

# National to Local – An Economic Review

## A Presentation by Murline Monat



***Murline Monat, Realtor ®***

PARAGON REAL ESTATE GROUP

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# California Economic Outlook

	2012	2013	2014	2015	2016	2017p	2018f
Nonfarm Job Growth	2.4%	3.0%	2.2%	2.7%	2.3%	1.6%	1.2%
Unemployment Rate	10.4%	8.9%	7.5%	6.2%	5.5%	4.8%	4.6%
CA Population (Million)	38.0	38.4	38.7	39.1	39.4	39.7	40.0
Population Growth	0.7%	0.9%	0.9%	0.9%	0.9%	0.8%	0.8%
Real Disposable Income, % Change	4.7%	-1.1%	3.2%	3.6%	3.0%	4.1%	4.3%

SERIES: CA Economic Outlook  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



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# California Housing Market Outlook

	2012	2013	2014	2015	2016	2017p	2018f
SFH Resales (000s)	439.8	414.9	382.7	409.4	416.7	421.9	426.2
% Change	4.1%	-5.9%	-7.8%	7.0%	1.8%	1.3%	1.0%
Median Price (\$000s)	\$319.3	\$407.2	\$446.9	\$476.3	\$502.3	\$538.5	\$561.0
% Change	11.6%	27.5%	9.8%	6.6%	5.4%	7.2%	4.2%
Housing Affordability Index	51%	36%	30%	31%	31%	29%	26%
30-Yr FRM	3.7%	4.0%	4.2%	3.9%	3.6%	4.0%	4.3%

SERIES: CA Housing Market Outlook  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



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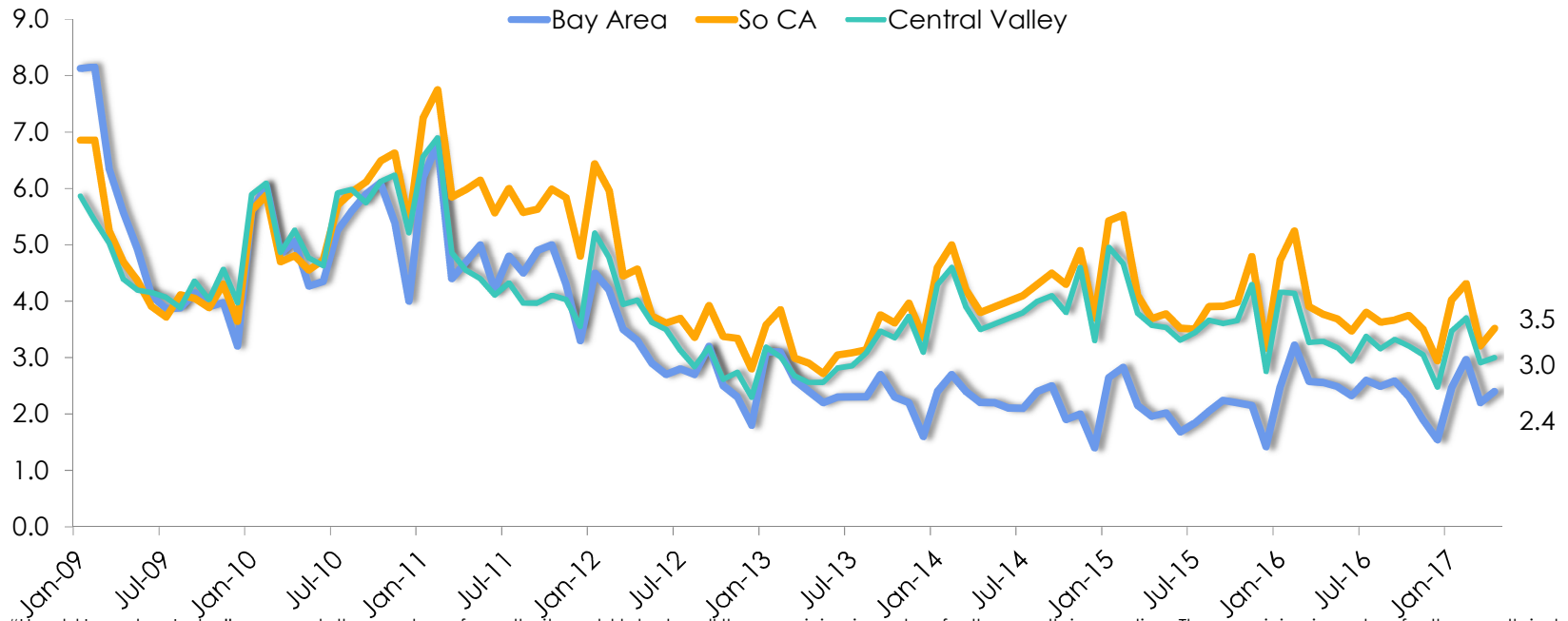
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# Bay Area Housing Supply



## Inventory Dropped Significantly in the Bay Area since 2009



Note: "Unsold Inventory Index" represents the number of months it would take to sell the remaining inventory for the month in question. The remaining inventory for the month is defined as the number of properties that were "Active", "Pending", and "Contingent" (when available) and divide the sum by the number of "Sold" properties for the month in question.

SERIES: Unsold Inventory Index of Existing Single Family Homes  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



