

California Real Estate Market: Updated Forecast & Trends

The latest California housing market trends and forecast — all point to the fact — that the market will continue its recovery from the economic shock led by the coronavirus pandemic.

Sales are expected to continue to improve for the remainder of 2020 and increase modestly again in 2021. Buyer demand remains robust and that has already pushed California's median price above \$700,000. However, inventory is expected to remain a challenge that will keep sales growth in the single digits next year, as reported by C.A.R.

CAR's latest weekly California housing data (October 4 – 12) shows that after remaining unseasonably strong through September, closed transactions finally began to dip last week with an average of 807 daily closed transactions. That is down 15.4% from the previous week and was led by double-digit declines in almost every part of the state.

The Central Coast fell 20.1%, Southern California dipped 18.7%, the Far North was down 14.3%, and the Central Valley was down 12.5%. Only the Bay Area escaped with a single-digit decline of just 9.5% last week. New listings and pending sales were also trending down last week.

October 4 - 12



California Weekly Data 2020

How the market is doing



% change indicates change from previous week

*Daily Average

Last week, there were...

807 **-15.4%**

Closed Sales per day*



957 **+1.1%**

Pending Sales per day*



967 **-7.9%**

New Listings per day*



What REALTORS® are saying



30.3% **4.5%**

Closed a sale last week



30.0% **11.1%**

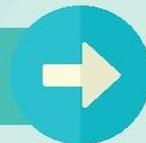
Entered escrow last week



23.5% **-4.9%**

Listed a property last week

What REALTORS® think will happen



29.5% **-2.6%**

Think sales will be **up** next week

35.4% **-3.5%**

Think prices will be **up** next week

22.2% **-4.7%**

Think listings will be **up** next week

Source: California Association of REALTORS®

Infographic Credits: [C.A.R.](#)

Earlier in August, the California housing market continued to improve as home sales climbed to their highest level in more than a decade. The median home price followed the trend by hitting another high, breaking July's record. The lowest interest rates ever are bringing many motivated buyers into the market, which has led to the fastest sales growth in the California real estate market in a decade.

August's monthly housing report released by CAR showed that sales for existing single-family home sales climbed above the 400,000 level for the second straight month since the COVID-19 crisis depressed the California housing market earlier this year. Sales were up 6.3 percent from July and up 14.6 percent from August 2019.

This is an indication that buyers and sellers are beginning to realize that real estate deals can still be conducted despite the coronavirus pandemic. Sales of higher-priced properties are recovering faster than the rest of the market. August's statewide median home price was \$706,900, up 6.1 percent from July and up 14.5 percent from August 2019.

The yearly price increase was the highest recorded since March 2014 and larger than the six-month average of 4.3 percent observed between February 2020 to July 2020. The Central Coast and the San Francisco Bay Area had the strongest sales growth in August with both regions surging more than 10 percent in sales year over year.

Housing affordability is improving in California due to lower mortgage rates combined with fewer new homes being constructed as the construction supply chain is impaired. This could lead to a more upward pull on California home prices. Unsold inventory is already at low levels (2.1 months), and reduced construction activity means that is likely to continue—especially if buyers respond to lower rates.

California Housing Market Forecast 2021 (Updated Version)

What are the California real estate market predictions for 2020? California housing market is shaping up to continue the trend of the last few years as one of the hottest markets in the U.S. Let us look at the price trends recorded by Zillow over the past few years. From the beginning of the year 2012 to the end of 2019, the median home price in California appreciated by a massive 85.5%, from \$305,000 to \$566,000.

Currently, the median home value in California is \$586,659. This value is seasonally adjusted to remove outliers and only includes the middle price-tier of homes. California home values have gone up 6.8% over the past year. The forecast for California's housing market in 2021 is relatively favorable but things could change, given the seriousness of the pandemic.

The latest California real estate market forecast is that the home prices will rise by 7.6% in the next twelve months (until August 2021).

