

Monthly Real Estate Statistical Update

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

October 2020 • Vol. 10 • Issue 10 • **Job losses wipe out the foundation for home sales volume, construction**



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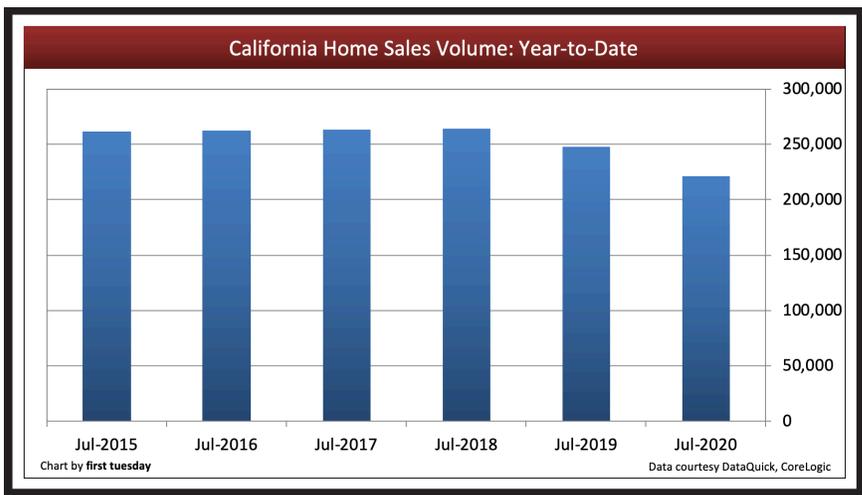
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Jobs will be slow to return

This chart shows the number of individuals employed in California. The gray bars indicate periods of **economic recession**.

Employment is the single most important factor in determining the health and stability of California's real estate market. Without a paycheck, households cannot pay rent or buy a house. Further, without income to provide jobs, businesses have no need to occupy and use commercial property.

Jobs are 11.5% below the December 2019 peak as of July 2020, amounting to a loss of just over two million jobs. Jobs have bounced back marginally since bottoming in April 2020, but the pace of rise will not continue. Expect to see job increases struggle to gain traction as we head deeper into the **2020 recession**.



The recession has impacted home sales volume first

This chart displays the level of **home sales volume year-to-date (YTD)** as of July of each year.

California home sales volume YTD in July 2020 was 11% lower than YTD sales volume in July 2019. This amounts to 26,800 fewer sales closing so far this year compared to last, slashing agent fees. 2020's greatly reduced sales volume is the result of the **economic recession**, historic job losses and coronavirus (COVID-19) social distancing measures.

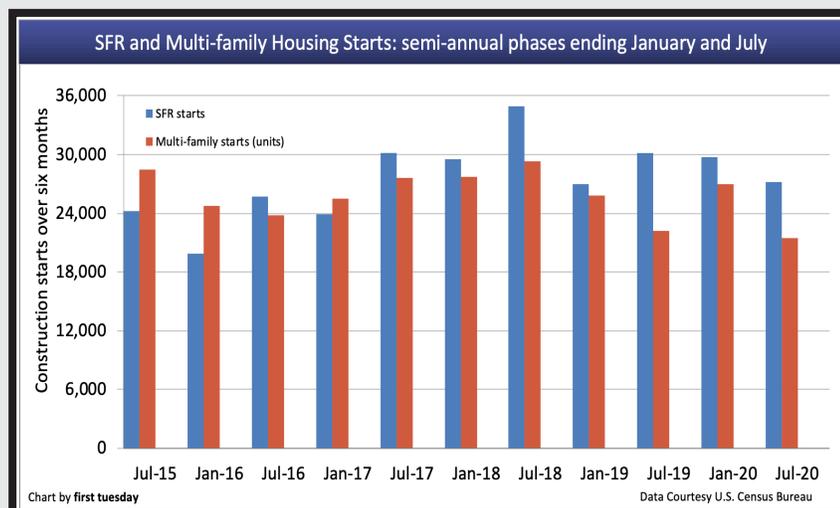
Home sales volume won't begin a consistent recovery until well after the pandemic response has ended. Then, California's housing market will need to emerge from the underlying recession and financial market crash before jobs are regained and housing participants return with more confidence. This economic recovery will not begin until 2023.

Construction feels downward economic pressure

This chart shows the number of California **residential construction starts** during semi-annual phases ending in January and July.

Single family residential (SFR) starts were 10% below one year earlier in the six-month phase ending July 2020. Multi-family construction starts were down 4% from a year earlier, continuing the **downward trend** from 2019.

State-initiated **legislative efforts** to add to the low- and mid-tier housing stock have focused on encouraging more multi-family construction in recent years. However, social distancing and tightening lines of credit are holding builders back in 2020. Further, significant job losses have made builders more cautious, watchful for slipping demand. All of these factors will combine to put downward pressure on multi-family starts in 2020-2023.



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