2024 Housing Market Outlook

AREAA – Greater East Bay
April 25, 2024

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CALIFORNIA ASSOCIATION OF REALTORS®

What to expect:

Economic Outlook

- The U.S economy is projected to increase by 0.7% in 2024.
- The national unemployment rate will reach 4.4% in 2024.
- Inflation will continue to cool off in the next 12 months, with the CPI expected to reach 2.6% in 2024.

Market Outlook

- The 30-Year FRM will average 6.3% on an annual basis in 2024 after reaching 6.8% in 2023.
- The statewide sales of existing single-family homes will bounce back with an increase of 27.0% in 2024.
- Home prices should rise modestly across the state, with the California median price projected to increase 5.7% and reach a new high of $860,300 in 2024.
- Housing supply in 2024 will remain below the norm by historical standards, with active listings increasing between 10% to 20% as market conditions and lending environment continue to improve.

Economic Outlook

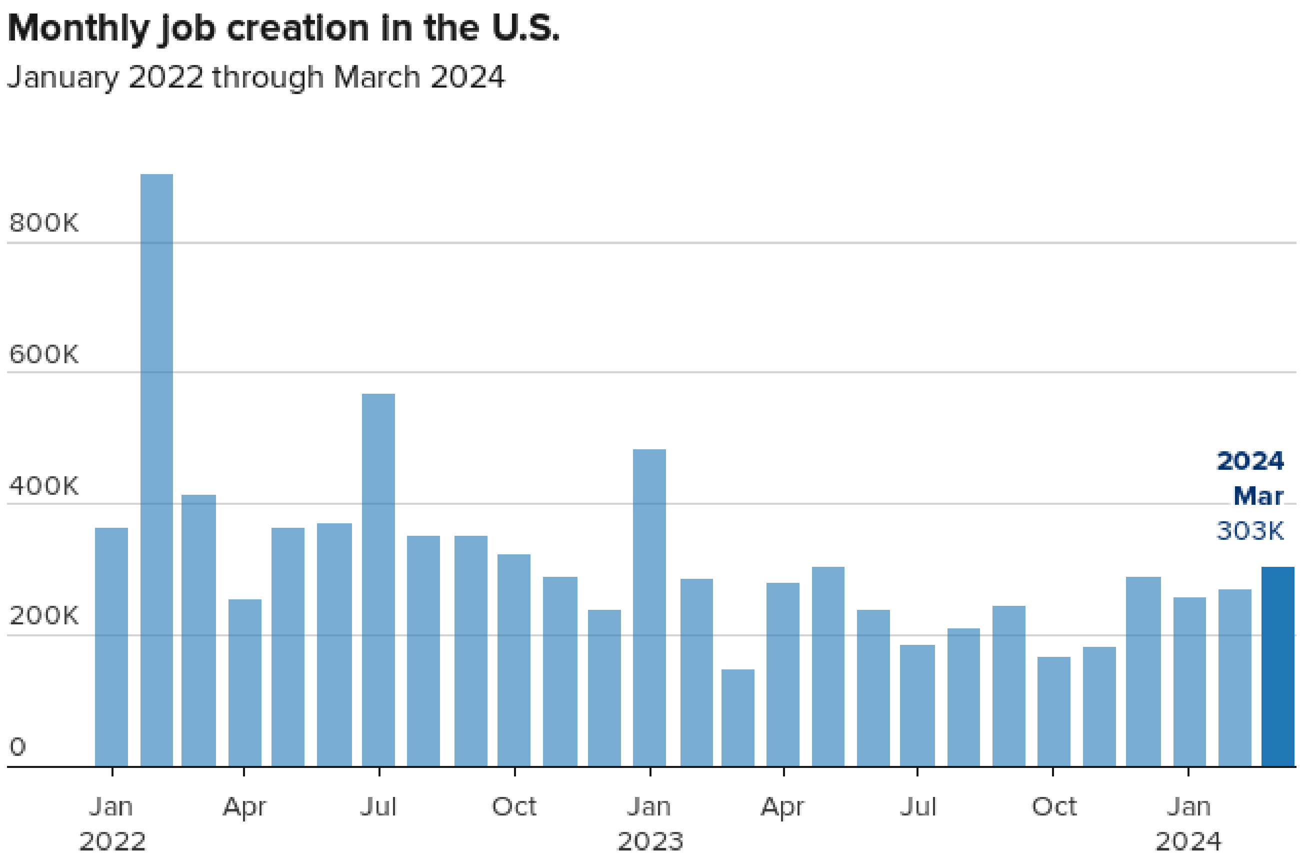
Retail sales beat expectations in March

U.S. Retail Sales: March 2024												
	Apr-23	**May-23**	**Jun-23**	**Jul-23**	**Aug-23**	**Sep-23**	**Oct-23**	**Nov-23**	**Dec-23**	**Jan-24**	**Feb-24**	**Mar-24**
Retail Sales (MoM)	0.4	0.7	0.2	0.6	0.7	0.8	-0.3	0.0	0.1	-0.9	0.9	**0.7**
Retail Sales, Ex. Autos (MoM)	0.4	0.4	0.1	0.8	0.8	0.8	-0.1	-0.1	0.1	-0.6	0.6	**1.1**
Control Group Sales (MoM)	0.7	0.5	0.3	0.9	0.1	0.6	0.0	0.2	0.3	-0.1	0.3	**1.1**
Real Retail Sales (MoM)	-0.1	0.8	0.1	0.7	0.0	0.7	0.1	0.4	0.1	-0.6	0.5	**0.6**
Retail Sales (YoY)	1.3	2.1	1.5	2.8	2.8	4.0	2.2	3.6	5.0	0.2	2.1	**4.0**
Retail Sales, Ex. Autos (YoY)	1.6	1.4	0.5	1.7	2.4	3.4	2.0	3.1	4.0	0.8	2.0	**4.3**
Control Group Sales (YoY)	3.6	3.9	3.4	4.4	3.6	3.8	3.1	4.3	4.9	2.5	2.6	**5.1**
Real Retail Sales (YoY)	-0.8	1.3	2.5	3.2	1.7	2.5	1.8	3.6	4.2	0.1	1.8	**3.4**

Notes: MoM = Month-over-Month Percent Change
YoY = Year-over-Year Percent Change

SOURCE: U.S. Department of Commerce, Wells Fargo

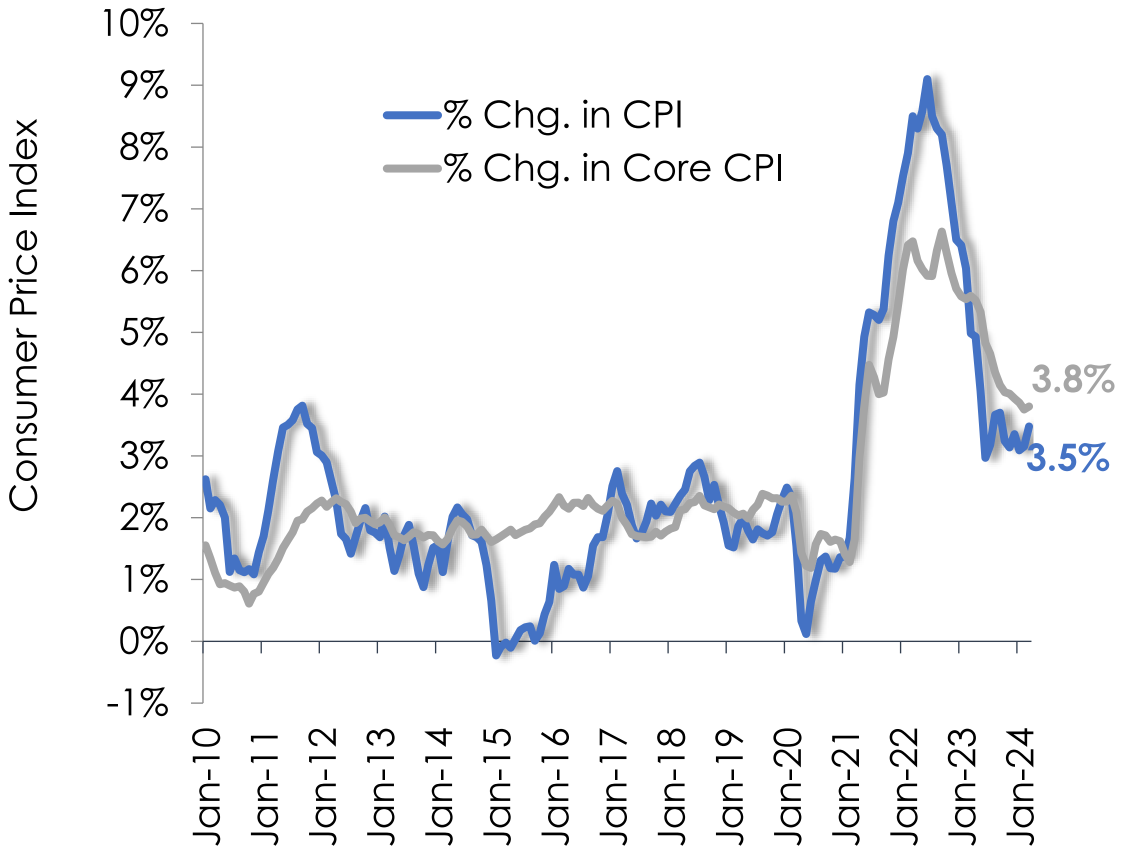
U.S. job growth exceeded expectation in March

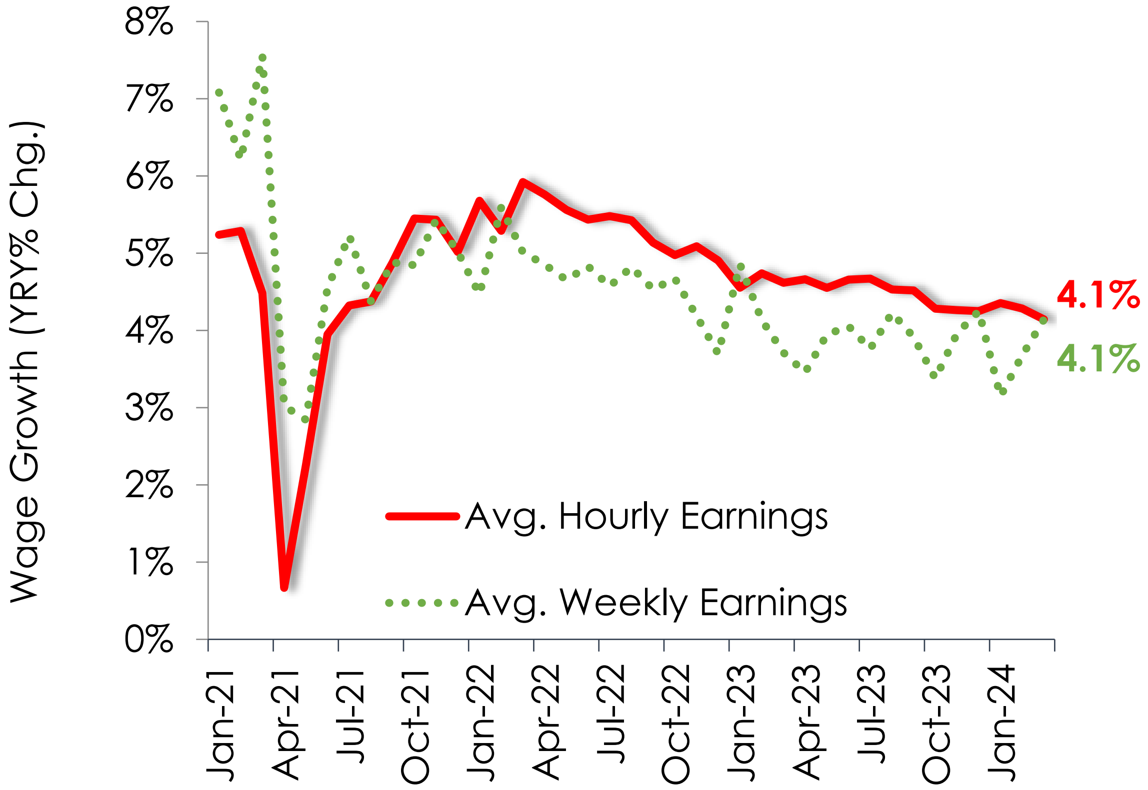


- Nonfarm payrolls topped expectation of 200k
- U.S. unemployment rate dipped slightly to 3.8%
- California added 28,300 new jobs in March, still lagging behind the nation as a whole
- CA unemployment rate remained at 5.3% last month, the highest unemployment rate in the country for the second month in a row