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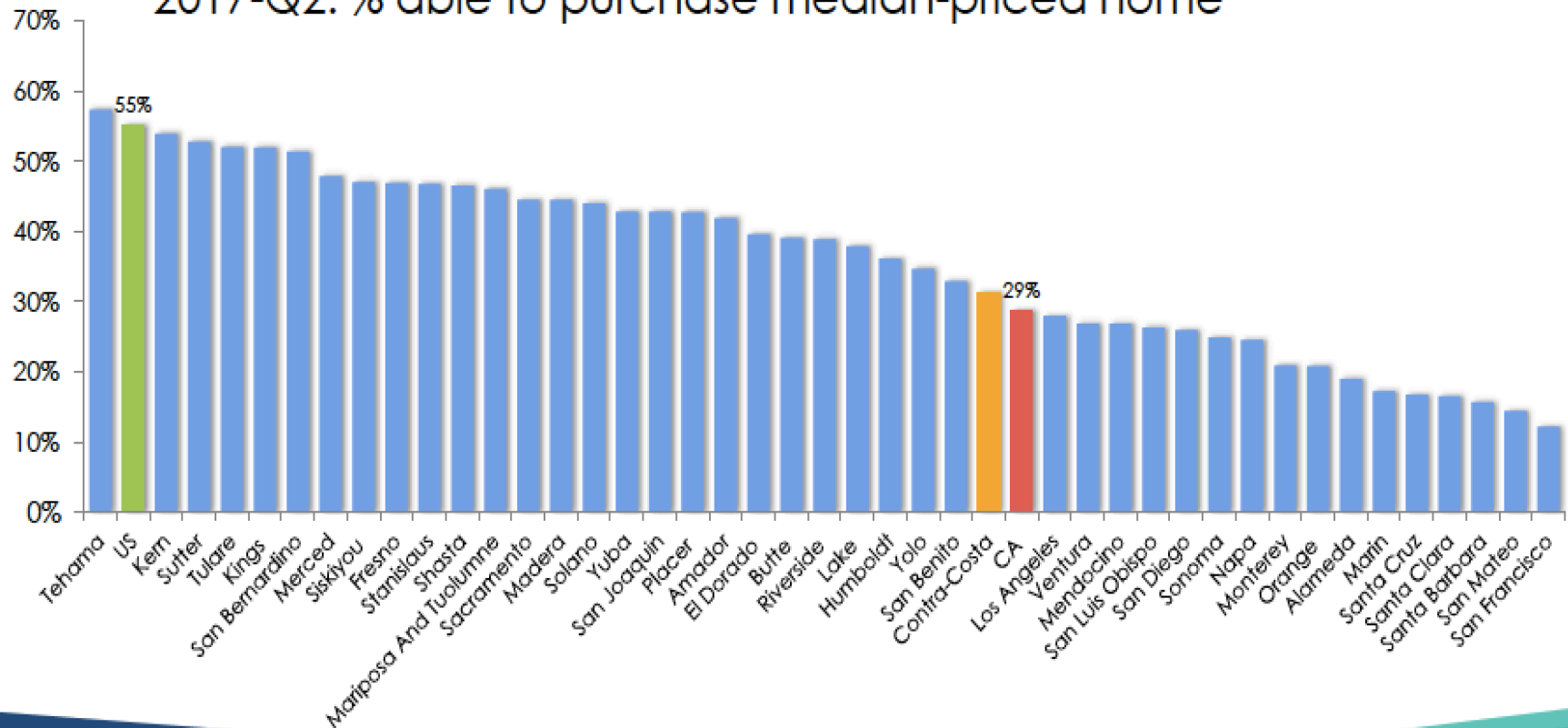
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# Housing affordability taking it on the chin

2017-Q2: % able to purchase median-priced home



SERIES: Housing Affordability Index of Traditional Buyers  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



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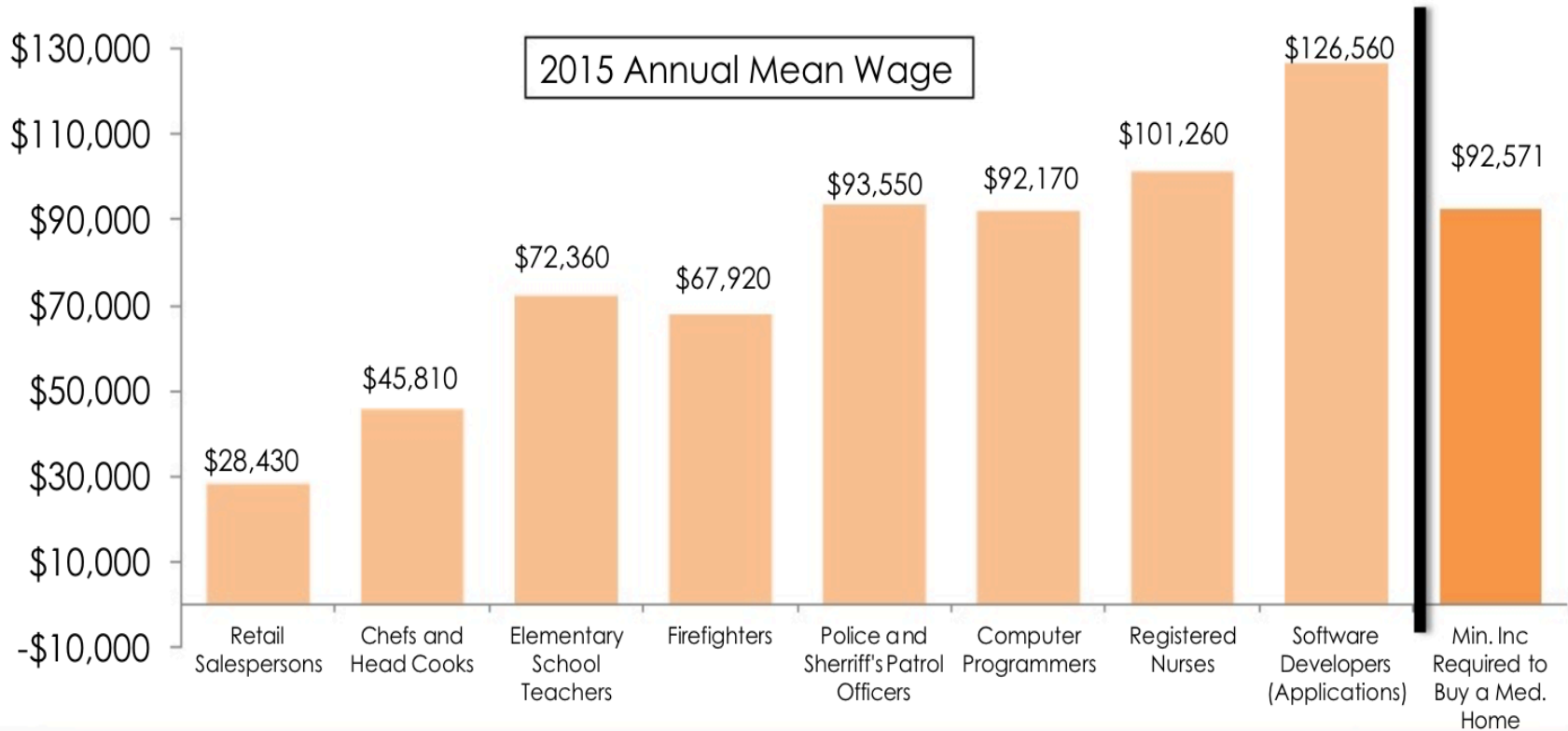
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# Wages v. Income Required to Qualify

## California



SOURCE: Bureau of Labor Statistics, C.A.R.