California Market Overview

Data through Sep 30, 2020

\$586,659 ZHVI

7.6% 1-yr forecast (Sep 30, 2021)



Courtesy of Zillow.com

The California Association of Realtors' economic forecast this year looks at several scenarios in predicting whether home prices and sales will rise or fall in 2021. Low mortgage interest rates and pent-up demand will bolster California home sales in 2021, but economic uncertainty caused by the pandemic and continued supply shortage will limit sales growth, according to a housing and economic forecast

Here's a rundown of the forecast released by CAR on October 13, 2020.

- The CAR's forecast points towards a modest increase in existing single-family home sales of 3.3 percent next year to reach 392,510 units, up from the projected 2020 sales figure of 380,060.
- The 2020 figure is 4.5 percent lower compared with the pace of 397,960 homes sold in 2019. In fact, sales have declined for the last three years.
- The California median home price is forecast to edge up 1.3 percent to \$648,760 in 2021, following a projected 8.1 percent increase to \$640,330 in 2020 from \$592,450 in 2019.
- The median prices for existing houses, which make up two-thirds of the market, will rise a modest 1.3% next year, hitting \$648,760.
- Low mortgage rates are expected to continue to fuel price growth. The average 2021 rate for a 30-year, fixed-rate mortgage will be 3.1% next year, down from 3.2% this year.
- C.A.R.'s forecast projects California's 2021 nonfarm job growth rate at 0.5 percent, up from a projected loss of 12.7 percent in 2020. The state's unemployment rate will dip to 9.0 percent in 2021 from this year's projected rate of 10.8 percent.
- The number of homes on the market was down 50% in 2020 and is expected to stay low in the coming year, creating a more upward push on home prices.

"The uncertainty about the pandemic, sluggish economic growth, a rise in foreclosures, and the volatility of the stock market are all unknown factors that could keep prices in check and prevent the statewide median price from rising too fast in the upcoming year," said C.A.R. Senior Vice President and Chief Economist Leslie Appleton-Young.

	2015	2016	2017	2018	2019	2020p	2021f
SFH Resales (000s)	409.4	417.7	424.9	402.6	398.0	380.1	392.5
% Change	7.0%	2.0%	1.7%	-5.2%	-1.2%	-4.5%	3.3%
Median Price (\$000s)	\$476.3	\$502.3	\$537.9	\$569.5	\$592.4	\$640.3	\$648.8
% Change	6.6%	5.4%	7.1%	5.9%	4.0%	8.1%	1.3%
Housing Affordability Index	31%	31%	29%	28%	31%	32%	31%
30-Yr FRM	3.9%	3.6%	4.0%	4.5%	3.9%	3.2%	3.1%

Courtesy of Car.org

California Housing Forecast 2021: What Do We Think!

The most important thing to remember is that it is a health crisis – not an economic one. This pattern differs from a standard economic recession, which is a situation in which economic activity falls for 6-18 months and then recovers more slowly.

According to Aaron Kirman, host of CNBC's Listing Impossible, "while the lasting effect of the coronavirus pandemic is still unknown when the pandemic eventually comes to an end, it's going to be a buyers' market." The current housing inventory level is trending towards a balanced real estate market.

Due to a wave of job losses nationwide, this will create many distressed home sellers in the California real estate market, as well. Yet this is a buying opportunity for investors who have financing. The slowdown in what is normally a busy season will cause some realtors to go out of business.

Mortgage brokers and lenders will experience a boom in business since record low-interest rates cause a spike in mortgage refinances. We'll also see a flurry of activity in the California real estate market as people pick up where they left off. For example, those who wanted to move before school starts in the fall aren't going to wait another year to see what the housing market is going to do.

They'll rush to showings and try to close on a property, as long as their personal financial situation is stable. We can expect the summer of 2021 to see record activity in the California housing market due to the standard spike in real estate transactions before the school year starts.

On top of this are the young graduates and couples that want to buy their own homes. Plus there will be long-term renters who recognize the opportunity that 3.1 percent 30-year mortgage rates represent, searching for homes once they can be pre-approved for a mortgage and visit properties.

There will be a slower economy for a while, but a number of ongoing trends aren't going to reverse themselves. Millennials will want to move out of their parents' homes and into their own. We can't say there will be a coronavirus led baby boom, but many families having been stuck inside with their kids will decide they want a larger home, yard, or both.

