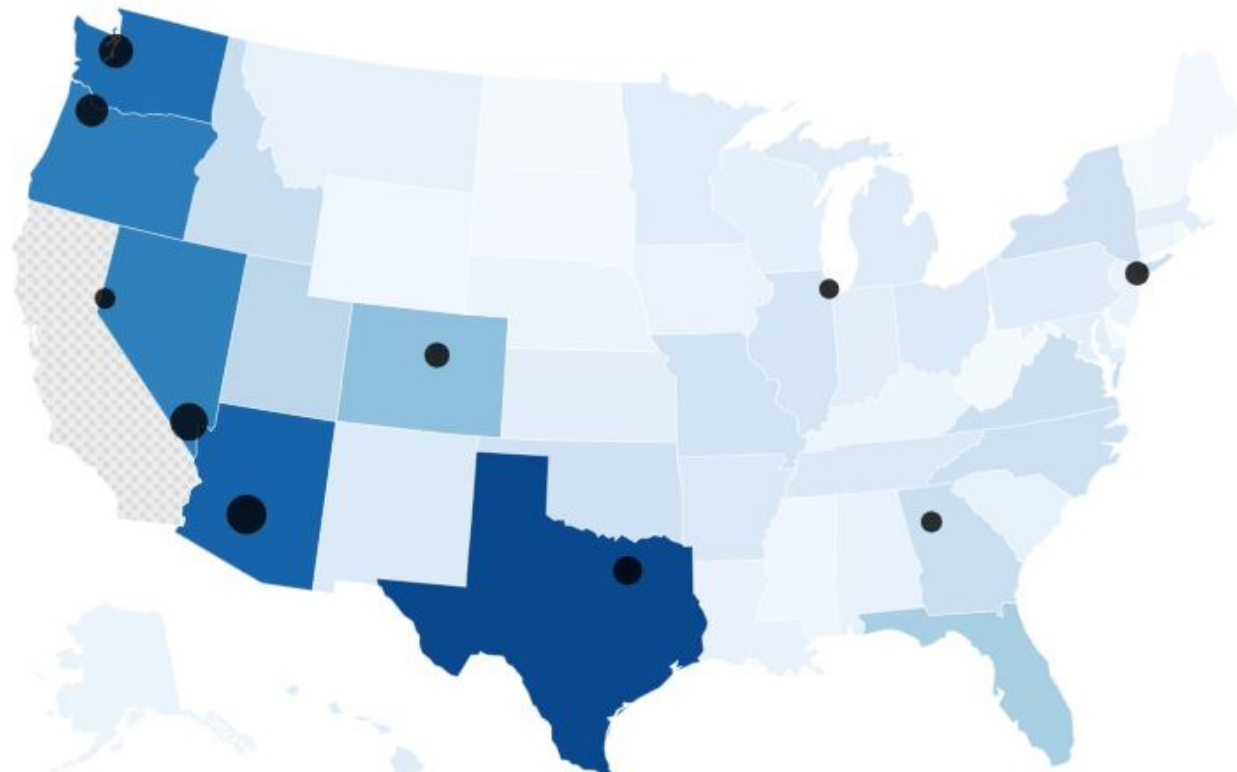


For the better part of three decades, Californians who leave the state have mostly gone to other parts of the country, notably to Texas and neighboring states such as Oregon, Nevada and Arizona. The dot-com bust, Great Recession and recently soaring housing prices all have helped fuel the exodus. Now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

Where Californians have moved...

180,000 ○ ○ 400,000

0



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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
www.SacramentoAppraisalBlog.com

Census Flows Mapper

[View County Statistics](#)

[View Data Table](#)

[About This Map](#)

[FAQ](#)

[Togg](#)