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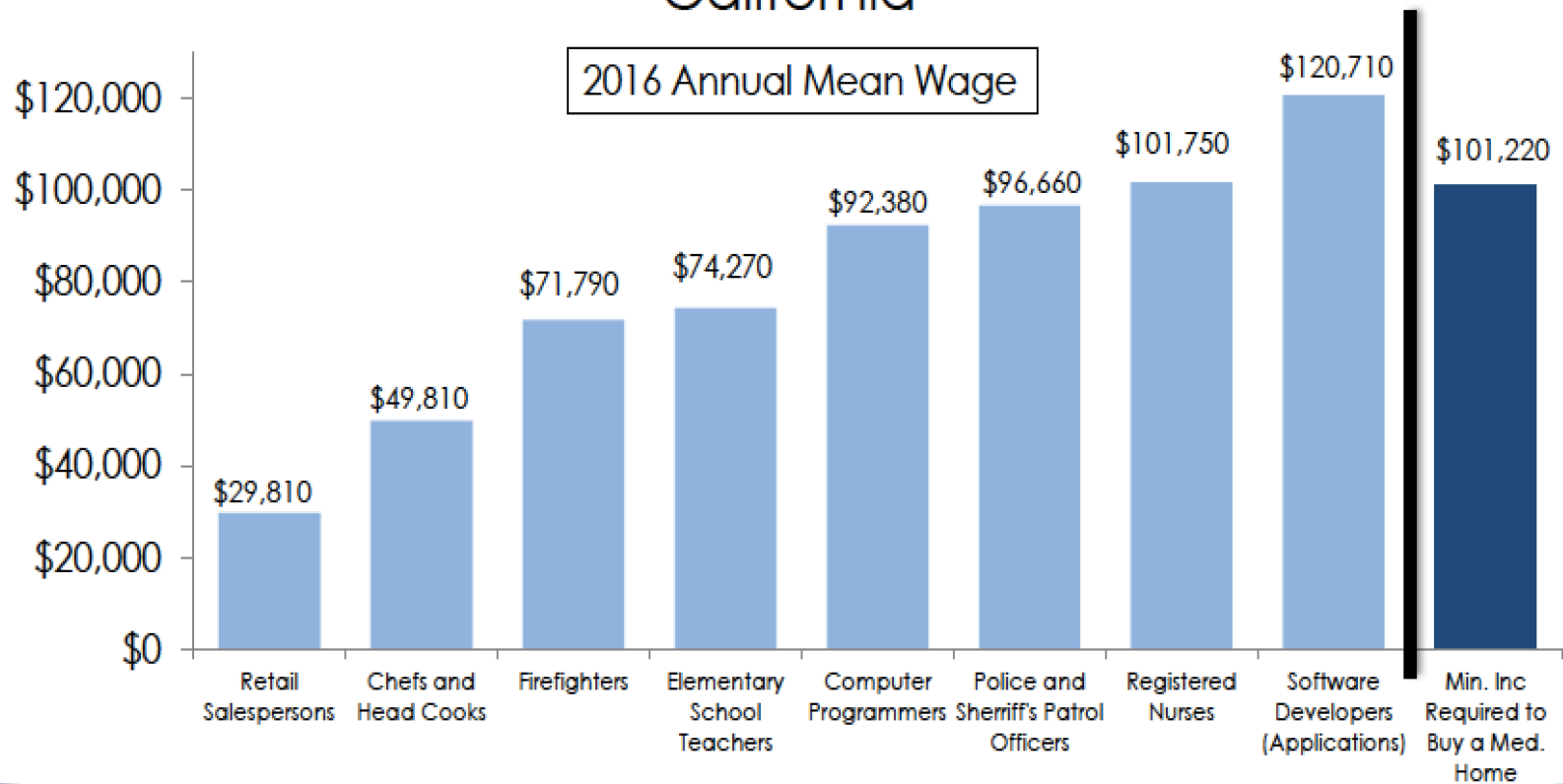
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# Most Cannot Afford to Purchase a Home with a Single Income

## California



SOURCE: Bureau of Labor Statistics, C.A.R.



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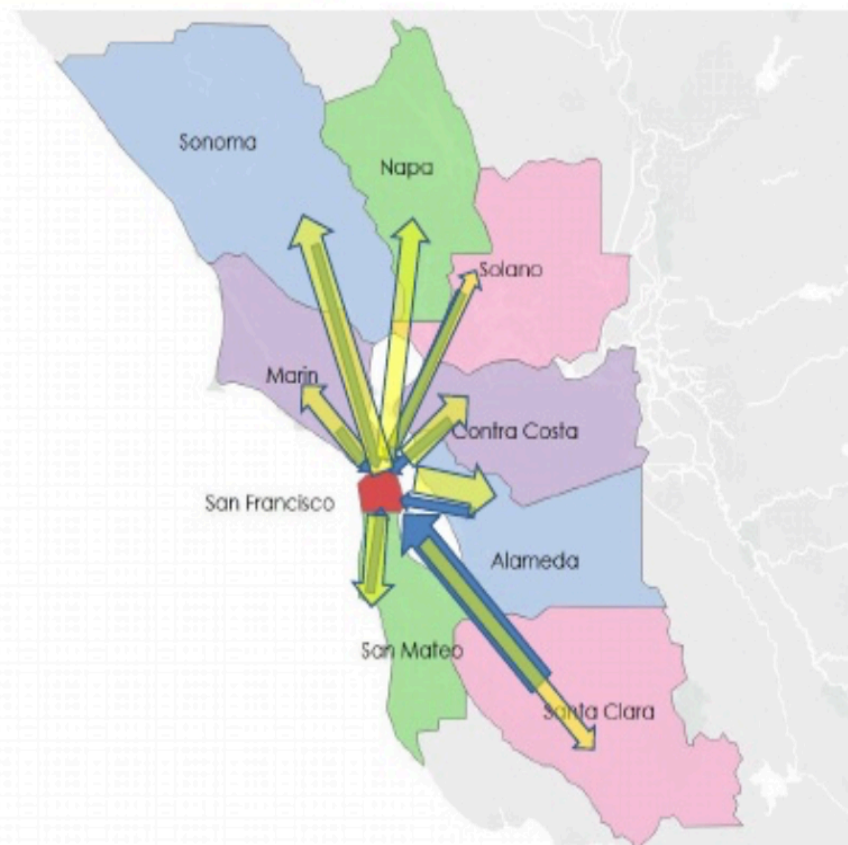
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# San Francisco: Affordability & Jobs Drive Migration

