

BIG TRENDS TO WATCH IN THE MARKET

Ryan Lundquist - Appraiser
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
- There's an element of uncertainty

Sellers are behind the times...

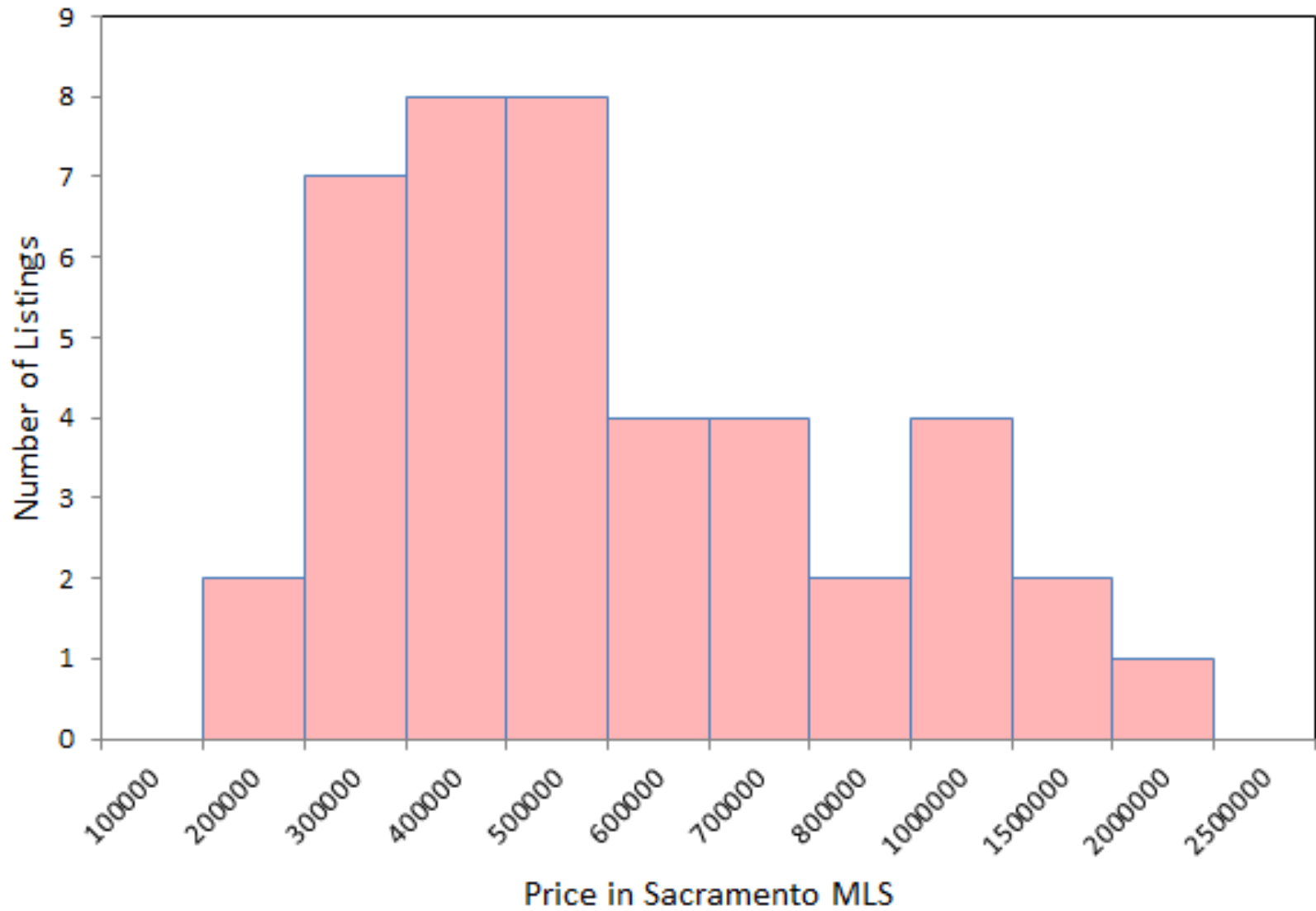


How buyers think of sellers...





Price reductions in past 24 hours in Sacramento region



www.SacramentoAppraisalBlog.com

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	1,335	53.2%
2	499	19.8%
3	282	11.2%
4	133	5.3%
5	86	3.4%
6	48	1.9%
7	28	1.1%
8	24	0.9%
9	13	0.5%
10	11	0.4%



Based on pending sales in Sacramento Metrolist as of 02/21/2020 for single family detached properties (no condos)..
Areas include Sacramento, Placer, Yolo, & El Dorado County. www.SacramentoAppraisalBlog.com

Sales with Multiple Offers

(Sacramento, Placer, Yolo, El Dorado County)



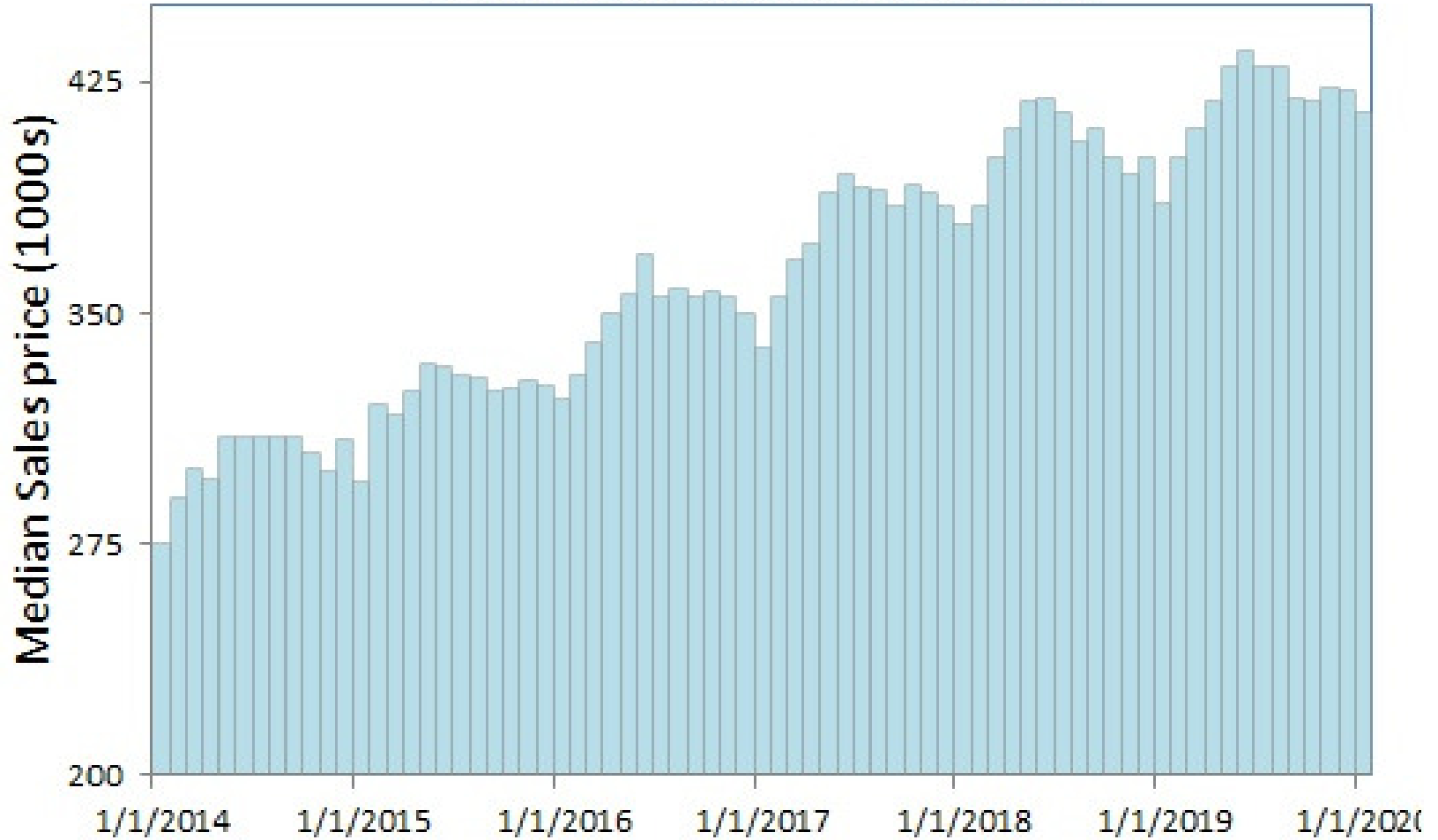
January 2017 to January 2020 (single family detached sales)

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Median Price in Sacramento Region

(Sacramento, Placer, Yolo, El Dorado County)