SOURCE: Bureau of Labor Statistics, CNBC, Wells Fargo

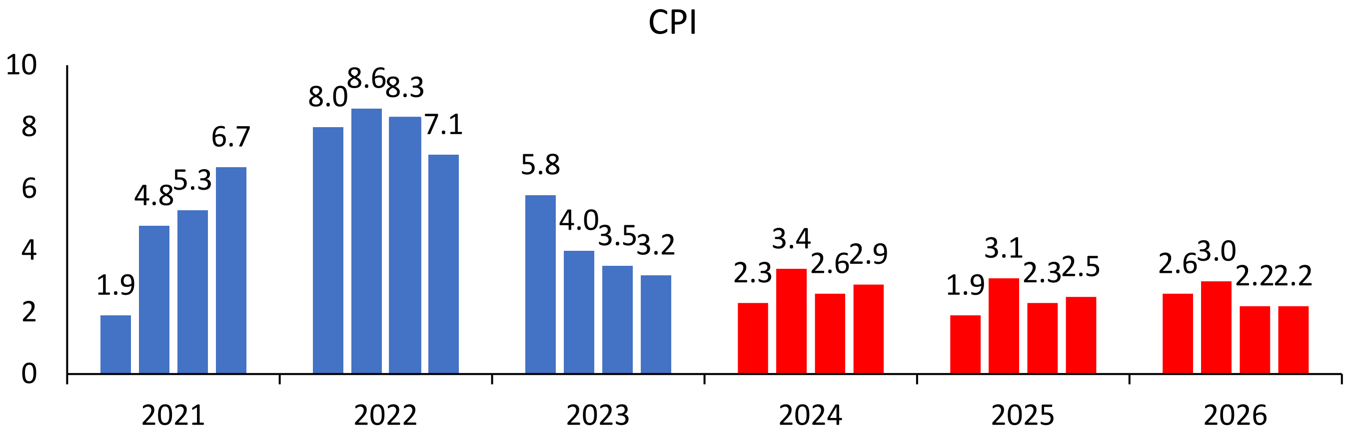
Inflation came in higher than expected

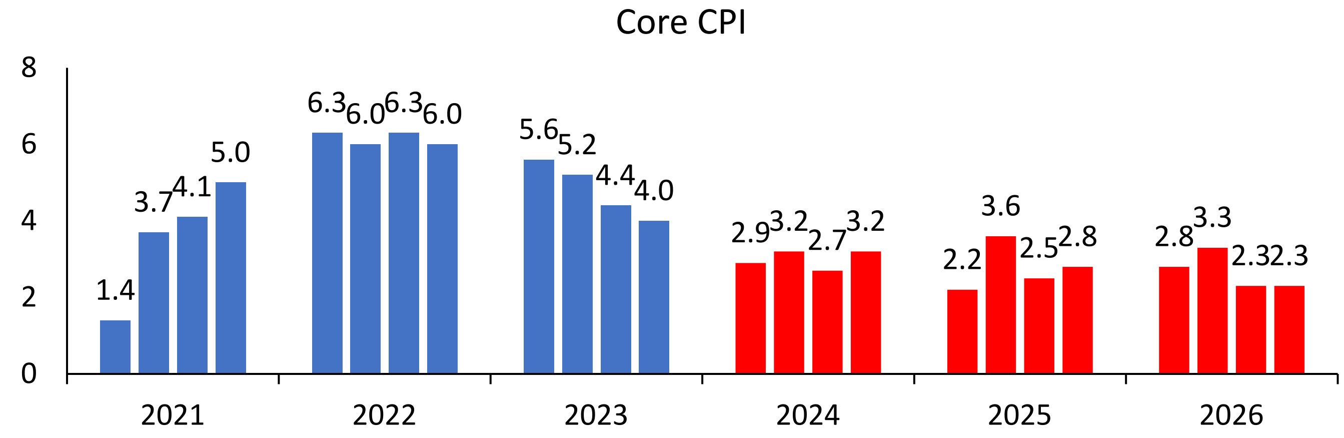


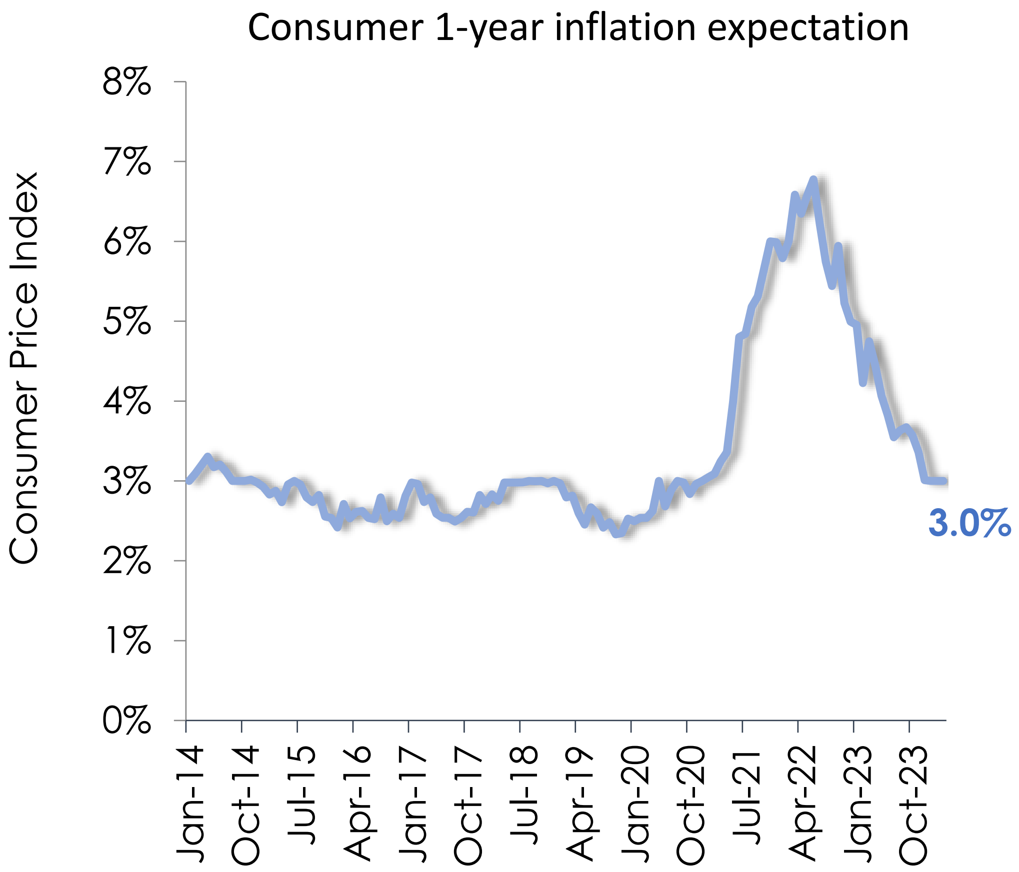


SOURCE Bureau of Labor Statistics, FRED

Consistently low inflation level may not be reached until second half of 2026

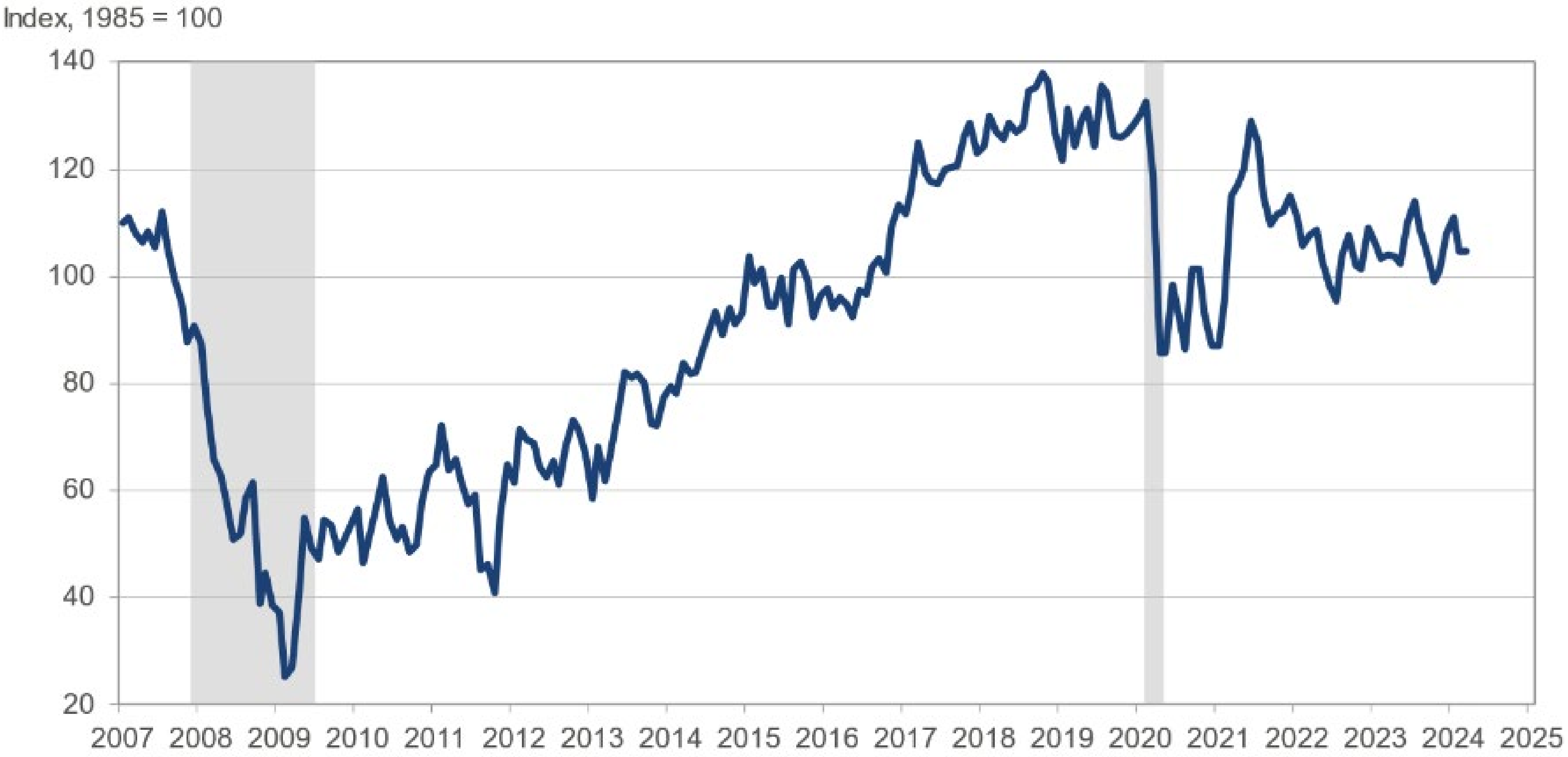






SOURCE: Federal Reserve of New York, UCLA

Consumer Confidence Index

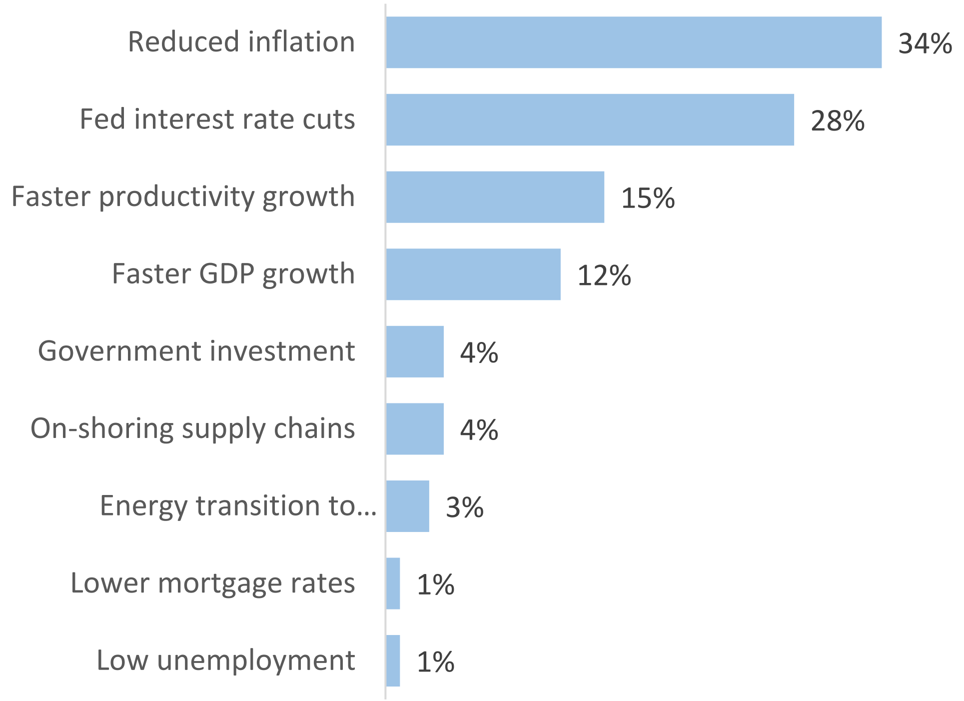


SOURCE: The Conference Board, NBER

Business leaders' economic outlook

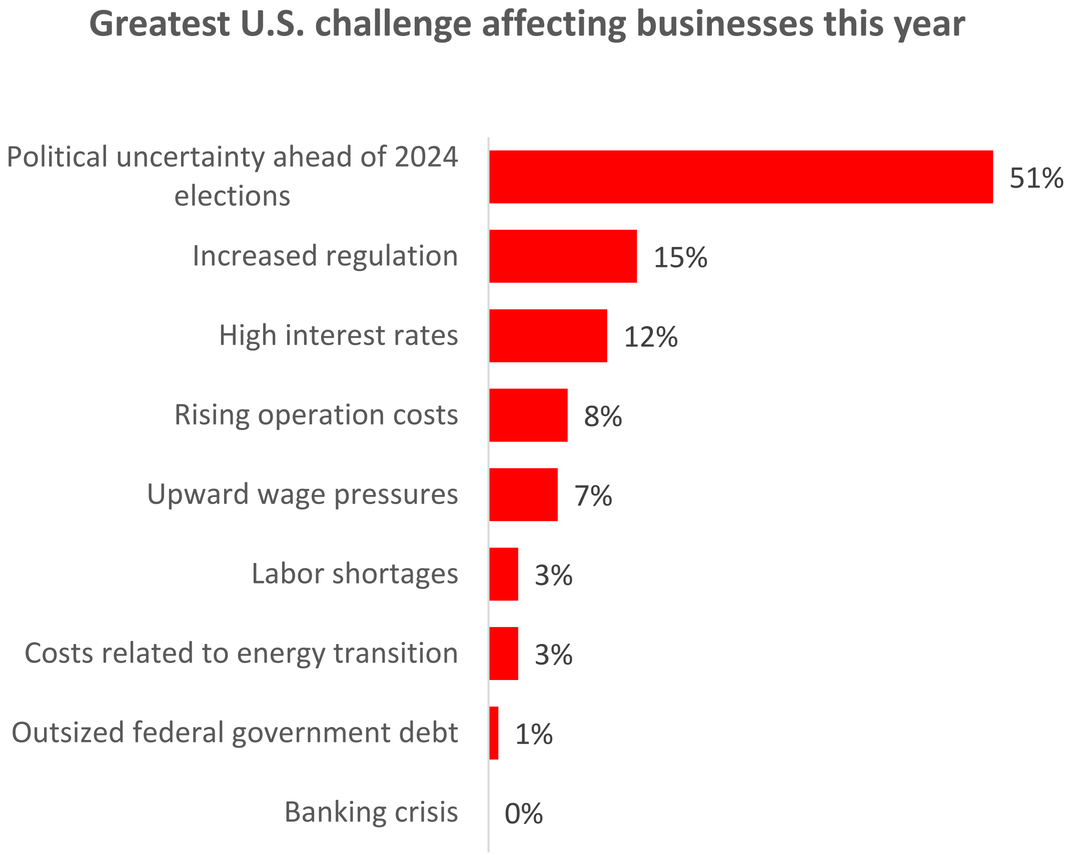
CEO Confidence

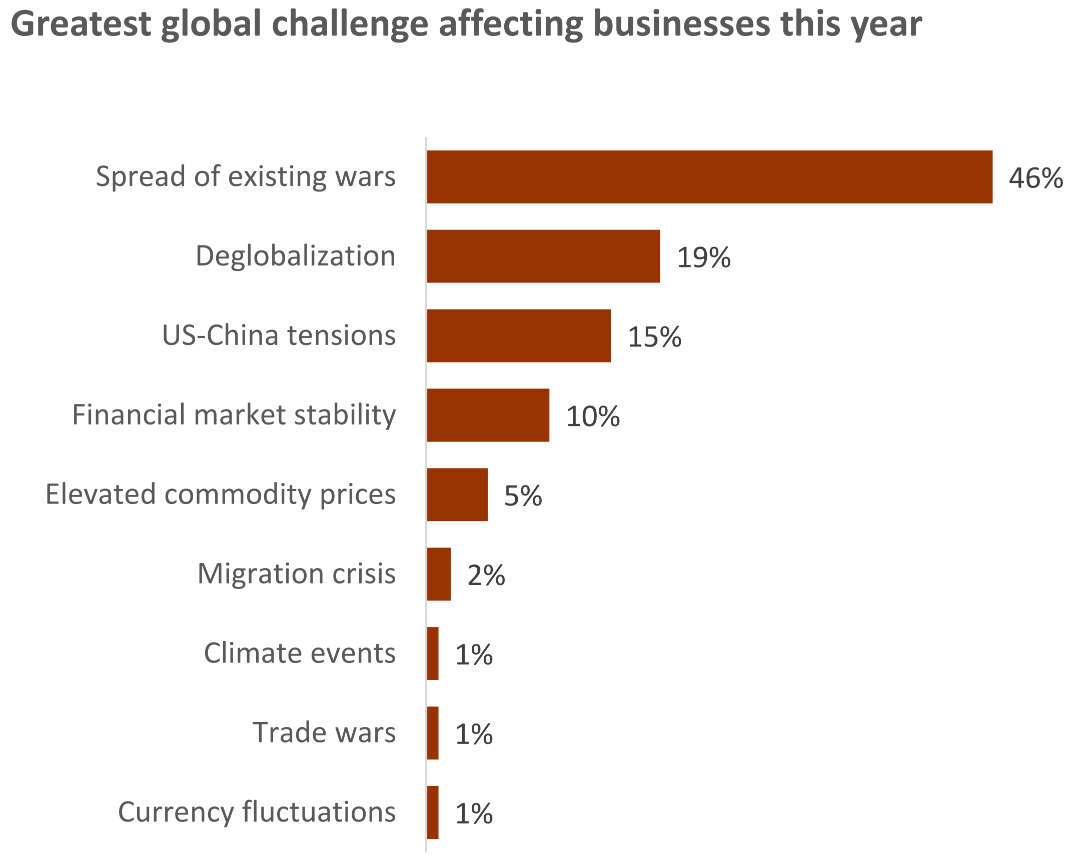
Greatest opportunity in the U.S. economy to benefit businesses this year



SOURCE: The Conference Board

Challenges affecting businesses in 2024





SOURCE: The Conference Board

U.S. economic outlook

	2016	2017	2018	2019	2020	2021	2022	2023	2024f
US GDP	1.8%	2.5%	3.0%	2.5%	-2.2%	5.8%	1.9%	2.5%	0.7%
Nonfarm Job Growth	1.8%	1.6%	1.6%	1.3%	-5.8%	2.9%	4.3%	2.3%	0.2%
Unemployment	4.9%	4.4%	3.9%	3.7%	8.1%	5.4%	3.6%	3.6%	4.4%
CPI	1.3%	2.1%	2.4%	1.8%	1.2%	4.7%	8.0%	4.1%	2.6%
Real Disposable Income, % Change	1.9%	3.1%	3.6%	3.1%	6.4%	3.1%	-5.9%	4.2%	2.1%

California economic outlook

	2016	2017	2018	2019	2020	2021	2022	2023p	2024f
Nonfarm Job Growth	2.3%	2.1%	2.1%	1.5%	-6.9%	3.2%	5.0%	1.4%	0.5%
Unemployment	5.5%	4.8%	4.3%	4.1%	10.3%	7.4%	4.4%	4.6%	5.0%
CA Population (Million)	39.4	39.5	39.6	39.6	39.5	39.5	39.5	39.5	39.5
Population Growth	0.6%	0.4%	0.2%	0.1%	-0.9%	-0.5%	-0.4%	0.0%	0.0%

California Housing Market Update

California Housing Market Snapshot

March 2024

267,470 | **Existing Home Sales**

-4.4% YTY   +0.7% YTD   **% change**

Median Sales Price

$854,490
+7.7% Y2Y

Unsold Inventory Index

2.6 months
+23.8% Y2Y

Median Days on Market

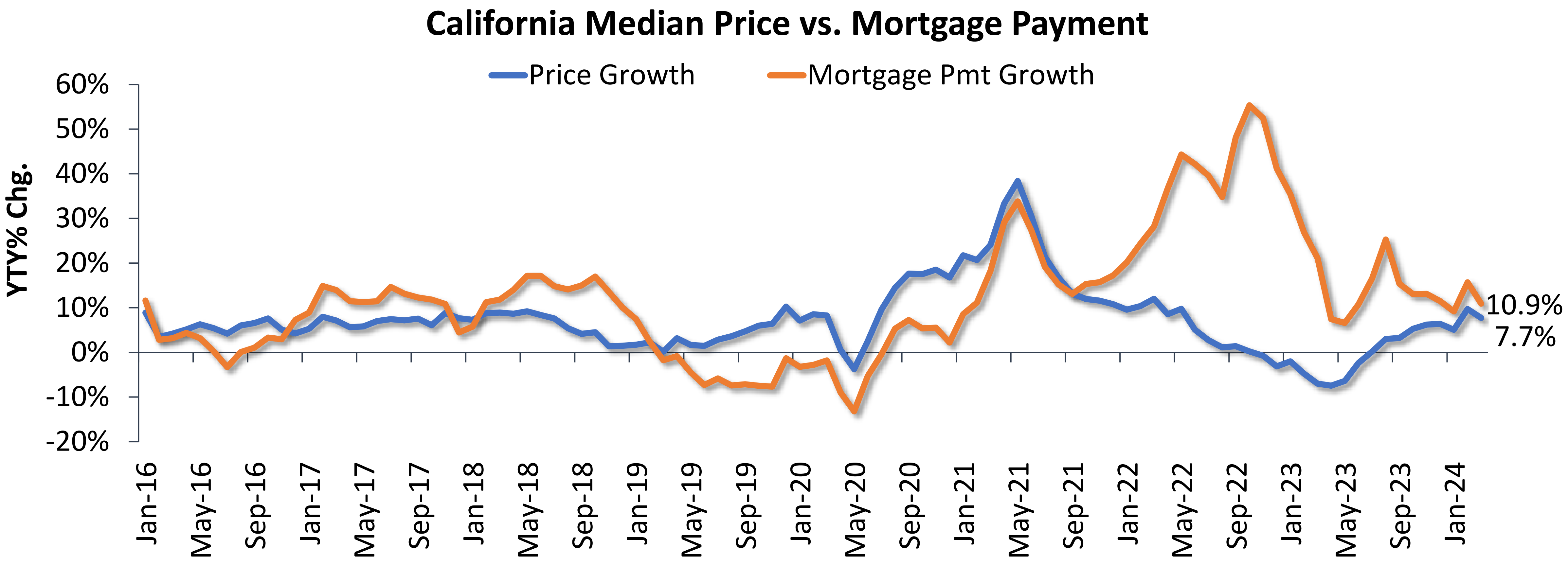
19 days
-20.8% Y2Y

Mortgage rates climbed as inflation remained sticky

Average 30-Yr. FRM

SERIES: Average 30 Yr. Fixed Rate Mortgage
SOURCE: Mortgage News Daily, Freddie Mac

Mortgage payment up from last year due partly to rate increases



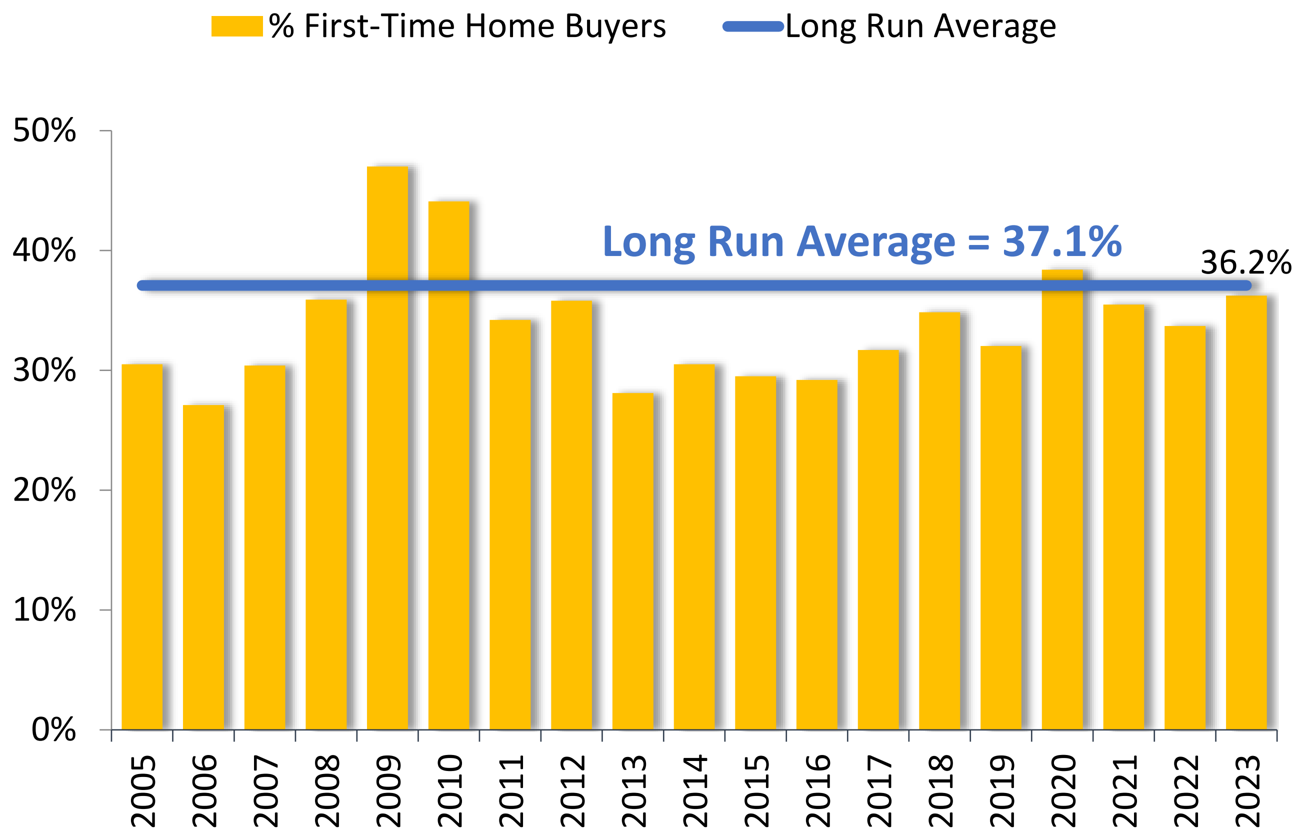
SERIES: Price Growth vs. Mortgage Payment Growth
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Financial Characteristics: All Buyers (2017 - 2023)

	2017	2018	2019	2020	2021	2022	2023
Median Household Income	$120,000	$120,000	$120,000	$140,000	$150,000	$150,000	$150,000
Median Monthly Mortgage Payment	$1,924	$2,000	$1,800	$2,000	$2,075	$2,798	$3,420
Median Downpayment (in $$)	$72,000	$78,000	$100,000	$83,000	$100,000	$121,000	$135,000
Median Downpayment (in % to Price)	17.6%	18.0%	19.8%	18.6%	18.7%	19.5%	20.0%

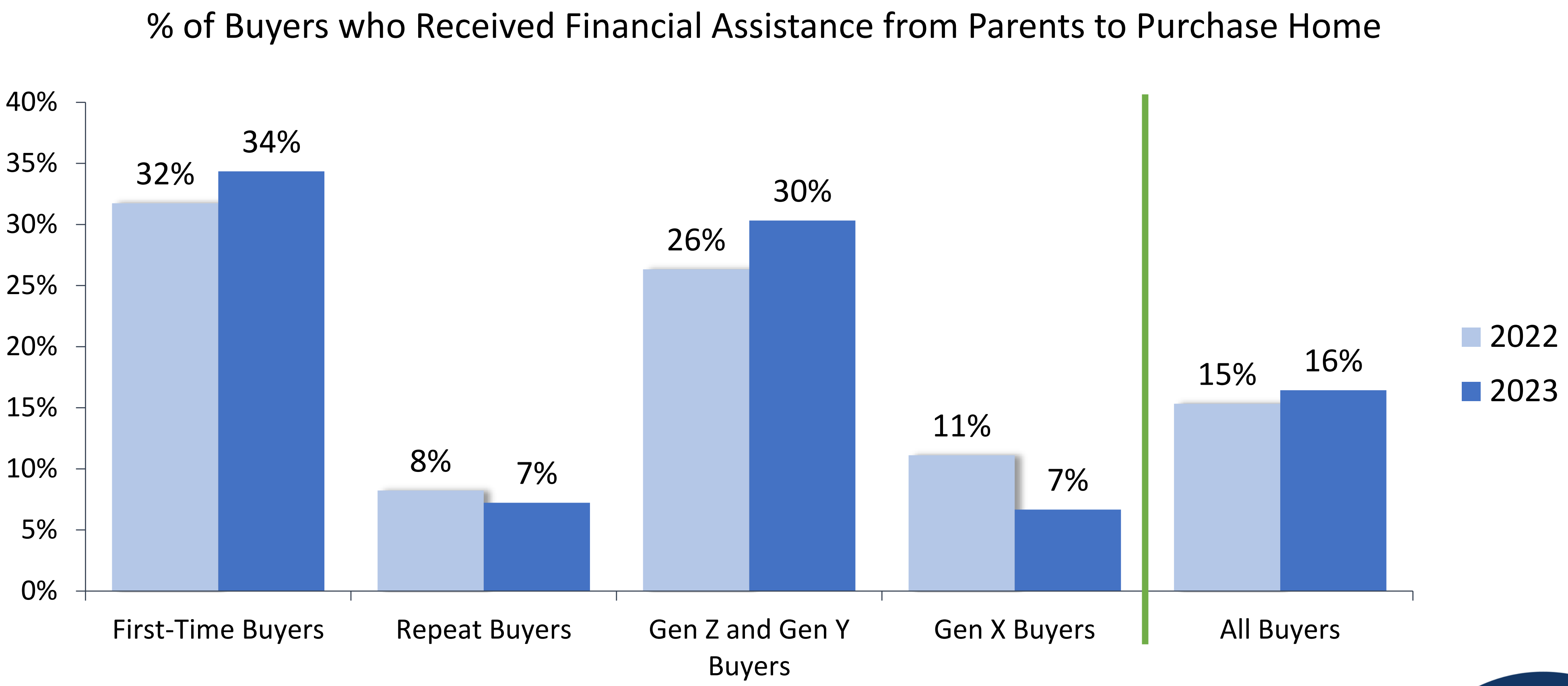
SERIES: 2023 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Share of first-time buyers bounced back after two straight years of decline



