Monthly Real Estate Statistical Update

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

May 2020 • Vol. 9 • Issue 5 • ***Home prices, savings and bankruptcies in a pandemic***

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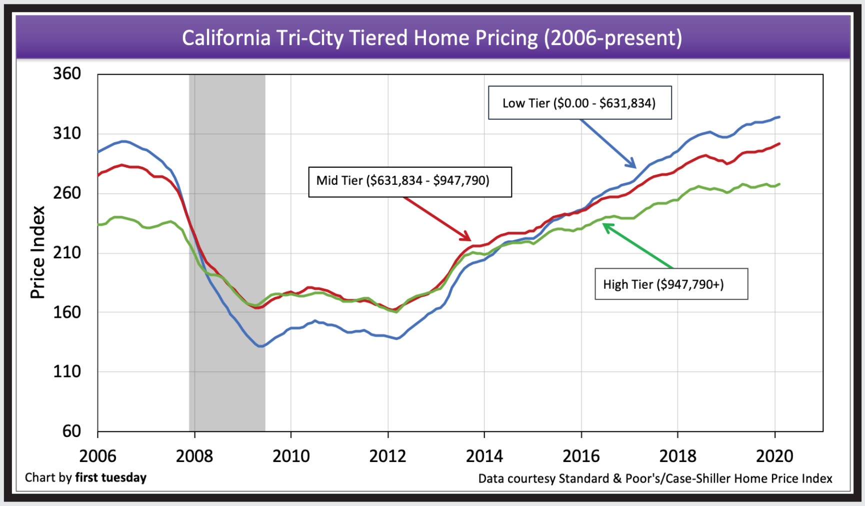
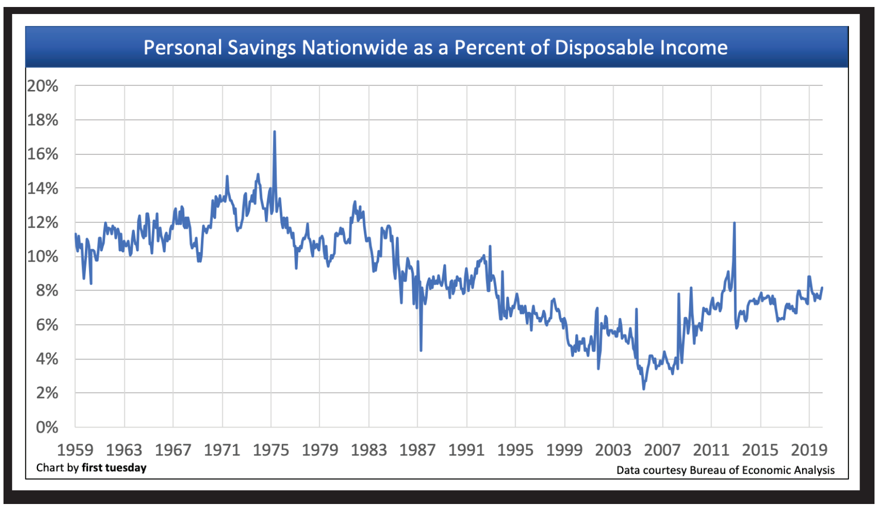
Home prices are propped up by low interest rates, for now

This chart shows the **home price indices** for three housing tiers, averaged across California's major metros: Los Angeles, San Diego and San Francisco.

Home prices increased slightly during February 2020. The statewide average for low- and mid-tier prices remained 5% higher than a year earlier. High-tier prices were 3% higher than a year earlier. Accurate home price reports run about two months behind **current events**. Starting in March 2020, economic volatility and shelter-in-place orders caused home sales volume to plummet.

However, historically low interest rates have boosted buyer purchasing power in 2020. If lower rates are to continue to prop up home prices, the Federal Reserve will need to purchase mortgage backed securities at more aggressive prices to lower mortgage rates and boost home **buyer purchasing power** during 2020's triple whammy of an economic recession compounded by a pandemic and financial crash. No matter how the Fed reacts in the coming months, the overall trend for home values in the next couple of years will be down as we head fast-forward into a recession of great depth.





Saving opportunities narrow in California

This chart shows the average national **personal savings rate**.

The personal savings rate rose to 8.2% of disposable personal income in February 2020. This continues a long and gradual rising trend from when savings bottomed in 2005, when **consumer confidence** was highest. Savings remain well below their peak seen in the 1970s, when interest rates were also at their height. In turn, 20% down payments are becoming rare among first-time homebuyers.

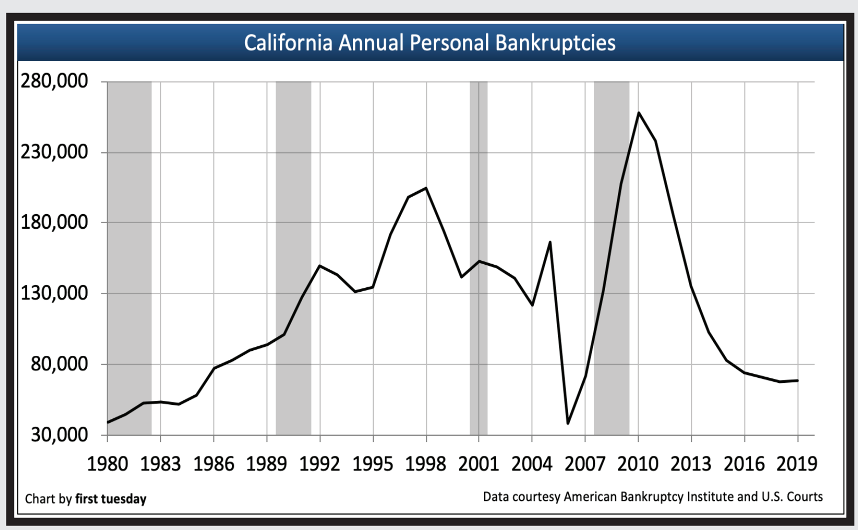
Looking ahead, many Californians will find themselves drawing on savings to survive the coming months of **job loss** as our economy cascades into a damaging free-fall. Others who remain employed during the 2020 recession will build up their savings. Expect to see personal savings rise in the coming months as the economy – and housing market – tumble.

Personal bankruptcies set to rise

This chart shows the number of **personal bankruptcies** filed in California annually.

68,800 personal bankruptcies were filed in California during 2019, a slight increase as the economic expansion passed its peak and the market turned toward **recession**. Personal bankruptcy filings consistently decreased after the Great Recession, bottoming and remaining roughly level since 2016.

2020's global recession borne of a **pandemic** and resulting in a **financial crash** will push what was to be a moderate business recession into a cataclysmic downturn. Today's reduced home sales volume will become tomorrow's home value decrease – lessened by the Federal Reserve's purchase of MBSs and possible negative short-term rates. Homeowners who see the equity in their home disappear as property values diminish are more likely to throw in the towel when the financial stress occurs. As home values deteriorate in response to drastically reduced sales volume, expect more bankruptcies to occur in the coming years, peaking in 2023.



Click on any chart for more information!

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