Jan 2014 through 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%



Sacramento County in 2019

Cash: 11.6%

FHA: 18.8%

VA: 5.6%

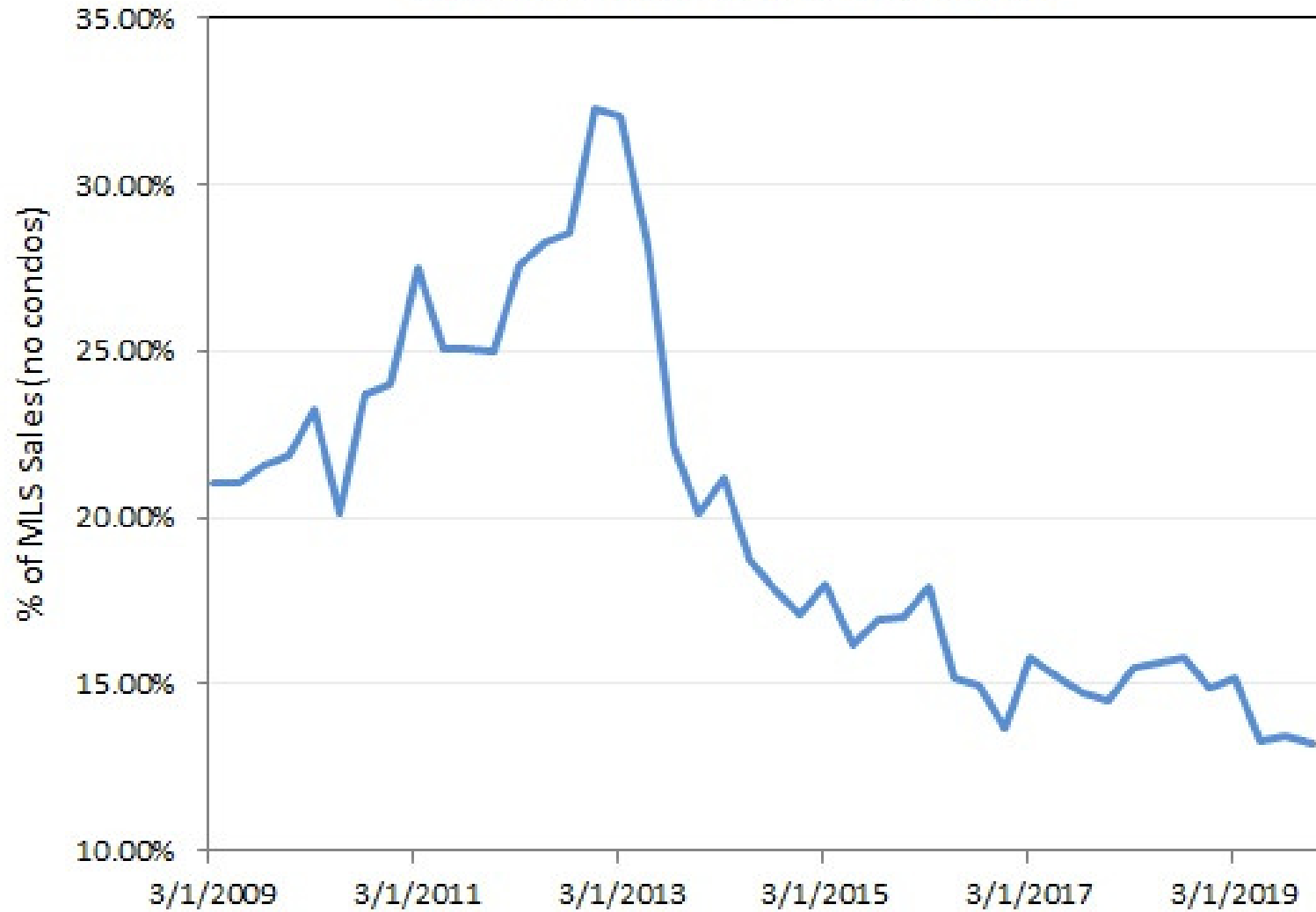
Conv: 61.6%



The way we talk about the market vs the market



Cash Sales in the Sacramento Region

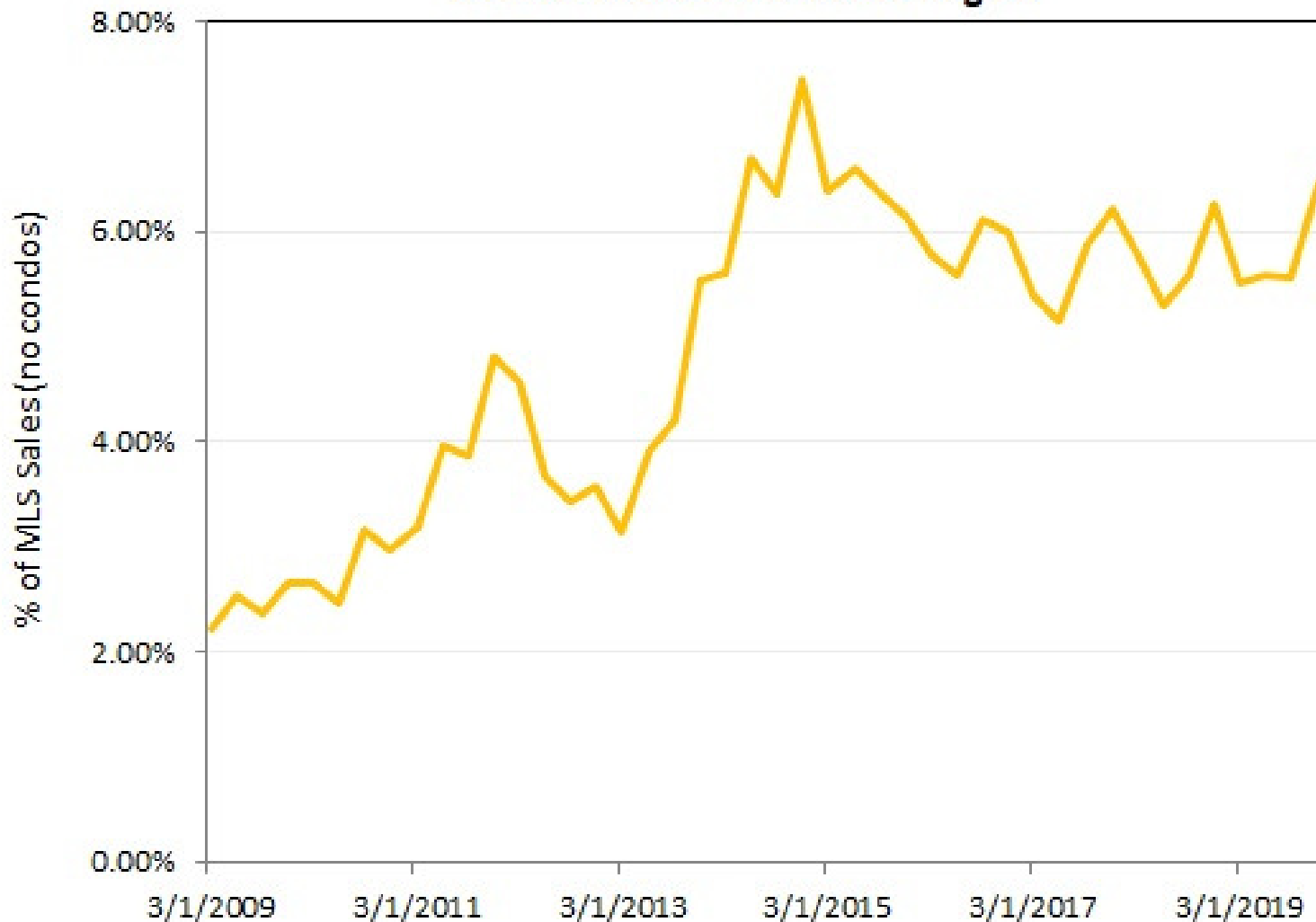


Q1 2009 to Q4 2019

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



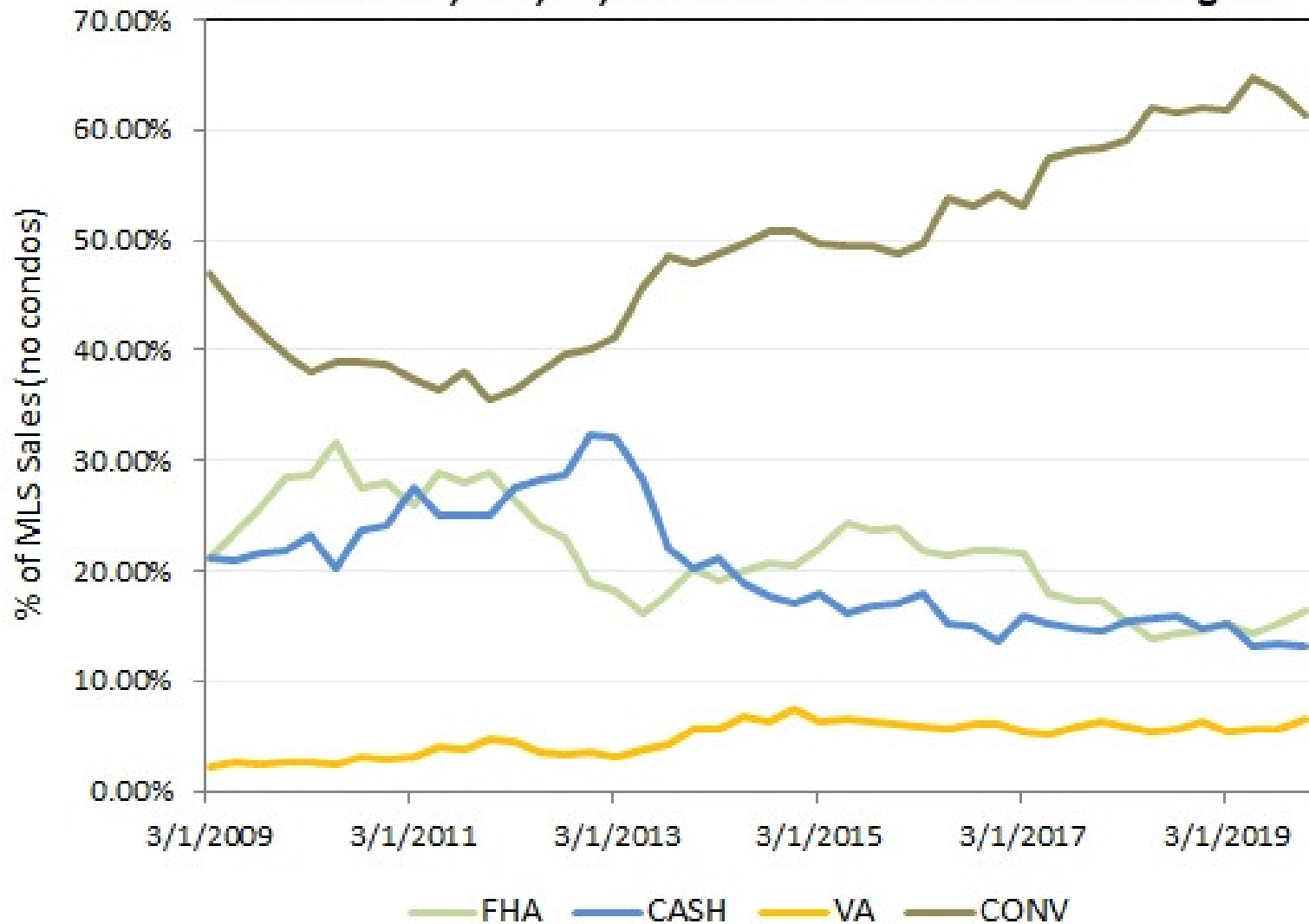
Q1 2009 to Q4 2019

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

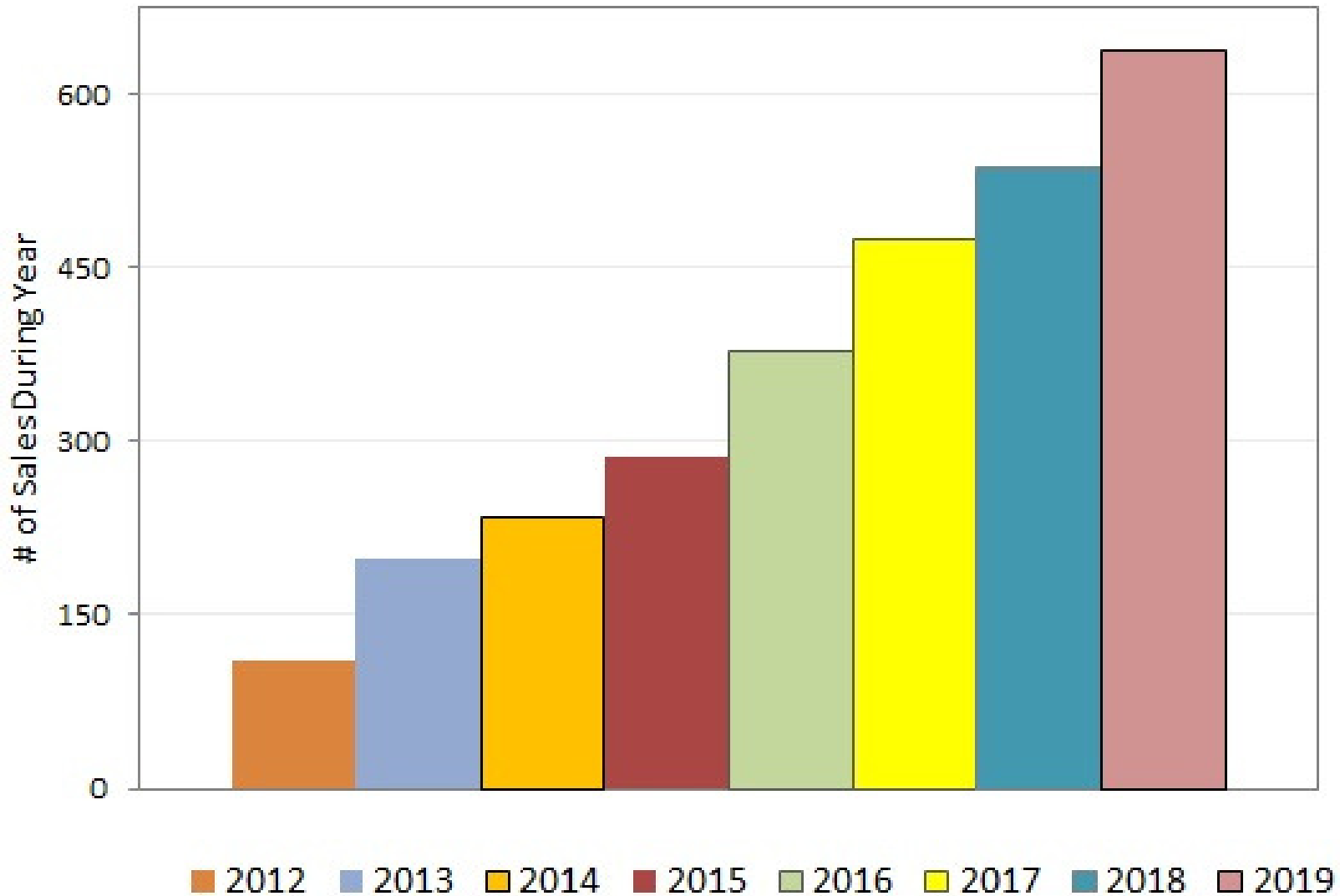
Sacramento County	Homes with Pools (%)
Under \$300K	4.3%
\$300-400K	11.1%
\$400-500K	20.4%
\$500-700K	28.8%
\$700-1M	43.4%
\$1-1.5M	54.3%
\$1.5-2.0M	54.7%
\$2.0M+	55.5%

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

Neighborhood	Homes with Pools (%)
Downtown Sacramento	0.3%
Oak Park	0.3%
El Dorado Hills (\$1M+)	60.4%
East Sacramento	12.3%
Folsom	28.5%
Roseville	26.7%
Rocklin	32.1%
Rosemont	12.3%
Sacramento 95864 (\$1M+)	69.9%
North Highlands	3.0%
Land Park	8.3%
Elk Grove (95757)	20.2%
Del Paso Heights	0.4%
Carmichael	26.7%
Pocket / Greenhaven	27.6%
Granite Bay	52.0%
Granite Bay (\$1M+)	73.8%
Rio Linda	6.5%
Antelope	8.8%
South Land Park	25.4%

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 (C) 2020

Sales by Price Range Sacramento Region above \$1M



Price in MLS (single family detached)

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A market of outliers...

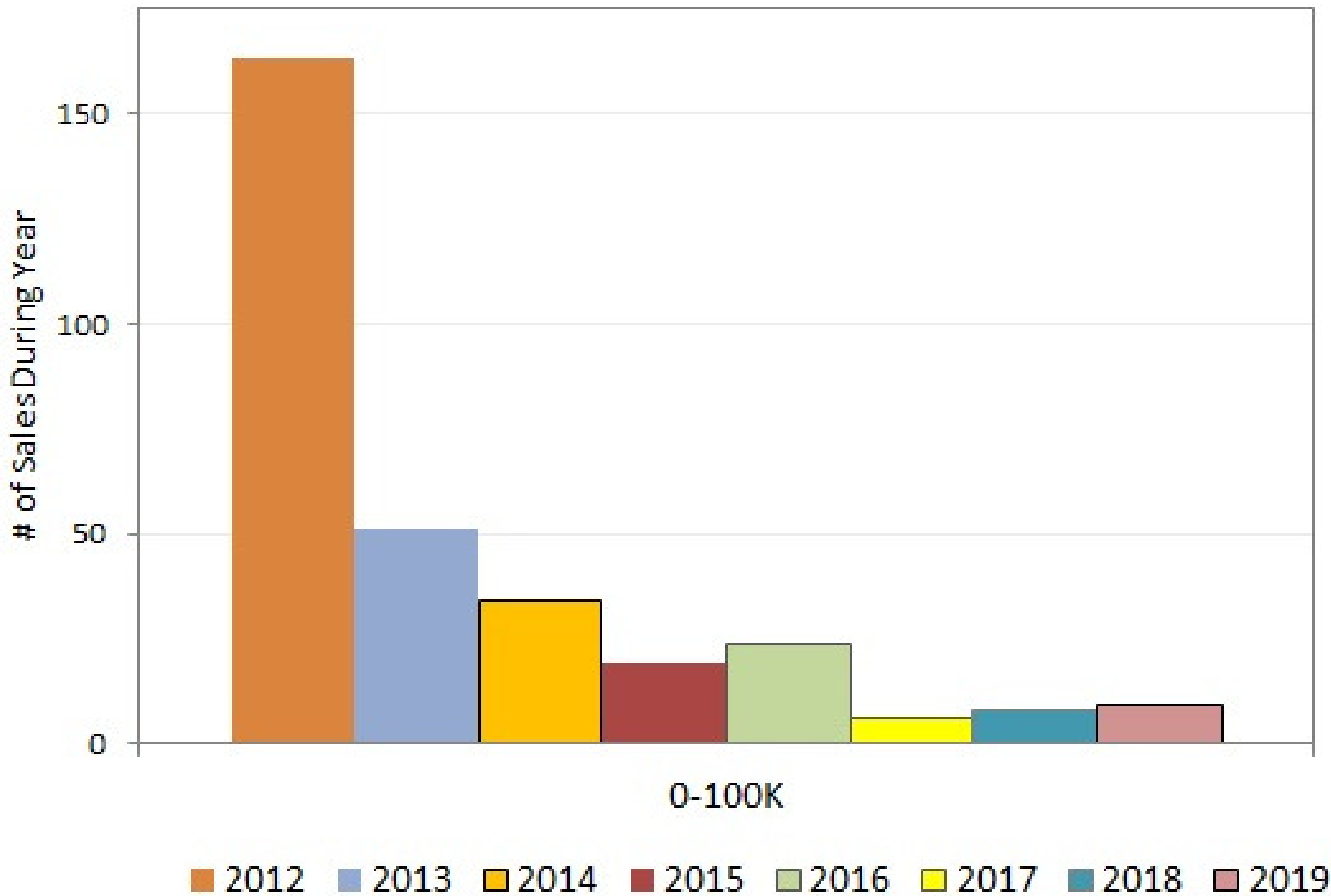
- 8.4% more million dollar sales this year
- 2.5% of all sales sold above \$1M
- 654 sales in 2019
- 82 days to sell on average
- 45% of homes sold in less than 30 days



SacramentoAppraisalBlog.com (C) 2020

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



Price in MLS (single family detached)

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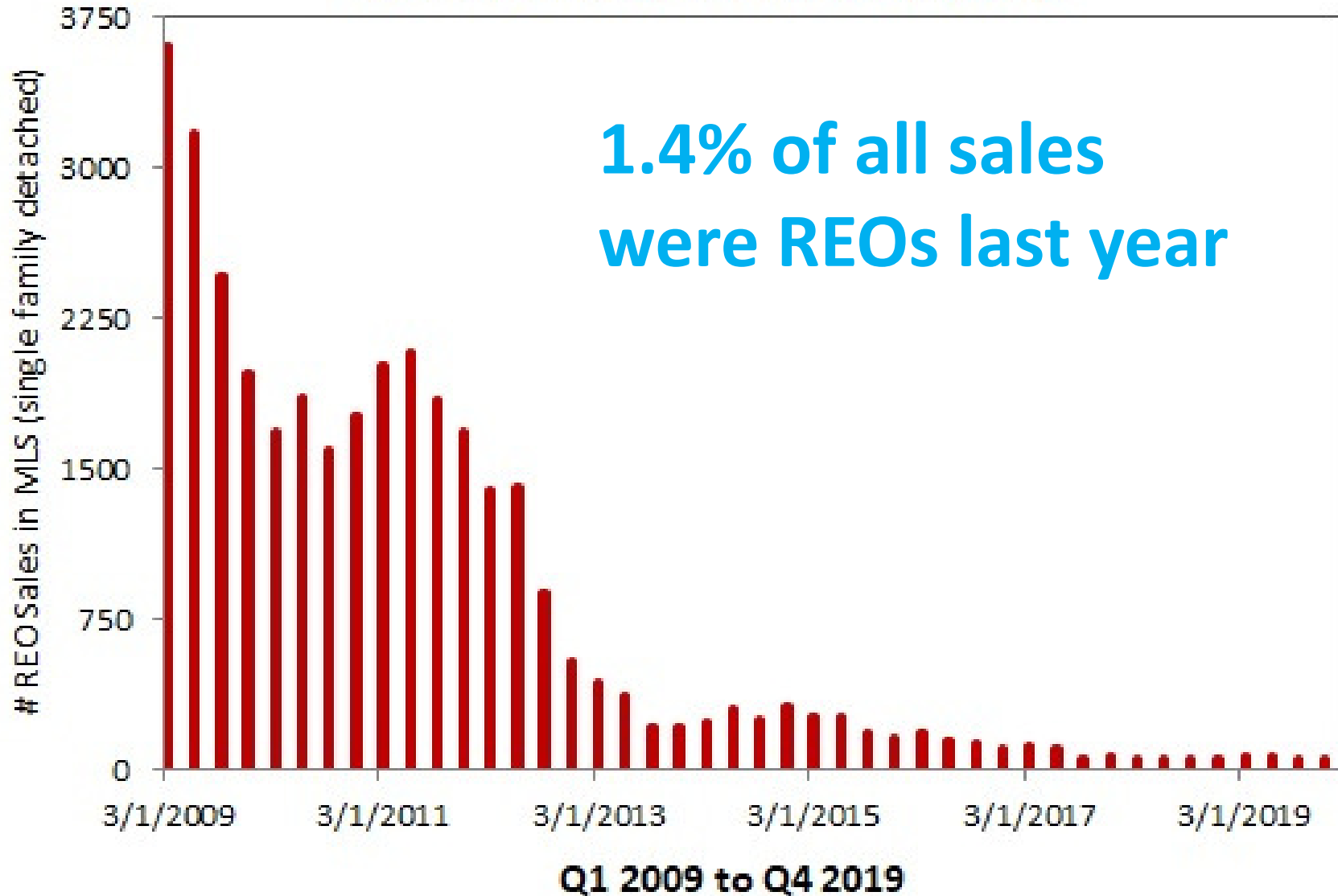
Average rent in Sacramento has increased **69%** over the past decade.