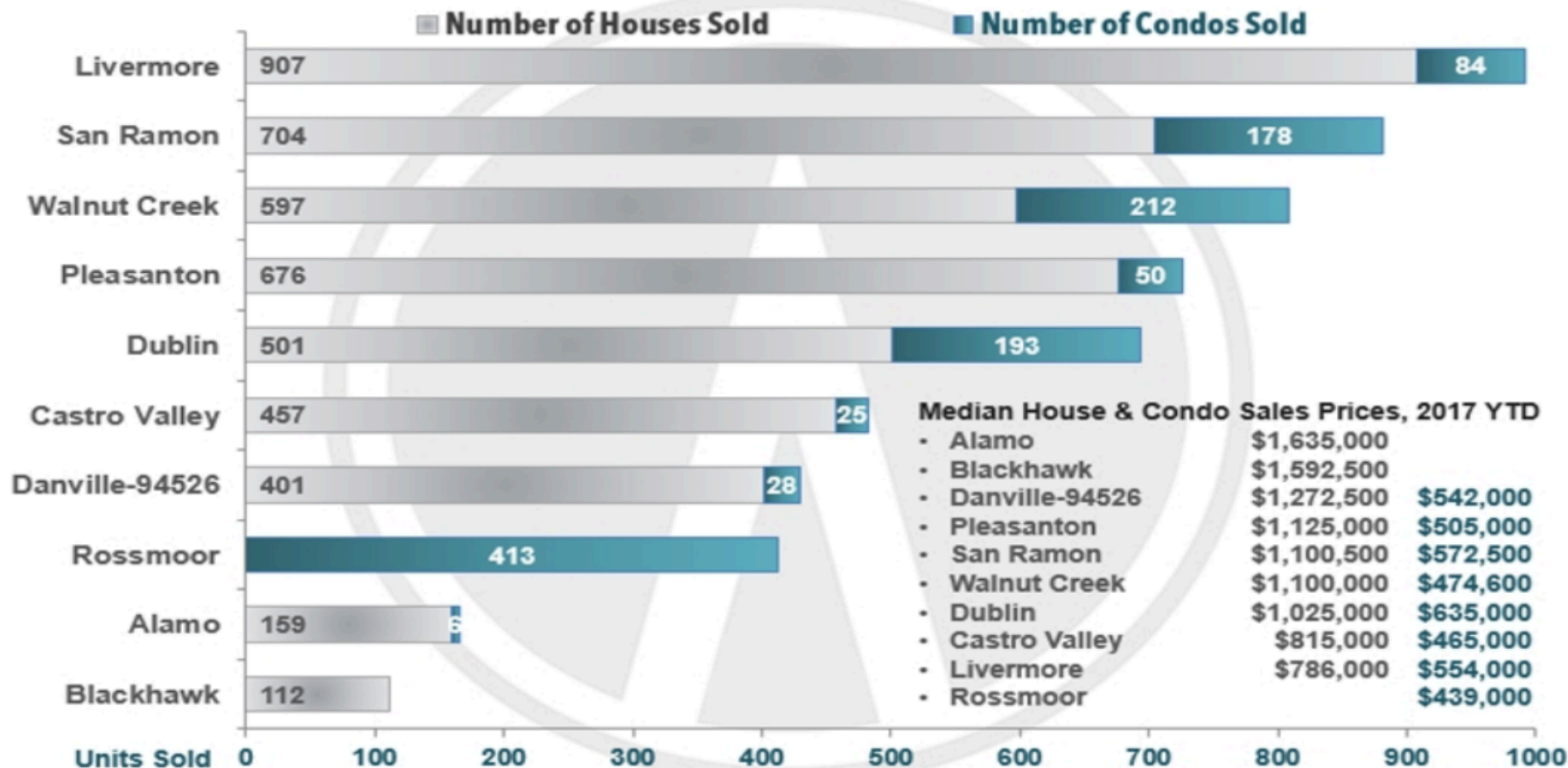
County Moved To/From	Total Number Moved to San Francisco County	Total Number Moved from San Francisco County	Total Net Migration
Alameda	3983	10345	-6362
San Mateo	6161	7984	-1823
Contra Costa	1856	2998	-1142
Sonoma	557	1602	-1045
Marin	1428	1918	-490
Napa	0	243	-243
Solano	796	815	-19
Santa Clara	4041	2691	1350



# Tri-Valley & Diablo Valley Real Estate Markets

## Number of Home Sales by City, 2017 YTD

Sales reported to  
MLS by 10/23/17



Sales reported to MLS only. Number of house sales is for detached and attached houses. Median sales prices for detached houses only. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers are approximate.



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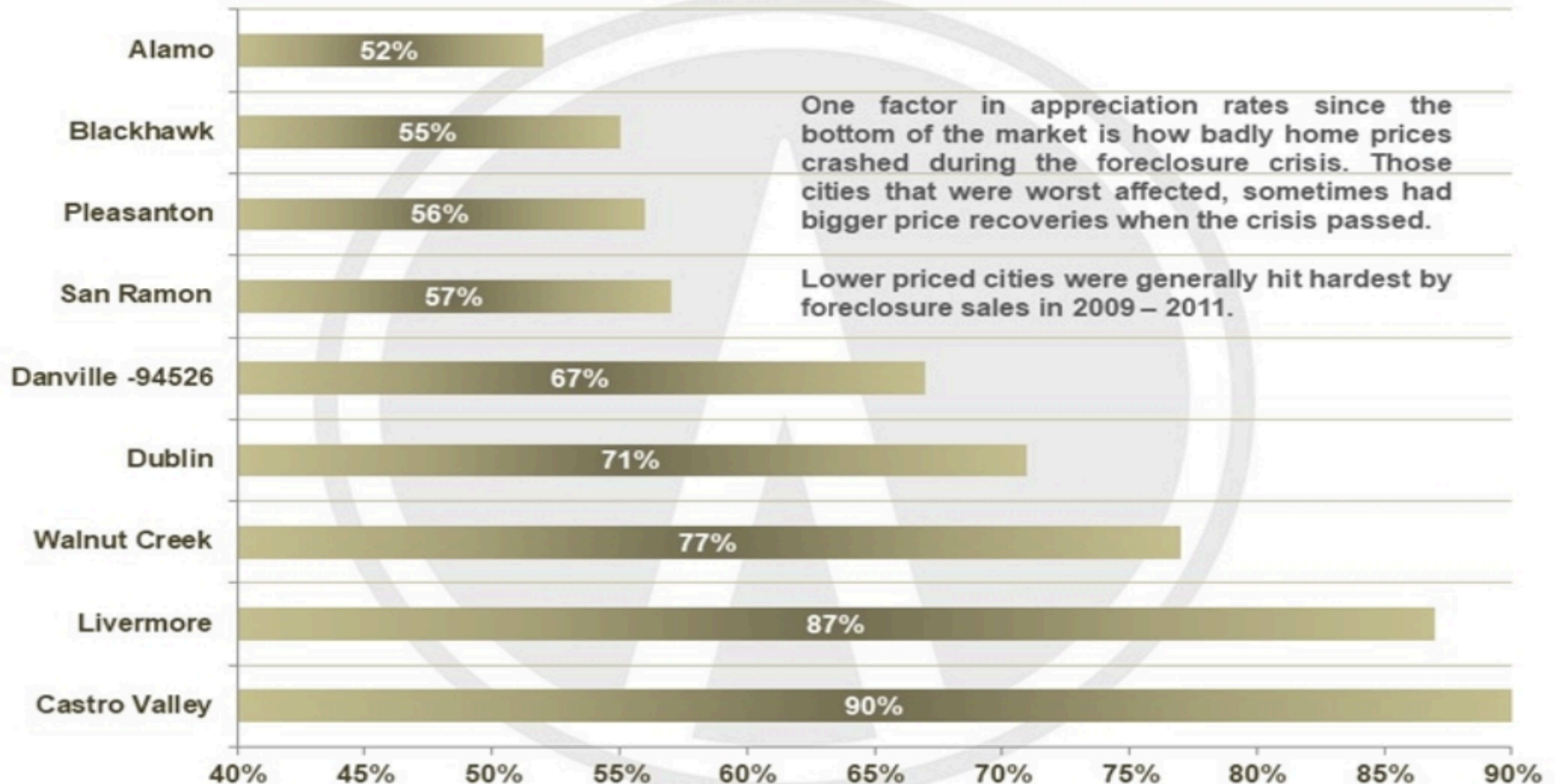
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# Median House Sales Price Appreciation