We can talk about the many people who've moved out of California for other states. Yet the state continues to attract immigrants from around the world. And young native-born Americans flock here for the high paying jobs, as well. That isn't going to change due to the virus. Tech giants expanding to Seattle or Portland haven't relocated their development hubs out of Silicon Valley.

Furthermore, the demand for rentals in the California housing market remains strong. This is why we don't expect to see a decline in monthly rents, though housing prices may fall significantly before shooting back up. A

secondary effect of the coronavirus outbreak is that it has crimped supply chains around the world and slowed down construction.

This will drive up the value of both new and existing properties in the California housing market since the supply of new and redeveloped properties has been stifled. And there is certainly the possibility the California housing market will see bidding wars on the few available and desirable properties by people who have more margin thanks to historically low mortgage rates.

We can expect a few shifts in the California housing market long-term. Realtors will probably continue to utilize 3D virtual tours, using 360 cameras to capture images of every room in the house. This helps them sell the home 24x7x365, whether or not everyone is stuck at home.

While appraisers, stages, and construction crews can't work remotely, we can expect far more back-office work in the real estate industry to be done remotely because that's become commonplace. We can also expect online contract reviews and digital signatures to become the norm because it allows real estate transactions to move forward through some of the participants are at home.

Demand for housing was very strong before the coronavirus hit the U.S. This pandemic is not expected to last nearly as long as the United States subprime mortgage crisis, which was a nationwide financial crisis, occurring between 2007 and 2010.

The sharp sales drop in May was the steepest we've seen but there are encouraging signs that show the market is recovering and should continue to improve for the remainder of 2020.

Some of the realtors saw no decline in their businesses even during the peak of the pandemic. According to them, the real estate sector was really active even in the pandemic. The way of operating business has changed. People are working from home. They are using applications like FaceTime to show buyers homes instead of traditional open houses.

Lenders experienced a surge in demand as opportunistic buyers move to take advantage of low mortgage rates. Brett Jennings, the founder of Real Estate Experts, writes, “our market is still thriving” in Santa Clara County, seeing only a few cancellations despite shelter-in-place conditions and the fact that “we have one of the highest counts of active COVID-19 cases in California.”

According to Dr. Svenja Gudell, the chief economist of Zillow Group, when they examined pandemic histories ranging from the 1918 flu epidemic to the 2003 SARS outbreak, they noted that economies “snapped back quickly once the epidemic was over.”

Residential real estate is likely to fare far better than the commercial real estate sector. Sometimes, you have to take advantage of these market disruptions to see that many investors will pump the brakes on investing out of fear and other illogical emotional reasons, while others see the opportunity of having access to more real estate inventory, possibly better pricing, and still historically low-interest rates.

California Housing Market 2020 Summary: Prices | Sales | Inventory

Before the coronavirus outbreak, the declining interest rates bolstered February home sales and price in the California housing market. The no. of home sales in February went up 6.6 percent from the 395,700 level in January, marking the first time in three months that sales jumped above the 400,000 benchmarks. February also marked the eighth consecutive month of year-over-year sales increases, *according to the CALIFORNIA ASSOCIATION OF REALTORS®*.

According to a United States Department of Commerce report, the median price nationwide for a home sold in February was \$345,900, up 6.3 percent from January. As the coronavirus pandemic hit the country, the sales activity in the California housing market took a sharp decline. Many buyers backed out of purchase due to coronavirus concerns. Due to the Covid-19 outbreak,

the new California home sales also began to drop from March onward. Here's the review of the California real estate market from March onward.

Impact of COVID-19 on the California housing market

The immediate impact of the coronavirus pandemic on the California housing market was that realtors canceled their open houses and half of all agents reported a drop in buyer interest. A flash poll conducted by C.A.R. between March 14-16 found that 54% of realtors had buyers who backed out from buying a home because of the coronavirus, and about 45% had sellers who backed out from selling a property. The pandemic further impacted the buying or selling of a house as California issued a statewide 'stay at home' order on March 19 to slow the spread of the coronavirus.