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

Number of REOs in Sacramento County

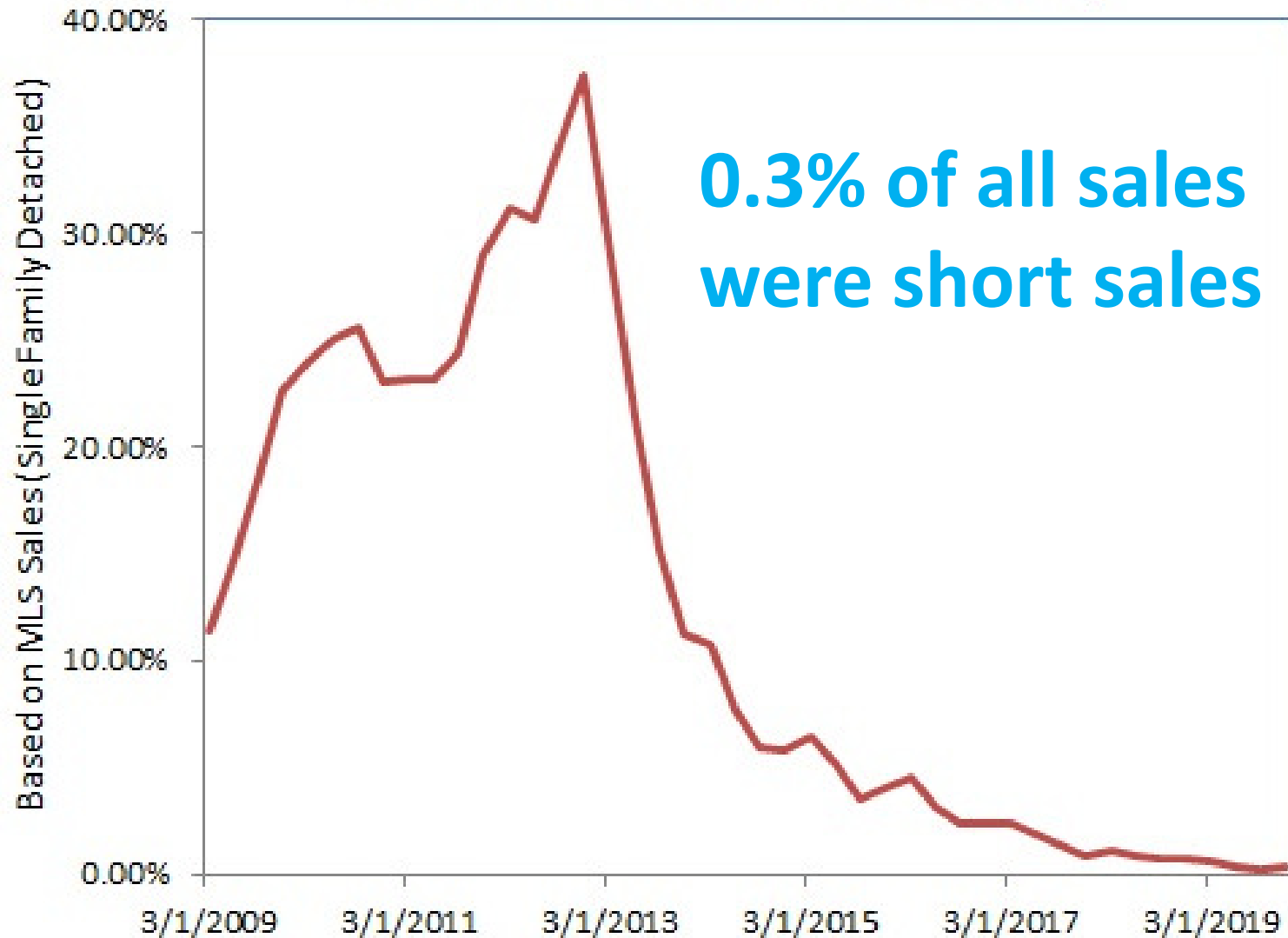


**1.4% of all sales
were REOs last year**

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Short Sales in Sacramento County



Q1 2009 to Q4 2019



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It's not a lipstick on a pig market





Be realistic about after-repair value

\$364,950 3 2 (2 0) 1627
Closed (04/12/19)
2090 P
Cross Street: Aze
(\$375,000)

Pr / SqFt: 230.49
Agent: [Michael J.](#)
Phone: 916-224-6
[19014477](#)  [See Map](#)

\$324,950 3 2 (2 0) 1627
Closed (07/30/19)
2000 I
Cross Street: Le
(\$314,950)

Pr / SqFt: 193.58
Agent: [Michael J](#)
Phone: 916-224-
335,000 3 2 (2 0) 1627

Closed (03/29/19)
3178 Do
Cross Street: Lejar
(\$335,000)

Pr / SqFt: 205.90
Agent: [Victor E Moi](#)
Phone: 916-217-88
[19002058](#)  [See Map](#)

PULLING COMPS WITH RENT CONTROL

- 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.”



YOU CAN'T REJECT FOR SECTION 8

It's illegal to reject a prospective tenant solely based on the applicant's use of a **Section 8** federal housing voucher. Beginning Jan. 1, **2020**, SB 329

B Sacramento Bee

California housing authorities crack down on Sacramento landlords breaking voucher law

If the landlords do not remove the ads within seven business days after getting the letter, the agency could file court actions such as lawsuits ...

3 weeks ago







www.SacramentoAppraisalBlog.com

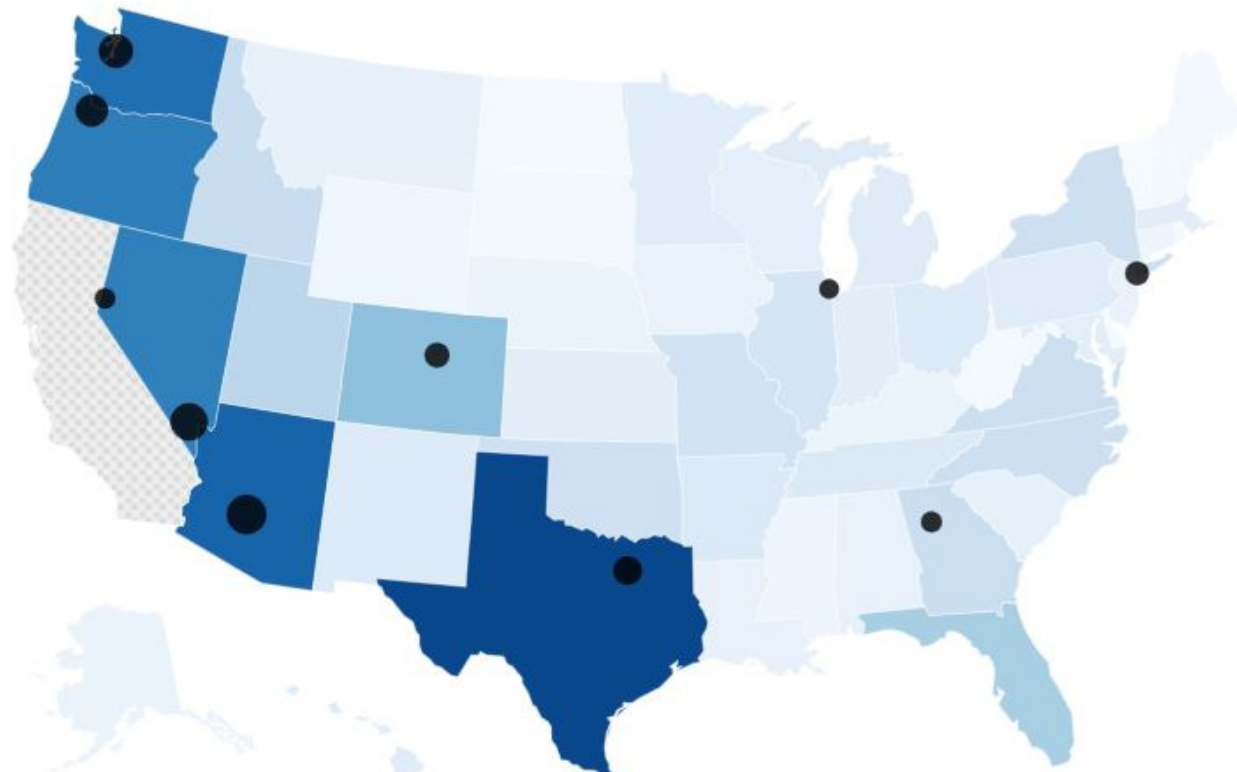
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For the better part of three decades, Californians who leave the state have mostly gone to other parts of the country, notably to Texas and neighboring states such as Oregon, Nevada and Arizona. The dot-com bust, Great Recession and recently soaring 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



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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](#)

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

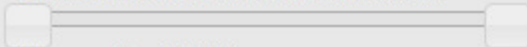
Choose a color palette

Orange/Blue

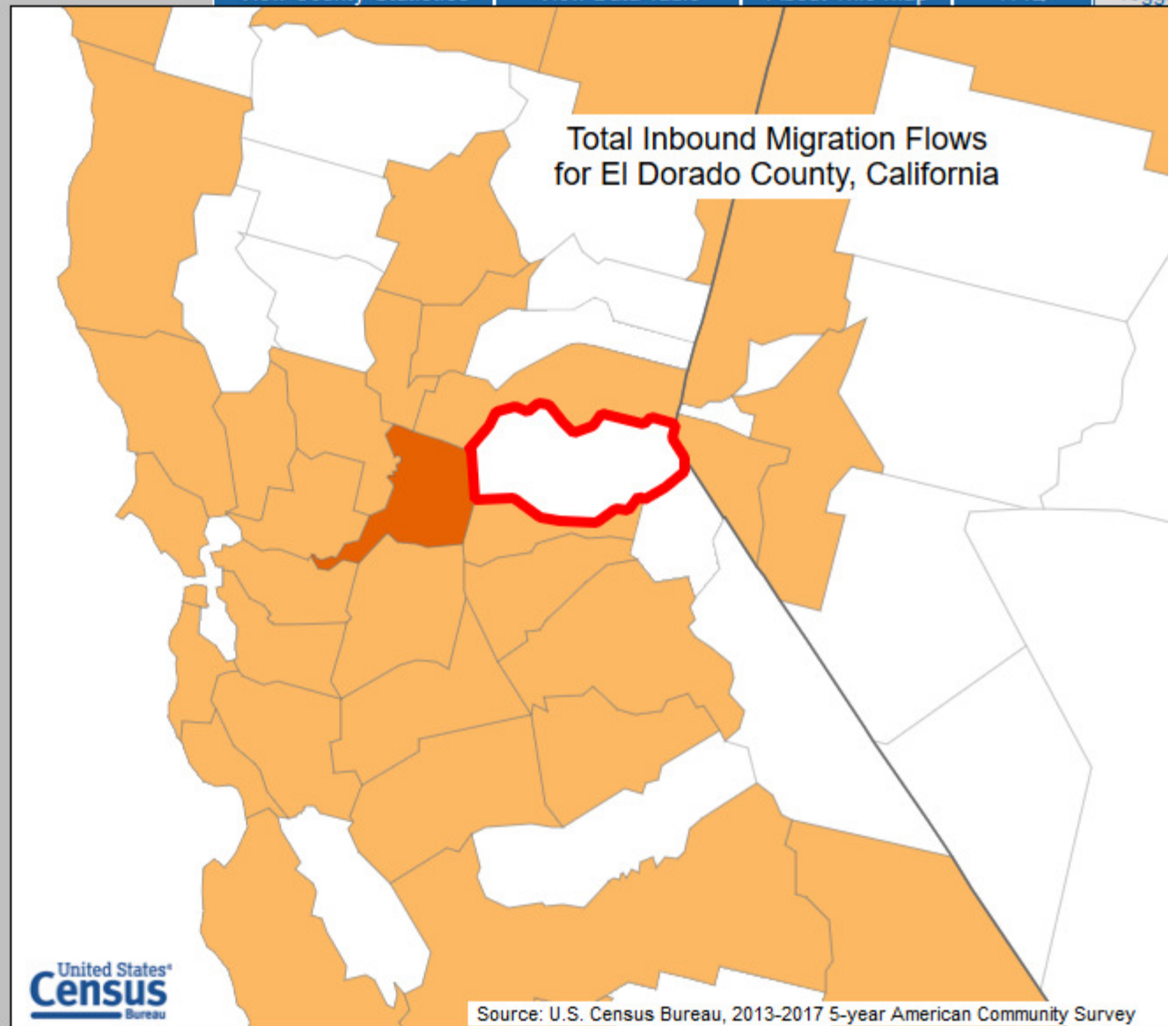
Choose a classification type

Natural Breaks

Select flow by number of movers



Range: 0 to 3,115



<https://flowsmapper.geo.census.gov/>

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Census Flows Mapper

Search for a county or click on the map

El Dorado County, California

Choose a dataset

- 2013-2017 2012-2016
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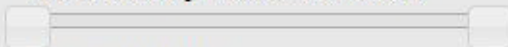
Choose a color palette

Orange/Blue

Choose a classification type

Natural Breaks

Select flow by number of movers



Range: 0 to 2,932

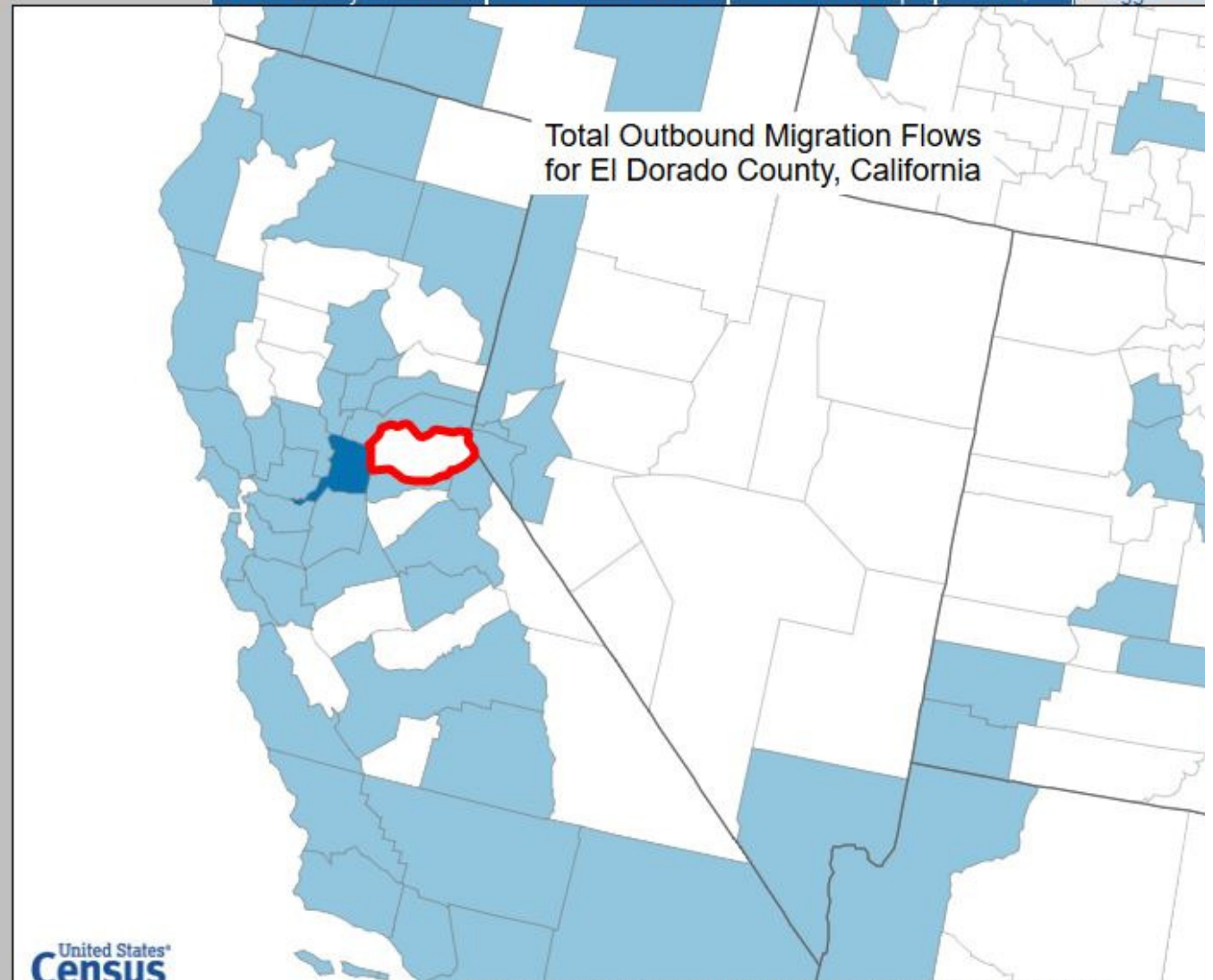
View County Statistics

View Data Table

About This Map

FAQ

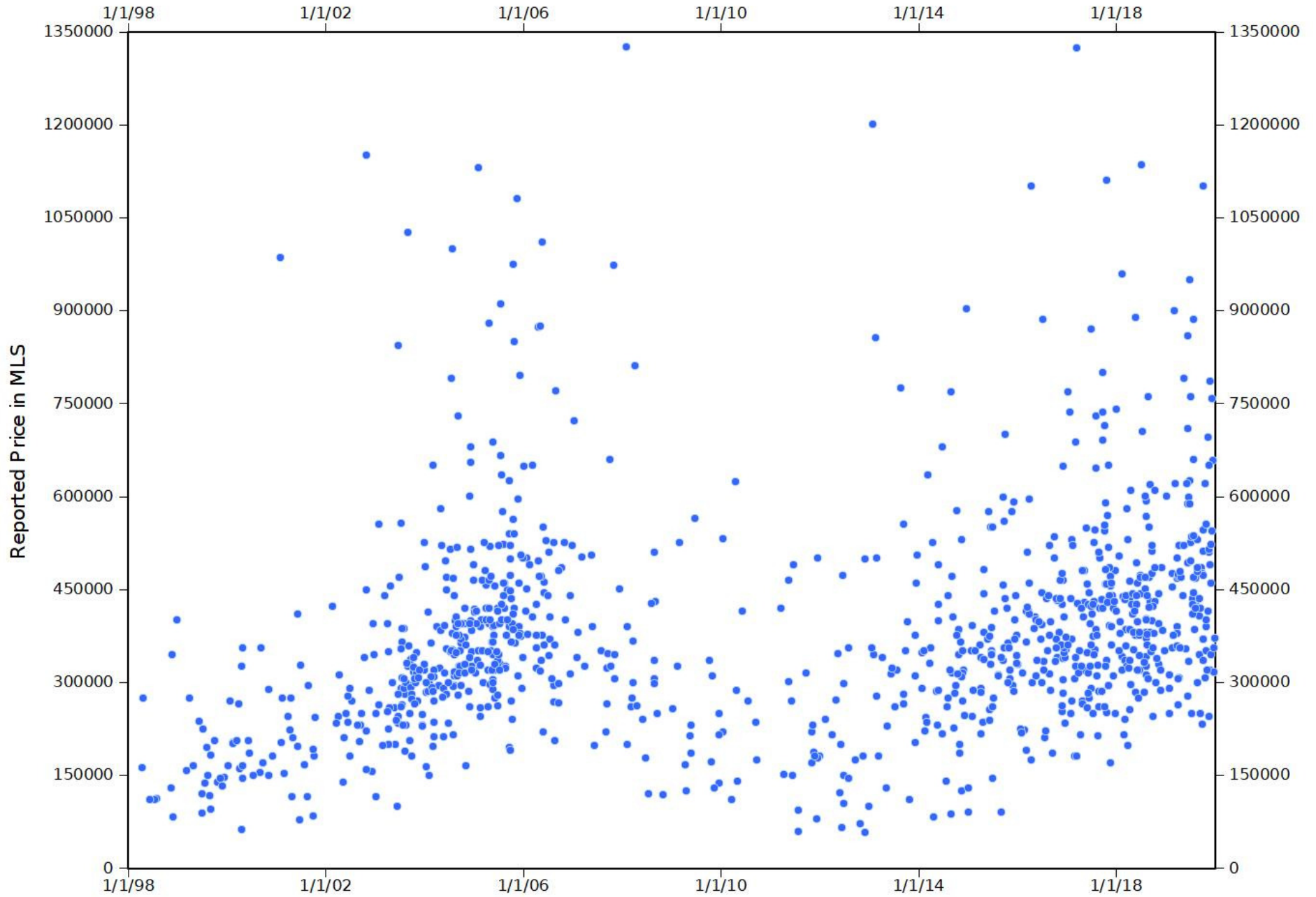
Toggle Cities



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)