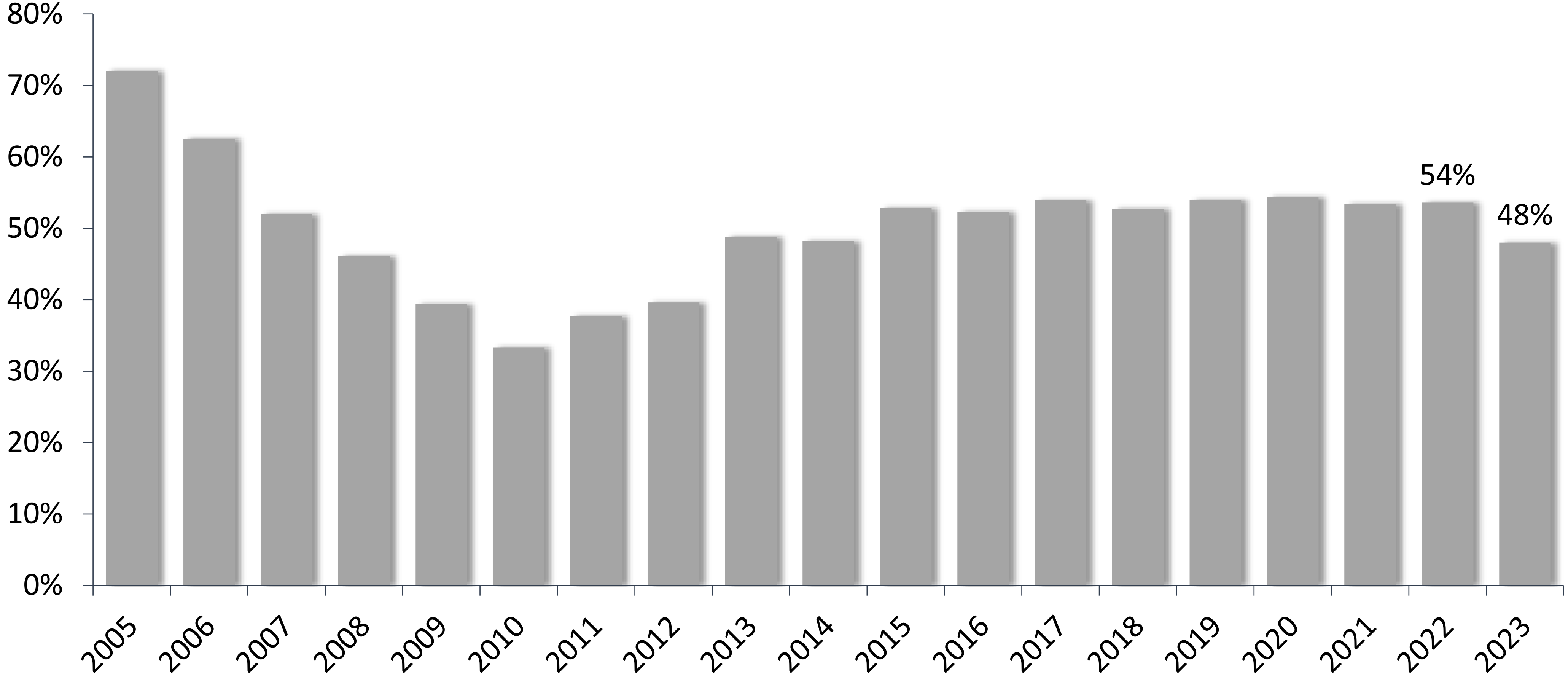
SERIES: 2023 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Many first-time buyers and younger buyers needed help financially to purchase their properties



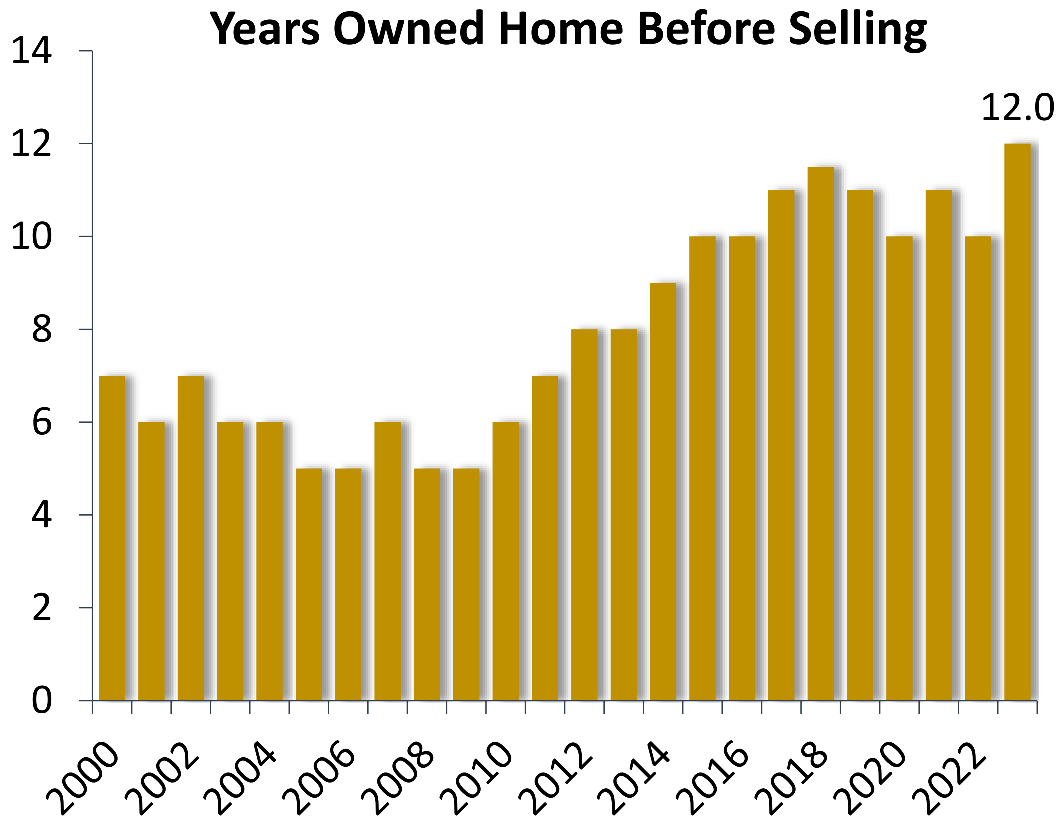
SERIES: 2023 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Share of sellers who planned to buy another home dipped to the lowest in nine years



SERIES: 2023 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Sellers' housing tenure reached a record high

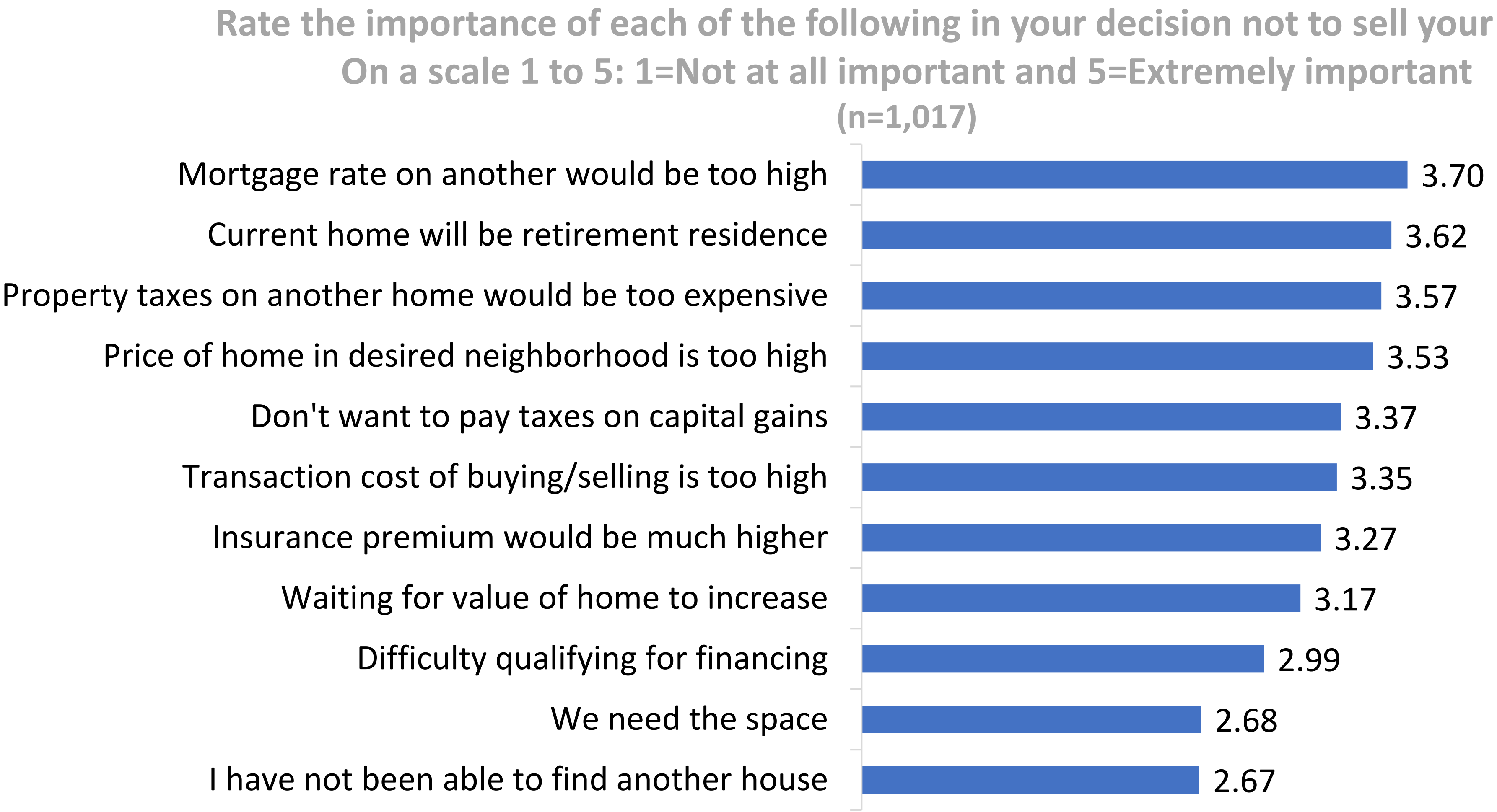


SERIES: 2023 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Homeowners holding onto their properties longer before selling because:

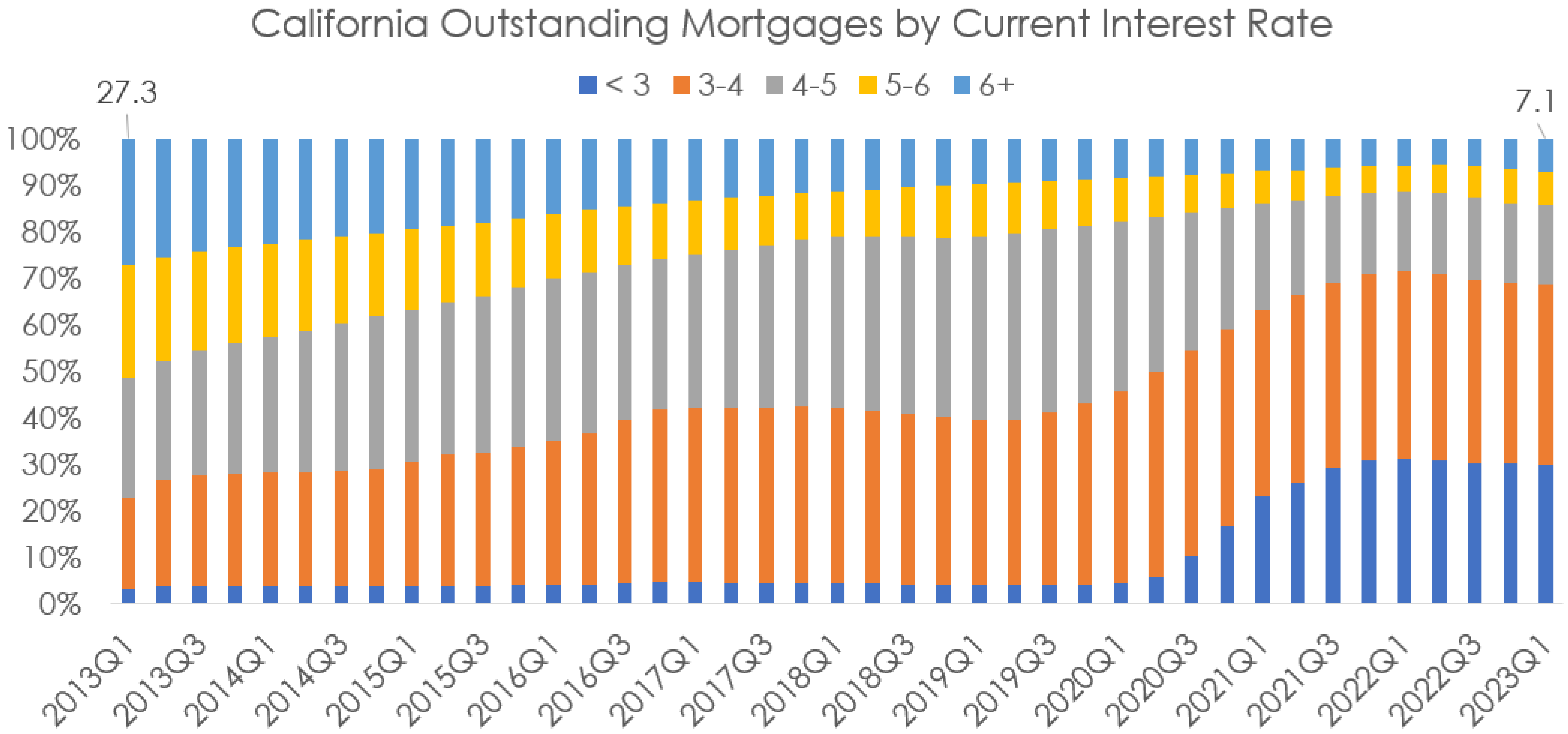
- Low rate on current mortgage
- Low property taxes
- Capital gains hit
- Where can I afford to go?
- Remodel and stay

Factors in decision not to sell

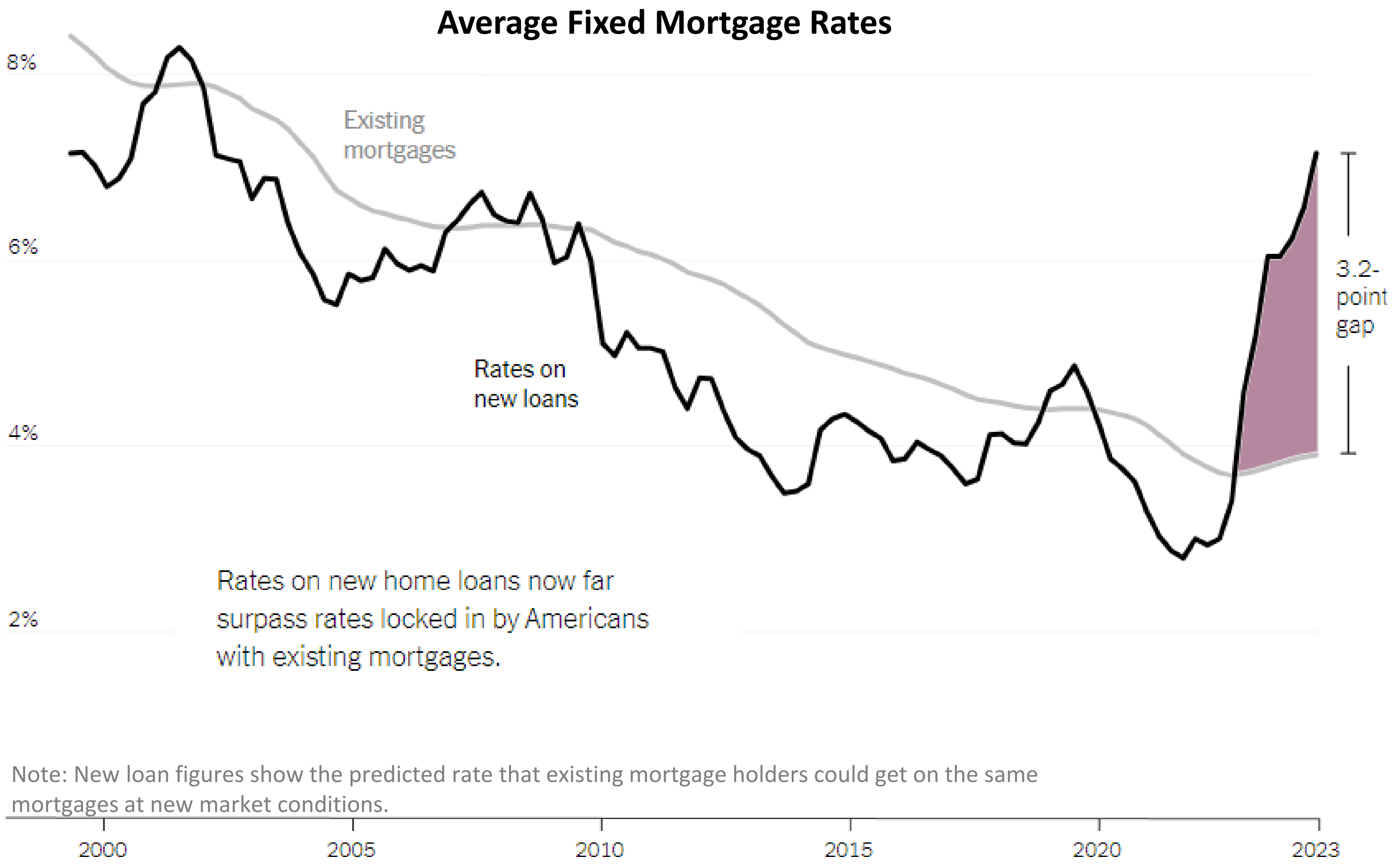


SERIES: 2023 Consumer Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Lock-in effect keeps properties from being listed