Tri-Valley & Diablo Valley, 2011 – 2017 YTD

Detached house sales  
reported to MLS by 10/23/17



Changes in median sales prices are not exact indicators of changes in fair market value. These analyses were performed in good faith with data derived from sources deemed reliable, but they may contain errors and are subject to revision. All numbers approximate.



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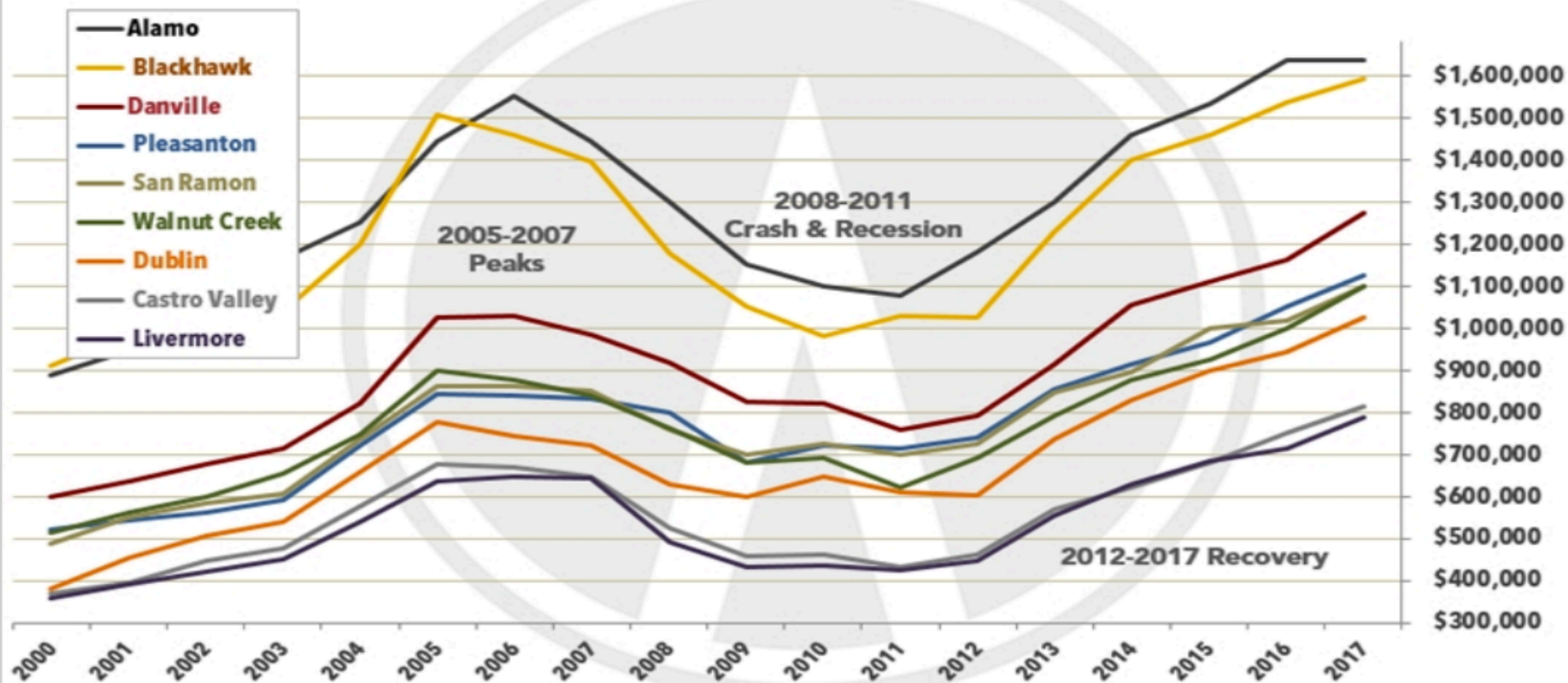
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# Median House Sales Price Trends Tri-Valley & Diablo Valley, since 2000

Detached house sales reported  
to MLS through 10/23/17



Median prices disguise an enormous variety of prices in the underlying individual sales. Data from the California Associations of Realtors Annual Historical Data Summary and MLS. Deemed reliable but may contain errors and is subject to revision. Danville is for zip code 94526. Diablo does not have enough sales for reliable plotting of trends.