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

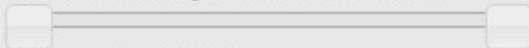
Choose a color palette

Orange/Blue

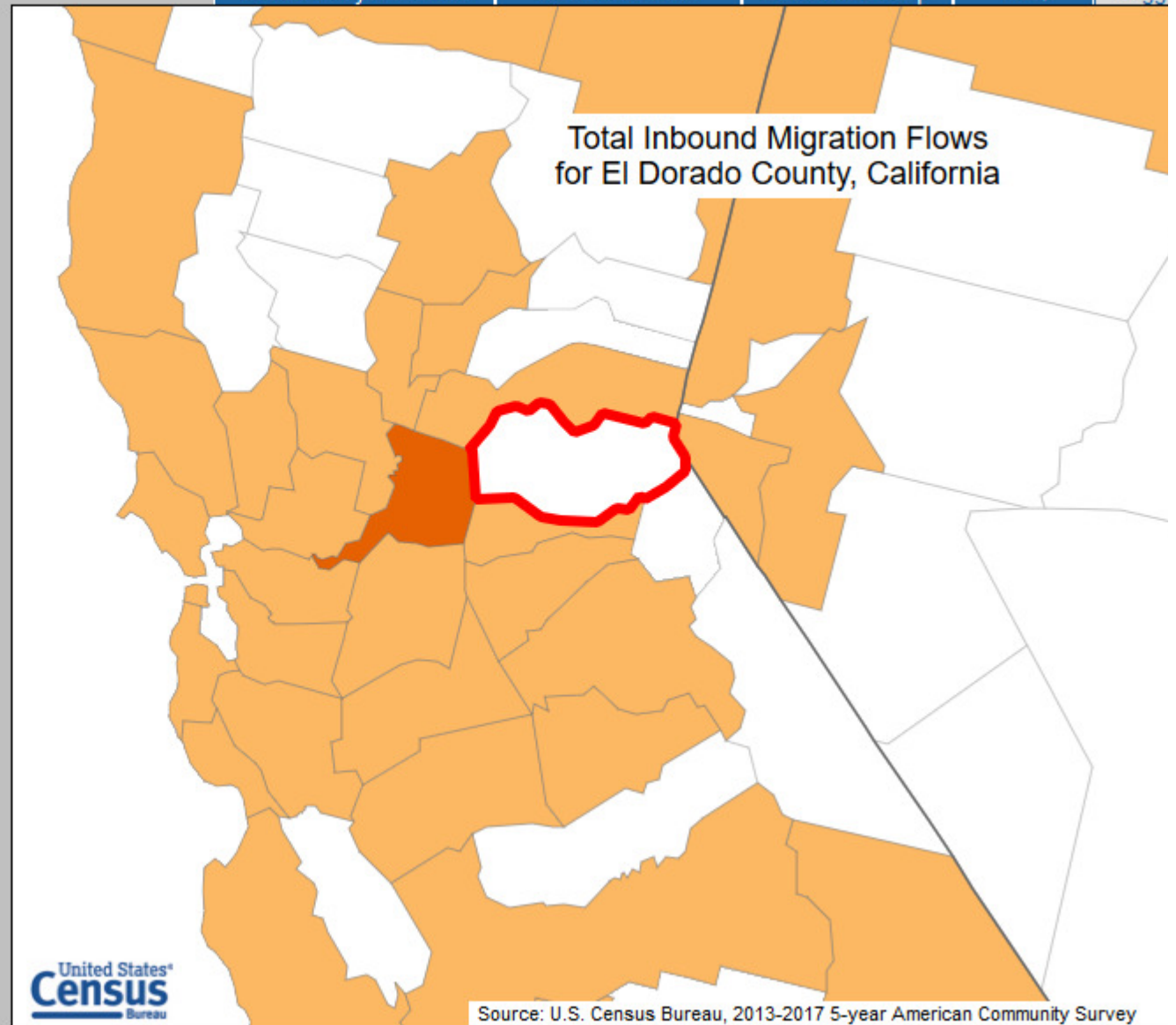
Choose a classification type

Natural Breaks

Select flow by number of movers



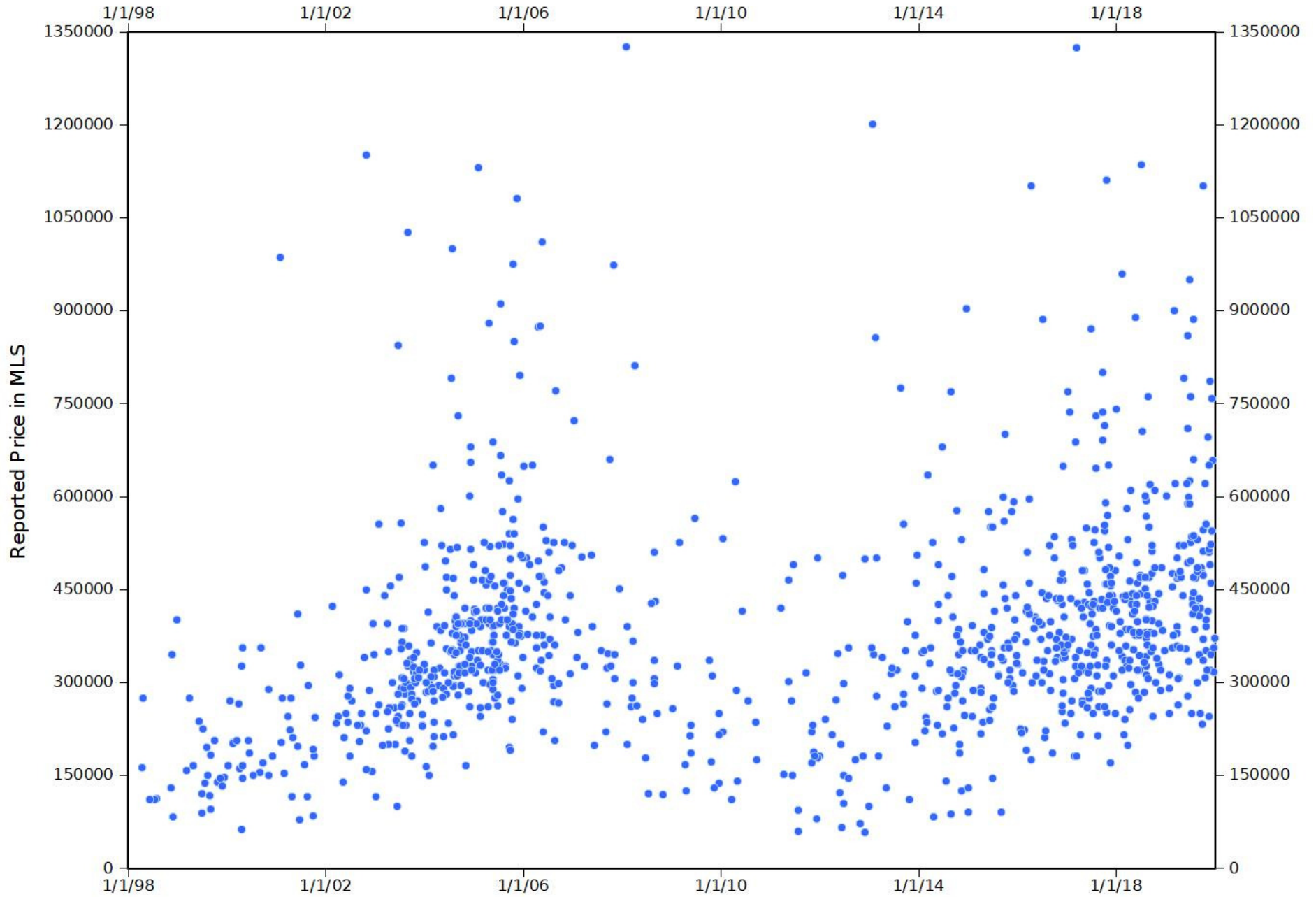
Range: 0 to 3,115