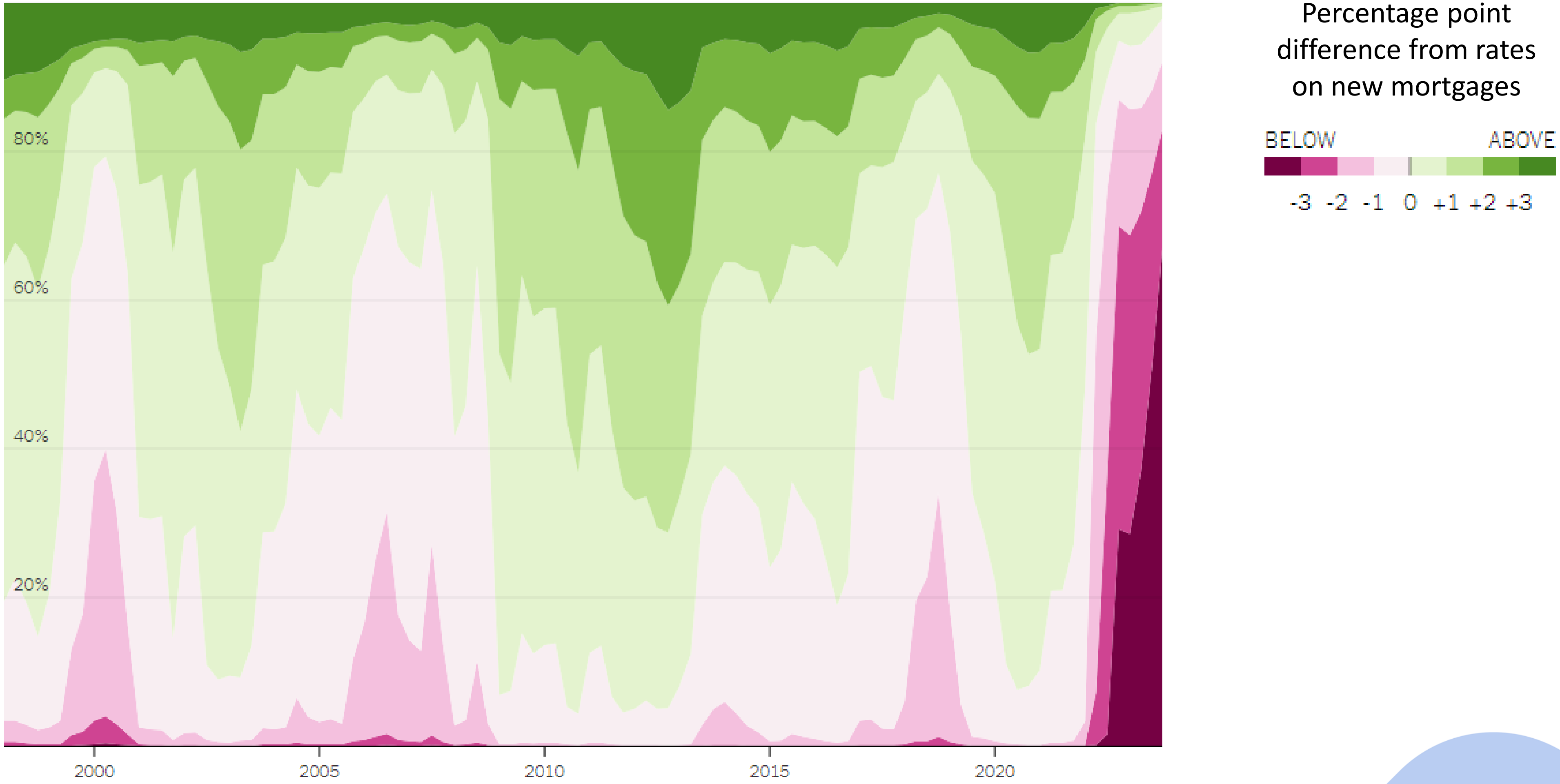
Rates: new loans vs. existing mortgages



SOURCE: Federal Housing Finance Agency, the New York Times

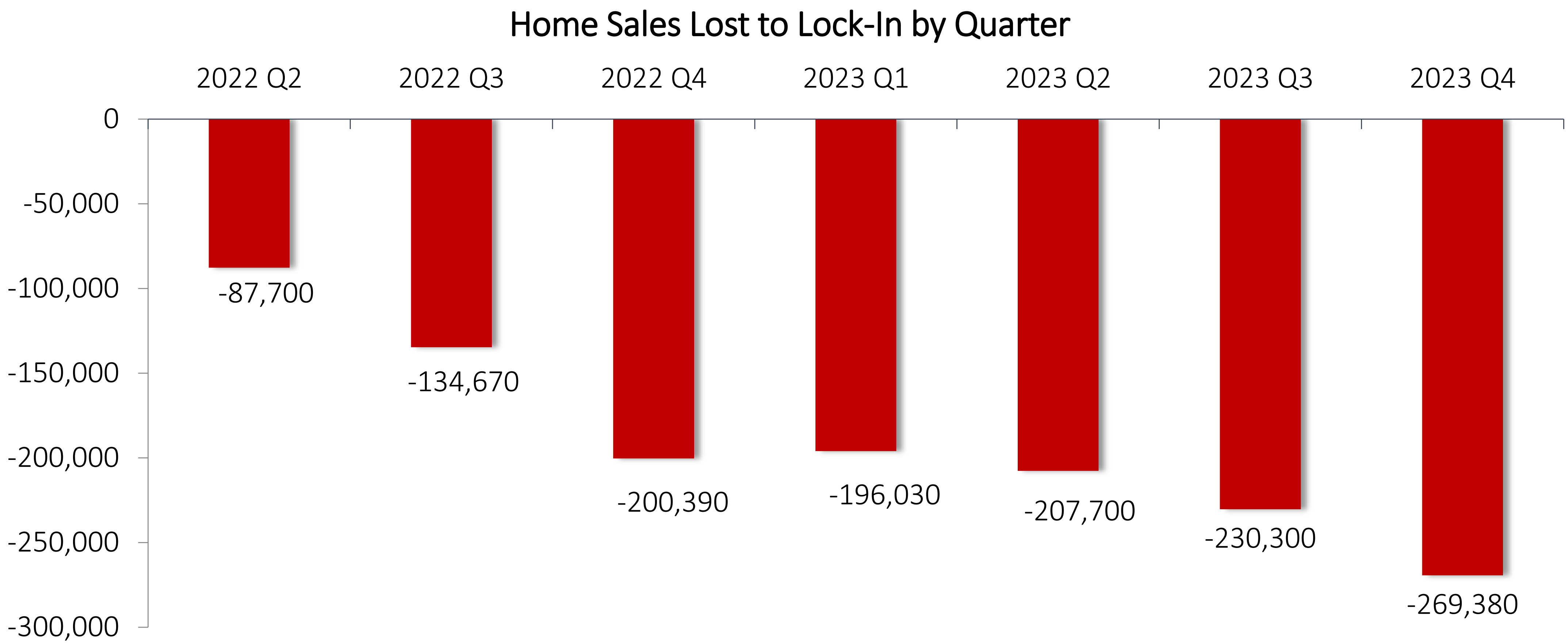
Over 80% of all mortgage holders had rates more than 200bps below the rate of a new loan

Share of existing mortgages with rates below or above new market rates



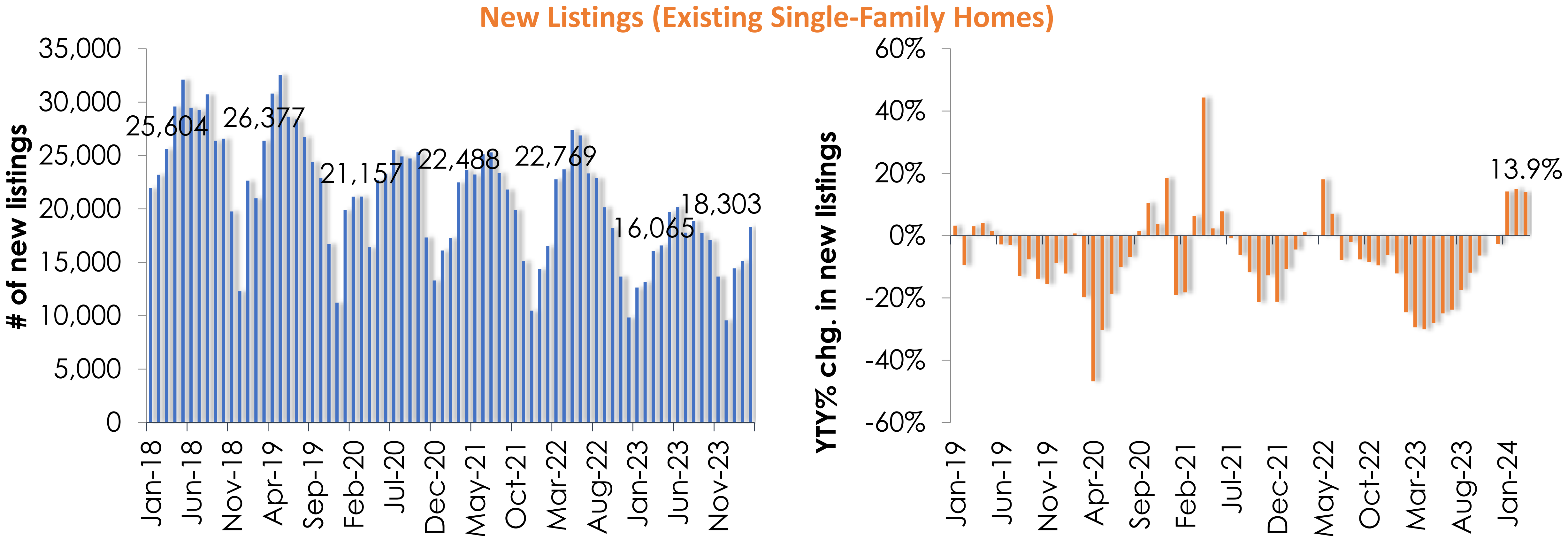
SOURCE: Federal Housing Finance Agency, the New York Times

1.33 million home sales were “lost” between Q2 2022 and Q4 2023



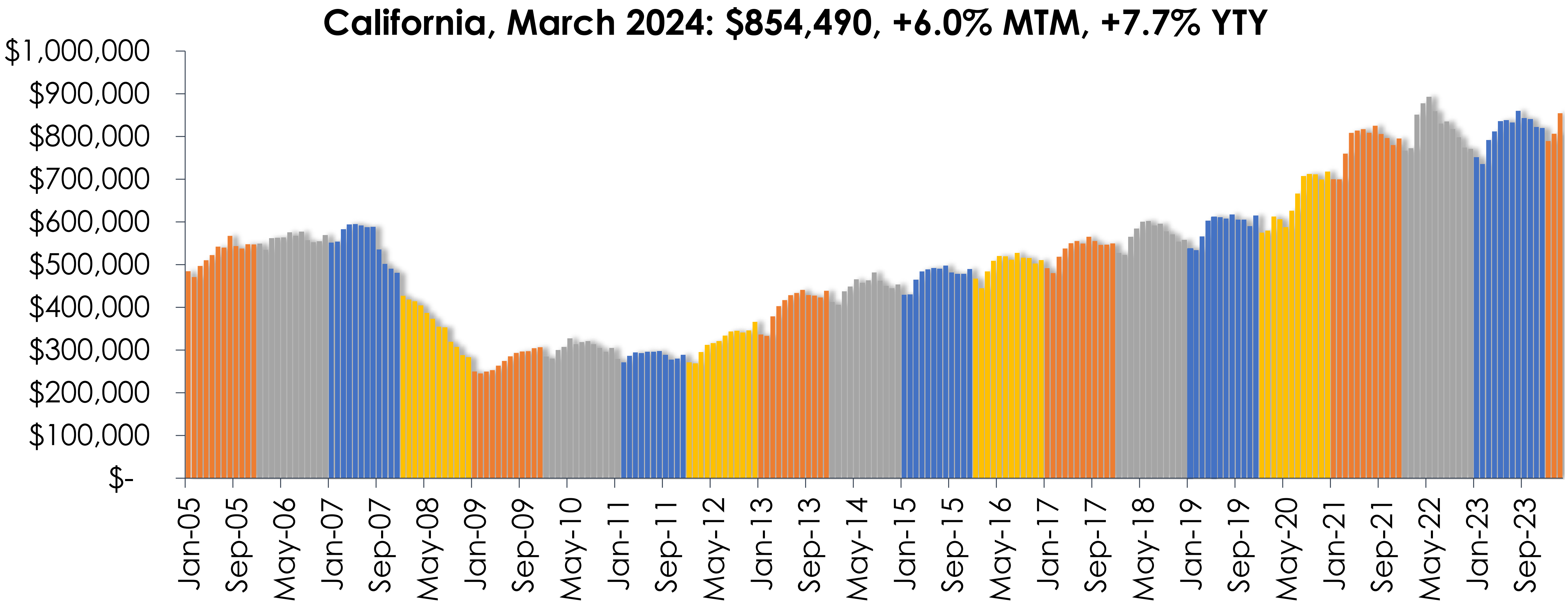
SOURCE: Federal Housing Finance Agency

New listings continued to grow above last year's level by double-digits



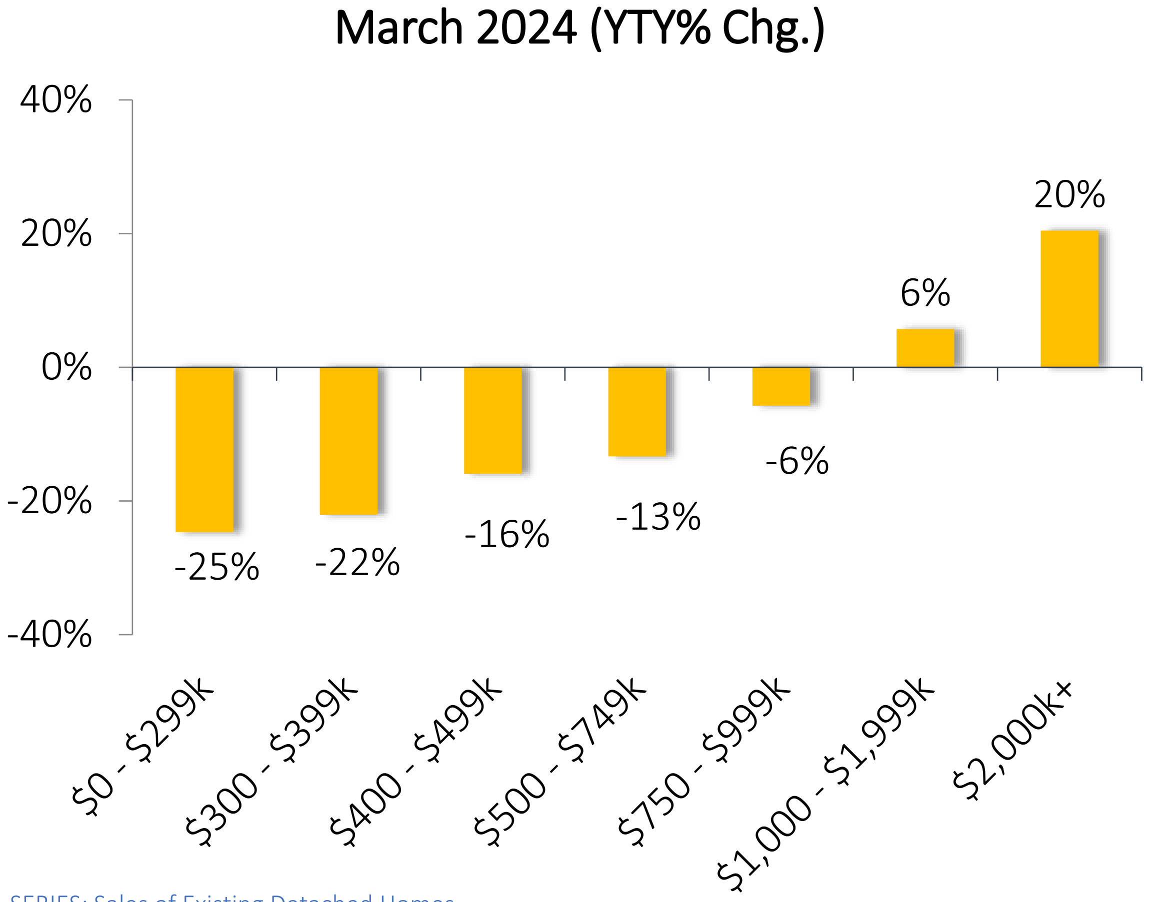
SERIES: New Listings (Existing Single-Family Homes)
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

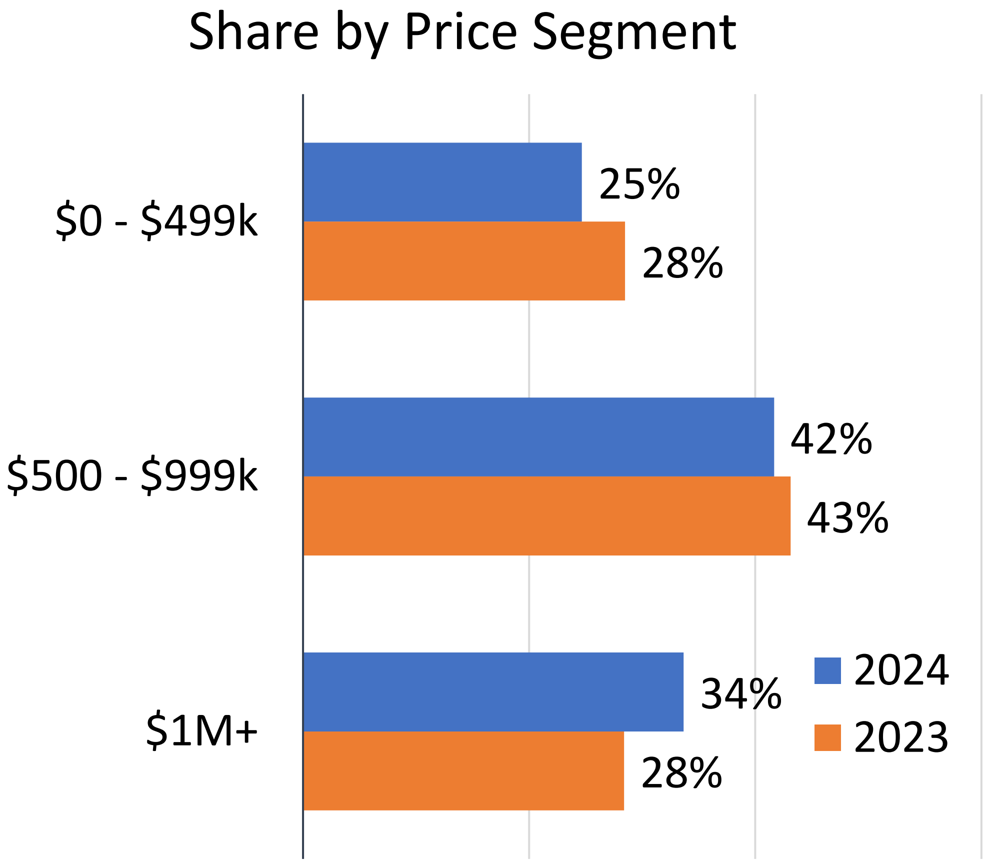
California median home price remained above $800K for the 11th time in the last 12 months



SERIES: Median Price of Existing Single-Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

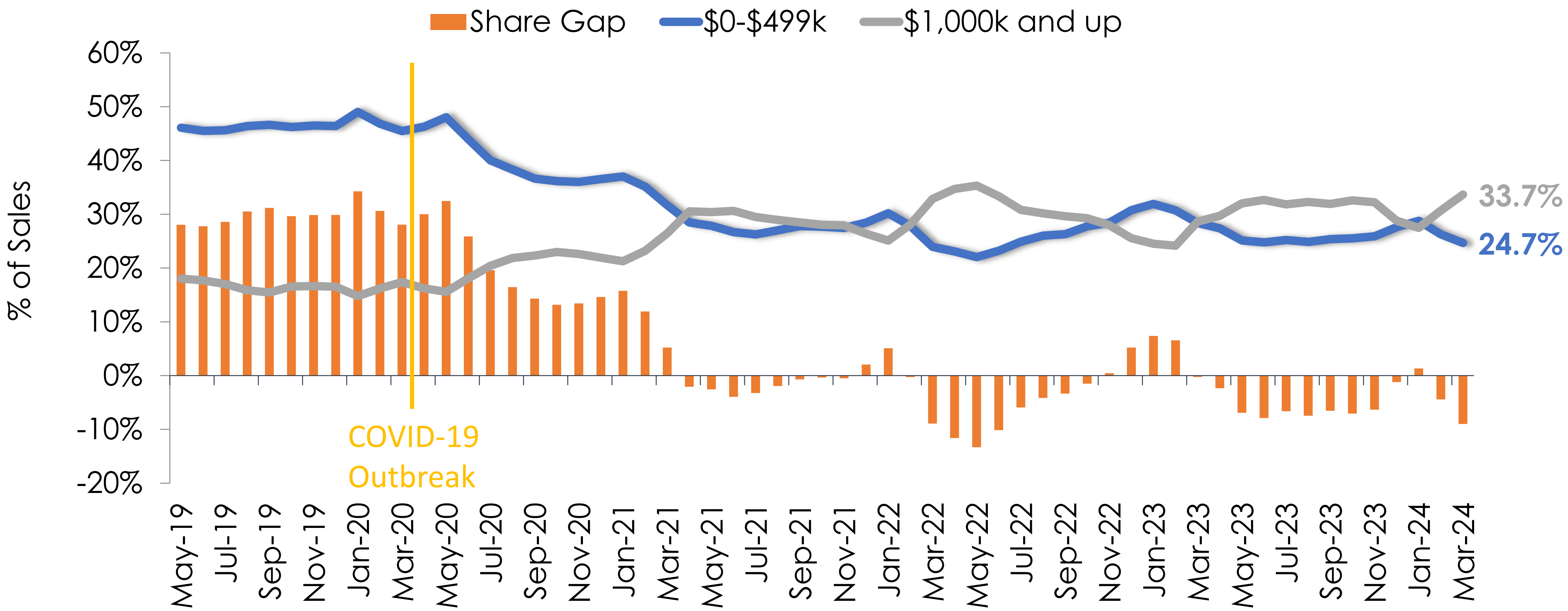
Sales at the top end of the market continued to exhibit faster growth