\$449,000 (LP) / \$449,000 (SP)



Closed

Residential Income - DPLX

600 Regis Dr

Sacramento, CA 95838

ML#: 19038857



\$520,000 (LP) / \$500,000 (SP)



Closed

Residential Income - DPLX

3707 Norwood Ave

Sacramento, CA 95838

ML#: 19065742



\$859,000 (LP)



Pending

Residential Income - DPLX

1814 Solons Aly

Sacramento, CA 95811

ML#: 19069340



\$609,999 (LP)



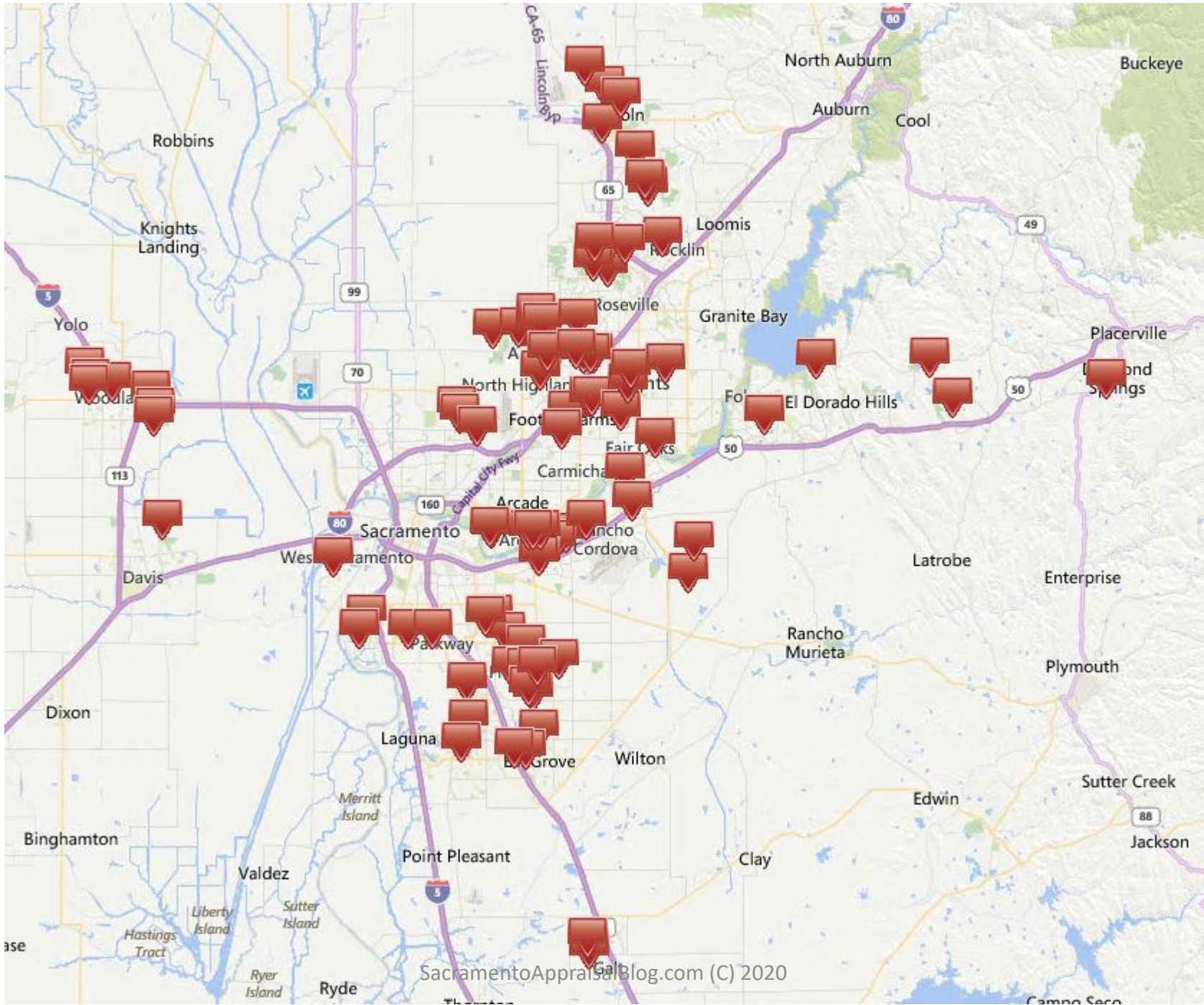
Pending

Residential Income - DPLX

3291 Rockhampton Dr

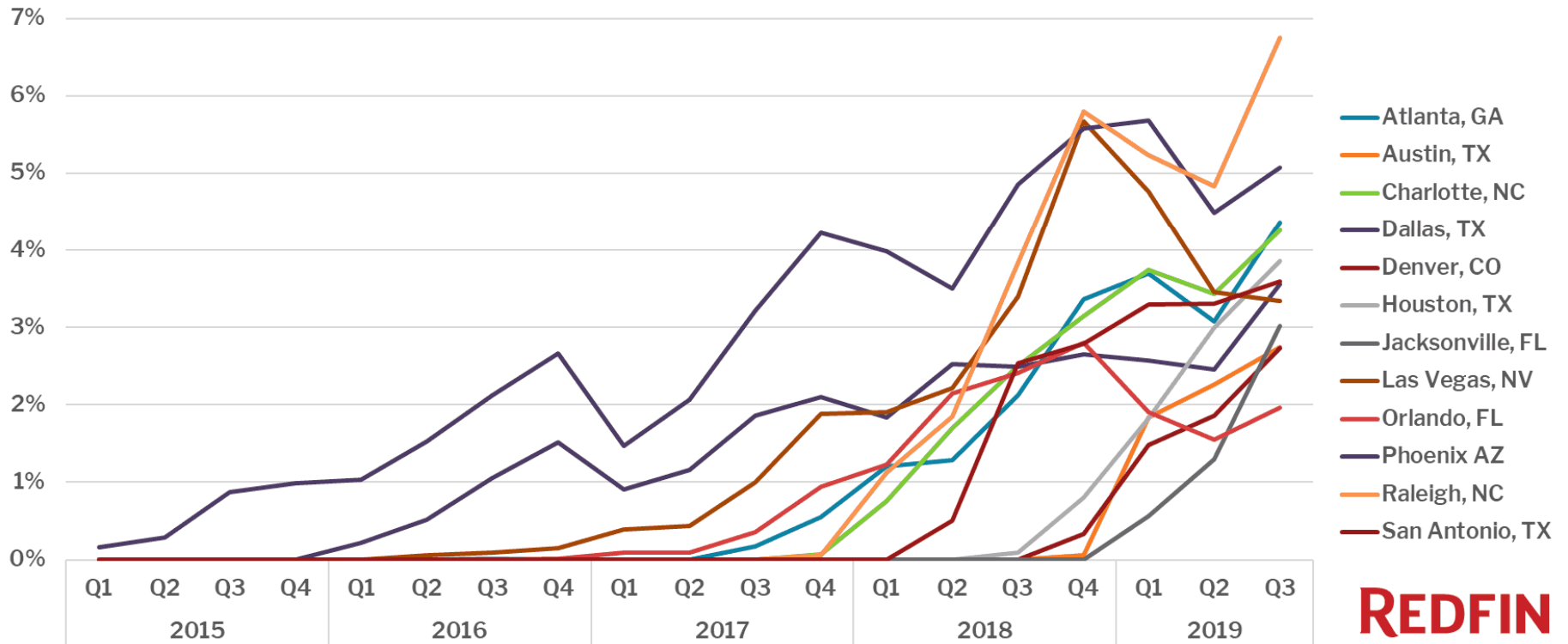
Sacramento, CA 95833

ML#: 20003131



6.8% of Homes Sold in Raleigh Were Purchased by iBuyers in Q3

iBuyer Sales as a Percentage of Total Sales, by Market
**preliminary Q3 figures*



<https://www.redfin.com/blog/ibuyer-real-estate-q3-2019/>

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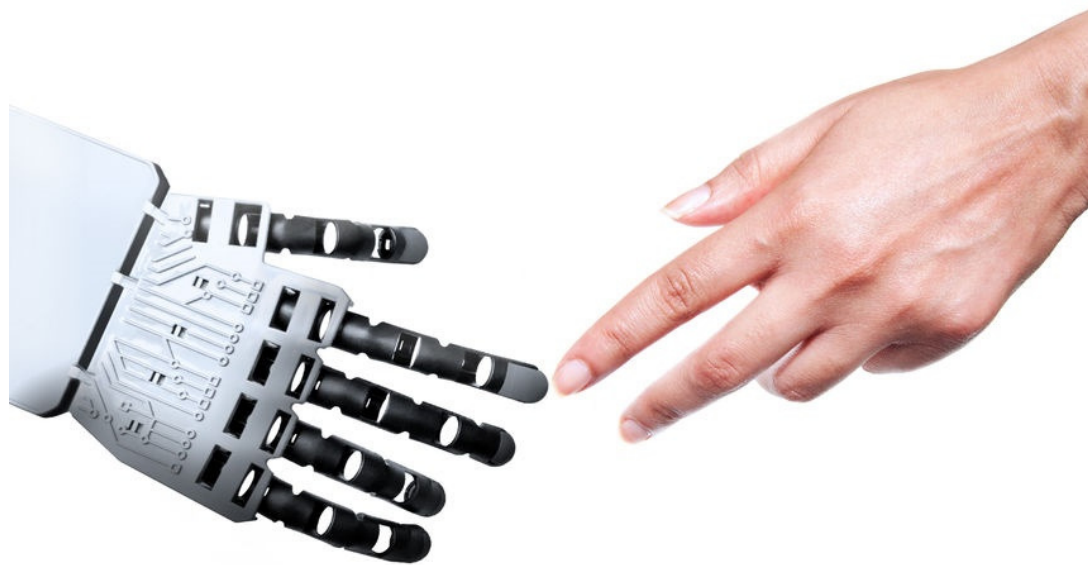
“It’s not about the house,
but the transaction.”

Mike DelPrete

www.mikedp.com

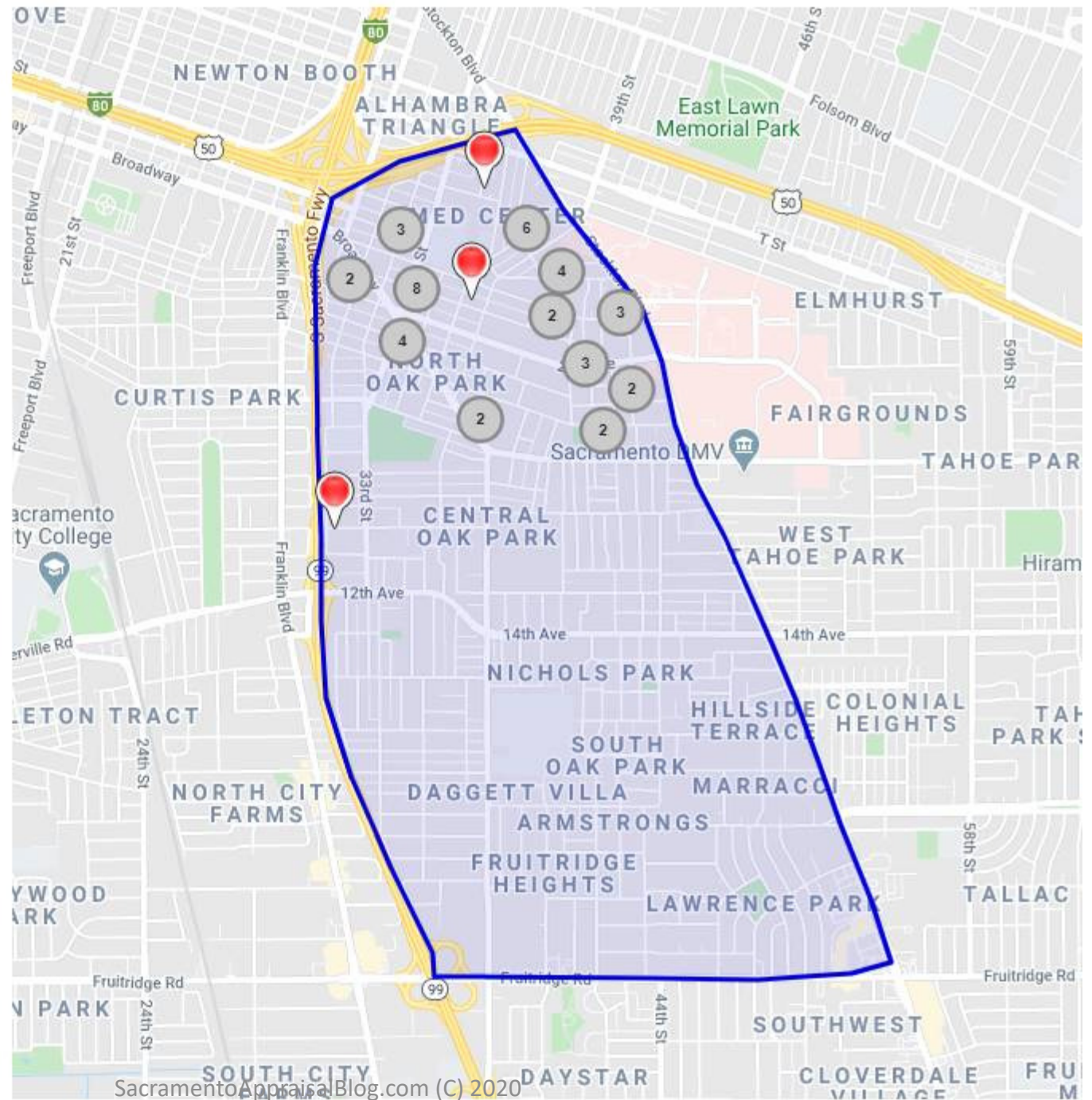
BIG IDEA

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



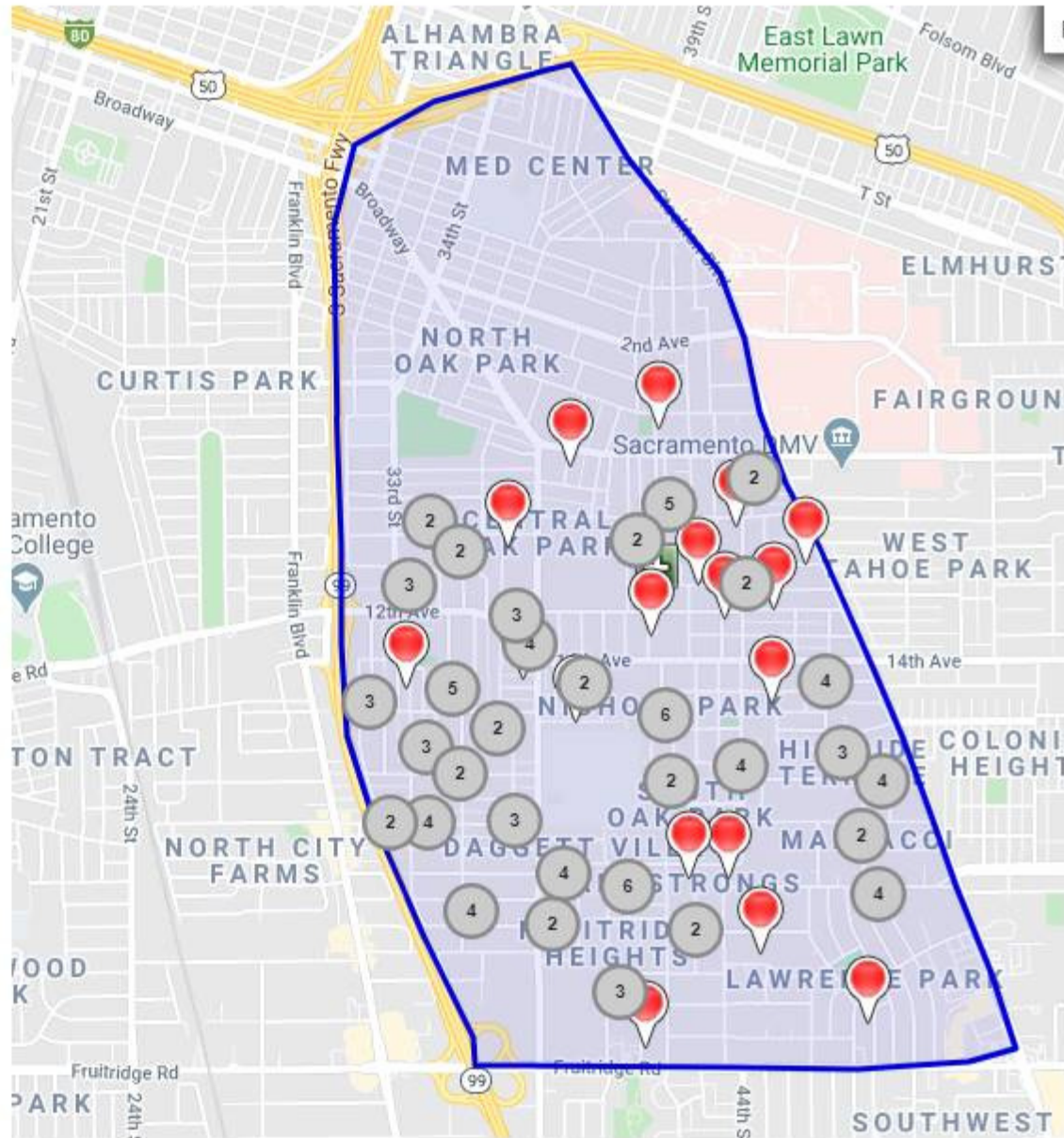
Here are all sales over \$400K in Oak Park since 2019.