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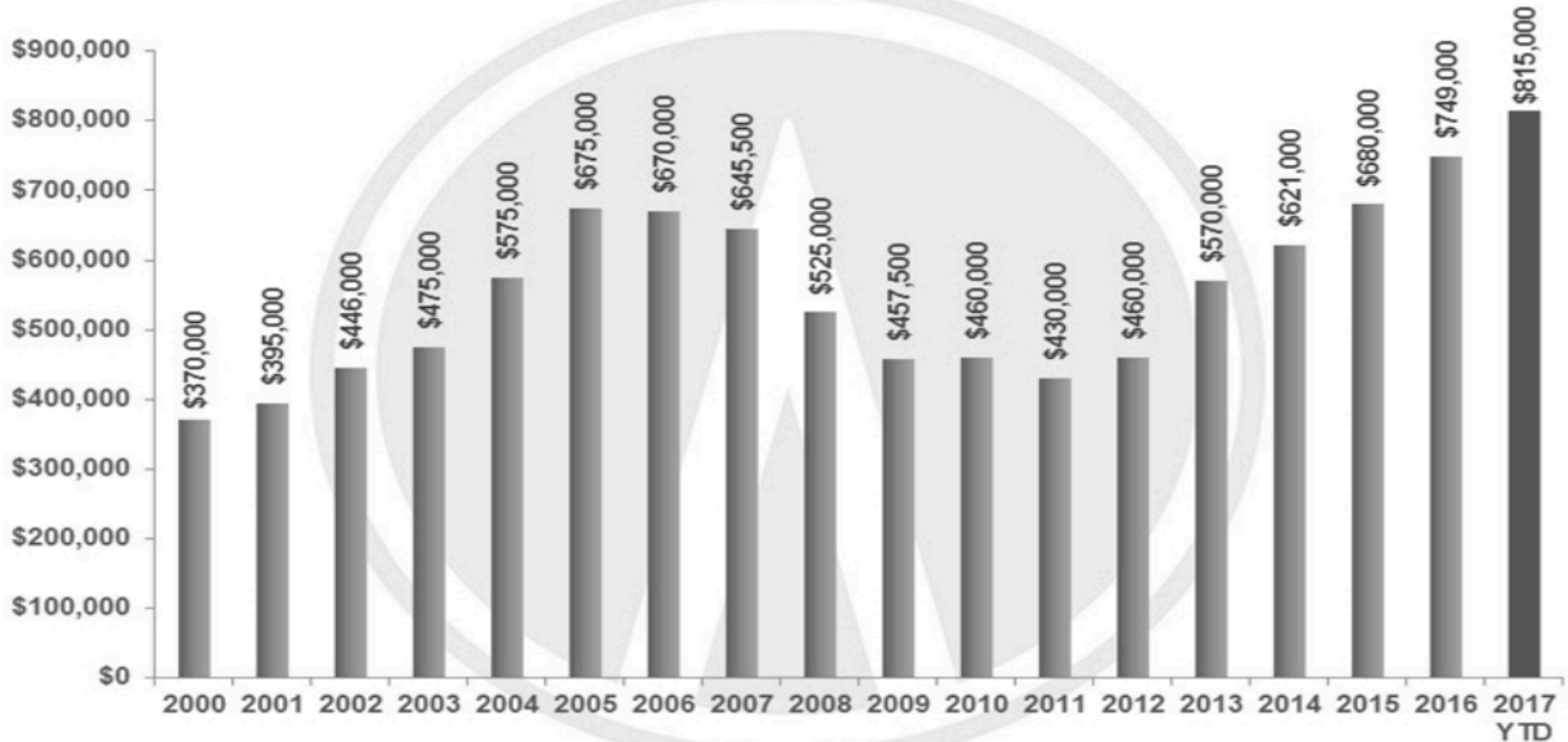
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# Castro Valley House Values

## Median Sales Prices, by Year

Detached house sales  
reported to MLS by 10/23/17.



Median sales price is that price at which half the sales occurred for more and half for less. It is a very general statistic that typically disguises a huge range of values in the underlying individual sales. Data from sources deemed reliable but may contain errors and is subject to revision. All numbers should be considered approximations.



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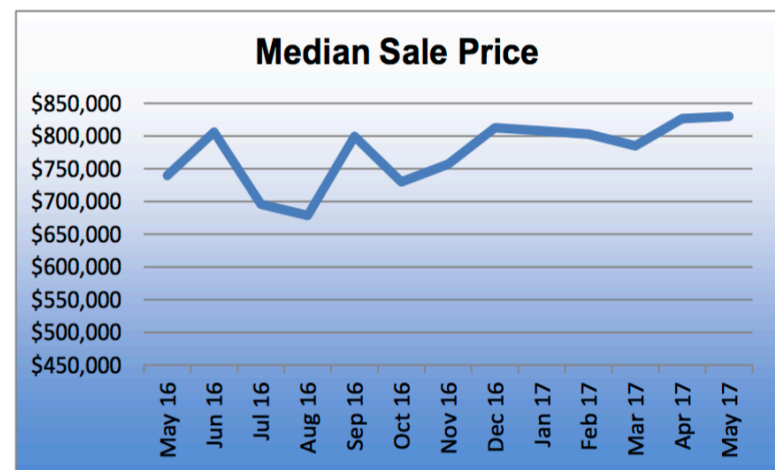


# Castro Valley Market Snapshot

Market Trends											
Month to Month	Sold	%Change	Avg List Price	% Change	Median Sale Price	% Change	Avg Sale Price	% Change	Avg DOM	% Change	Sale Price/ List Price
May 17	43	13.16%	\$814,972	8.91%	\$830,000	12.24%	\$846,521	8.56%	14	-21.99%	103.87%
May 16	38	-32.14%	\$748,324	11.25%	\$739,500	7.96%	\$779,750	10.71%	18	-15.74%	104.20%
May 15	56	19.15%	\$672,674	7.40%	\$685,000	12.30%	\$704,329	8.90%	21	52.99%	104.71%