All non-essential businesses were essentially shut down. The real estate industry and many businesses that support it have been deemed non-essential. Real estate transactions like home buying, title research, residential leasing, and renting were allowed to continue. So were things like building maintenance and cleaning. Home construction was typically allowed to continue, as well. This meant that people could continue to live in their apartment and call the property manager to get the plumbing fixed.

Home sales and purchases already begun could be completed. However, it became much more difficult to arrange open houses or take photos of a property for sale. Some realtors adapted by setting up virtual showings of properties, whether it was via cell phone video, high-resolution photos, or drone. However, photographers can't travel to properties, while stagers and appraisers can't travel to homes that owners want to sell.

This froze the housing market for the most part due to shelter-in-place orders. Financial services were considered essential; this included banks and mortgage lenders. Unfortunately, the shutdown of up to 80 percent of the country means many are afraid to take out a home loan even if they still have a job. That is why mortgage applications fell by 30 percent in the last quarter of March 2020 while unemployment applications hit a record three million.

The U.S. Initial Unemployment Insurance Claims are that over 40 million people have already lost their jobs.

As new coronavirus cases were detected in California and the 'shelter-in-place' mandate was extended, a sharp sales decline resulted in an increase in unsold inventory – leading to a balanced real estate market. The COVID-19 pandemic kept both buyers and sellers on the sidelines in the California housing market. Many potential sellers delayed putting their homes on the market, which led to fewer new listings. Some of the buyers exited and decided to not enter the market due to their weak financial condition. California home sales experienced the worst month-to-month sales decline in more than four decades.

Home sales dropped sharply in April from both the previous month and year as the housing market began to feel the full impact of the state's stay-at-home order, according to C.A.R.

This was because of a decline in open houses and home showings which are impossible to be held in such conditions. Existing, single-family home sales totaled 277,440 in April on a seasonally adjusted annualized rate, down 25.6 percent from March and down 30.1 percent from April 2019. Additionally, sales in escrow were also delayed by the closure or limited availability of all the essential services related to a home sale.

The statewide median price remained above the \$600,000 benchmark for the second consecutive month in April, price growth showed clear signs of softening when compared to the past six months. The April statewide median price of \$606,410 for existing single-family homes in the state dipped 1.0 percent from March, and the 0.6 percent gain was essentially flat from April 2019, when the median price was \$603,030. The year-over-year price gain was substantially smaller than the six-month average gain of 7.8 percent recorded between October 2019 and March 2020.

California home sales fell to the lowest level since the Great Recession as the housing market suffered the full impact of the coronavirus pandemic in May, according to a June 16 release by CALIFORNIA ASSOCIATION OF REALTORS®. As housing demand in California fell sharply in May, the home prices also took a dip. The median home price fell below last year's price for the first time

since February 2012 and breaking the state's 98-month year-over-year price gain streak.

All major regions dipped in sales by more than 35 percent from last year. The Bay Area and Central Coast dropping the most at -51.1 percent each. Southern California home sales dropped by -45.6 percent, and the Central Valley by -36.6 percent. Existing single-family home sales were down by 13.9 percent from April and down by 41.4 percent from May 2019. May's statewide median home price was \$588,070, down 3.0 percent from April and down 3.7 percent from May 2019. Year-to-date statewide home sales were down 12.9 percent in May.

Median prices continued to dip in May from last year in the Central Coast and the Bay Area but inched up slightly in the Central Valley region. The median home price was virtually unchanged in Southern California. Unsold inventory Index jumped to 4.3 months in May from 3.4 months in April and was up from 3.2 months in May 2019. Total active listings continued to decline on an annual basis for the 11th consecutive month.

The 34 percent year-over-year decrease in listings was the biggest drop since March 2013. The median number of days it took to sell a California single-family home dipped to 17 days in May from 18 days in May 2019. C.A.R.'s statewide sales-price-to-list-price ratio was 99.7 percent in May 2020, up slightly from 99.3 in May 2019.