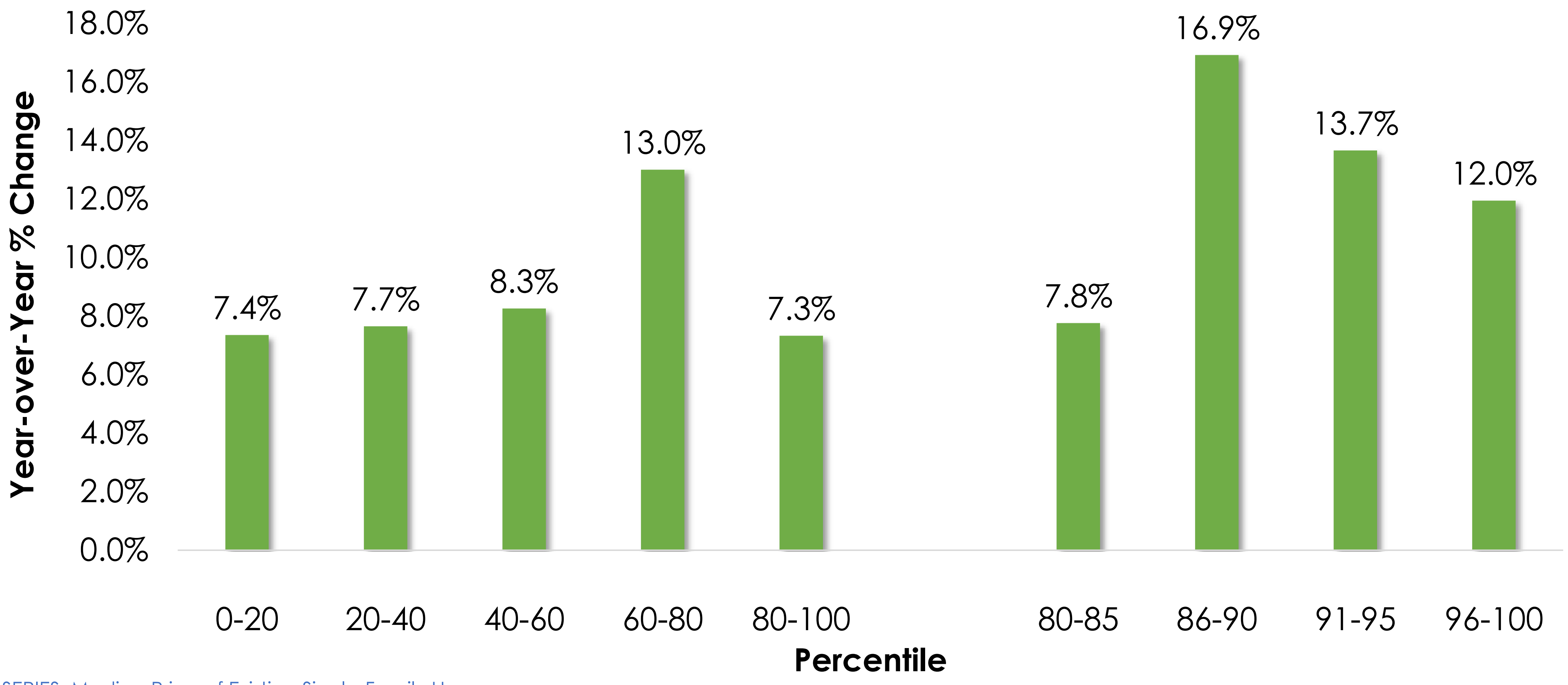
SERIES: Sales of Existing Detached Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Mix of sales change continues to support median price growth



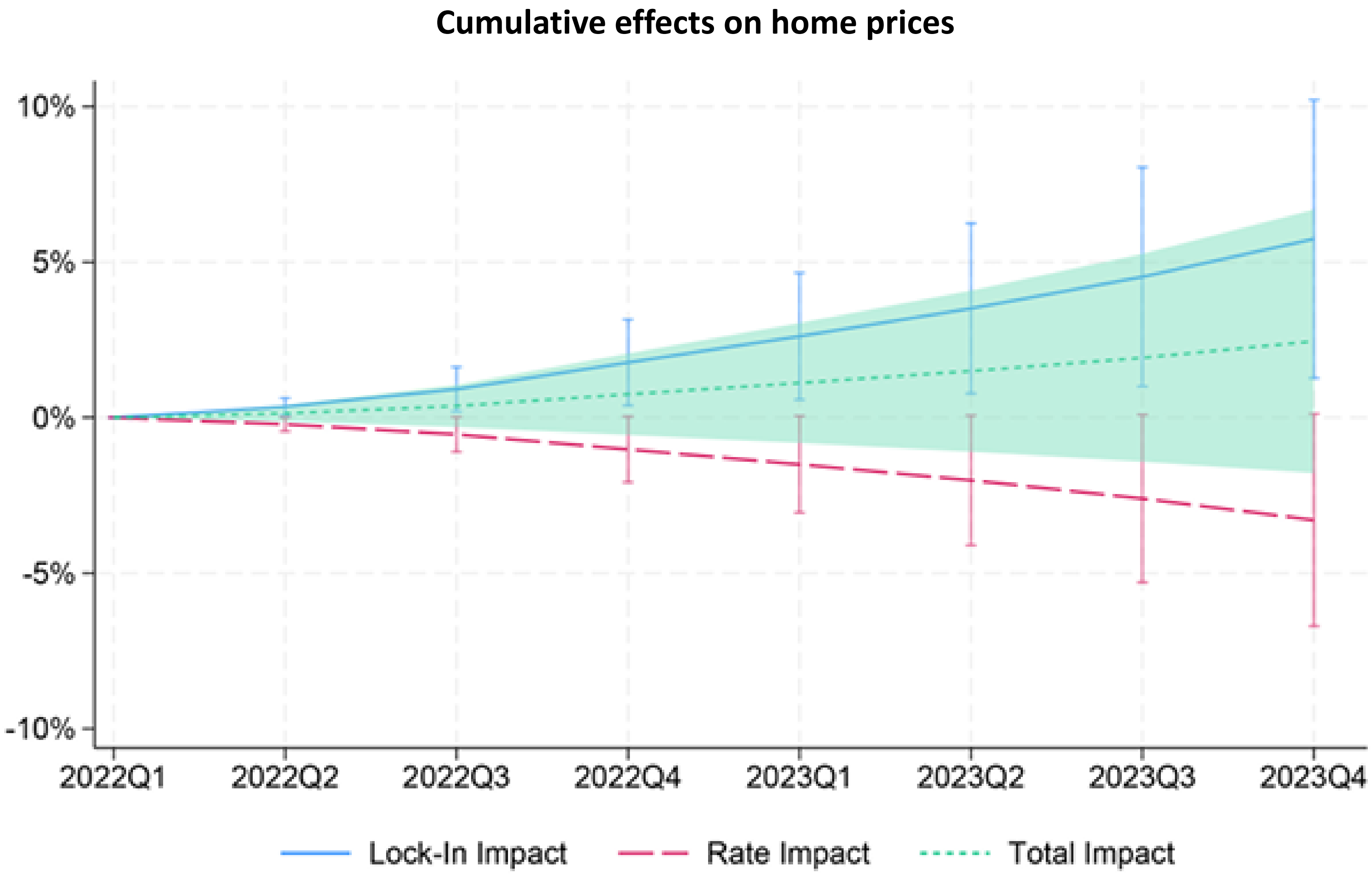
SERIES: Sales by Price Range
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Median price growth by percentile



SERIES: Median Price of Existing Single-Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Lock-in effect also resulted in higher home prices



SOURCE: Federal Housing Finance Agency

Regional/Local Housing Market Update

March 2024 Bay Area Housing Snapshot

-5.4% YTY
+3.4% YTD

Existing Home Sales
% change

$1,386,500
+15.5% YTY

Existing Home Price
% change

Unsold Inventory Index
2.0 months

Median Days on Market
13 days

Sales Price to List Price Ratio
103.0%

Sales by county – Bay Area

County/Month	Mar 24	Feb 24	Mar 23	mtm% chg.	yty% chg.	ytd% chg.
Alameda	572	436	594	31.2%	-3.7%	-1.5%
Contra Costa	515	450	652	14.4%	-21.0%	-4.2%
Marin	96	69	100	39.1%	-4.0%	4.7%
Napa	59	52	72	13.5%	-18.1%	1.4%
San Francisco	167	136	151	22.8%	10.6%	14.8%
San Mateo	231	188	221	22.9%	4.5%	6.9%
Santa Clara	616	413	613	49.2%	0.5%	13.3%
Solano	272	202	289	34.7%	-5.9%	2.3%
Sonoma	258	170	253	51.8%	2.0%	3.8%

SOURCE: C.A.R.

Median price by county – Bay Area

County/Month	Mar 24	Feb 24	Mar 23	mtm% chg.	yty% chg.
Alameda	$1,400,000	$1,300,000	$1,205,000	7.7%	16.2%
Contra Costa	$890,000	$850,000	$812,500	4.7%	9.5%
Marin	$1,957,500	$1,610,000	$1,600,000	21.6%	22.3%
Napa	$880,000	$882,500	$890,000	-0.3%	-1.1%
San Francisco	$1,745,000	$1,590,000	$1,700,000	9.7%	2.6%
San Mateo	$2,170,000	$1,922,500	$1,860,000	12.9%	16.7%
Santa Clara	$1,910,000	$1,808,890	$1,700,000	5.6%	12.4%
Solano	$584,950	$580,000	$585,000	0.9%	0.0%
Sonoma	$865,000	$826,500	$829,000	4.7%	4.3%

SOURCE: C.A.R.

New active listings by county – Bay Area

County/Month	Mar 24	Feb 24	Mar 23	mtm% chg.	yty% chg.
Alameda	1,078	826	958	30.5%	12.5%
Contra Costa	1,098	871	1,087	26.1%	1.0%
Marin	150	80	141	87.5%	6.4%
Napa	107	70	91	52.9%	17.6%
San Francisco	137	111	124	23.4%	10.5%
San Mateo	273	207	225	31.9%	21.3%
Santa Clara	619	466	554	32.8%	11.7%
Solano	285	222	250	28.4%	14.0%
Sonoma	316	205	235	54.1%	34.5%

SOURCE: C.A.R.

monthly
market
report
March
2024

Antioch, California

Median Price

$640K

% Change from Last Year +5.8%

Home Sales

64

% Change from Last Year -25.6%

Active Listings

49

% Change from Last Year +122.7%

Market Competition

Median Days on Market	13
Sales to List Price %	101.2%
% of Active Listings with Reduced Prices	18.4%

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Berkeley, California

monthly
market
report
March
2024

Median Price

$1.71M

% Change from Last Year +12.8%

Home Sales

46

% Change from Last Year +24.3%

Active Listings

29

% Change from Last Year +31.8%

Market Competition

Median Days on Market	15
Sales to List Price %	111.1%
% of Active Listings with Reduced Prices	10.3%

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monthly market report March 2024

Concord, California

Median Price

$825K

% Change from Last Year +4.1%

Home Sales

59

% Change from Last Year -7.8%

Active Listings

26

% Change from Last Year +52.9%

Market Competition

Median Days on Market	9
Sales to List Price %	102.2%
% of Active Listings with Reduced Prices	34.6%

Danville, California

monthly
market
report
March
2024

Median Price

$2.28M

% Change from Last Year +12.2%

Home Sales

34

% Change from Last Year -33.3%

Active Listings

36

% Change from Last Year +5.9%

Market Competition

Median Days on Market	7
Sales to List Price %	104.8%
% of Active Listings with Reduced Prices	11.1%

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Fremont, California

monthly
market
report
March
2024

Median Price

$1.78M

% Change from Last Year +17.7%

Home Sales

88

% Change from Last Year +37.5%

Active Listings

15

% Change from Last Year -25.0%

Market Competition

Median Days on Market	7	Sales to List Price %	111.2%	% of Active Listings with Reduced Prices	20.0%

Hayward, California

monthly
market
report
March
2024

Median Price

$930K

% Change from Last Year +5.7%

Home Sales

41

% Change from Last Year -45.3%

Active Listings

33

% Change from Last Year +3.1%

Market Competition

Median Days on Market	10
Sales to List Price %	107.7%
% of Active Listings with Reduced Prices	18.2%

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Oakland, California

monthly
market
report
March
2024

Median Price

$1.03M

% Change from Last Year +5.6%

Home Sales

160

% Change from Last Year -0.6%

Active Listings

225

% Change from Last Year +55.2%

Market Competition

Median Days on Market	14
Sales to List Price %	106.0%
% of Active Listings with Reduced Prices	32.0%

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Richmond, California

monthly
market
report
March
2024

Median Price

$763K

% Change from Last Year +19.7%

Home Sales

41

% Change from Last Year -18.0%

Active Listings

38

% Change from Last Year +111.1%

Market Competition

Median Days on Market	15
Sales to List Price %	101.4%
% of Active Listings with Reduced Prices	26.3%

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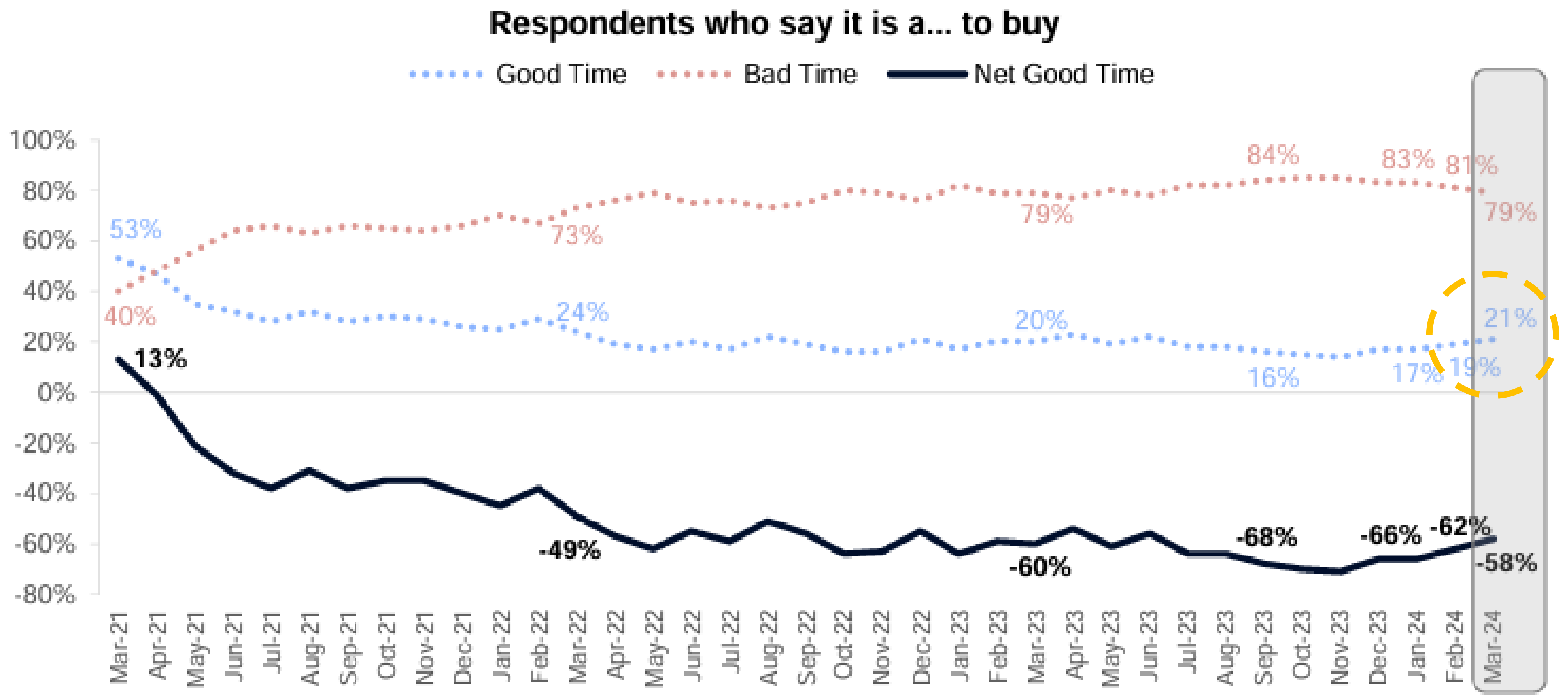
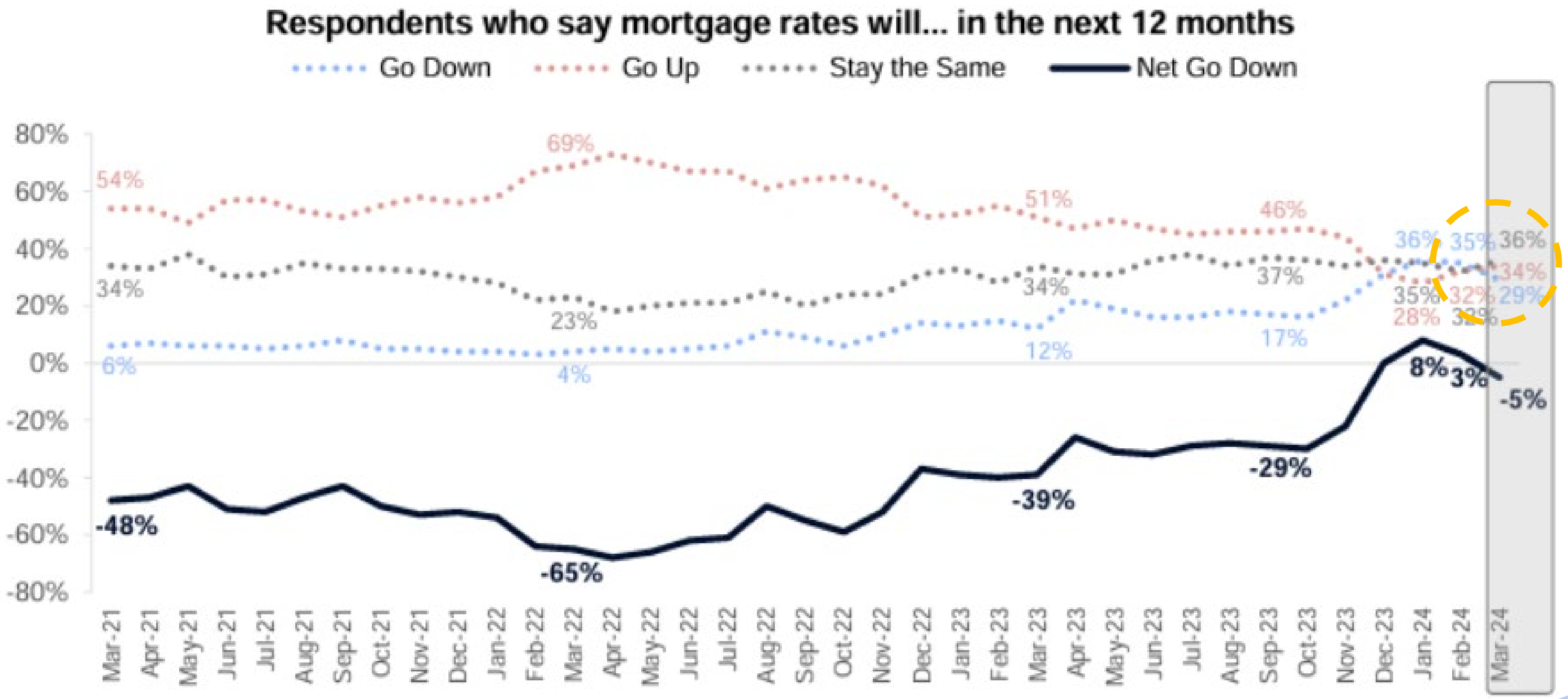
Housing Market Outlook

Home purchase sentiment inched up



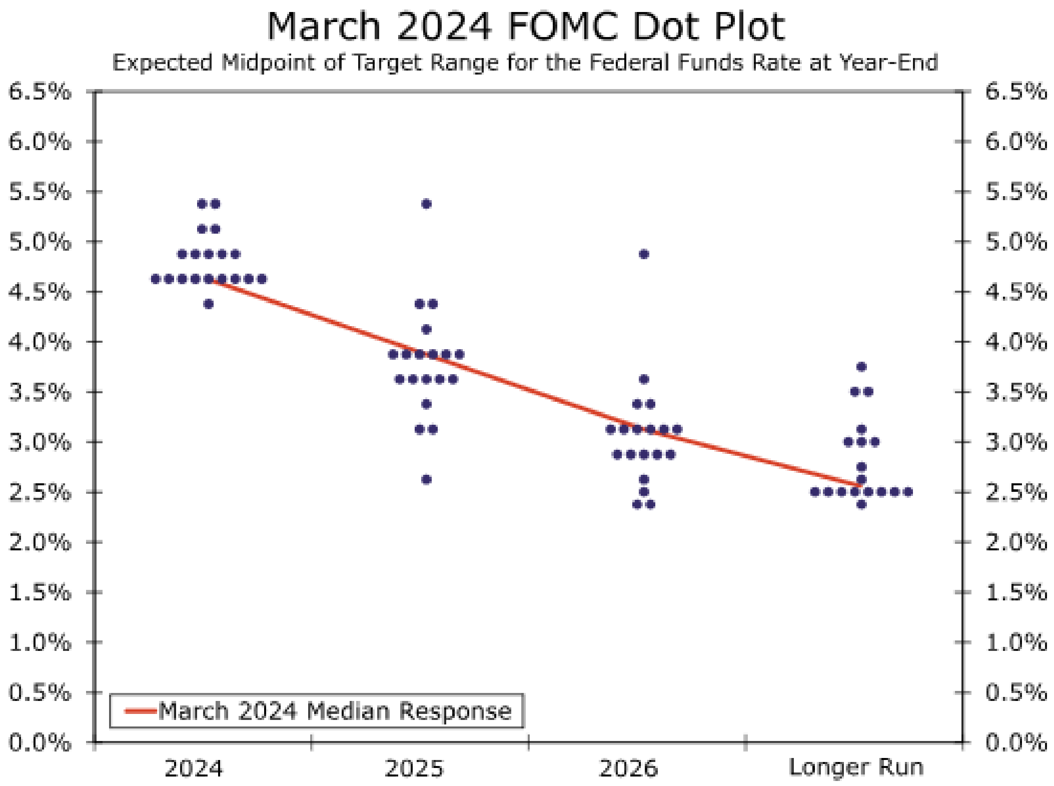
SOURCE: Fannie Mae Home Purchase Sentiment Survey

