

Monthly Real Estate Statistical Update

Up-to-date data on crucial California real estate trends from **RPI (Realty Publications, Inc.)**

December 2018 • Vol. 7 • Issue 12 • *Timing the market in 2019*



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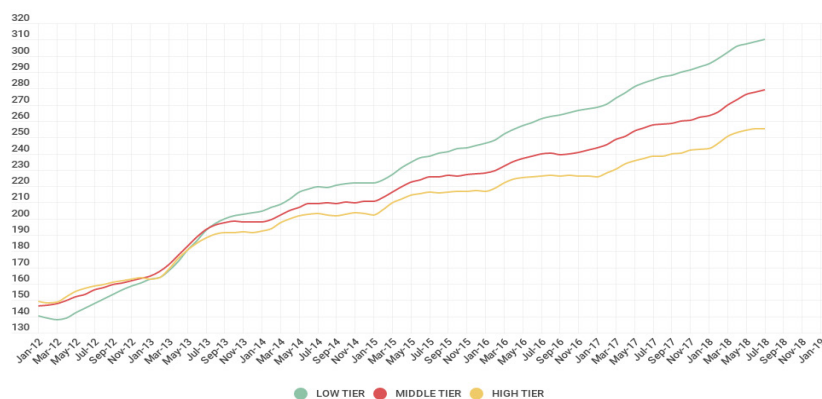
Home prices hit their peak in Q3

This chart shows **home price movement** averaged across California's three largest cities. Home price movement is shown in the low tier, middle tier and high tier.

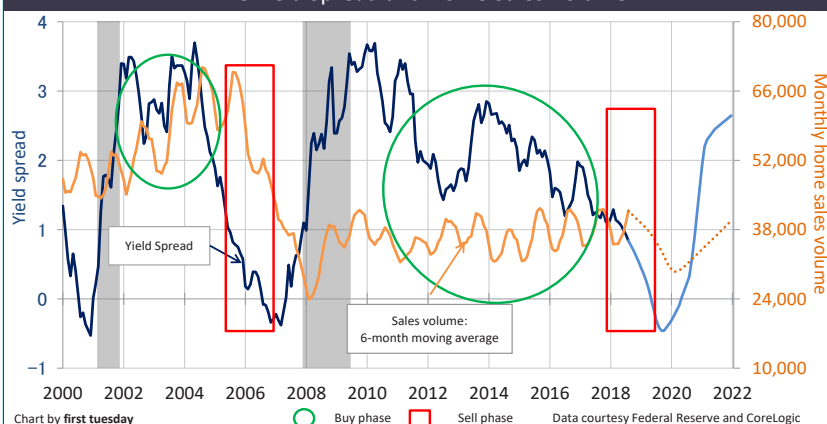
Home prices dipped in the mid- and high **price tiers** in August 2018 from July, while low-tier home prices continued to rise slightly. Historically, prices begin to slow and fall first in the high tier, followed soon by the mid tier and lastly the low tier.

Rising **mortgage interest rates** have dampened buyer purchasing power. At the same time, home price increases have outpaced incomes for the past several years. These factors have pushed home prices to their tipping point going into 2019.

California Tri-City Tiered Price Index: 2012-present



The Yield Spread and Home Sales Volume



Falling yield spread signals next recession

This chart shows two factors that can help a real estate owner or buyer **forecast** the future housing market: the yield spread (the dark blue line) alongside home sales volume in California (the orange line).

The yield spread continues to fall in 2018 as economic factors line up to produce the next **recession**. As this figure steadily approaches zero, the timing of the next recession becomes more certain, currently expected to set in during 2020.

Home sales volume naturally declines following any significant dip in the yield spread. This last occurred in the two years prior to the 2008 recession. Thus, as the yield spread continues to fall, home sales are likely to slow dramatically in 2019, not to rise until 2021-2022.

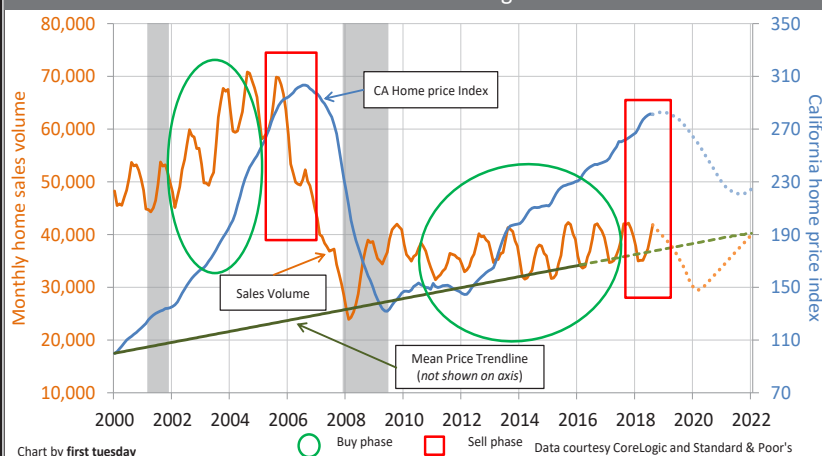
Today's sell phase near its end

This chart shows home sales volume (the orange line) alongside average home price movement (the blue line) in California. The dark green line is the **mean price trendline**, or the pull of inflation on home prices

Home sales volume has trended flat-to-down since 2016, even as home prices have continued to increase. But **rising prices can't be sustained** on low sales volume forever. Home prices have started to decrease in the mid- and high-tiers and show signs of leveling off in the low-tier as price reductions are in full swing.

Today's signals of a steadily decreasing yield spread, flat-to-down sales volume, peaking home prices and constantly rising mortgage rates indicate today's real estate owners are nearing the end of a **sell phase**. Owners who intend to close a sale during this real estate cycle need to do so before mid-2019, as housing market factors can only deteriorate in the coming months.

Home Sales Volume and Pricing in California



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