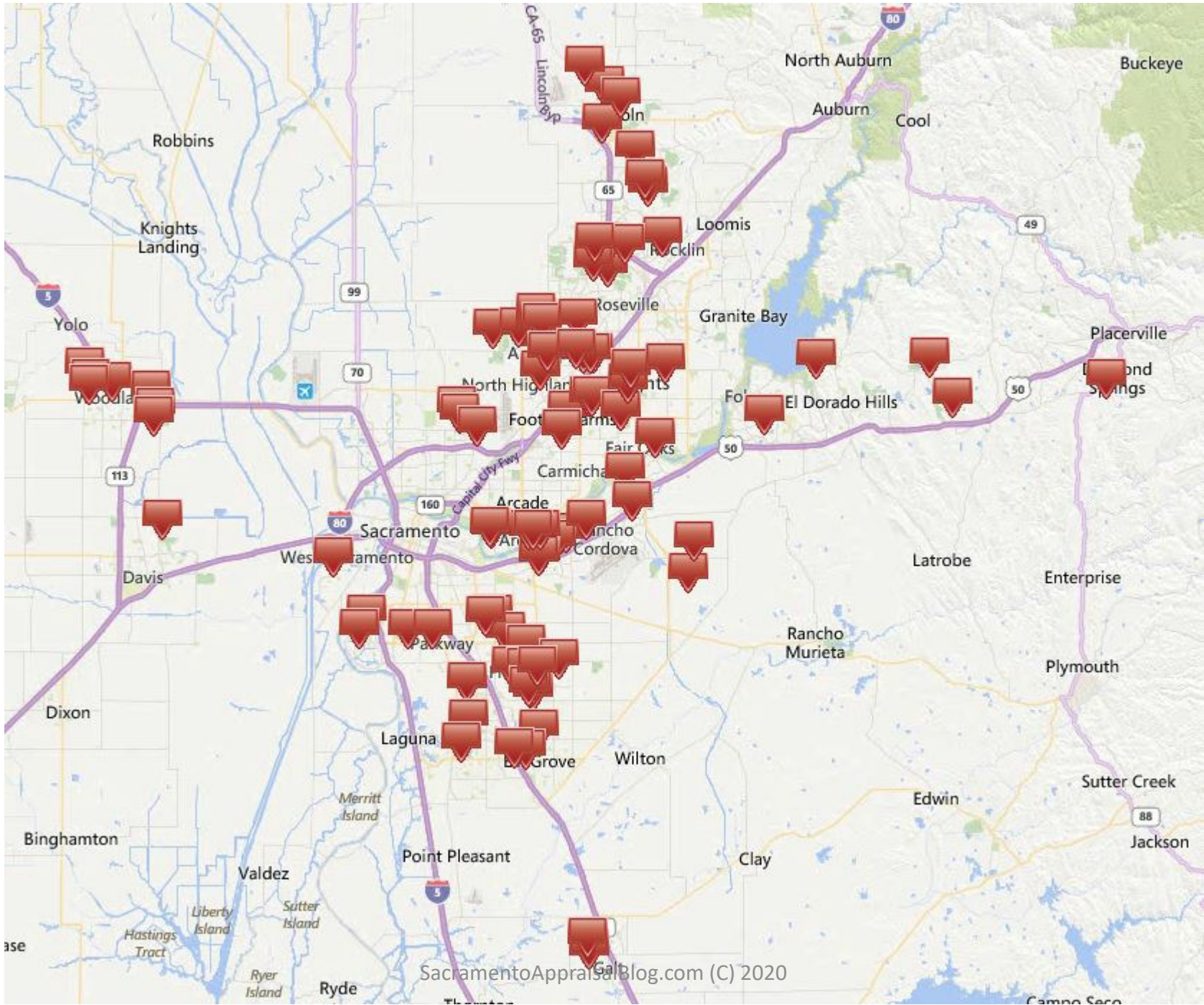
Who has incentive to buy in today's market?



1031 Exchange Sales in Sacramento Region

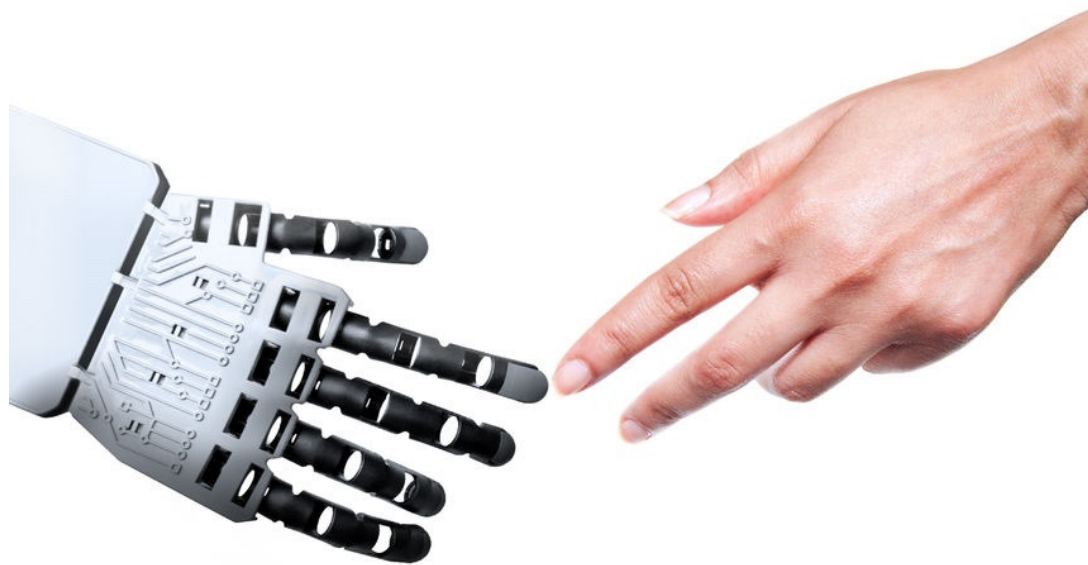


January 1998 to January 2020 (Sac, Placer, Yolo, El Dorado)



BIG IDEA

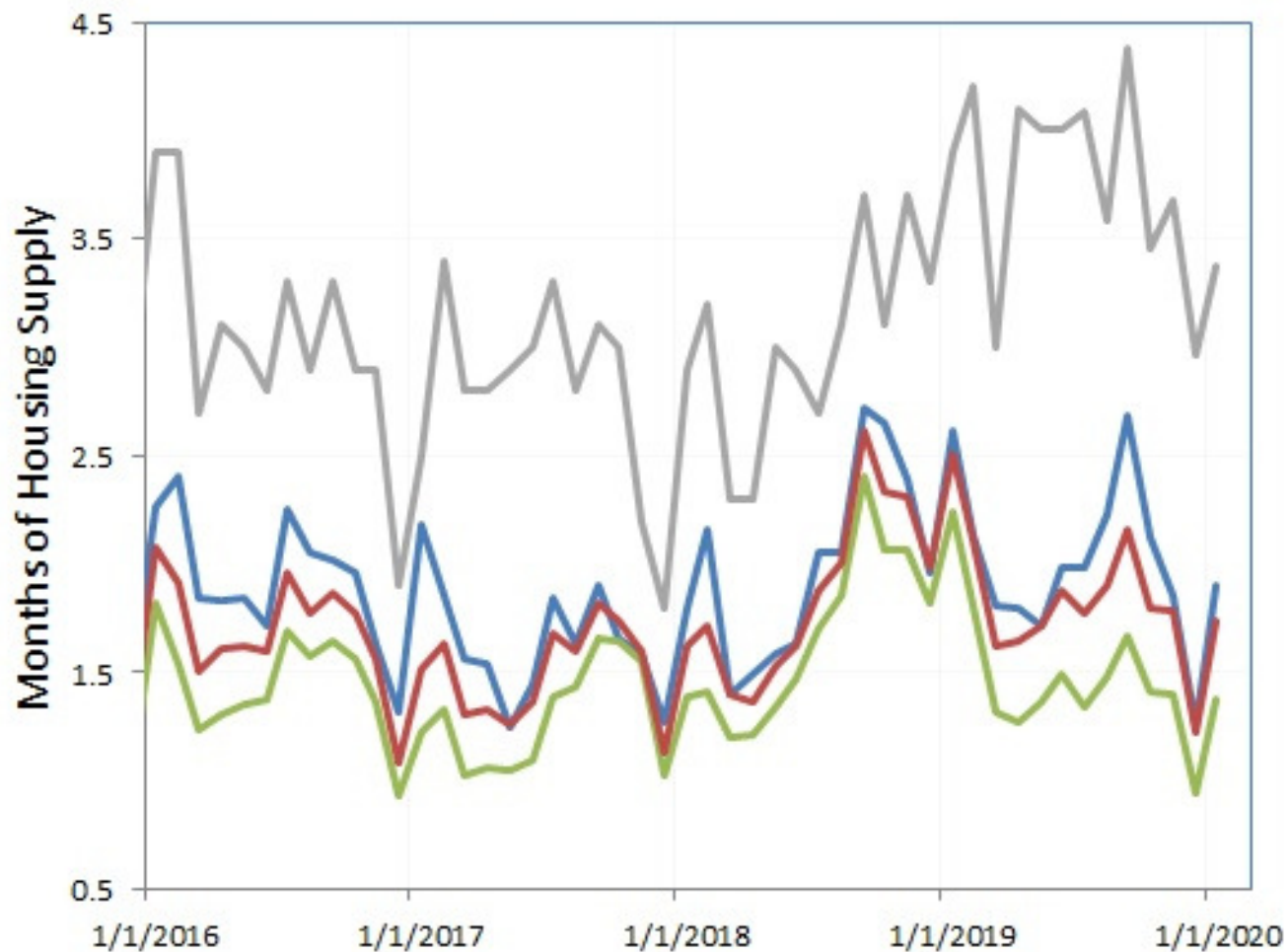
**Diversify into submarkets where
iBuyer models are not going**