What do you notice?



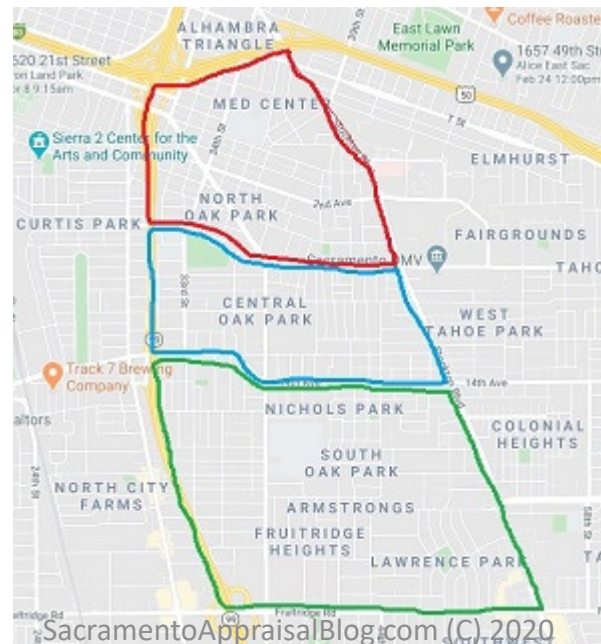
Here are all sales under \$250K in Oak Park since 2019.

What do you notice?



Metrics	North Oak Park	Central Oak Park	South Oak Park
Median Price	\$431,200	\$275,000	\$240,000
Average Price	\$424,986	\$276,726	\$239,751
Square Footage	1,274	1,096	1,092
High Price	\$725,000	\$412,000	\$355,000
Low Price	\$225,000	\$156,000	\$104,000

Based on sales in MLS from 1/1/19 to 2/19/20 (single family detached / condos) SacramentoAppraisalBlog.com



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Sales Volume in Sacramento Region

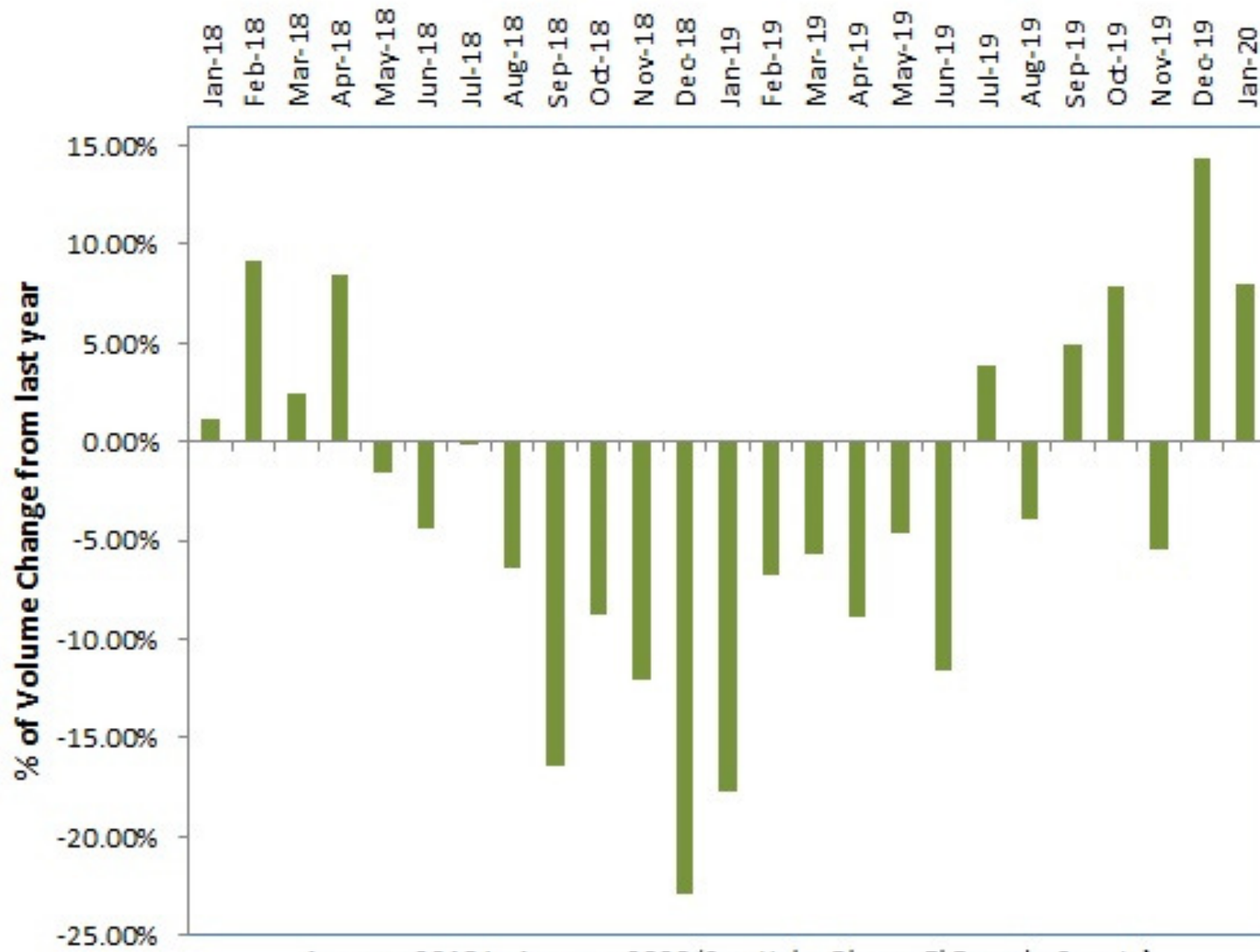
Year	January Sales	Past Year of Sales
2014	1,493	26,608
2015	1,360	25,019
2016	1,491	28,052
2017	1,637	28,651
2018	1,655	28,322
2019	1,362	26,679
2020	1,471	26,467



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

SacramentoAppraisalBlog.com

Sales Volume Change in Sacramento Region



January 2018 to January 2020 (Sac, Yolo, Placer, El Dorado County)

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)

SacramentoAppraisalBlog.com

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)

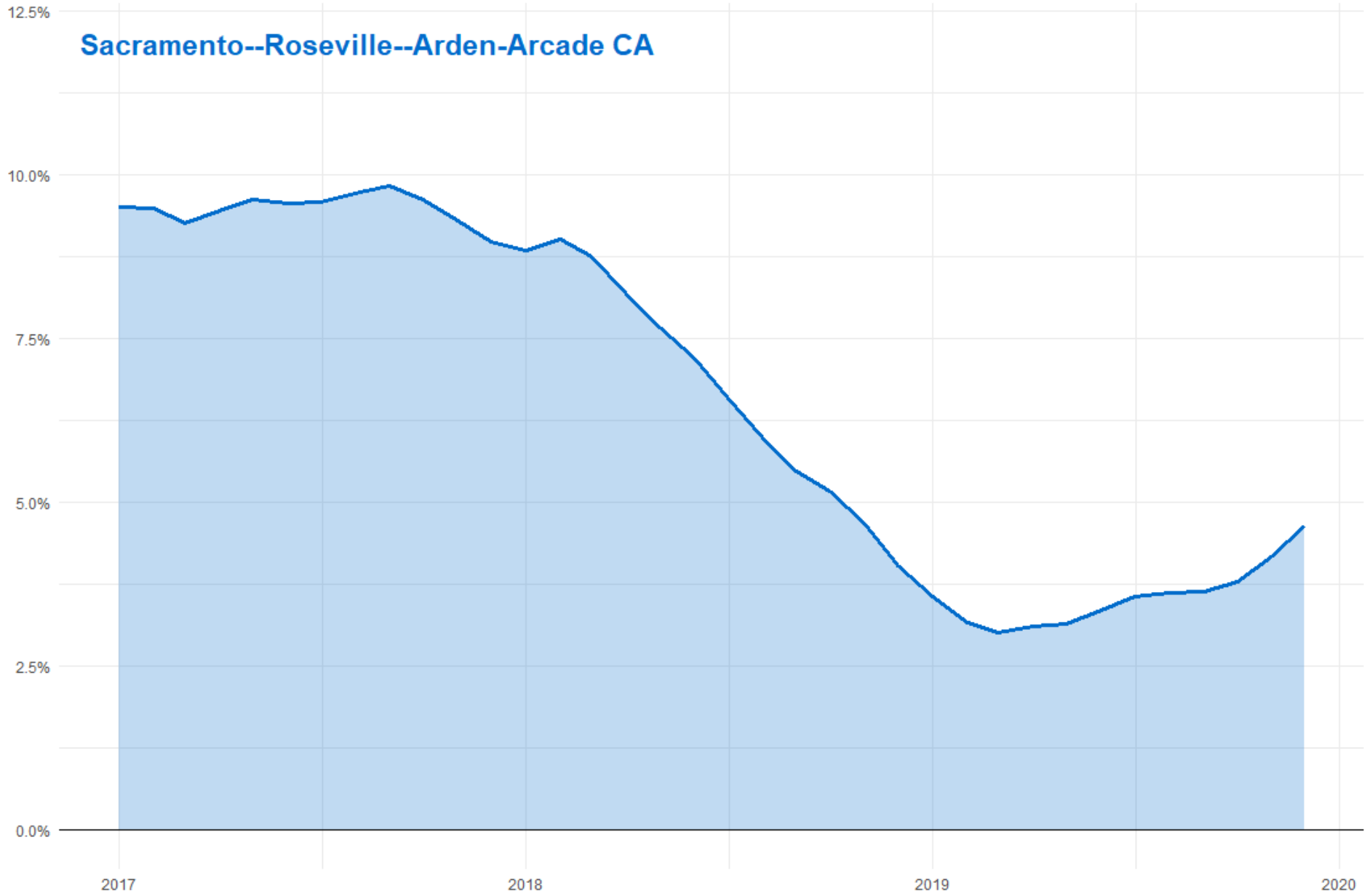
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House Price Trends

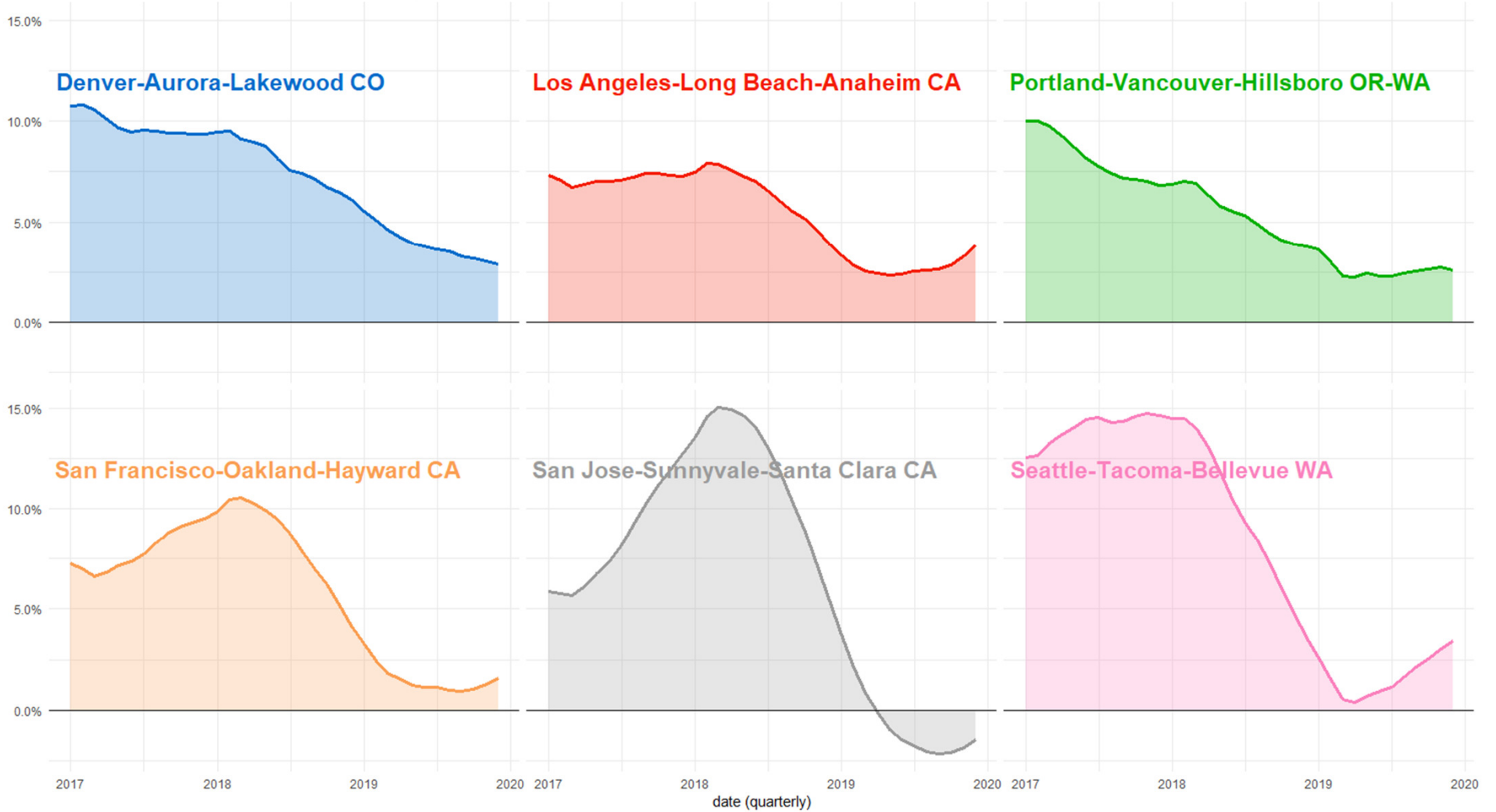
Freddie Mac House Price Index: 12-month percent change

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 entry-level market is more aggressive