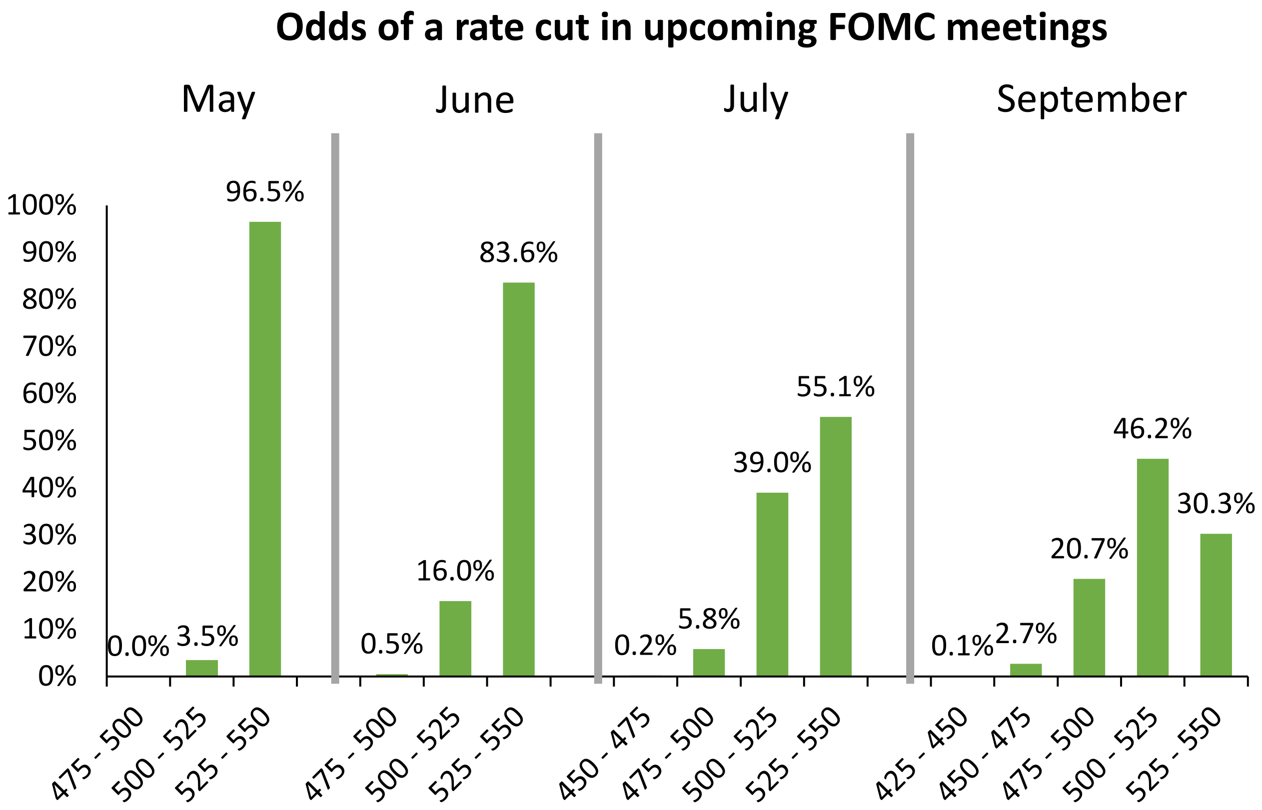
Consumers who believe rates will go down fell again



SOURCE: Fannie Mae Home Purchase Sentiment Survey

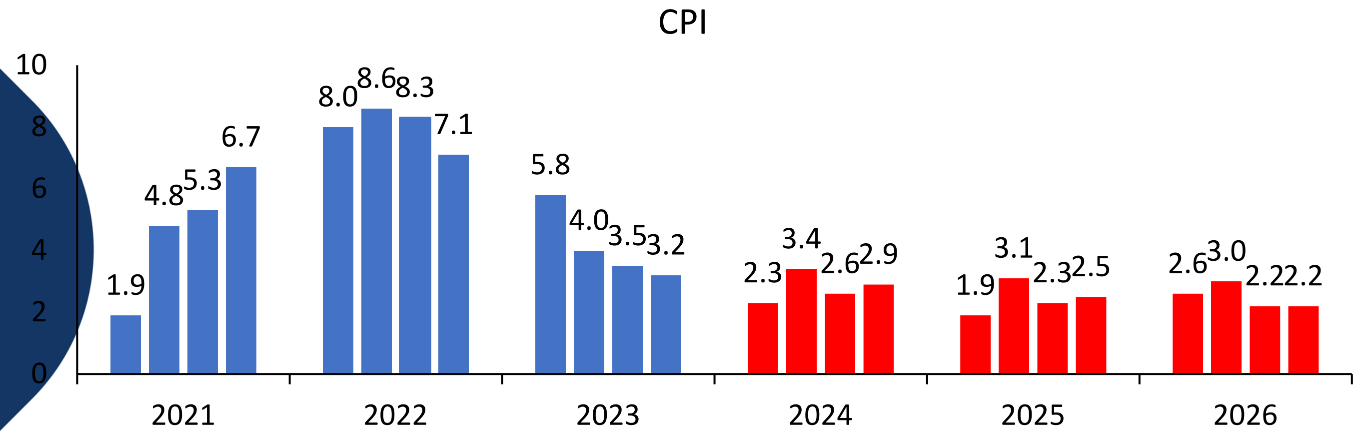
Fed will probably cut rate in 2024... right?

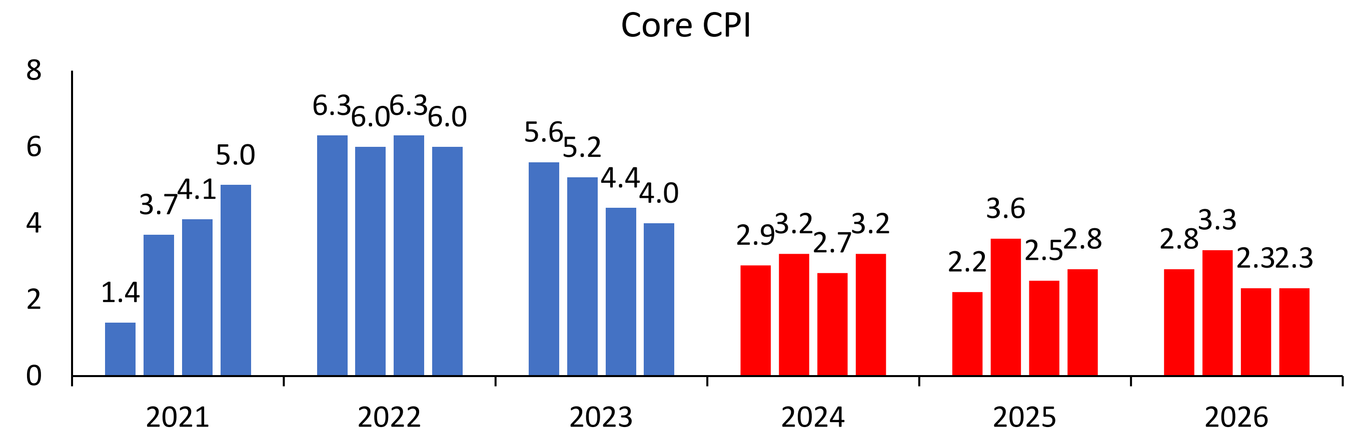


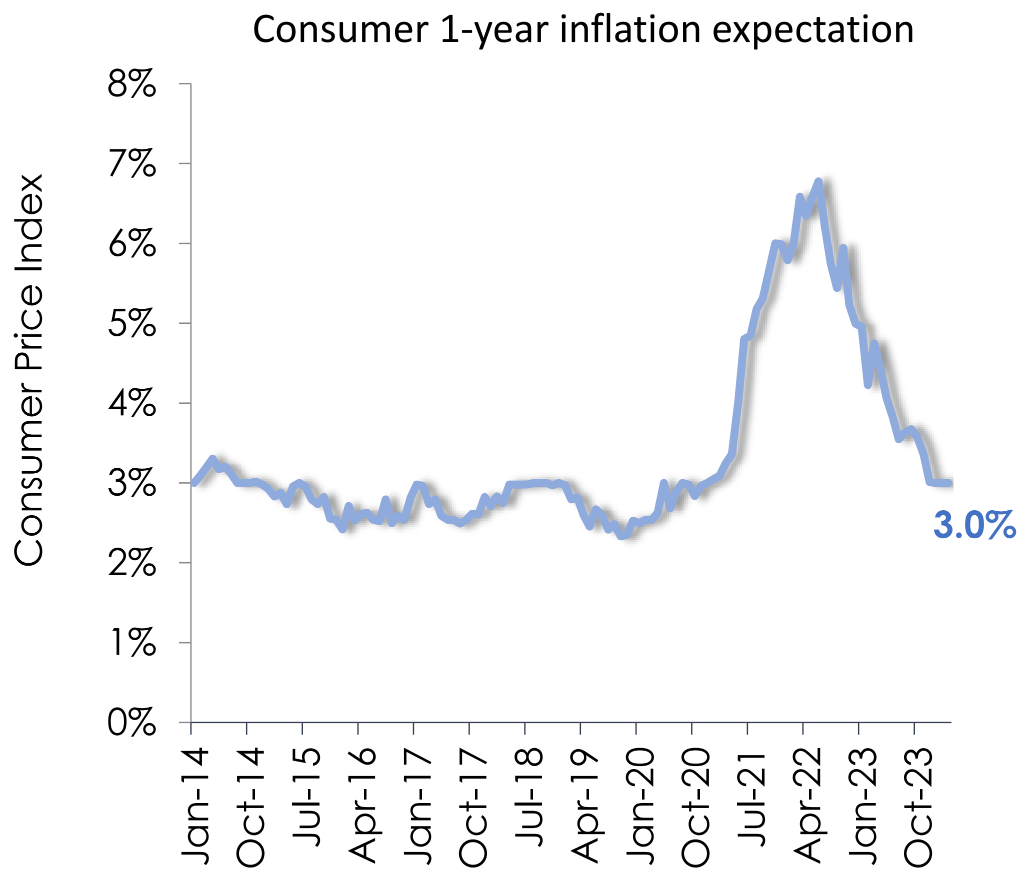


SOURCE: Federal Reserve Board and Wells Fargo Economics

Consistently low inflation level may not be reached until second half of 2026

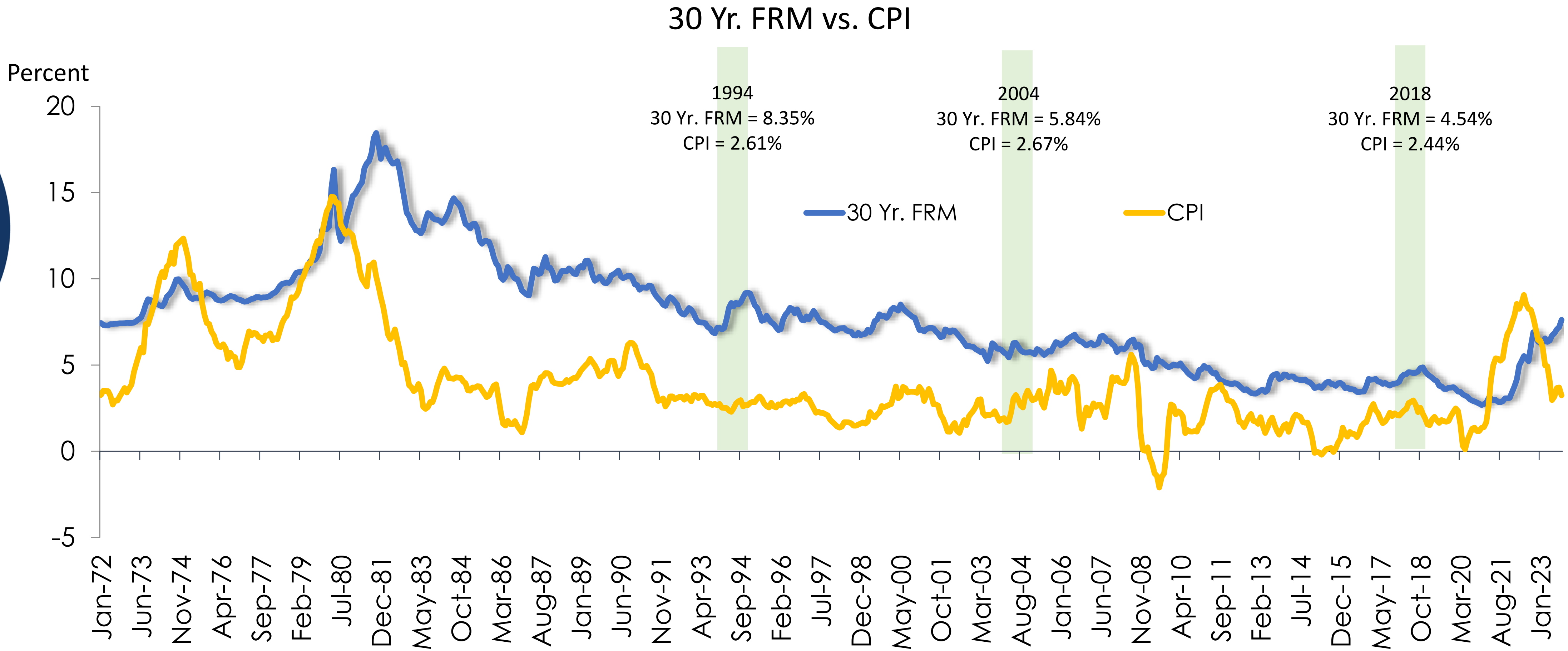






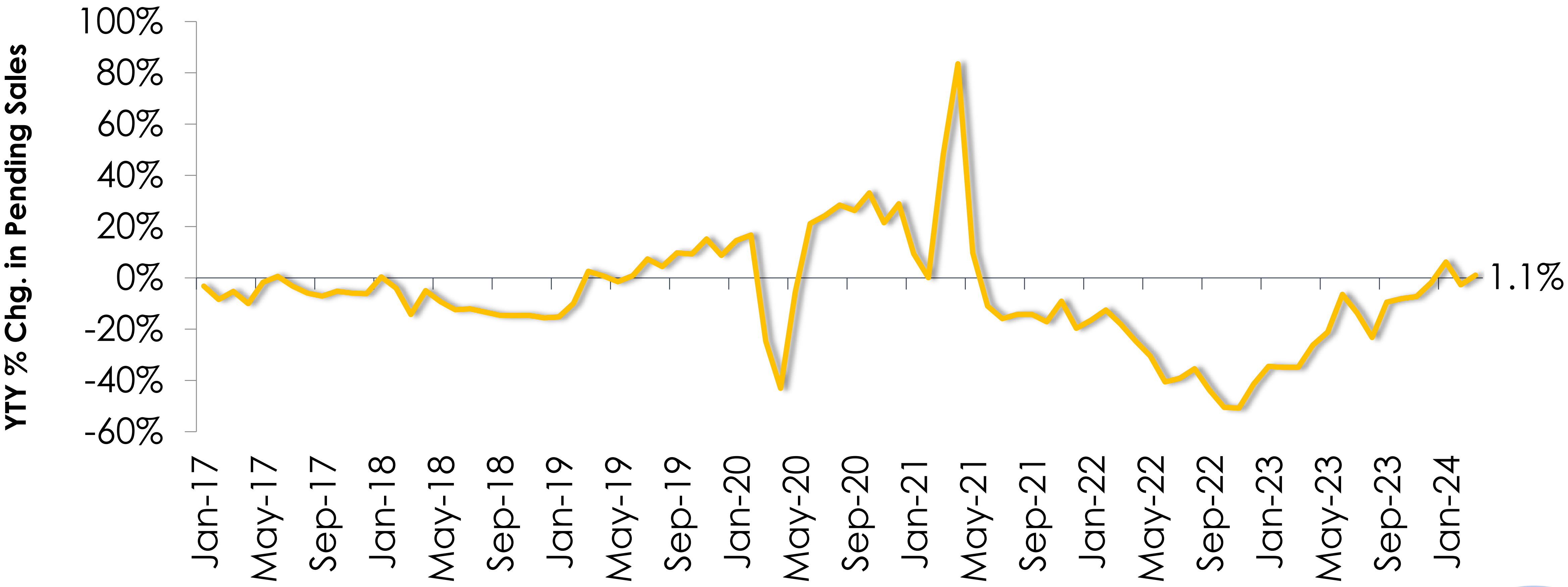
SOURCE: Federal Reserve of New York, UCLA

What should rate look like with inflation remaining above 2.5%?



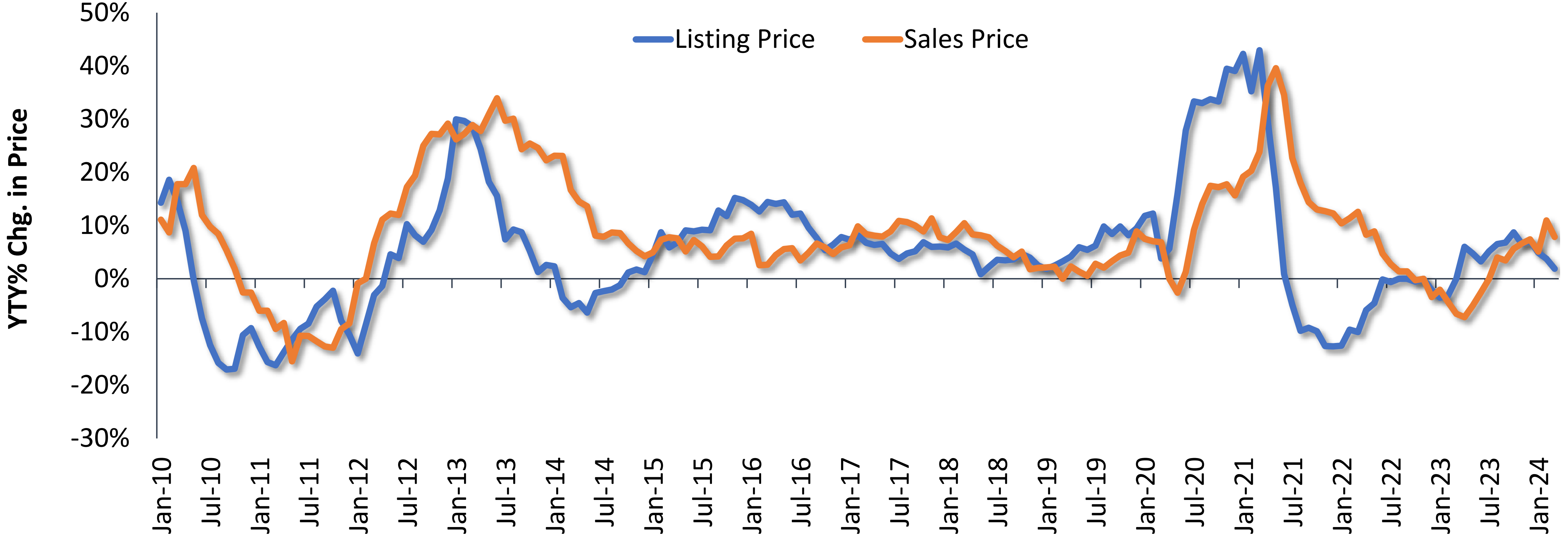
SOURCE: Federal Reserve of St. Louis

Pending sales growth bounced back after briefly dipping below "0" in February



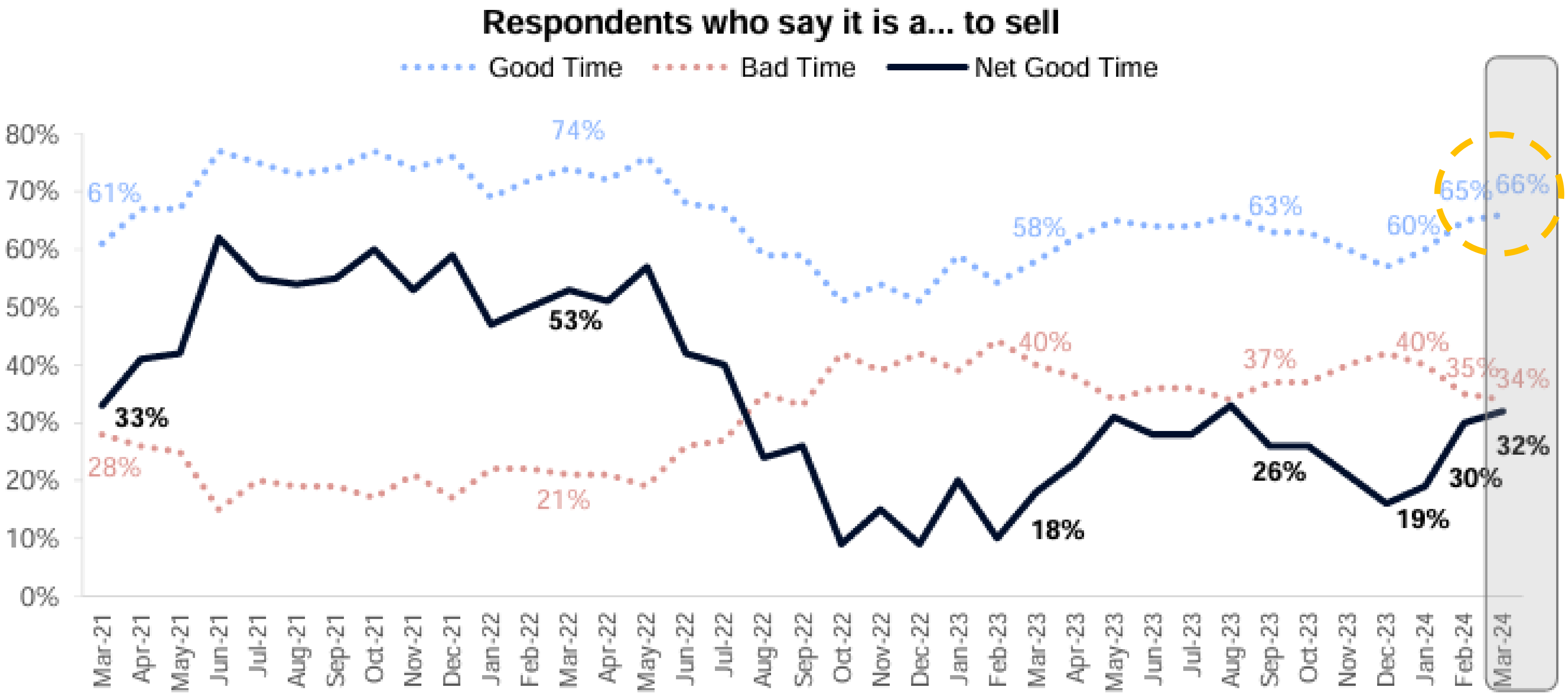
SERIES: Percent Change in Pending Sales
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