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

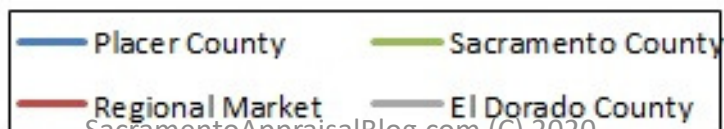


Inventory in Placer County, Sac County, El Dorado County & the Sac Region (Sac, Placer, Yolo, & El Dorado)



January 2016 through January 2020 (single family detached)

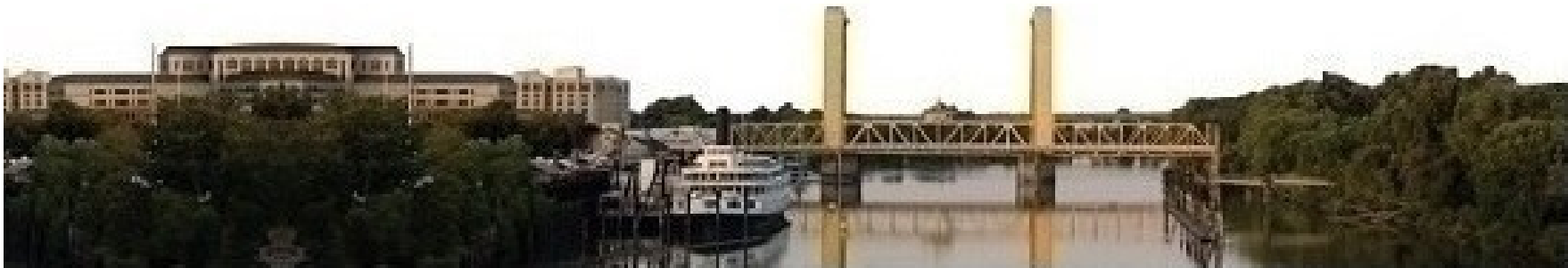
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El Dorado County Sales Volume

| Year | January Sales | Past Year of Sales |
|-------------|----------------------|---------------------------|
| 2014 | 142 | 2,610 |
| 2015 | 106 | 2,395 |
| 2016 | 139 | 2,573 |
| 2017 | 166 | 2,720 |
| 2018 | 161 | 2,778 |
| 2019 | 135 | 2,617 |
| 2020 | 151 | 2,507 |



Stats based on single family detached MLS sales

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Sales Volume in Sacramento Region

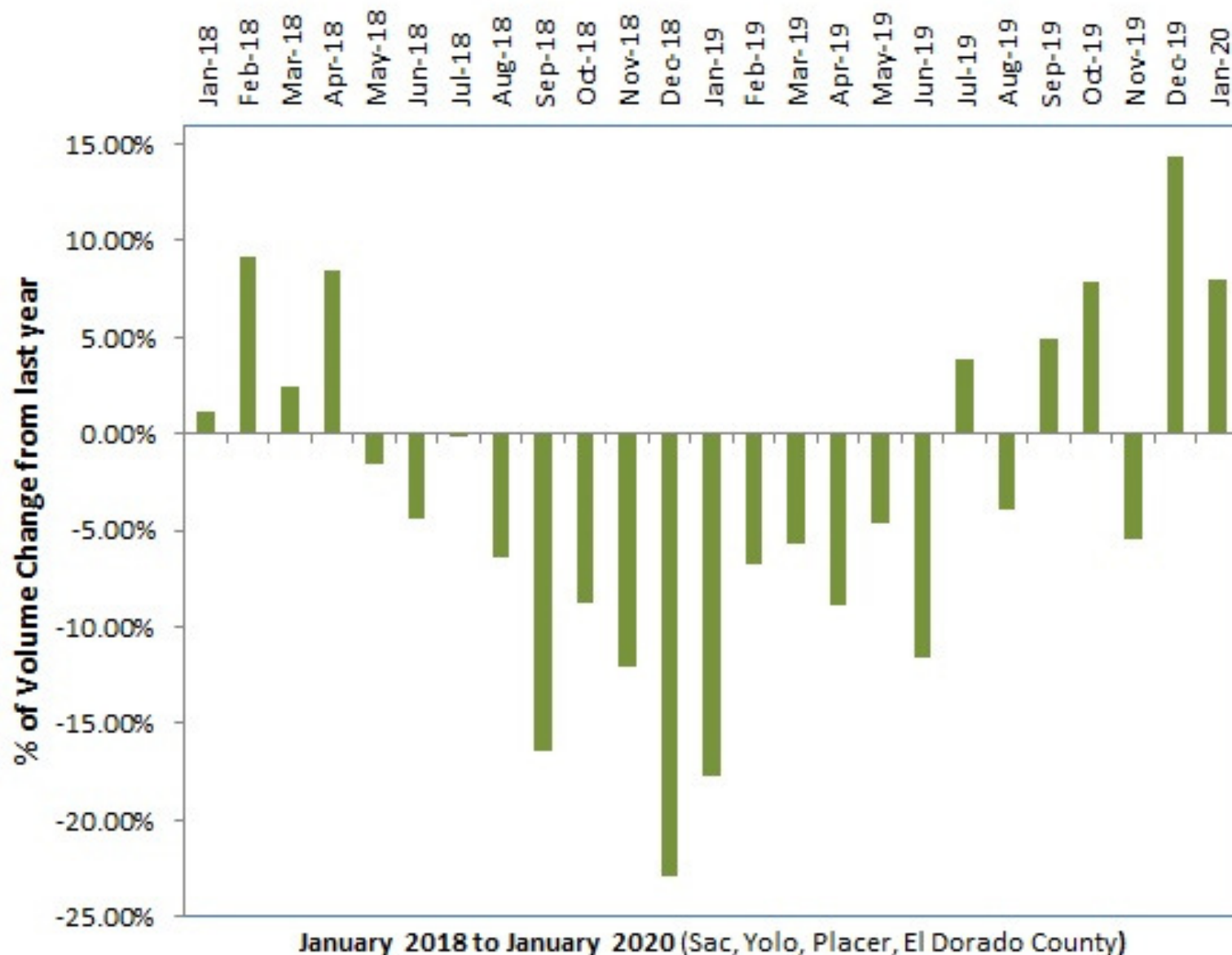
| Year | January Sales | Past Year of Sales |
|-------------|----------------------|---------------------------|
| 2014 | 1,493 | 26,608 |
| 2015 | 1,360 | 25,019 |
| 2016 | 1,491 | 28,052 |
| 2017 | 1,637 | 28,651 |
| 2018 | 1,655 | 28,322 |
| 2019 | 1,362 | 26,679 |
| 2020 | 1,471 | 26,467 |