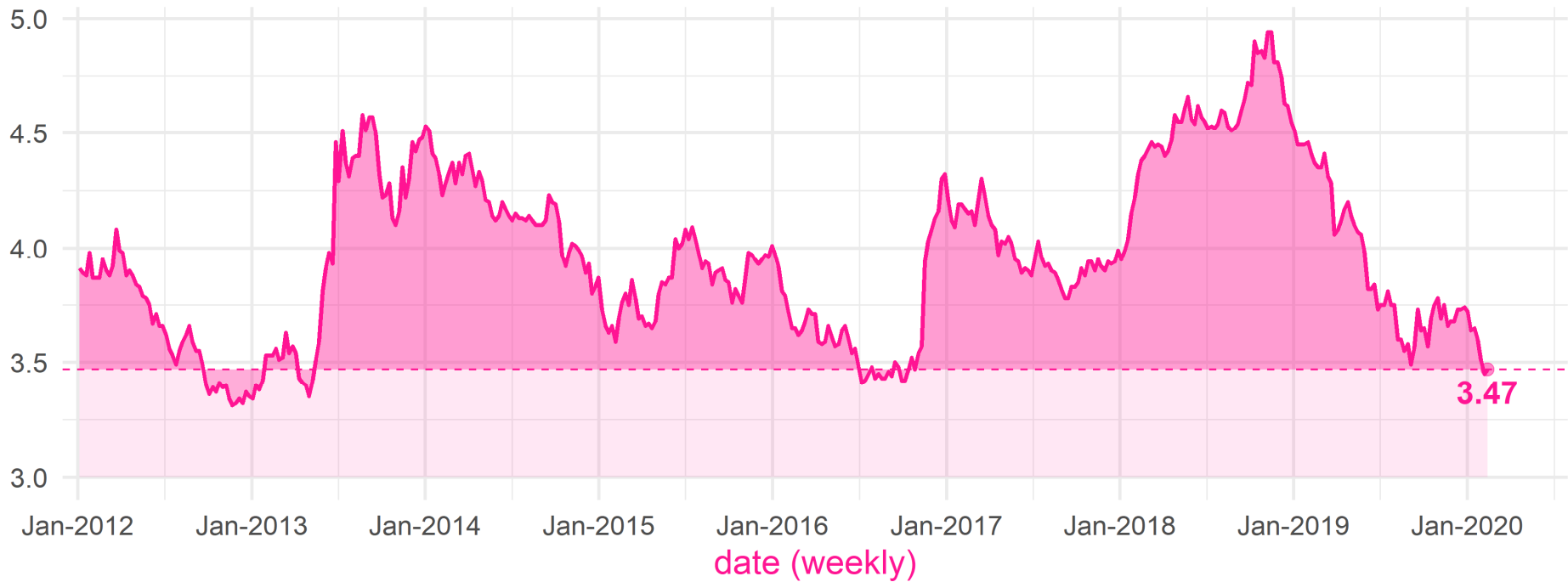
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**Being really competitive
doesn't always mean
rapid appreciation.**



Mortgage rate trends

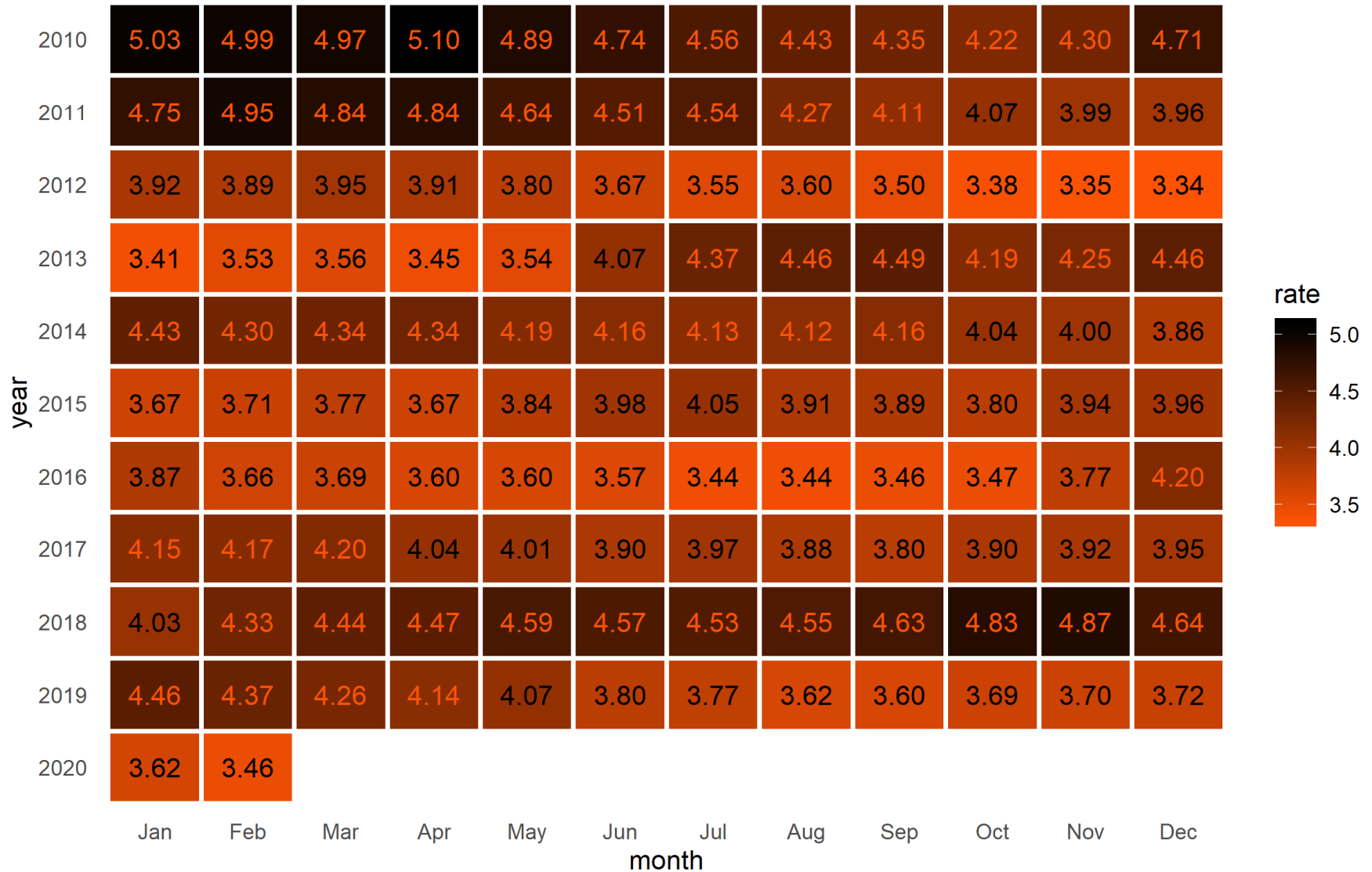
U.S. weekly average 30-year fixed mortgage rate (percent)



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

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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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.”

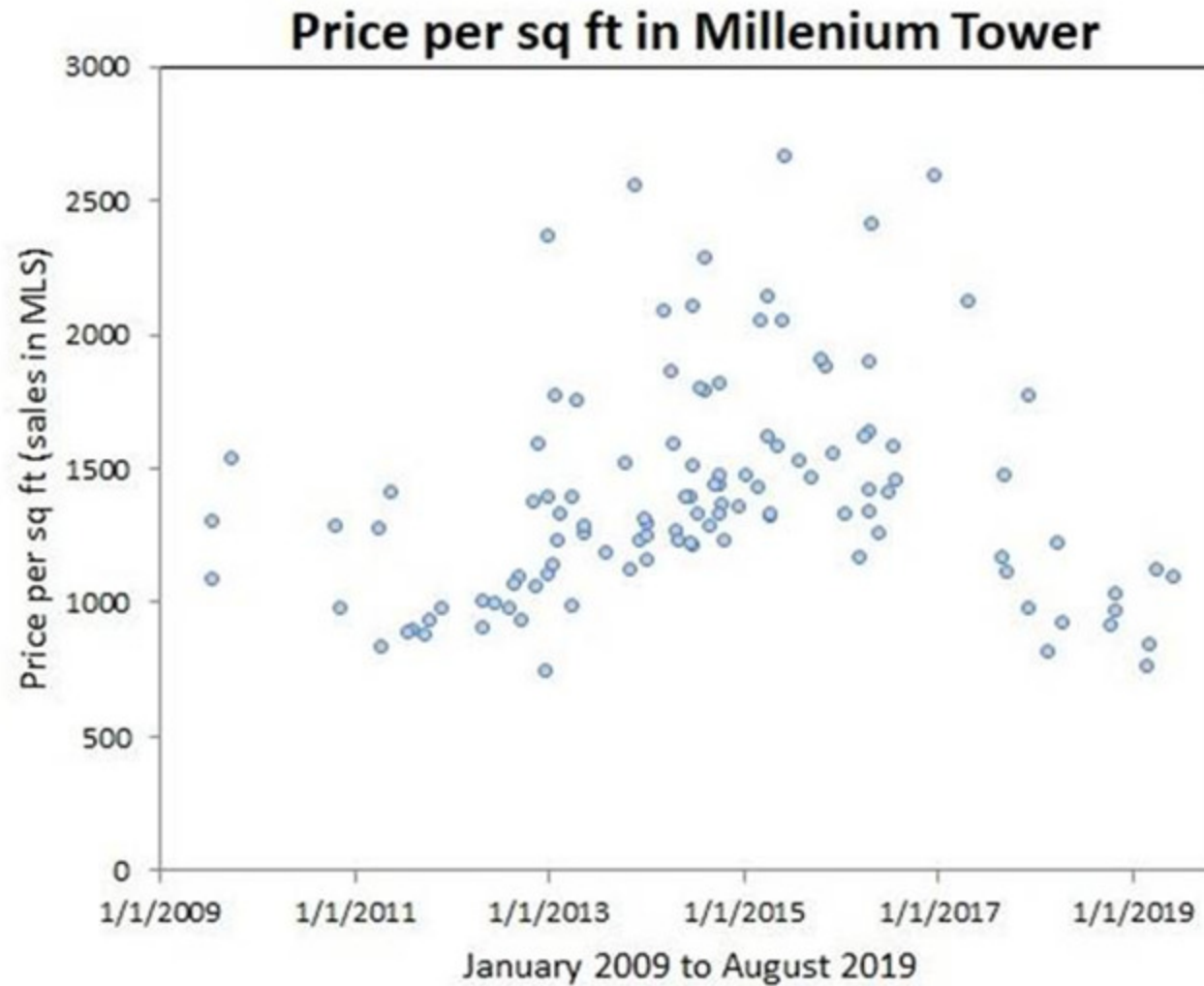


imgflip.com

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“It’s just sinking a little bit”



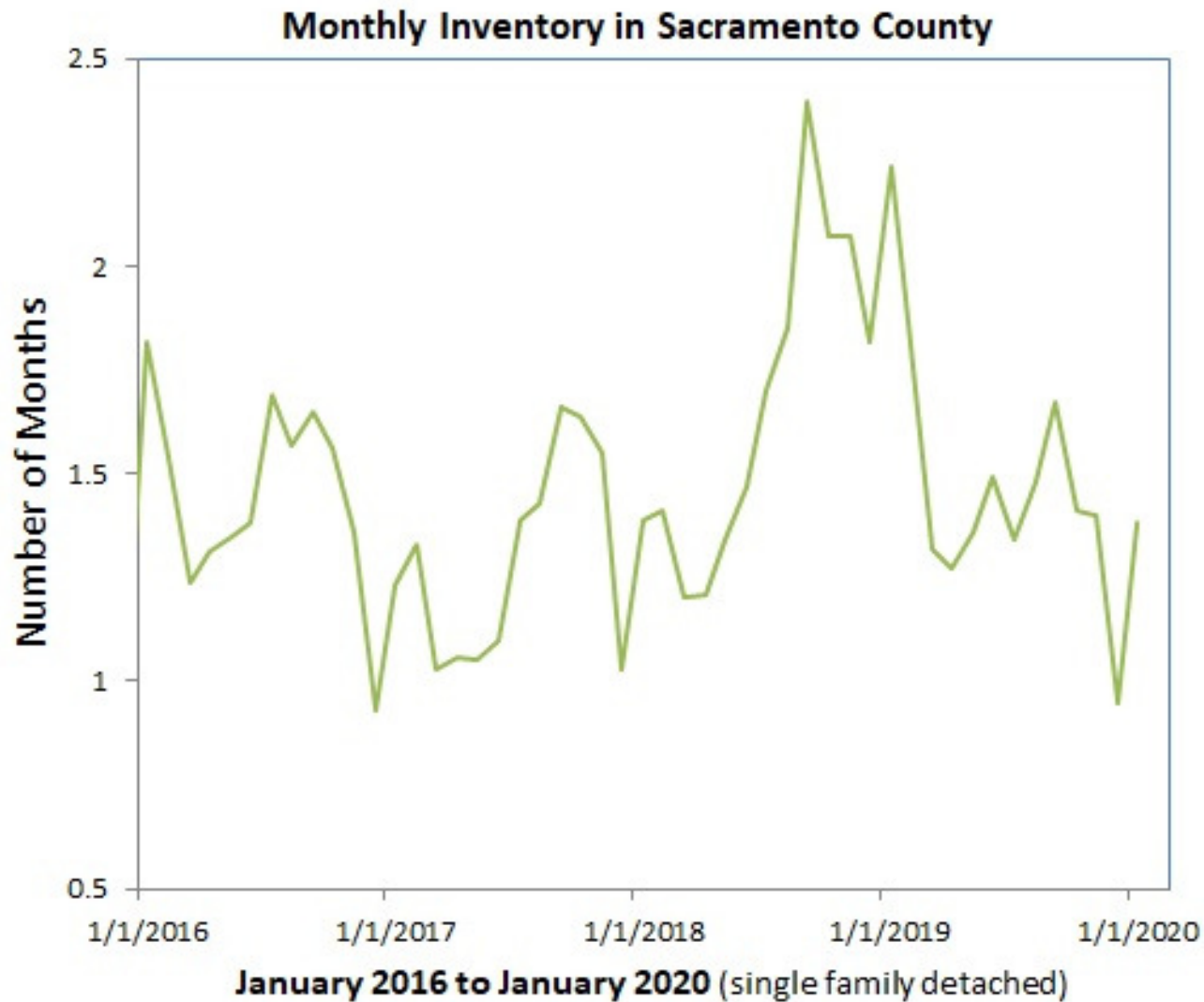
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**“How do I convince someone
the market is okay?”**

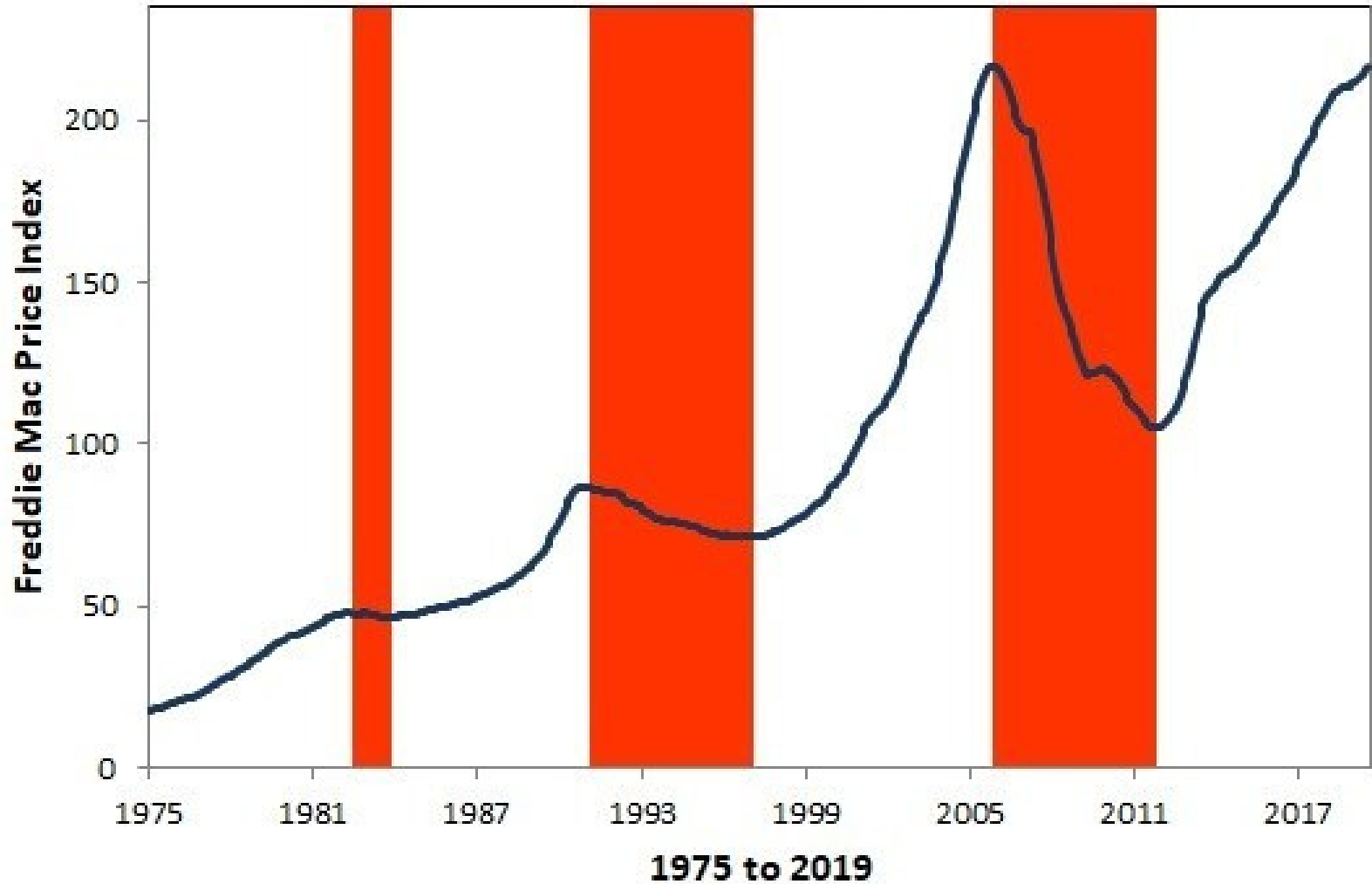


Do we have an inventory problem?