After the California real estate market suffered its worst month in 13 years, California's Realtors and landlords saw a big rebound in June. The housing markets in Los Angeles, San Francisco, San Jose, San Diego, and Sacramento saw the biggest recovery. Home Sales were up 42.4 percent from May and down 12.8 percent from June 2019. The luxury market suffered the most with more than 50% drops in sales. Sales Price to List Price Ratio of 99.5% in June means homes are selling for very close to their listing prices.

June's statewide median home price was \$626,170, up 6.5 percent from May and up 2.5 percent from June 2019. Throughout the state, single-family home prices rose 6.5% to \$626, 170, or a rise of \$38,000 from the previous month. Sales grew 42.5% from May. California condo prices rose 4.6% as a month to

month sales increased by 68.5%. Condo prices have risen 4.6% YoY while sales slumped 16.2%.

The return in the COVID-19 cases remains a concern across the nation as well as California, and it may hinder the recovery of the housing market in the second half of 2020. Meanwhile, the lowest ever mortgage rates have been able to increase the buyer activity, which in turn may help to sustain the rise in sales in the coming months.

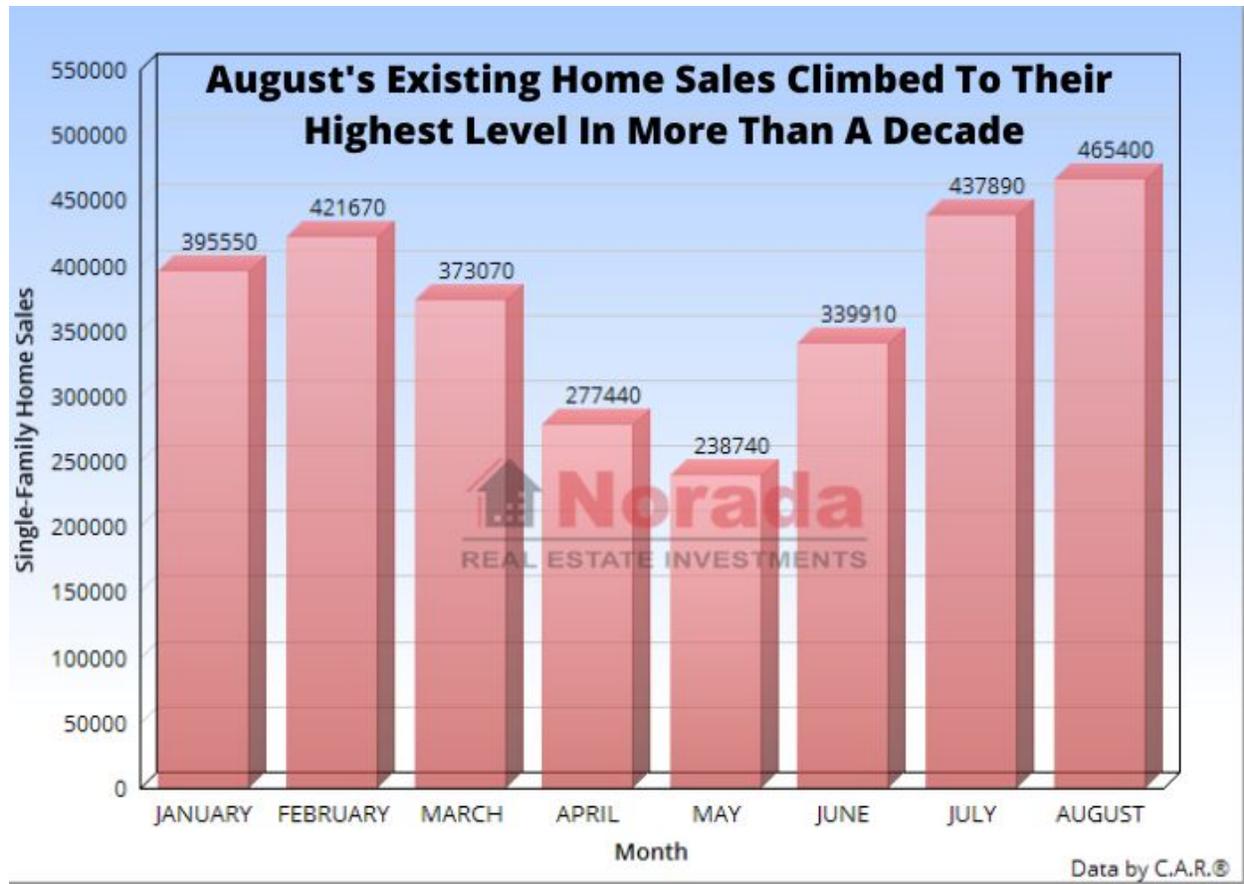
California Housing Market Report (August 2020)