List price vs. sales price



SERIES: List price growth and sales price growth
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

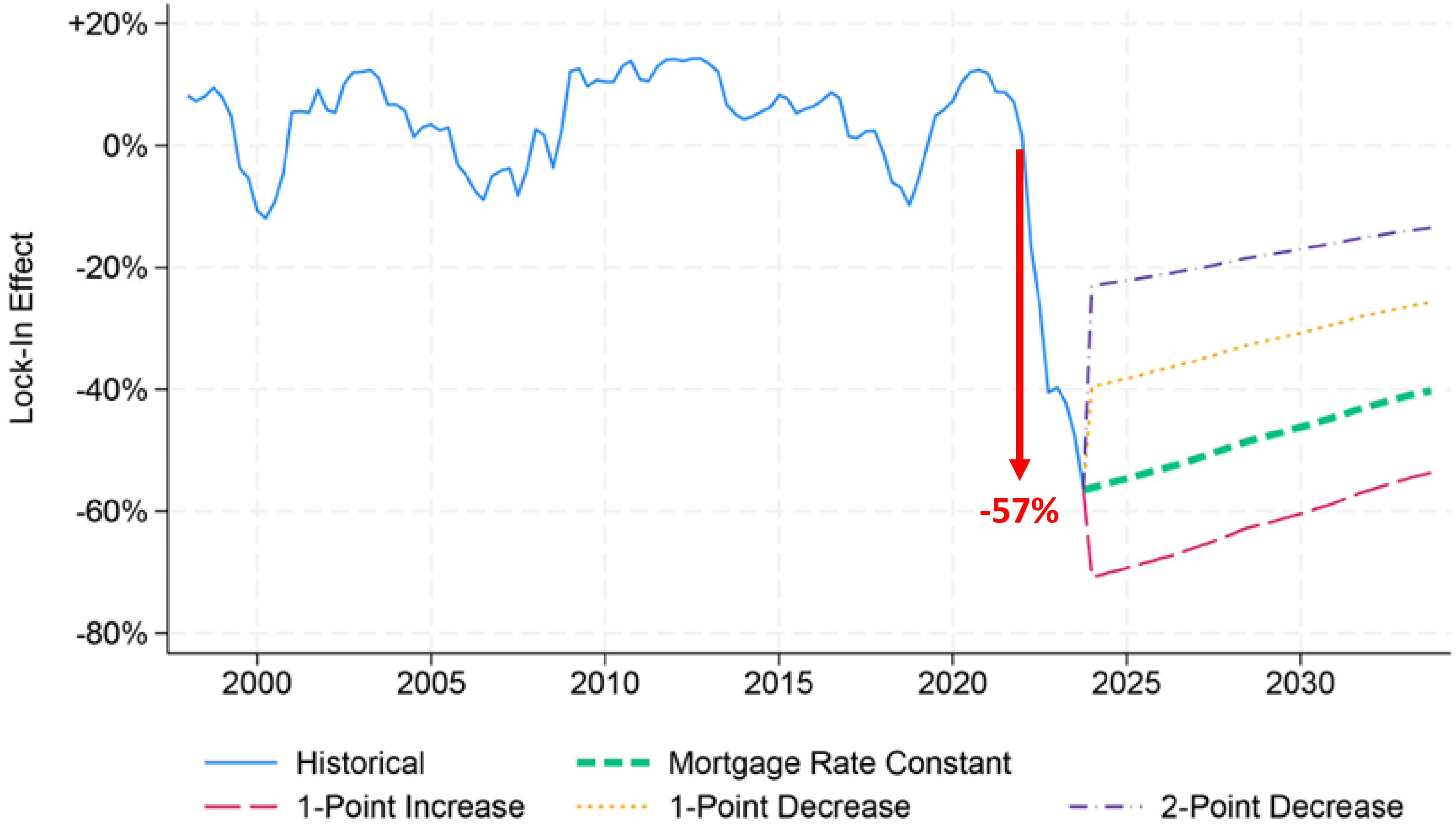
Seller sentiment continued to climb



SOURCE: Fannie Mae Home Purchase Sentiment Survey

Rate cuts will reduce the lock-in effect

Future Lock-In Effect on Home Sales



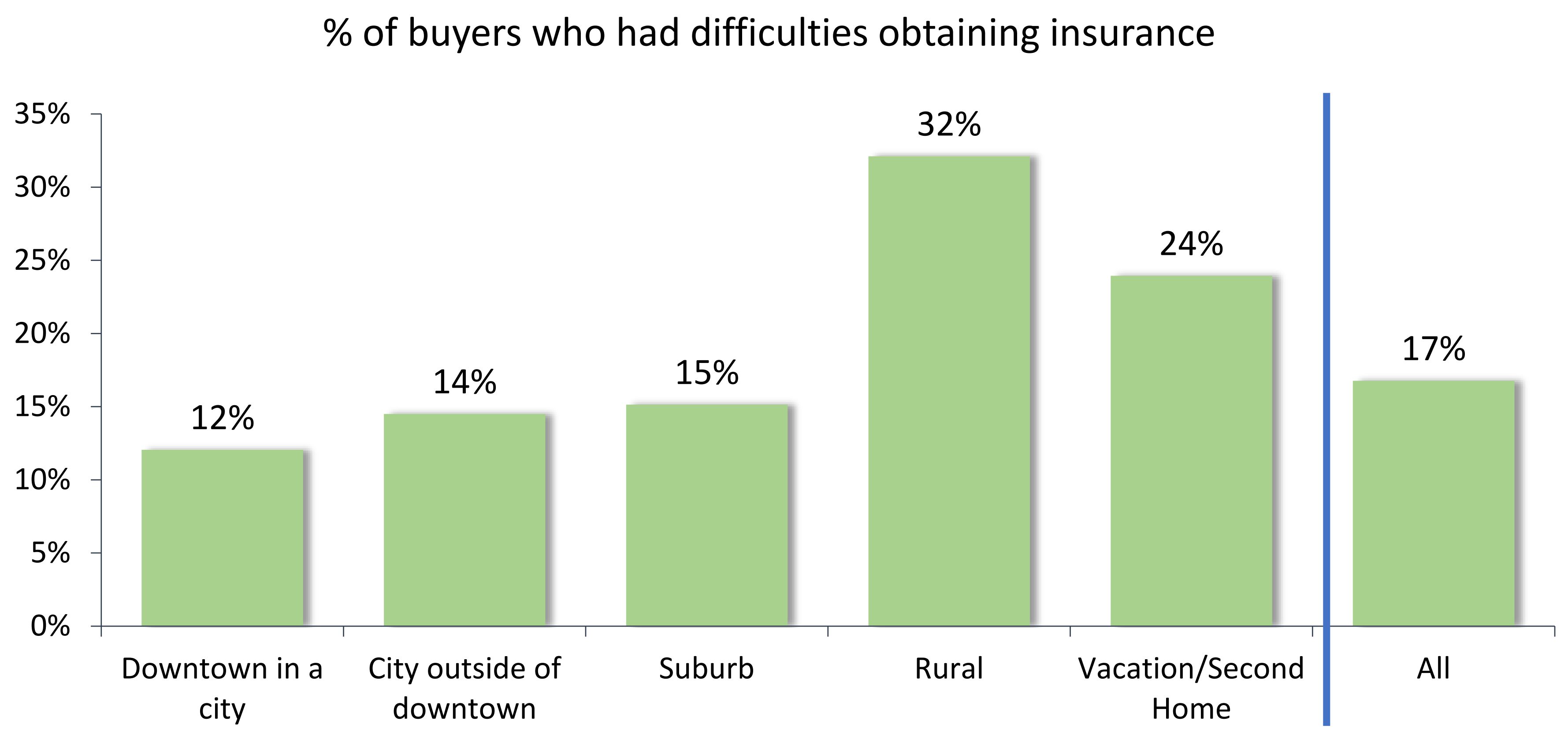
SOURCE: Federal Housing Finance Agency

California housing market outlook

	2016	2017	2018	2019	2020	2021	2022	2023	2024p	
SFH Resales (000s)	417.7	424.9	402.6	398.0	411.9	444.5	342.5	257.6	327.1	?
% Change	2.0%	1.7%	-5.2%	-1.2%	3.5%	7.9%	-22.9%	-24.8%	27.0%	?
Median Price ($000s)	$502.3	$537.9	$569.5	$592.4	$659.4	$784.3	$818.9	$814.0	$860.3	
% Change	5.4%	7.1%	5.9%	4.0%	11.3%	18.9%	4.4%	-0.6%	5.7%	
Housing Affordability Index	31%	29%	28%	31%	32%	26%	19%	17%	17%	
30-Yr FRM	3.6%	4.0%	4.5%	3.9%	3.1%	3.0%	5.3%	6.8%	6.3%	??

Market Risks

Difficulty in obtaining insurance has become a big issue for home buying



Q. Did the buyer have difficulties obtaining fire/homeowners insurance?

SERIES: 2023 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Insurance difficulties buyers encounter

Other

"Ca Fair plan is all we can get"

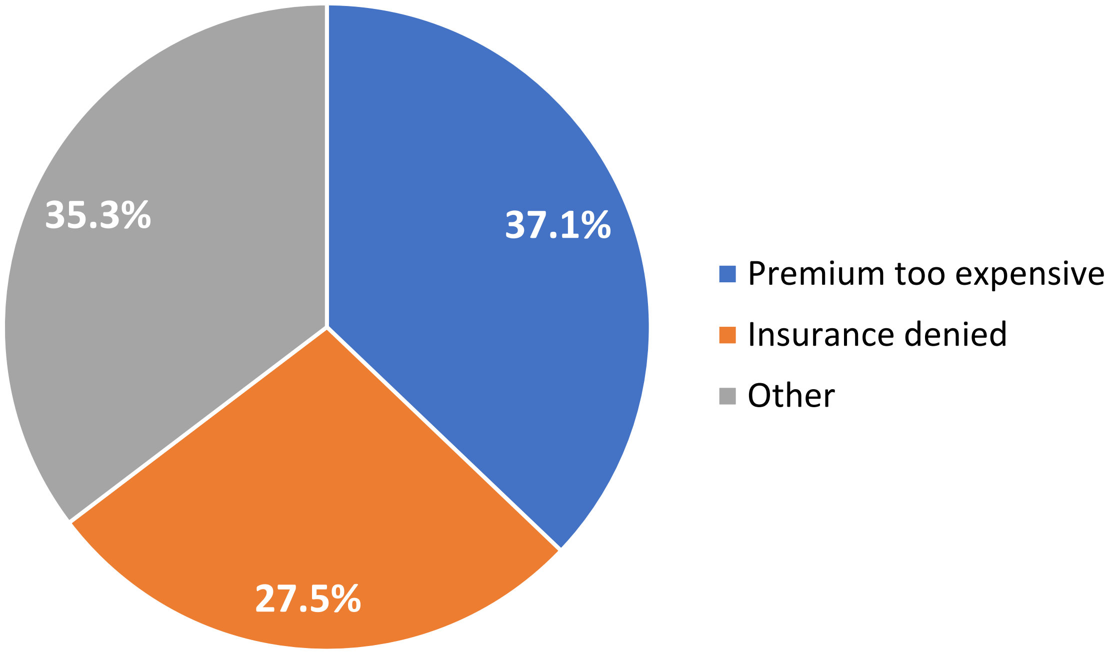
"had to contact 16 different insurers to find one that would write an admitted policy rather than a CA Fair Plan"

"expensive and had to make immediate improvements towards fire hardening the property"

"Not many options"

"Difficult to find a company to write policy"

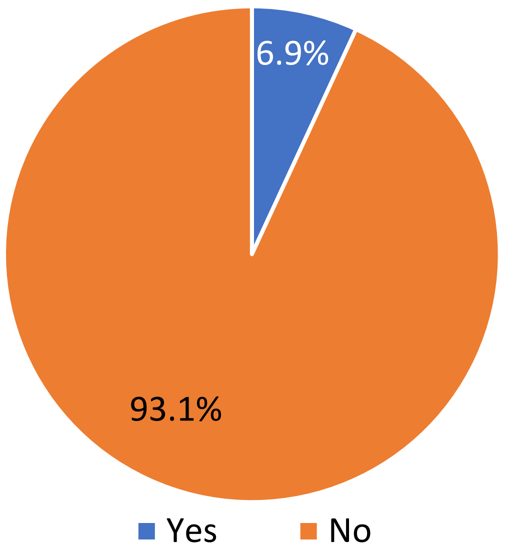
What difficulty did the buyer encounter when obtaining fire/homeowner insurance



SERIES: 2023 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

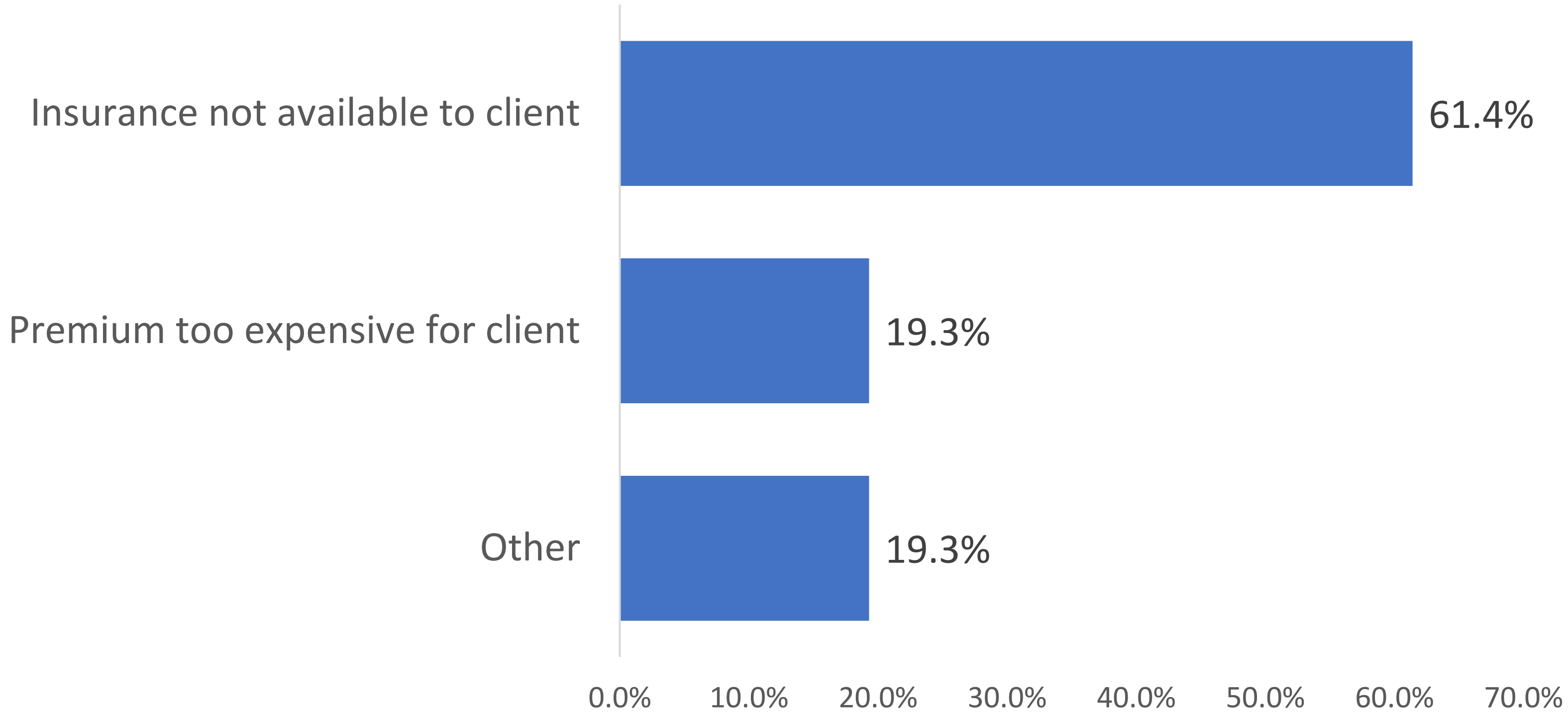
Difficulty in obtaining insurance is impacting the housing market

Did you have any transaction fall out of escrow due to failure to secure affordable insurance?



