

Monthly Real Estate Statistical Update

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

November 2018 • Vol. 7 • Issue 11 • **First-time homebuyer uncertainty hinders construction, home sales**



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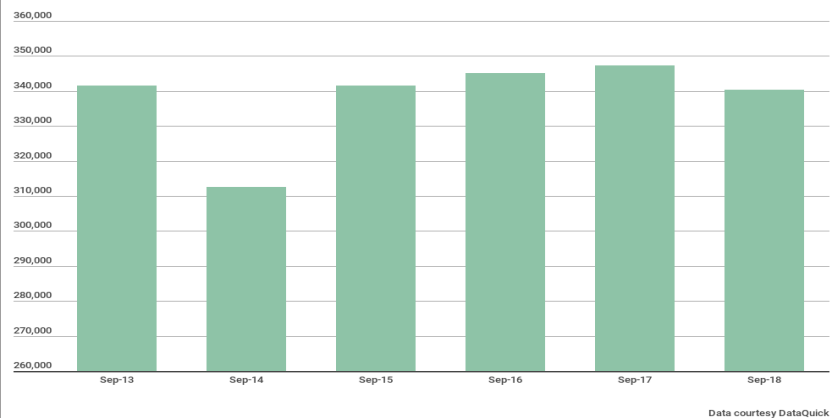
Home sales volume to end year below 2017

This chart displays the number of home sales which have closed in **California** so far in 2018 compared to previous years.

Home sales volume year-to-date (YTD) is 2% below 2017 as of September 2018. This translates to 6,500 fewer homes which have closed so far in 2018 compared to last year. Home sales volume has been relatively flat in California since 2016.

Home sales volume is falling going into 2019, and is not expected to rise significantly until the years following 2021. These low expectations are due to rising interest rates, fewer participating **first-time homebuyers** than normal and reduced home inventory across the state.

California Home Sales Volume Year-to-Date



Construction rises — too slowly

This chart shows the number of single family residential (SFR) and multi-family **housing units started** in California over six-month phases.

SFR starts rose 16% over a year earlier in the first half of 2018. Multi-family construction increased 13% from a year earlier. During 2017, a total of 58,000 SFRs and 54,000 multi-family units were started. But compared to the combined 205,000 starts during the 2005 peak, **today's construction levels** are low.

The slow construction recovery is partly to blame for California's reduced **home inventory**, which has been insufficient to meet demand. As a result, home prices have risen rapidly, especially in California's desirable coastal cities. The incomes of potential first-time homebuyers have been unable to keep up with home prices, thus leaving this demographic behind.

California Construction Starts: Semi-Annual Phases



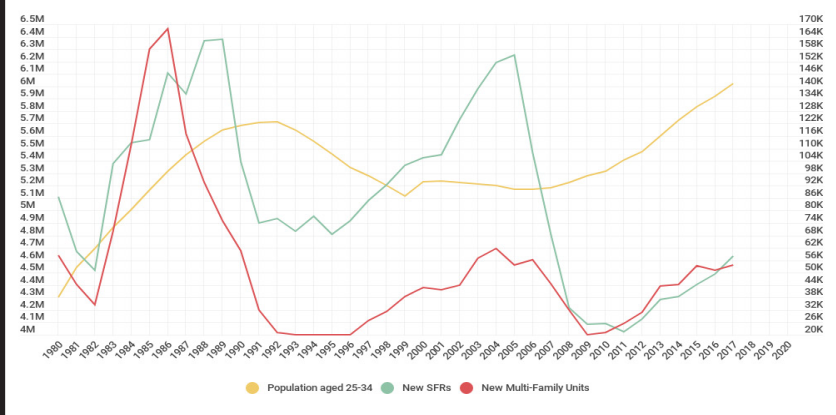
First-time homebuyers waiting in the wings

This chart shows the number of California's population aged 25-34 — the typical age of **first-time homebuyers** — alongside the number of new construction units in California.

The number of 25-34 year olds increased 2% in California during 2017. A combined average of 34% of this age group currently owns a home in California, compared to 38% at the height of the **Millennium Boom**. Meanwhile, new construction lags far behind demand.

Today's slow pace of construction starts is in part due to young adults' delay to become homeowners — and vice-versa. Delayed careers and slow wage increases during the **elongated economic recovery** hit both young adults and the construction market with uncertainty. Once this generation feels financially secure in the economy and their own futures, their homeowner rate will rise, likely in the years following 2021.

California New Housing and Population Aged 25-34



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