After falling to the lowest level since the Great Recession, continued to improve in August as home sales climbed to their highest level in more than a decade as the median home price broke last month's record and hit another high, according to September 16 release by C.A.R.

Here are some of the highlights of how the California housing market performed in August 2020.

Existing-Home Sales

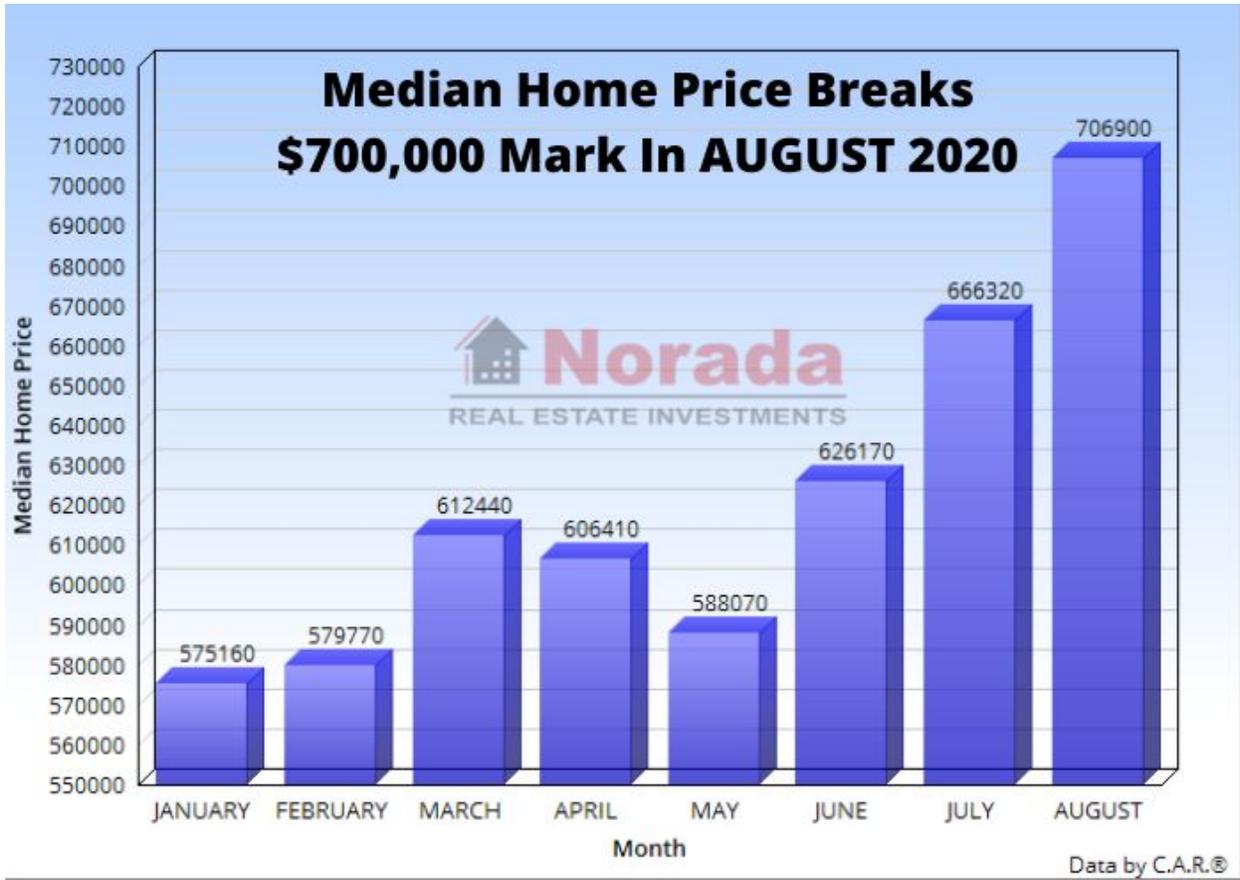
- At the regional level, sales increased in all major regions from last year but varied in the pace of growth.
- At the regional level, the Central Coast and the San Francisco Bay Area had the strongest sales growth in August with both regions surging more than 10 percent in sales from last year.
- 37 of 51 counties tracked by C.A.R. experienced a year-over-year gain in closed sales, with Calaveras increasing the most from last year at 57.1 percent.
- Sales fell in 14 of 51 counties, with Sutter declining the most at 20.7 percent from last year.