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

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Sales Volume Change in Sacramento Region



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 | 2,491 |
| 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) |

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?



Annual Median Price in Sacramento Region

| Year | Median Price | Change |
|------|--------------|--------|
| 2014 | \$271,650 | +29.9% |
| 2015 | \$305,000 | +12.2% |
| 2016 | \$325,000 | +6.5% |
| 2017 | \$351,500 | +8.1% |
| 2018 | \$384,000 | +9.2% |
| 2019 | \$405,000 | +5.4% |
| 2020 | \$421,000 | +3.9% |

Based on past 12 months of sales through January each year



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 | \$225,000 | +22.0% |
| 2014 | \$278,500 | +23.7% |
| 2015 | \$299,900 | +7.6% |
| 2016 | \$325,000 | +8.3% |
| 2017 | \$350,000 | +7.7% |
| 2018 | \$385,000 | +10.0% |
| 2019 | \$398,000 | +3.3% |
| 2020 | \$420,000 | +5.5% |

Date: November 1 to January 31 of each given year



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

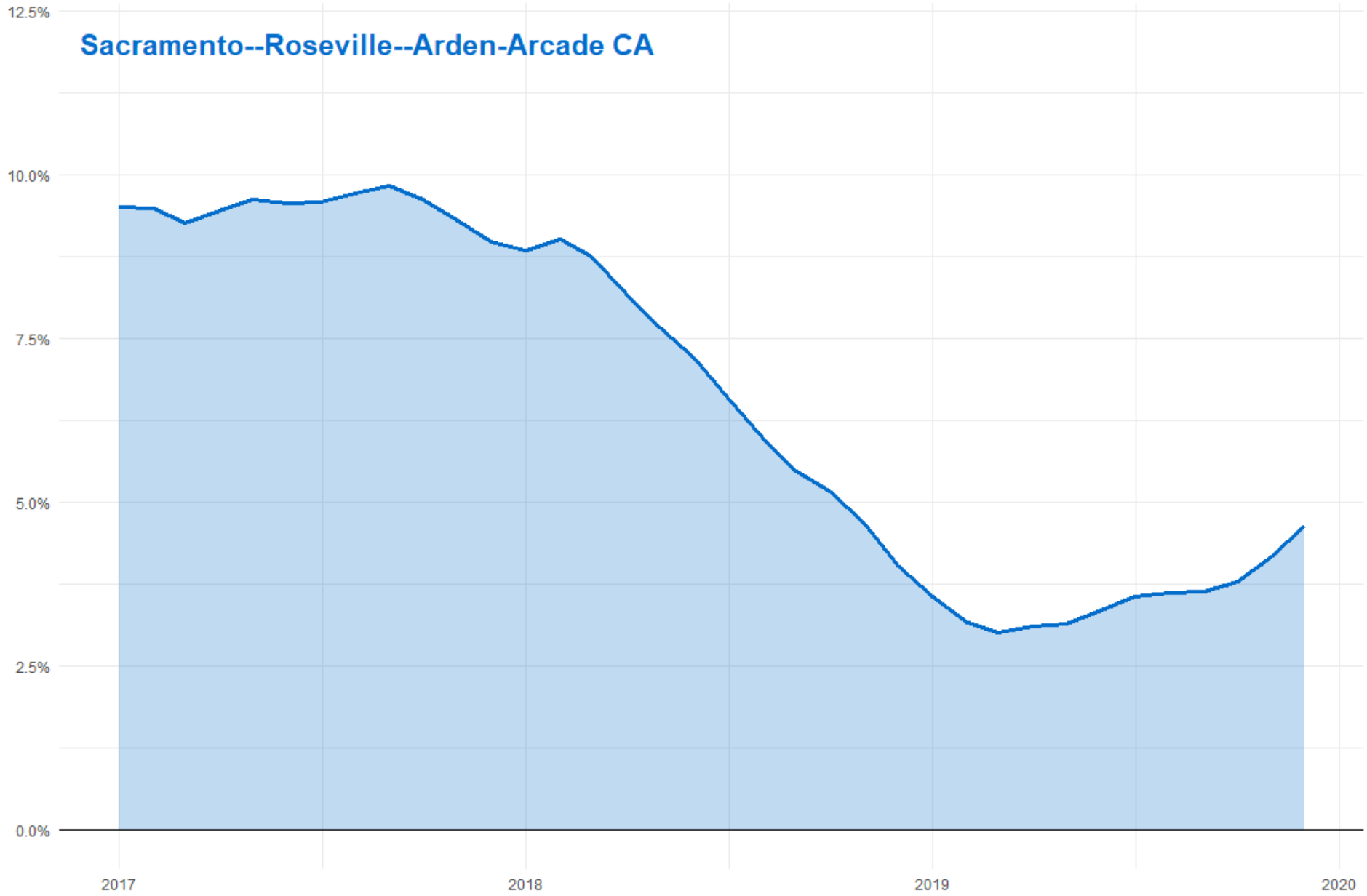
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House Price Trends