## Market Activity Summary:

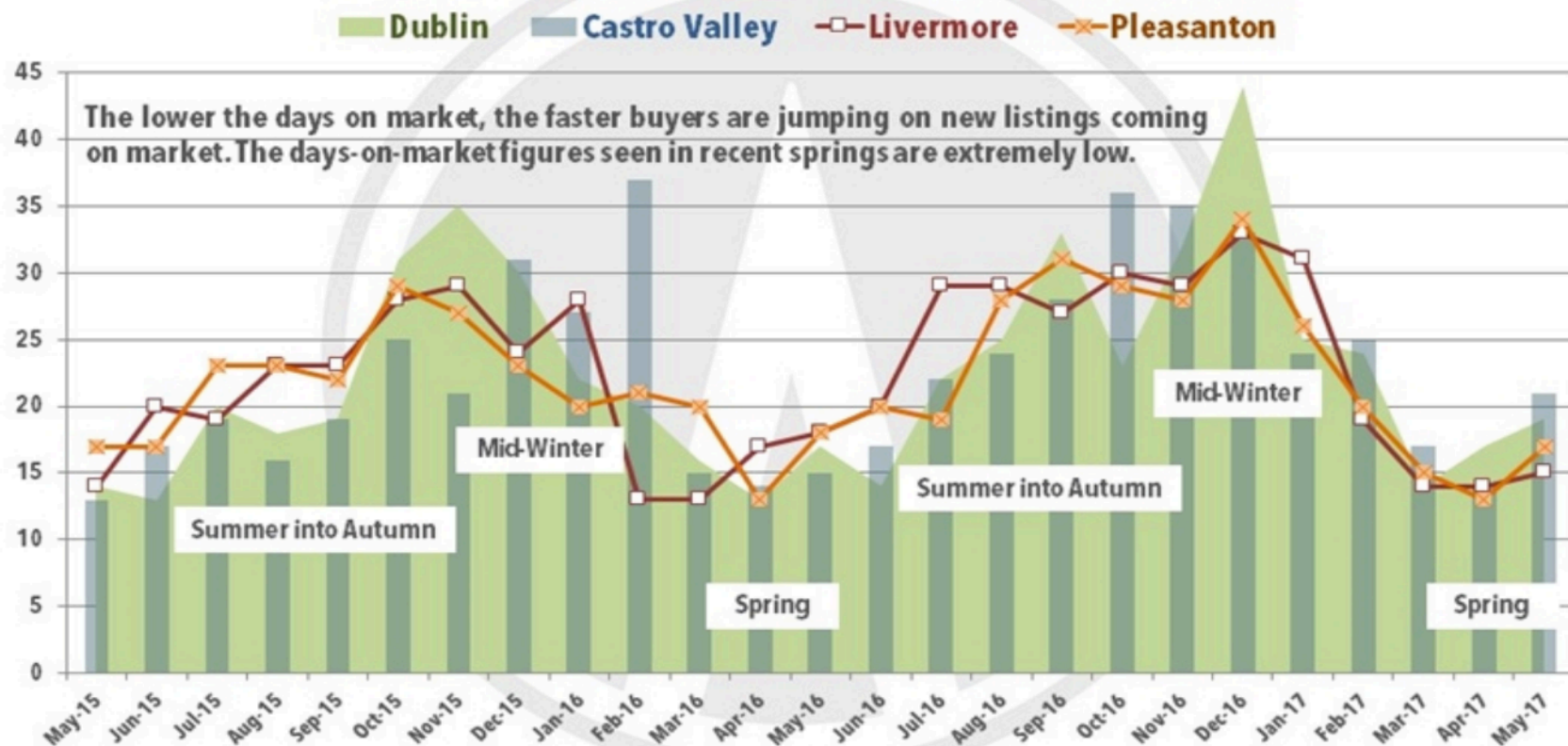
- Inventory: 42 units were listed for sale as of the last day of May - approximately 1 month of inventory.
- Sales Activity: 43 single-family detached units were sold during May.
- Median Sales Price: \$830,000 during May.
- Days-on-Market (DOM) year-to-date is approximately 14 days.
- Average sales price was 103.87% of the average list price during May.



# Average Days on Market before Acceptance of Offer

## Tri-Valley Market Dynamics

Residential market activity reported to MLS, per Broker Metrics.



Data from sources deemed reliable, but may contain errors and subject to revision.  
Based upon MLS activity. All numbers approximate and subject to revision.



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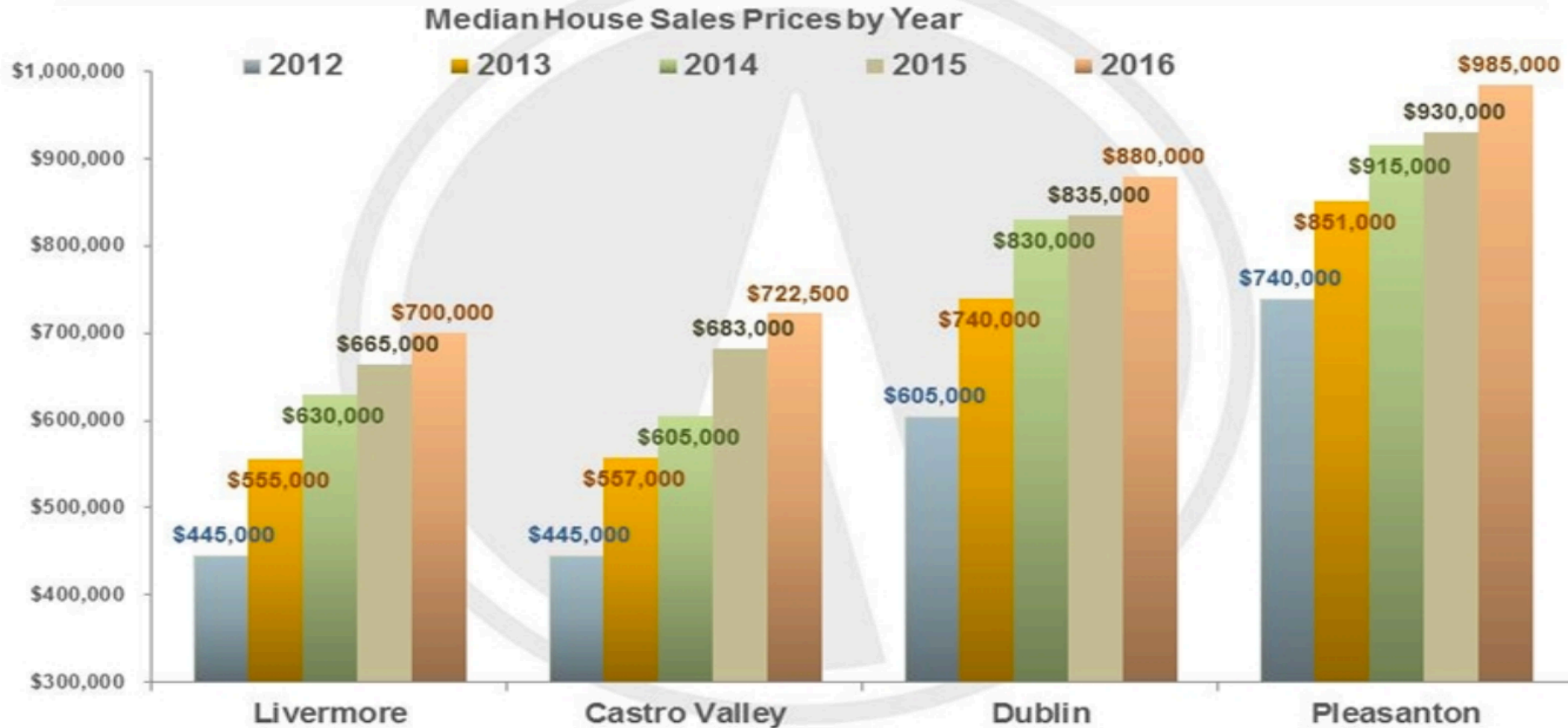
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# Median Sales Price Trends since 2012

## Tri-Valley House Sales

Data reported to MLS for Pleasanton, Dublin, Livermore, Castro Valley.