Median Price

- At the regional level, almost all major regions posted double-digit price increases from last year.
- All regions set a new median price high in August.
- San Francisco Bay Area had the highest median price increase, rising 18.7 percent from last year.
- In the Central Coast region, the median price increased by 16.4%.
- In Southern California, the median price was up by 12.9%.
- In Central Valley, the median price increased by 12.2%.
- The Far North recorded the smallest gain in price from a year ago but still improved on a year-over-year basis by 8.3 percent.
- All but two counties tracked by C.A.R. reported a year-over-year gain in price, with 33 of the counties growing more than 10 percent.

- Santa Barbara had the highest price increase while Mono and Glenn were the only counties with a price drop in August.



Housing Supply

- Housing supply remained significantly below last year's level as fewer for-sale properties were added to the market in August.
- The 50.3 percent drop from a year ago was the biggest decline in active listings since at least January 2008.
- It was also the ninth consecutive month with active listings falling more than 25 percent from the prior year.
- The Unsold Inventory Index fell sharply from 3.2 months in August 2019 to 2.1 months this August.
- Active listings continued to decline significantly in every major region.

- Central Valley had the biggest drop of 53.1 percent from last August, followed by Southern California (-52.4%), Central Coast (-47.9%), Far North (-46.1%), and San Francisco Bay Area (-37.1%).

Median Days & Sales Price to List Price Ratio

- The median number of days it took to sell a California single-family home was 13 days in August, down from 23 in August 2019.
- C.A.R.'s statewide sales-price-to-list-price ratio was 100 percent in August 2020 and 98.7 percent in August 2019. Looking at sale-to-list percentages can help buyers and sellers get a sense of how to negotiate on pricing. The higher ratio shows strong market favoring sellers.

Mortgage Interest Rate

- The 30-year, fixed-mortgage interest rate averaged 2.94 percent in August, down from 3.62 percent in August 2019, according to Freddie Mac.
- The five-year, adjustable mortgage interest rate was an average of 2.91 percent, compared to 3.36 percent in August 2019.

California Housing Market – Regional Sales and Price Trends – August 2020

The Central Coast and the San Francisco Bay Area had the strongest sales growth in August with both regions surging more than 10 percent in sales from last year. The Far North and Southern California regions increased more modestly in sales with a gain of 8.6 percent and 5.5 percent, respectively. The Central Valley had the smallest sales gain among all regions, inching up only 0.5 percent from last August. The Central Valley region has been growing slower than the rest of the state in the past couple of months probably because it was not as hard hit by the pandemic lockdown as other areas.

August-20	Median Sold Price of Existing Single-Family Homes				Sales		
State/Region/County	Aug-20	Jul-20	Aug-19	Price	Price	Sales	Sales
				MTM%	YTY%	MTM%	YTY%
				Chg	Chg	Chg	Chg
CA SFH (SAAR)	\$706,900	\$666,320	\$617,416	16.10%	14.50%	6.30%	14.60%
	0	0	0				
CA Condo/Townhomes	\$506,000	\$500,000	\$468,012	1.20%	8.10%	-0.30%	6.20%
	0	0	00				
Los Angeles Metropolitan Area	\$615,000	\$590,000	\$545,000	4.20%	12.80%	-1.70%	4.40%
	0	0	00				
Central Coast	\$812,500	\$785,000	\$698,000	3.50%	16.40%	-6.20%	15.40%
	0	0	00				