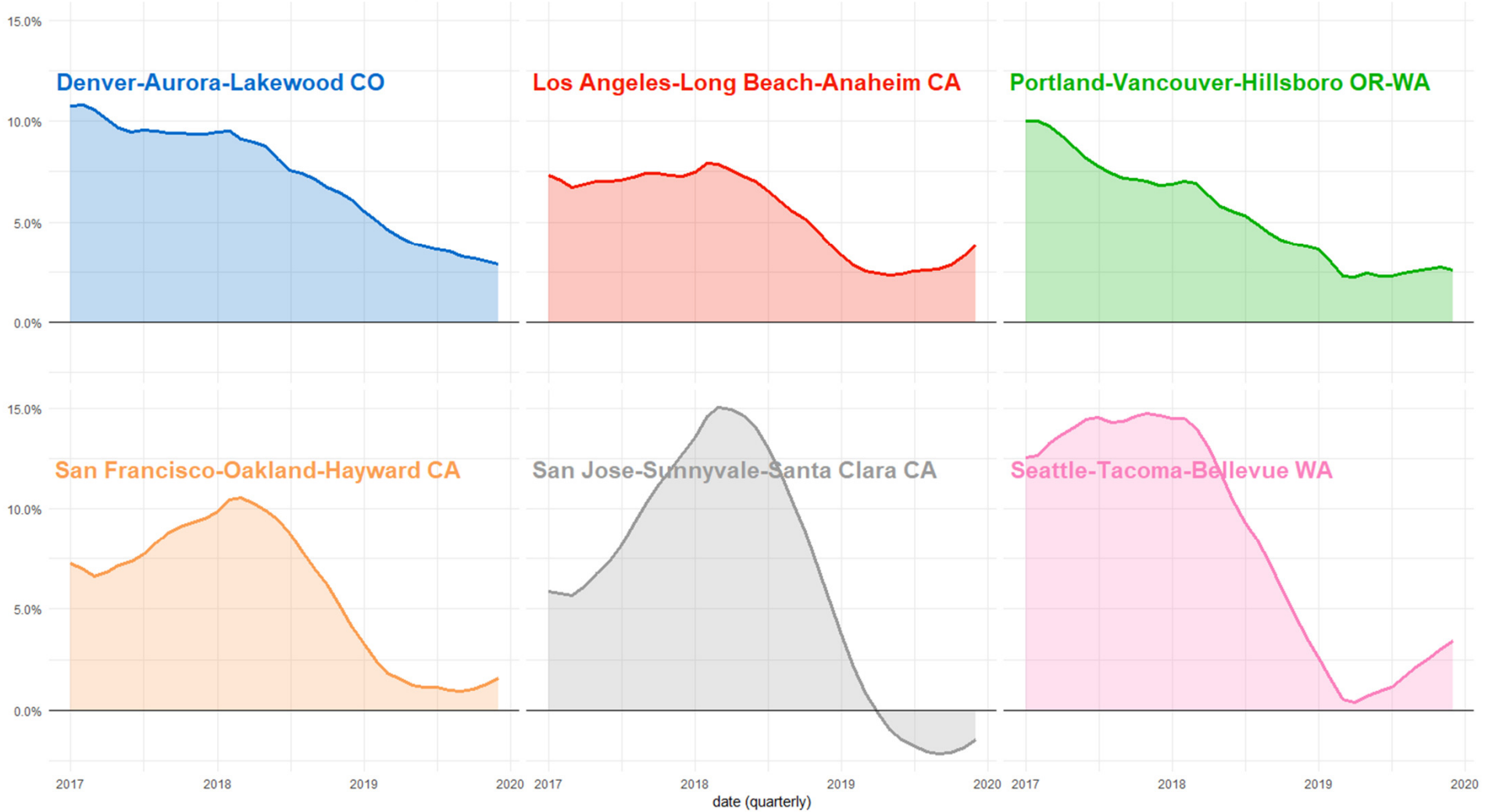
Freddie Mac House Price Index: 12-month percent change

Sacramento--Roseville--Arden-Arcade CA



House Price Trends

Freddie Mac House Price Index: 12-month percent change



@lenkieferr Source Freddie Mac House Price Index

The market used to be going 80mph...



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.”

“Bay Area buyers are making the market slower”

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

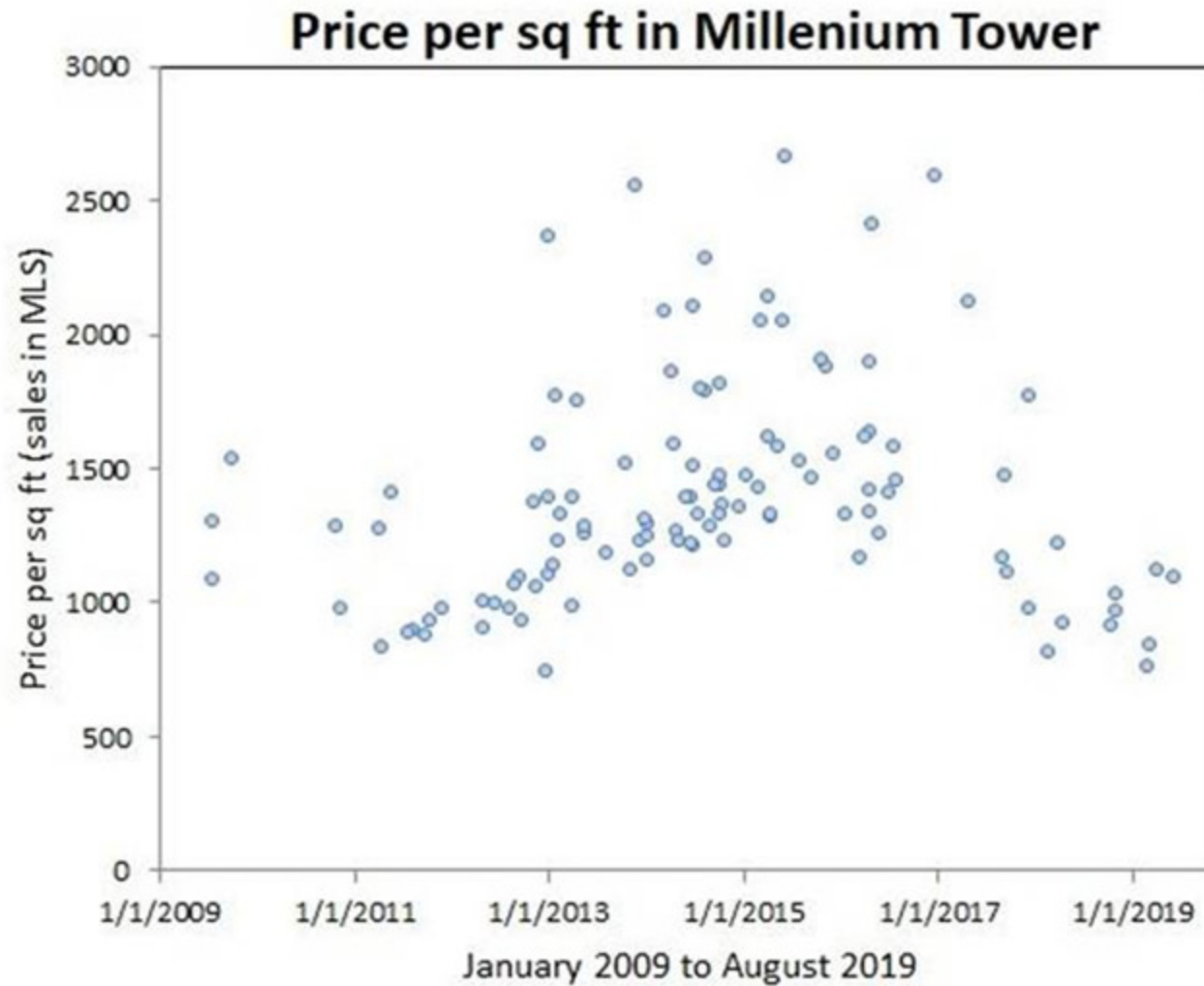


imgflip.com

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“It’s just sinking a little bit”



