


# Monthly Real Estate Statistical Update

Up-to-date data on crucial California real estate trends from **RPI (Realty Publications, Inc.)**  
March 2020 • Vol. 9 • Issue 3 • **Slowing sales and unmet housing demand**

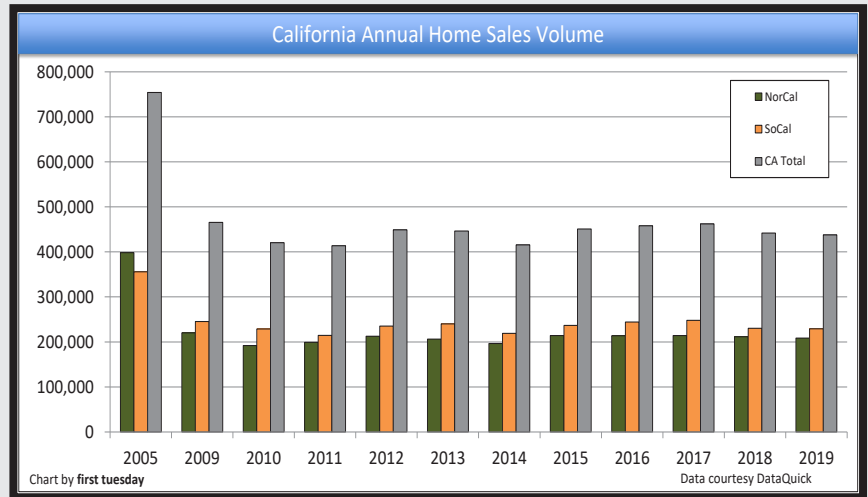
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## California home sales volume down slightly in 2019

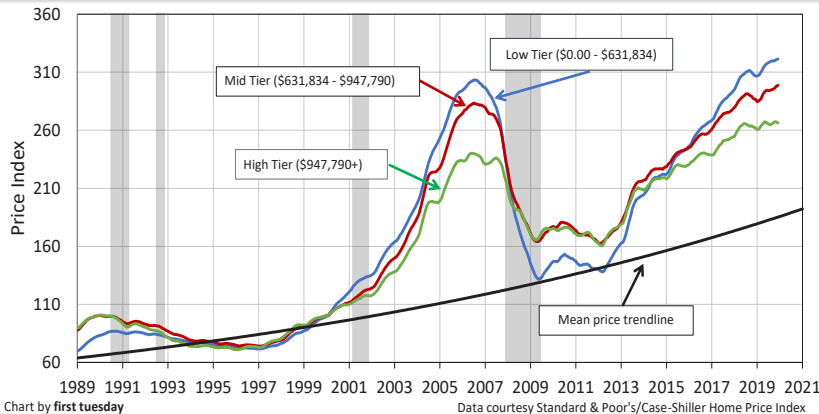
This chart shows the number of **home resale transactions** which closed in California each year during the past decade. For reference, 2005 is also shown on the chart as it was the last cycle's peak year for home sales.

2019 ended with 437,500 home sales in California. This was 4,400 fewer home sales than took place in 2018, amounting to a **1% annual decrease**. 2019's slightly down performance follows a 4% decrease in 2018. Since 2009, the state's annual sales numbers have paled in comparison to home sales volume during the Millennium Boom, remaining relatively flat-to-down. For perspective, 2019's 442,000 homes sales volume was 42% below peak sales volume experienced in 2005.

Home sales volume will continue its year-over-year decrease in 2020, negatively impacting **agent fees**. Home sales volume won't rise significantly until after home prices bottom with the next recession, expected in 2020-2021.



## California Tri-City Tiered Home Pricing (1989-present)



## Home prices level off going into 2020

This chart shows **California home price movement**, averaged across its three largest metros: Los Angeles, San Diego and San Francisco. The year 2000 = index number 100.

In December 2019, home prices were roughly the same compared to the previous month across California's major metros. Zooming in, low-tier prices were 5% higher than a year earlier, while mid-tier prices were 4% higher and high-tier prices were 2% higher compared to the end of 2018. When accounting for inflation, home prices were **essentially flat** in 2019.

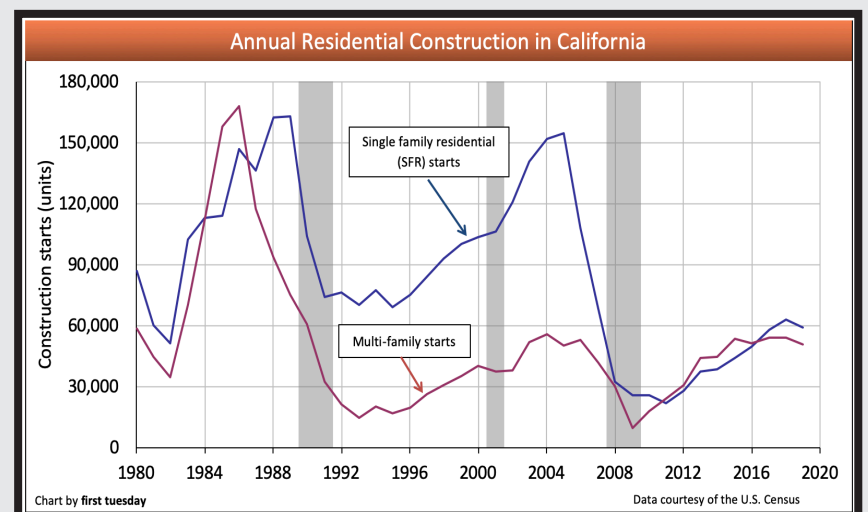
Several economic factors are pushing the housing market toward its next **recession**, likely to arrive by the end of 2020. Chief among these factors were rising interest rates in 2018, which reduced buyer purchasing power and caused home sales volume to slow. Normally, decreased sales volume would translate directly to lower home prices. But a supply-demand imbalance has kept prices somewhat inflated going into 2020.

## Construction declines in 2019, despite rising demand

This chart shows the number of single family residential (SFR) **construction starts** alongside multi-family units started annually in California.

New construction is essential to alleviating California's present housing shortage. However, **multi-family construction** decreased 6% in 2019 from the prior year. SFR starts turned in a similar 5% decrease from 2018. Compared to the 150,000 SFR starts achieved in 2005 at the height of the boom, 2019's performance is a fraction of what is needed to meet demand from our growing population.

SFR construction is expected to continue to slow in 2020, the result of 2018's rising mortgage rates and 2019's slowing sales volume and home prices. However, **state-initiated legislative efforts** to add to the low- and mid-tier housing stock have focused on encouraging more multi-family construction. Therefore, the slowing in multi-family construction will not be as steep as that experienced for SFR starts.



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