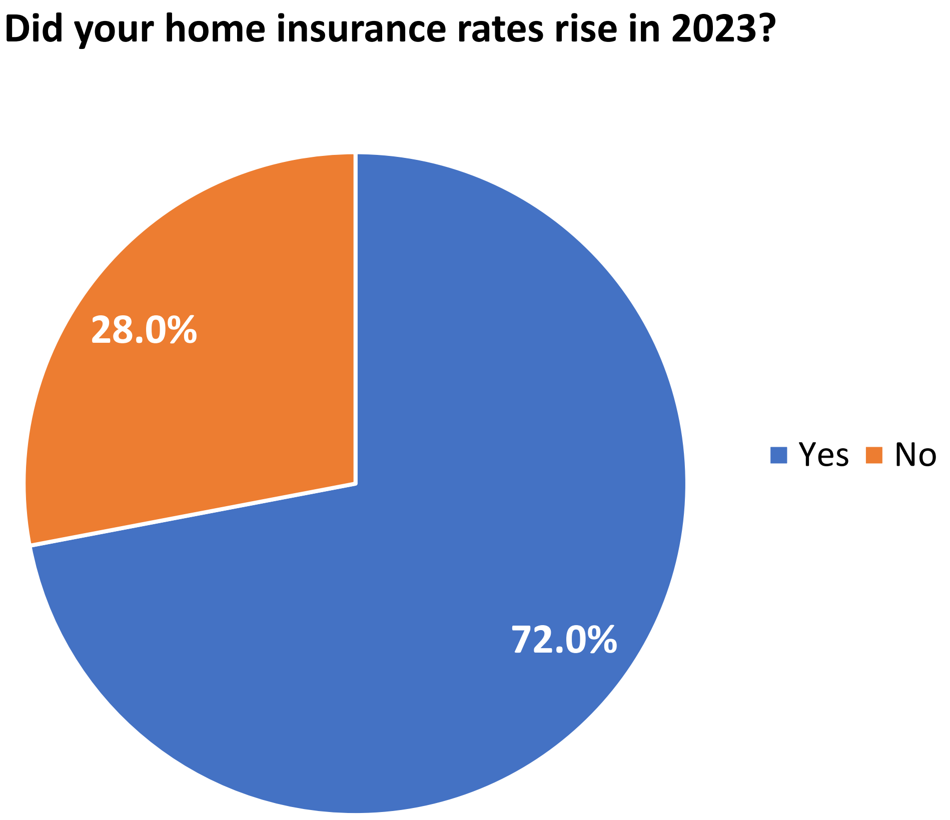
Was the fall out due to…

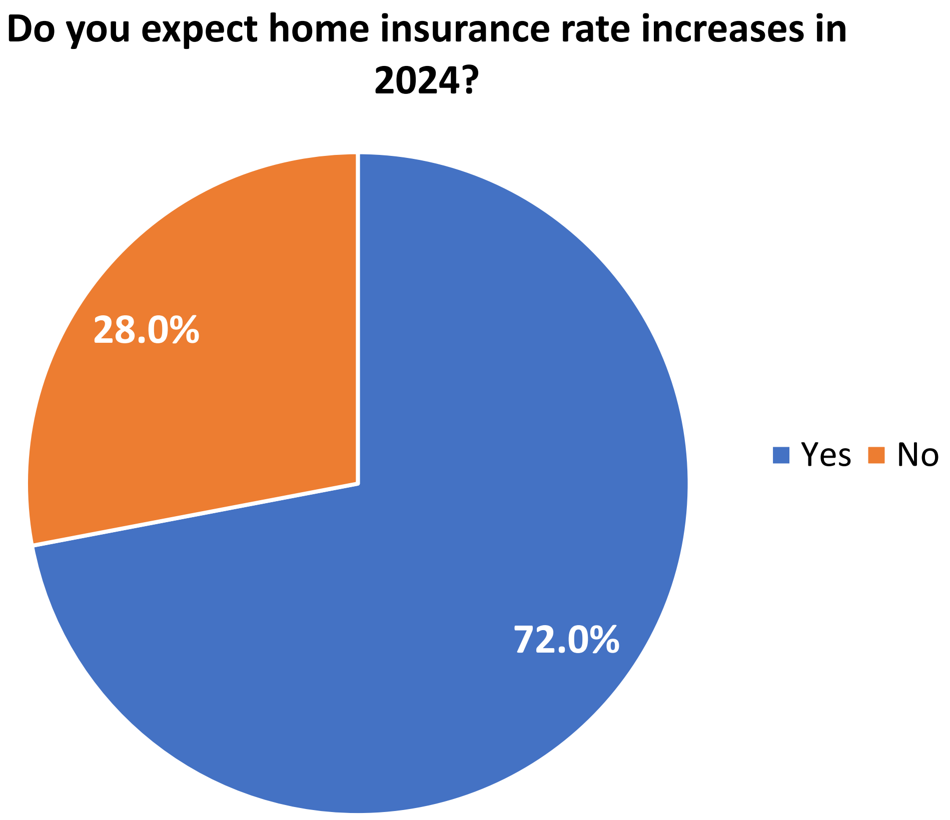
(REALTORS® who had a transaction fall out due to failure to secure insurance)



SERIES: 2023 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

More insurance headwinds expected in 2024

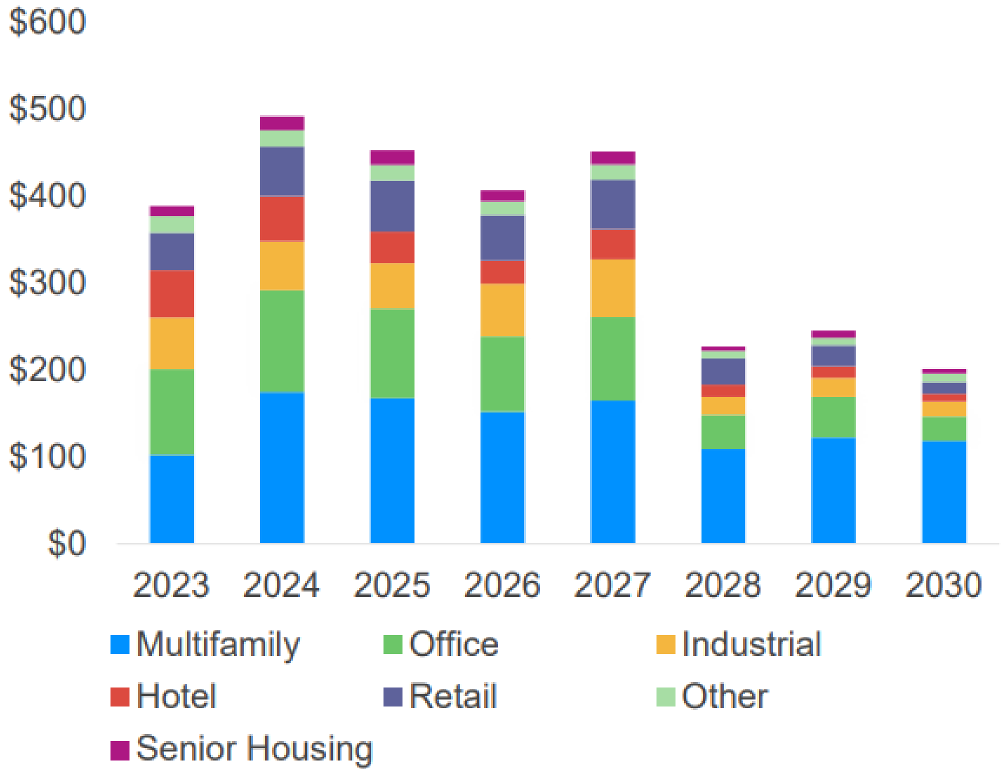




SOURCE: ValuePenguin

Should we be concerned about the CRE lending environment?

CRE loan maturities by year (in billion)

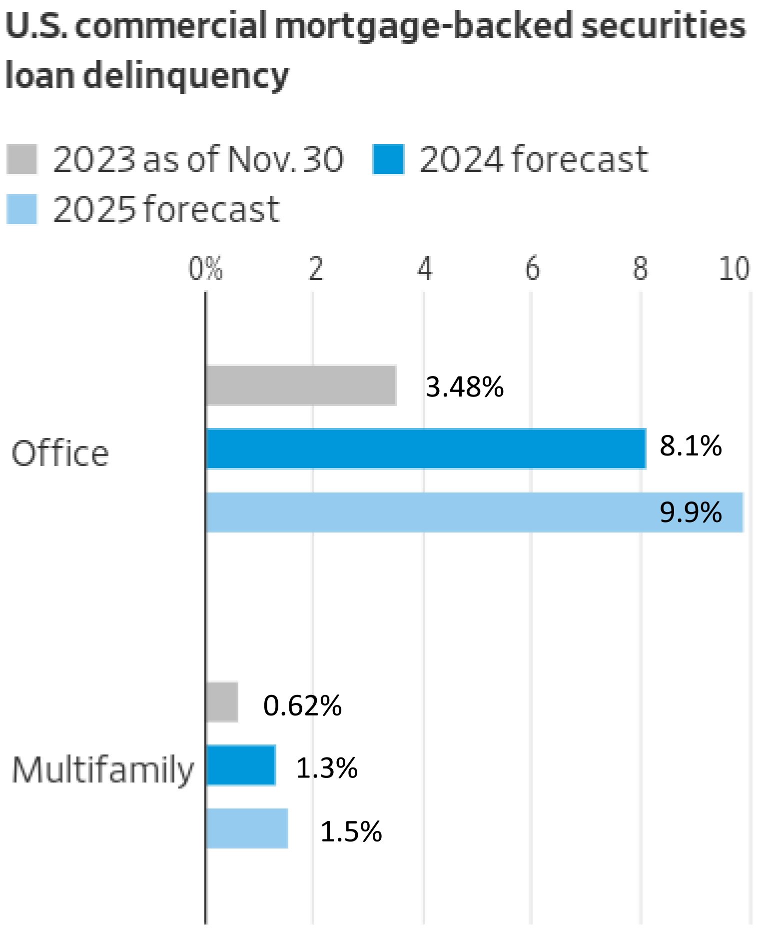


What do you expect the state of the CRE borrowing/lending market to be in coming quarters?

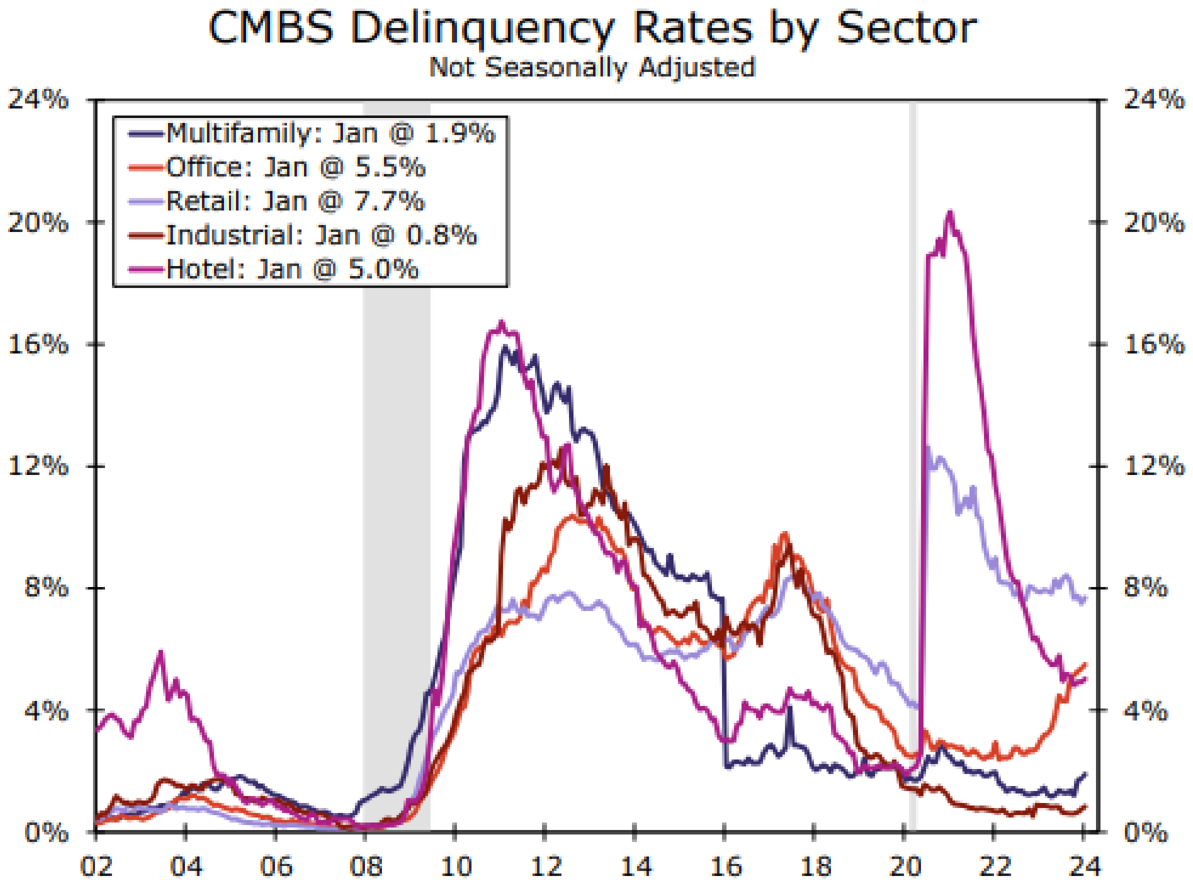
Source: MBA 2024 CREF Outlook Survey

SOURCE: Mortgage Bankers Association, Moody's Analytics

CRE mortgages could be an issue



Commercial mortgage loans delinquency rate
2023: 2.25% (as of Nov 2023), 2024: 4.5%, 2025: 4.9%



SOURCE: Fitch Rating, Moody's Analytics, Wells Fargo, the Wall Street Journal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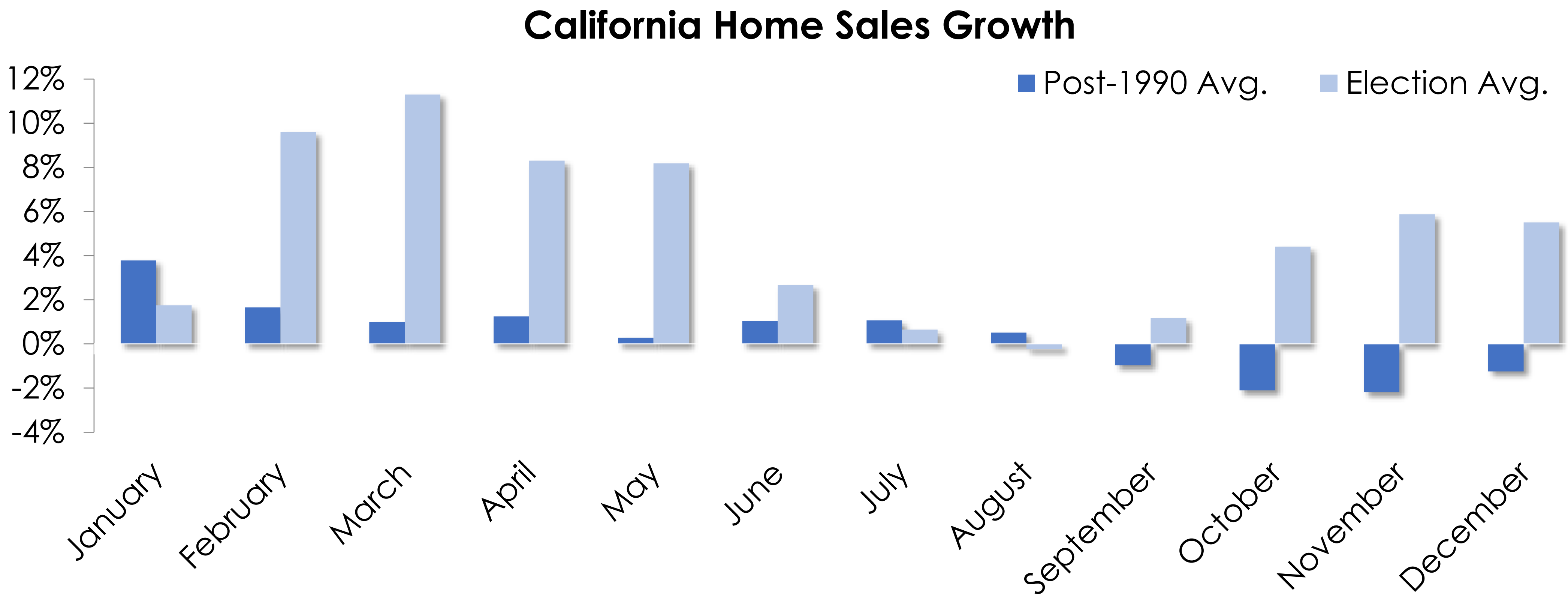
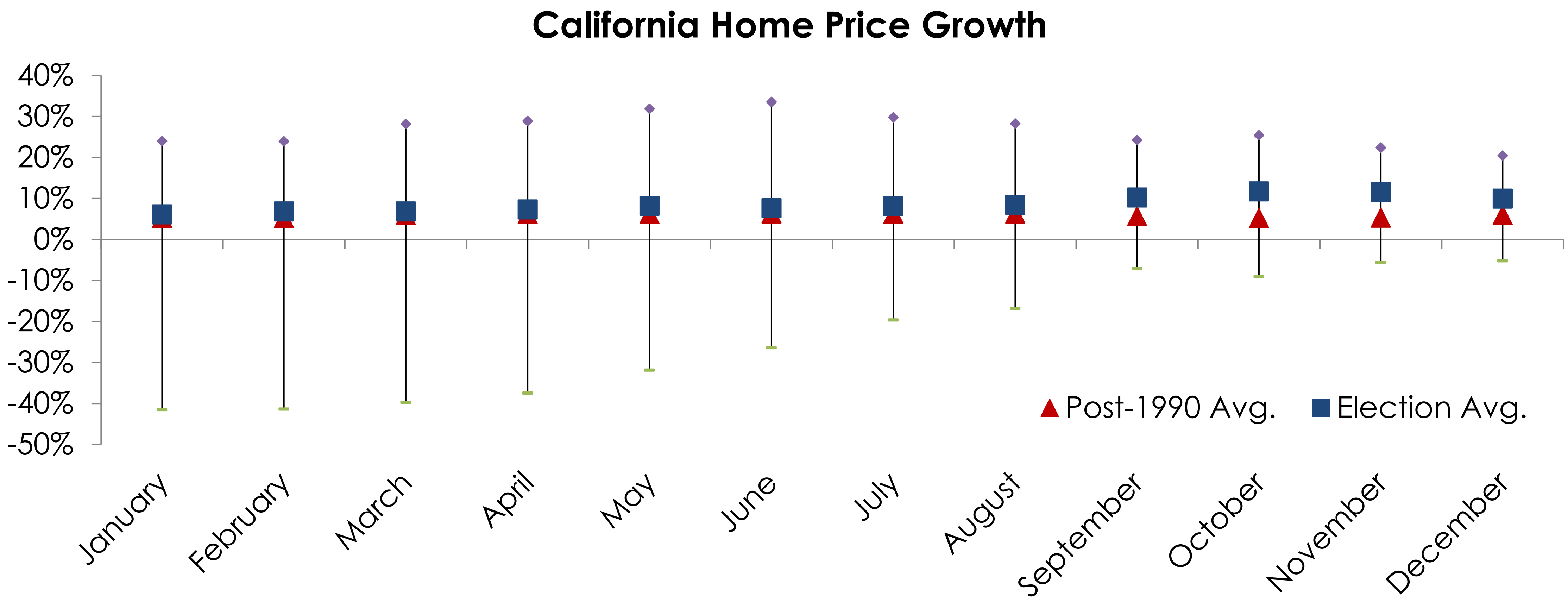
PRESIDENTIAL
2024
ELECTION
YOUR VOTE IS YOUR VOICE

Sales growth – no evidence of consistently negative post-election housing market



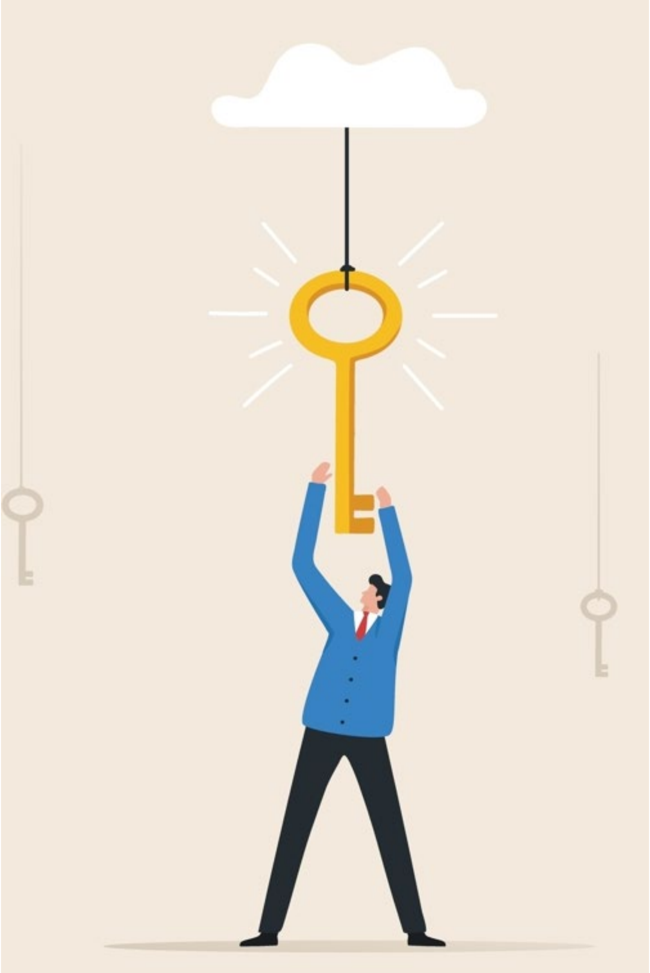
SERIES: California Sales Growth by Month
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

California home price growth in election year



SERIES: California Home Price Growth by Month
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Key Takeaways



- Inflation is easing but will stay above pre-pandemic levels until 2025
- The worst should be over for rates, but volatility will still be observed in at least in the first half of 2024
- Home sales will bounce back but lack of inventory will remain a challenge as lock-in effect will continue to play a role in supply shortage
- Prices are expected to grow moderately over the next 12 months as imbalance between supply and demand remains the norm
- Rising insurance costs, political turmoil, geopolitical tensions, and the uncertainty in the CRE sector are some of the risks for 2024

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4.29.24

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CAPITOL CONVERSATIONS: NAVIGATING CALIFORNIA'S HOUSING SOLUTIONS

FREE C.A.R. MEMBER PANEL DISCUSSION

APRIL 29, 2024
2:30 - 4 PM (PACIFIC)

SACRAMENTO

ccre.us/upcomingevents

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UNLOCKING POTENTIAL: TACKLING THE BAY AREA'S HOUSING SUPPLY CHALLENGE

05.21.24

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CONTINENTAL BREAKFAST (9 AM - 10 AM)
PANEL DISCUSSION (10 AM - 11:30 AM)
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