Central Valley	\$385,000	\$377,720	\$343,000	1.90%	12.20%	-8.00%	0.50%
Far North	\$325,000	\$318,250	\$300,000	2.10%	8.30%	-3.00%	8.60%
Inland Empire	\$435,000	\$420,000	\$380,000	3.60%	14.50%	-2.80%	9.00%
S.F. Bay Area	\$1,068,000	\$1,050,000	\$900,000	1.70%	18.70%	-6.30%	10.80%
Southern California	\$640,000	\$622,500	\$567,000	2.80%	12.90%	-1.80%	5.50%

The question now is what happens moving forward. These numbers can be positive or negative depending on which side of the fence you are — *Buyer or Seller? It is a win-win scenario for both sellers and buyers.*

As the economy starts opening all over the country the home sales in the California housing market would rebound in the coming months. Home sales rebounded in June and California's median home price reached \$626,170, improving 6.5 percent from May and 2.5 percent from June 2019. The monthly price increase was higher than the historical average price change from May

to June and, in fact, was the highest ever recorded for a May-to-June change. Factors are businesses reopening, mortgage payments are falling, and some sellers are more ready and eager to sell.

We expect to see a rebound in closed sales with more homebuyers entering the bidding war. However, the sales are expected to remain below pre-COVID-19 levels while buyers and sellers feel more confident returning to the market in the re-opening phase. Home sales volume won't recover fully until well after the pandemic response has ended. Due to an underlying recession and financial market crash, a full recovery is not likely to begin until 2021. There is also a fear of the pandemic hitting back in the third quarter. If the cases rise and the government brings back restrictions, then it will again impact the sales.

Short-run estimates of COVID-19 on California Housing Market (California Association of Realtors)

- The economy will shrink by 30-40% in Q2.
- Unemployment expected to exceed 20%.
- Double-digit declines for California home sales.
- Declines expected to persist with some improvements.
- Price impacts expected to remain in the single-digits.
- Mortgage credit remains difficult to obtain.
- The big wildcard is the virus—the second wave means worse.
- Expect ongoing challenges to continue for the next few months.
- Starting to see some light at the end of the tunnel.

Whether you're looking to buy or sell, timing your local market is an important part of real estate investment.

For sellers in the California housing market, it is a good time to sell. A low inventory would keep the prices from falling. Sales Price to List Price ratio has been 99.5% in June, which means homes are selling for almost at their asking prices. A seller would always prefer this ratio to be close to 100% or higher. A monthly Google poll conducted by C.A.R. in early July found that 44 percent of consumers said it is a good time to sell, up from 40 percent a month ago,

but down from 49 percent a year ago. In June, 40 percent of consumers had said it is a good time to sell, up from 29 percent a month ago, but down from 51 percent a year ago.

For buyers in the California housing market, it is a good time to buy. Unsold inventory has dropped as there are fewer active listings and sales are rising. The inventory is low with a supply equalling to 2.1 months for single-family homes and 3.4 months for condos. The index indicates the number of months it would take to sell the supply of homes on the market at the current rate of sales.

This will lead to much higher price growth. However, low interest rates continue to fuel optimism for homebuying. The 30-year, fixed-mortgage interest rate averaged 2.94 percent in August, down from 3.62 percent in August 2019, according to Freddie Mac. The five-year, adjustable mortgage interest rate was an average of 2.91 percent, compared to 3.36 percent in August 2019.

Recent forecasts from industry groups like Freddie Mac and the Mortgage Bankers Association have predicted that the average rate for a 30-year fixed mortgage could stay within the low-3% range well into 2021.

Interest rates will remain low giving buyers purchasing power and home prices a boost. All of these factors have led to the market to optimism in homebuyers — 31 percent of the consumers who responded to a monthly Google poll conducted by C.A.R. believed that now is a good time to buy a home, sharply higher than last year when 23 percent said it was a good time to buy a home.