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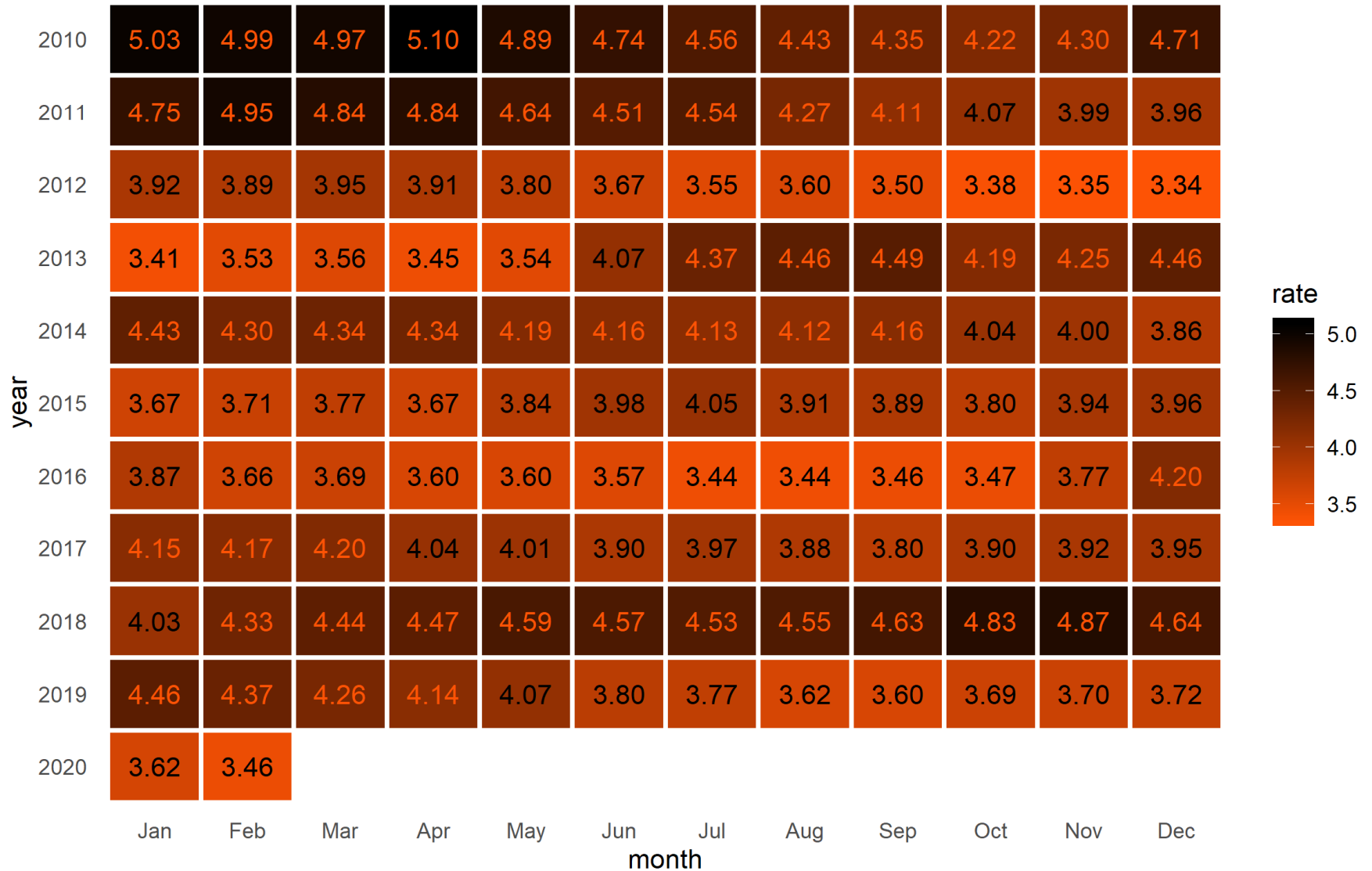
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**“How do I convince someone
the market is okay?”**



Monthly average mortgage rates by year

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

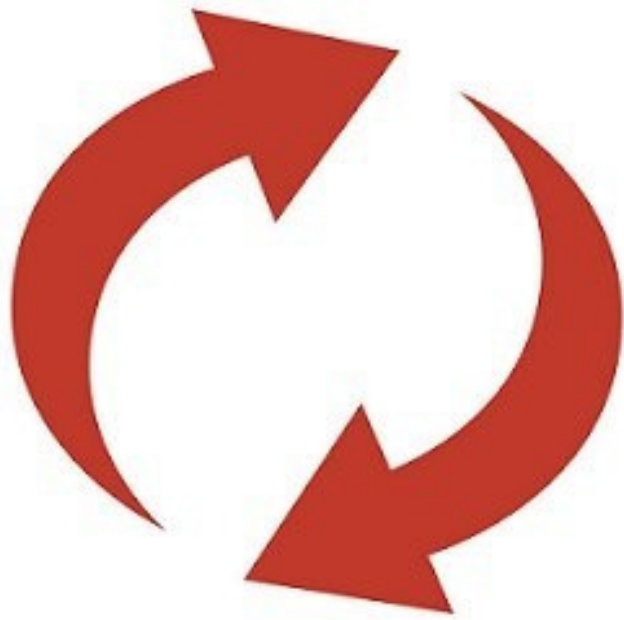


@lenkier Source: Freddie Mac Primary Mortgage Market Survey through February 13, 2020

Note: monthly average of weekly estimates rounded to even: round(0.5)=0, round(1.5)=2