PRICE CYCLES & RECESSIONS

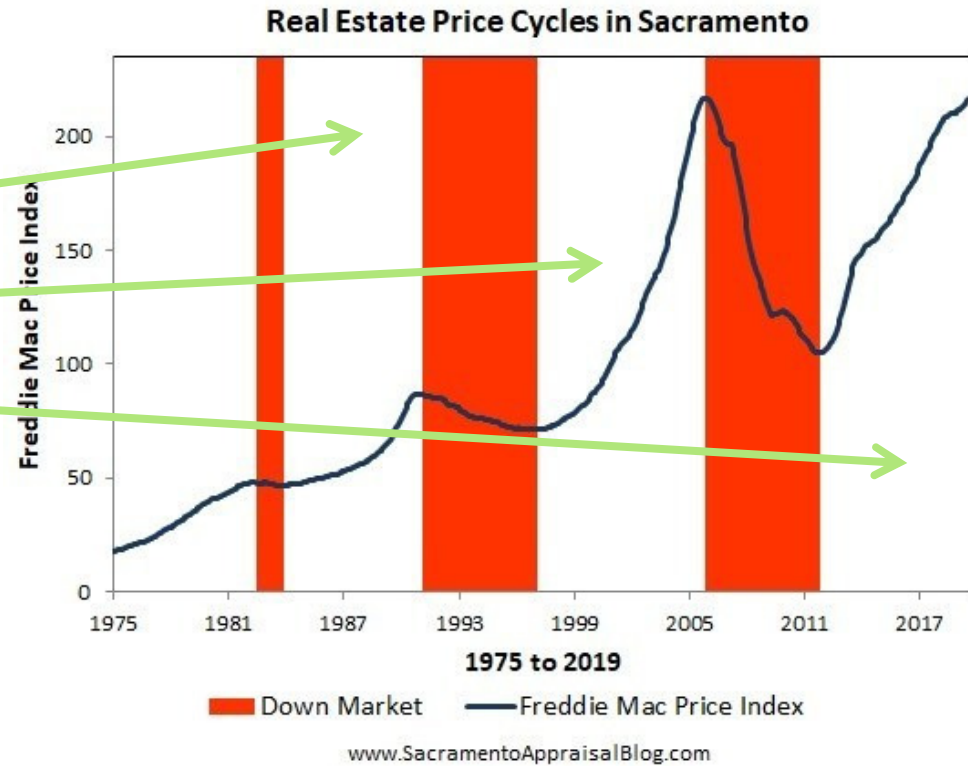
Real Estate Price Cycles in Sacramento



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



Deep Recession Thoughts

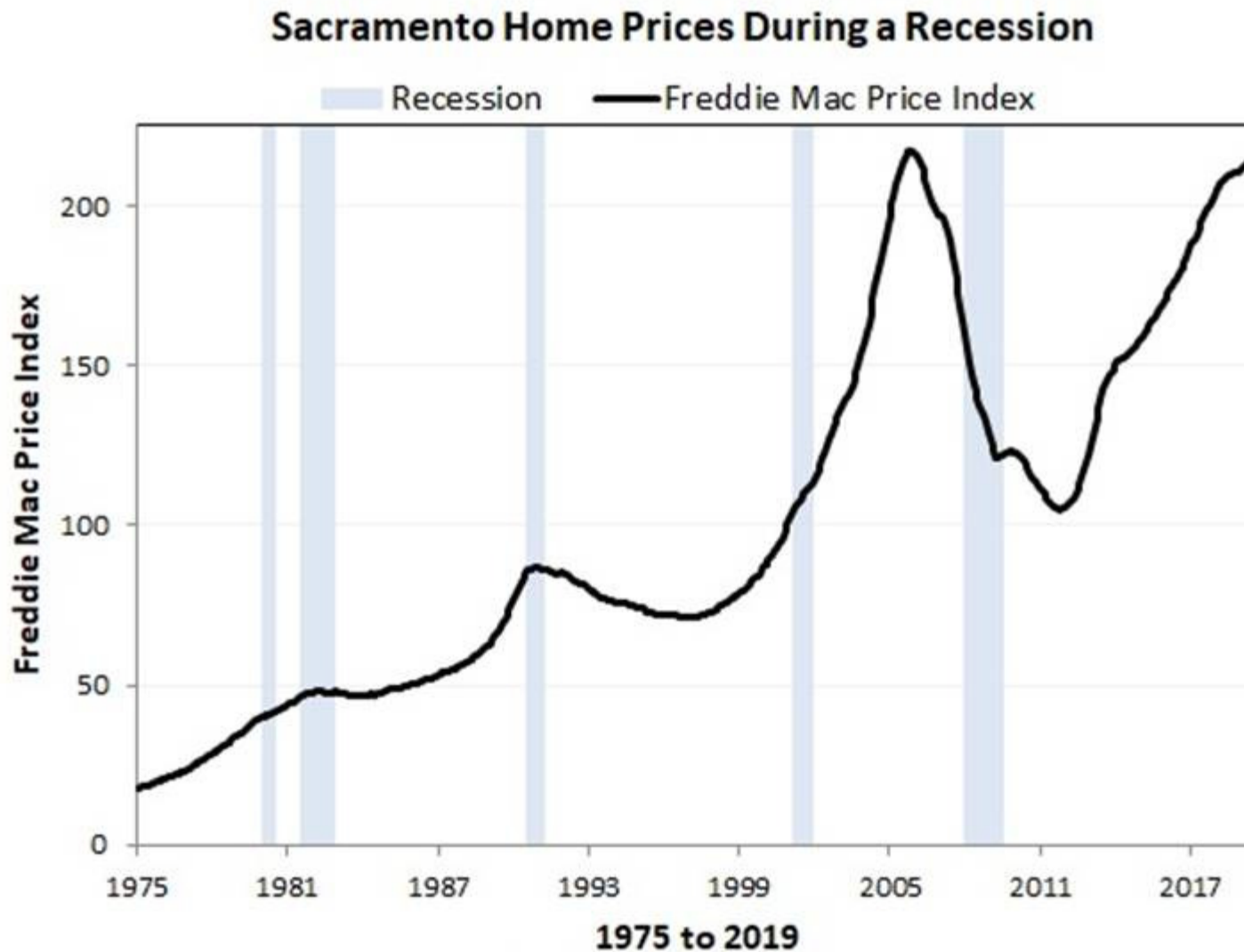
- Not all recessions are created equal.
- The severity of a recession matters.
- Prices don't always decline during a recession.
- Prices can decline **after** a recession.
- A recession doesn't mean there's going to be a housing crash.
- The Great Recession isn't the new template for every future recession.



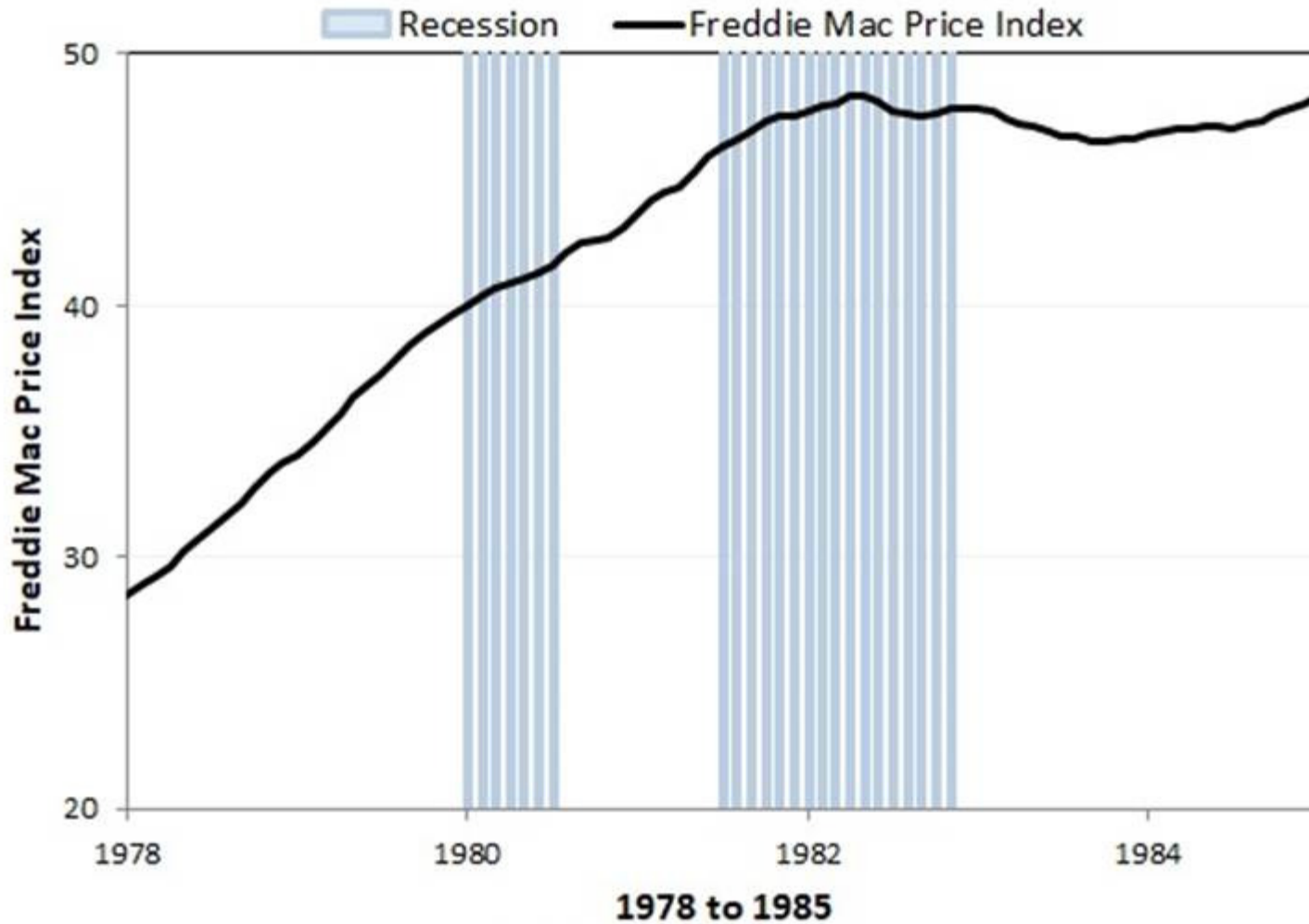
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What happened to local home prices during and after the last five recessions?

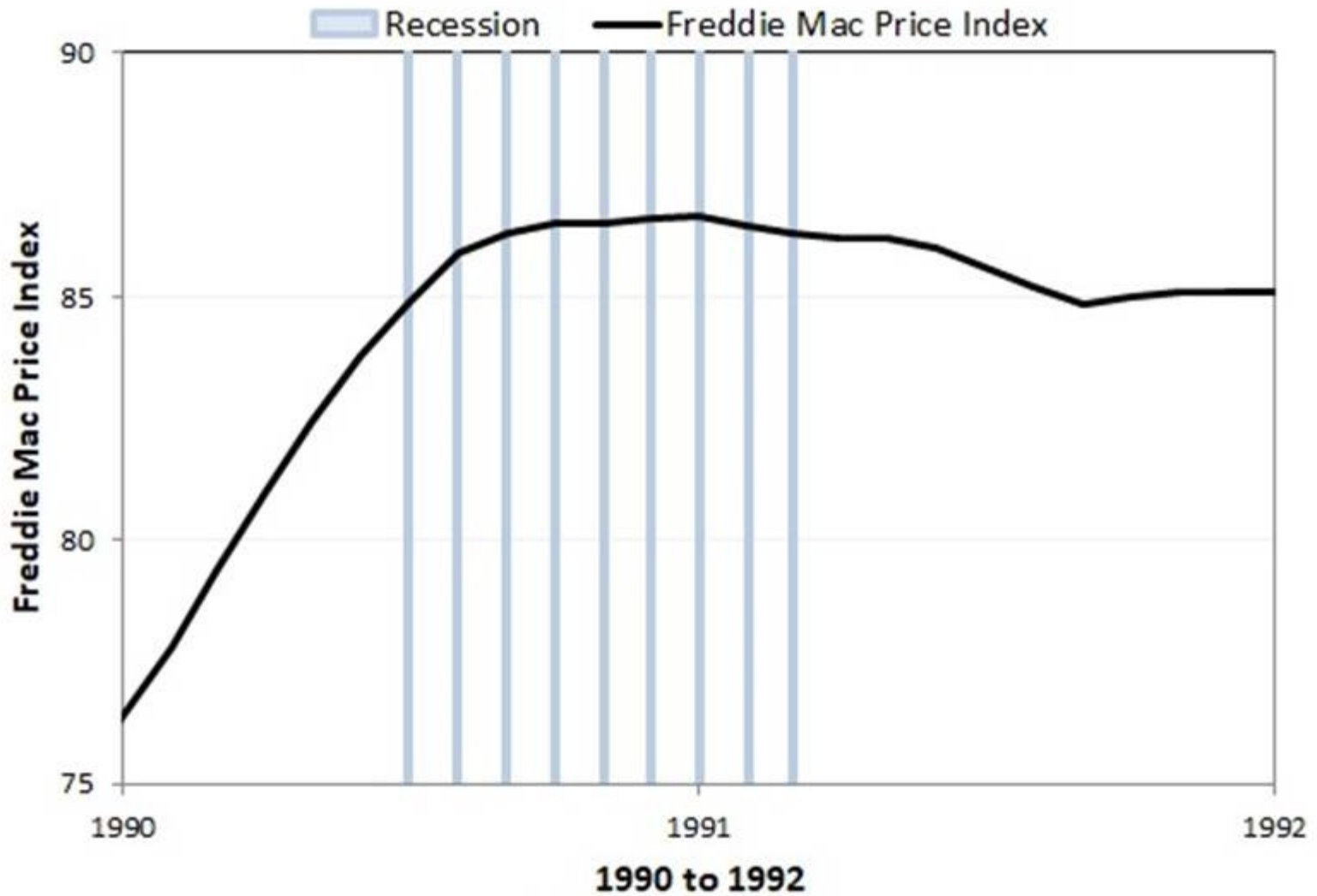


Sacramento Home Prices During a Recession



www.SacramentoAppraisalBlog.com

Sacramento Home Prices During a Recession

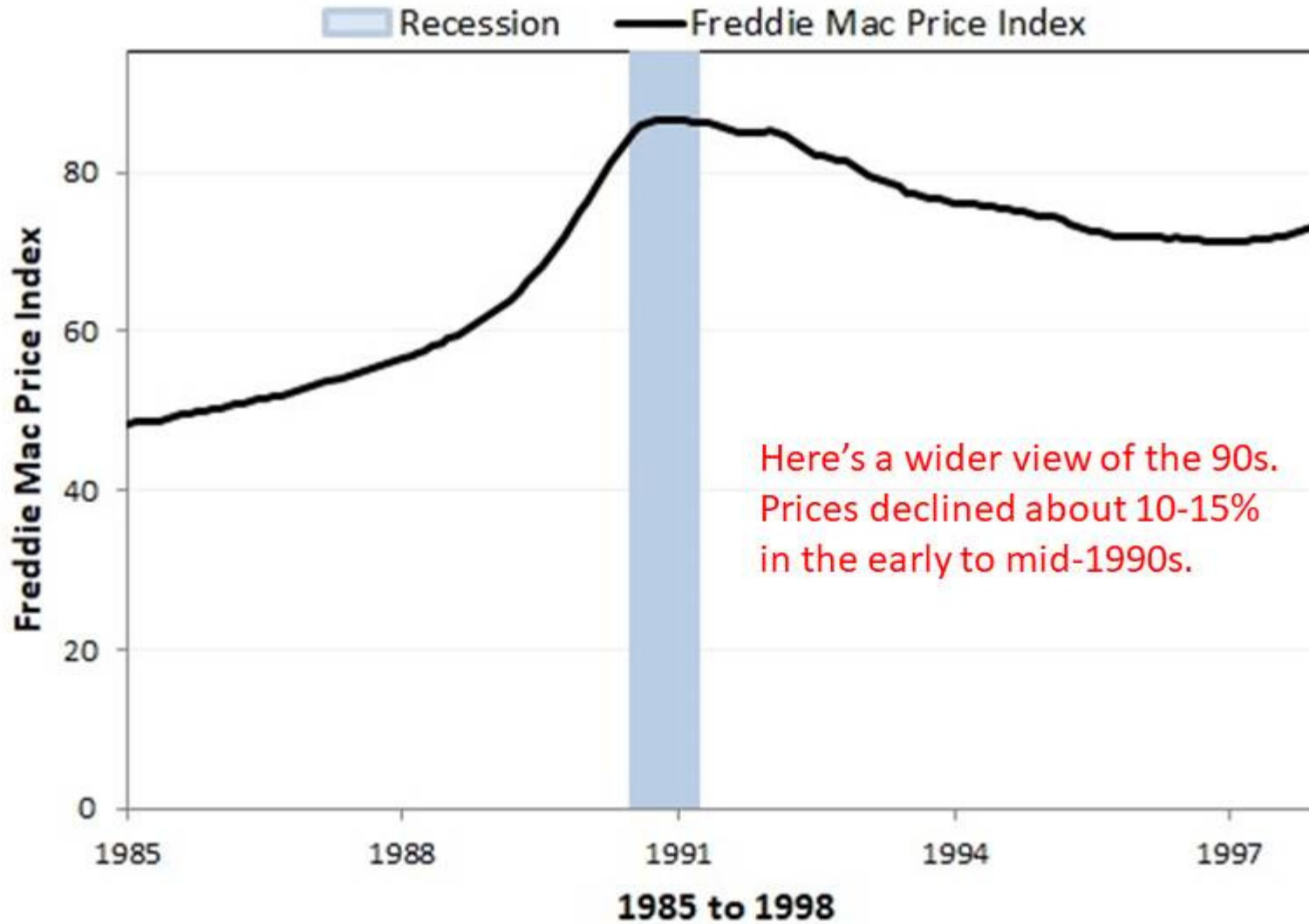


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Sacramento Home Prices During a Recession