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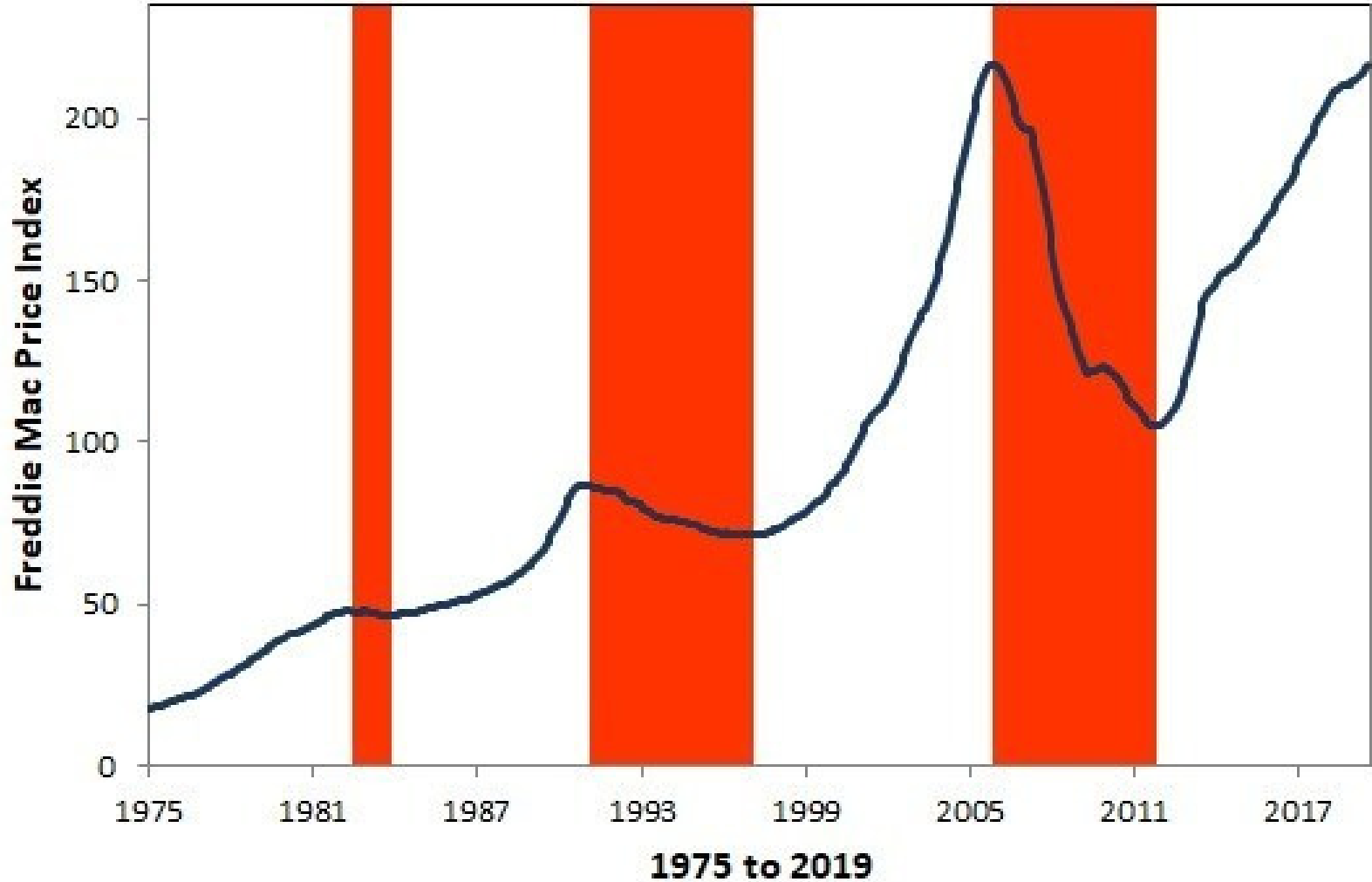
PRICE CYCLE THOUGHTS



**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: 8.1 years

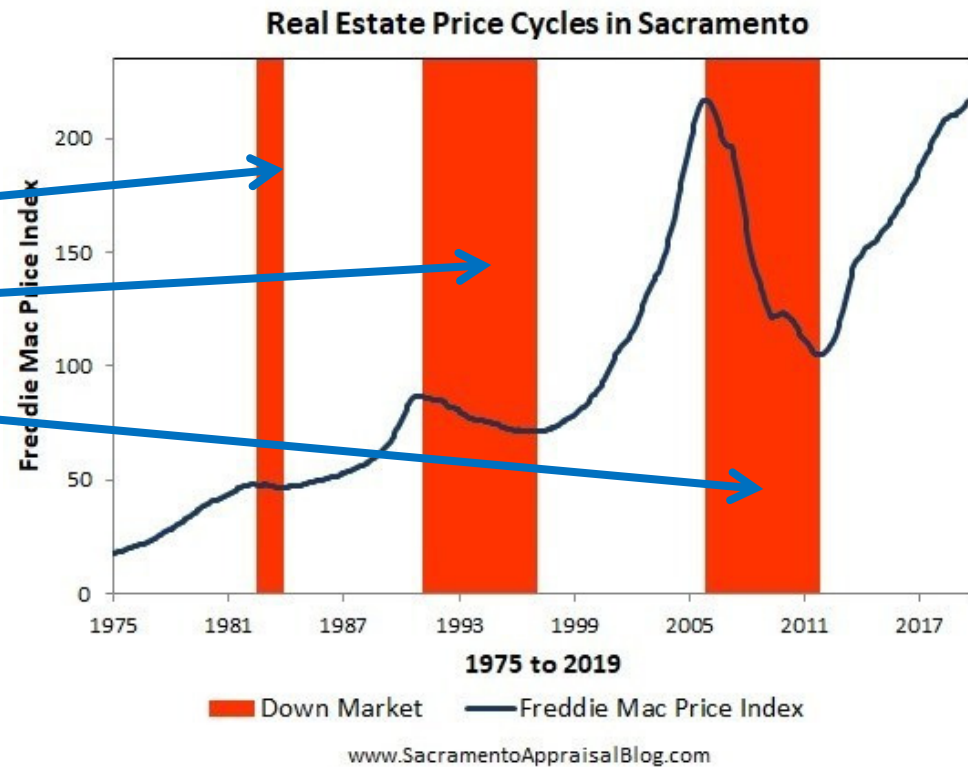


How long did the past few **down price cycles** last?

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 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 "split-roll" tax reform closely and find opportunities from that.
- 6) Be well prepared for "bubble" conversations.
- 7) Educate your sellers about how picky buyers are.
- 8) Surround yourself with experts to help your sellers listen.
- 9) Help investors find good deals off MLS.
- 10) Write up contracts for owners selling to tenants.
- 11) Become well-informed about how 1031 exchanges work.
- 12) Be in tune with rent control laws to avoid marketing mistakes.
- 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) Adjust your narrative if your business is built on an upward market.
- 20) Don't keep doing the same thing because it won't work in every market.

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