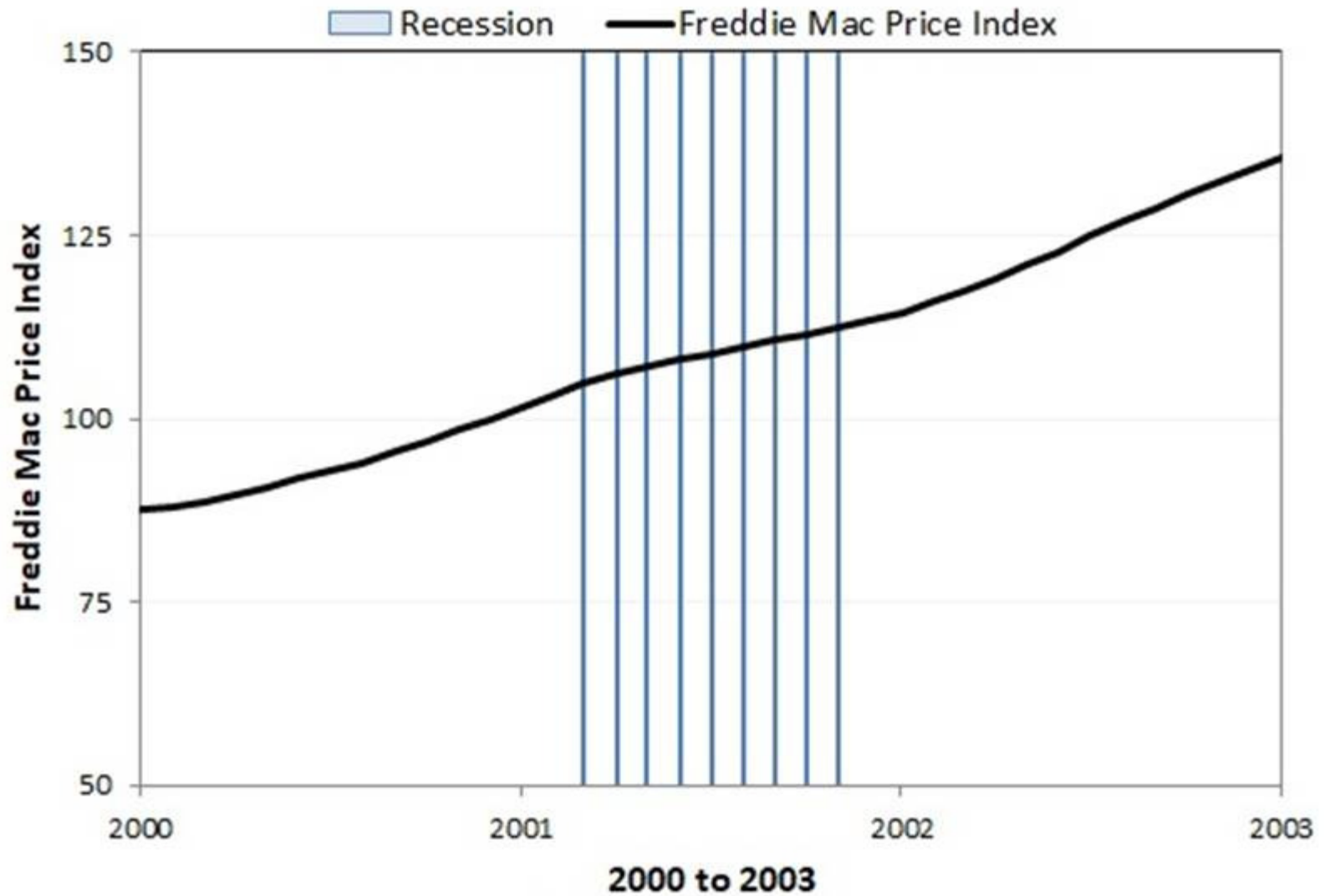


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Sacramento Home Prices During a Recession

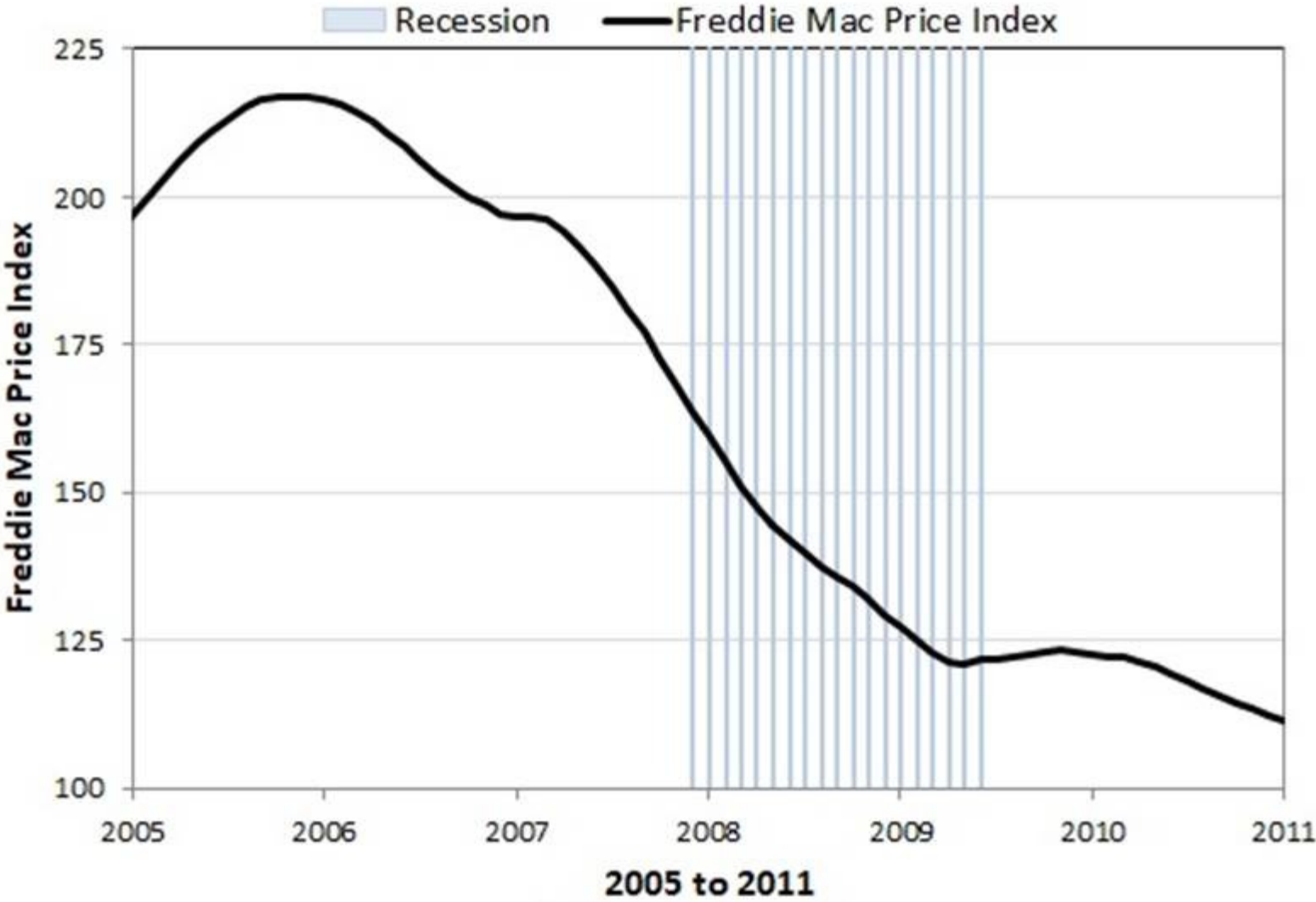


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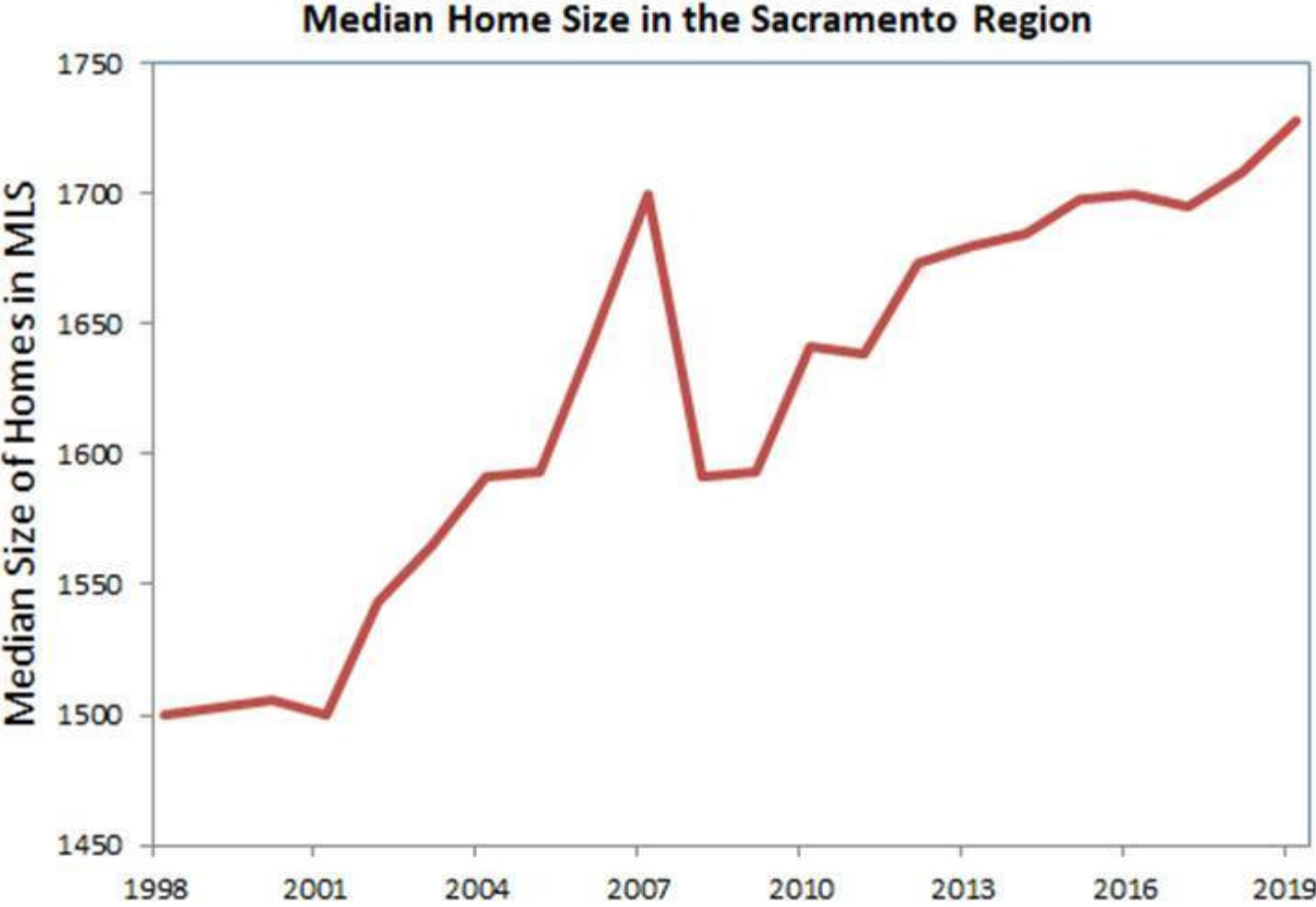
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Sacramento Home Prices During a Recession



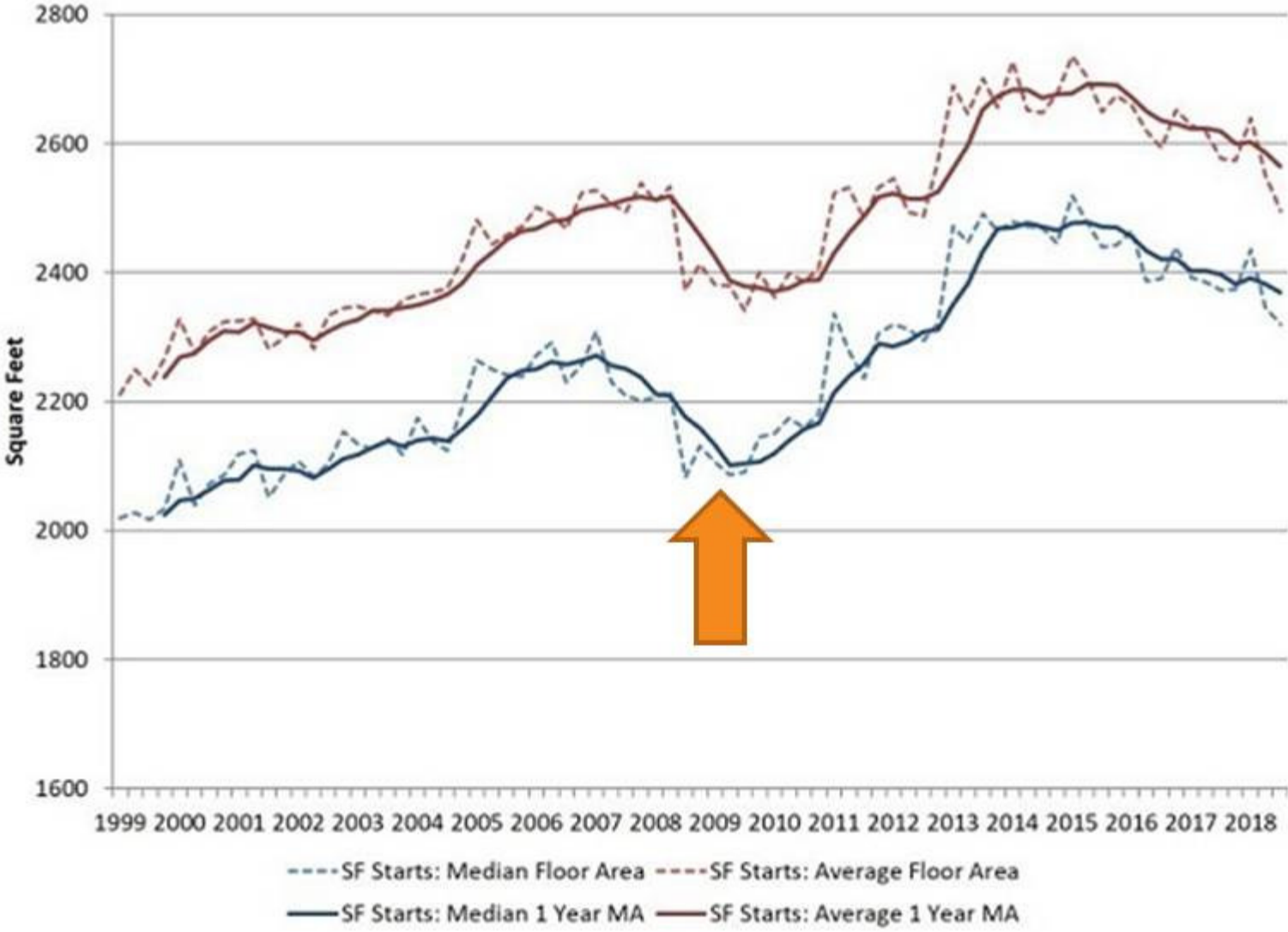
What happened to the size of homes during the recession?



1998 to 2019

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

Size of New Single-Family Homes



Builders tend to build smaller homes during a recession.

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) Be cautious about paying based on market rent instead of AirBnb rent.
- 4) Look for neighborhoods where growth is happening or planned (Aggie Square).
- 5) Become a hero by helping to do something about the homeless epidemic.
- 6) Price according to similar homes that are getting into contract.
- 7) Watch Prop 13 “split-roll” tax reform closely and find opportunities from that.
- 8) Be well prepared for “bubble” conversations.
- 9) Expect buyers to become more picky this year.
- 10) Expect a feeling of hesitancy to increase.
- 11) Find ways to get good deals off MLS (build your network).
- 12) Become well-informed about how 1031 exchanges work.
- 13) Price your 2-4 units for the market (but know 1031 Bay Area might pay more).
- 14) Be in tune with rent control laws to avoid marketing mistakes.
- 15) Look for sellers who want to exit the market.
- 16) Find buyers who are moving because of their lifestyle and ability to afford.
- 17) Keep an eye on the Bay Area market and be ready for some inbound growth.
- 18) Diversify where the iBuyer models are not going.
- 19) Be aware of consumer behavior if we head toward a recession (tighten finances / smaller homes)
- 20) Don't keep doing the same thing because it won't work in every market.
- 21) Ask yourself how you need to adjust your plan if your business is built on an upward market.

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