Median Sales Price is that price at which half the sales occurred for more and half for less. It is a general statistic that may be affected by other factors besides changes in fair market value. Median sales prices typically disguise a huge variety of sales prices in the individual underlying sales. Data from sources deemed reliable, but may contain errors and subject to revision.



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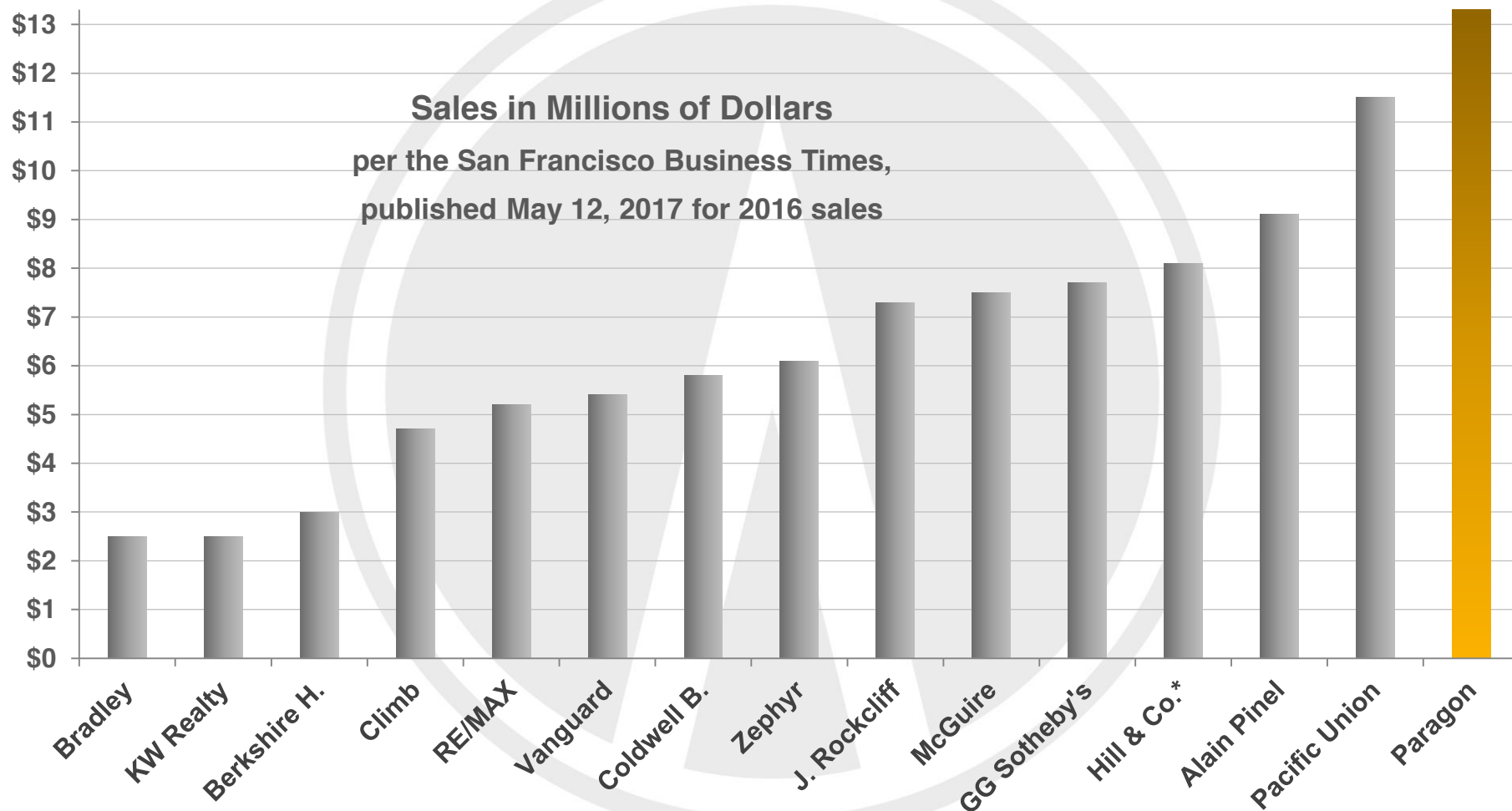
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# Average Sales per Agent in 2016

## Largest Bay Area Residential Brokerages



From "25 Largest Bay Area Residential Brokerages" ranking list: Selected brokerages with at least 100 licensed agents, except \*Hill & Co. has less than 100 agents.



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# Impact of Tax Reform on the Housing Market

## Two Provisions on the Individual Tax Reform Proposal:

- Doubling the Standard Deduction
- Repeal the state and local tax deduction

## Impact on the housing market:

- By doubling the standard deduction, the incentive of using MID as a tax saving tool as a homeowner would be nullified or eliminated
- The repeal of the state and local tax deduction would increase the cost of owning a home
- Home values would decline as these tax saving advantages vanished for homeowners



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# Impact of Tax Reform on the Housing Market

- The proposed tax reform would lead to **fewer sales** transactions as the tax incentives of being a homeowner vanish for many who want to purchase a property. Home sales would decline **3.4 percent** if the proposed tax reform were to be implemented
- The decline in home values would also lead to homeowners' reluctance to put their property on the market and further tighten up the housing supply condition in California. An estimated **1.5 percent** would be lost in the first year after the implementation of the tax reform.







# Impact of Tax Reform on the Housing Market

## Decline in Home Value

Decline in home value due to the dilution of MID -3.4%

Decline in home value due to the elimination of deduction of property tax -3.0%

**Total decline in home value -6.4%**

## Potential loss in Sales

Loss in home sales due to the dilution of MID -1.3%

Loss in home sales due to the elimination of deduction of property tax -2.1%

**Total loss in home sales -3.4%**

## Potential loss in Housing Supply

Loss in housing supply due to the dilution of MID -0.8%

Loss in housing supply due to the elimination of deduction of property tax -0.7%

**Total loss in housing supply -1.5%**



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# Incentives for Homeownership under the Proposed Tax Reform

Under the proposed law, the tax savings associated with moving from renting to homeownership falls:

- First-time buyers (\$100K income, \$437K home) will see federal tax incentive to own vs. rent decline from \$3,291 to zero in the first year.
- Typical buyers (\$120K income, \$533.5K home) will see federal tax incentive to own vs. rent decline from \$5,782 to \$362 in the first year.
- Mid-range buyers (\$150K income, \$615K home) will see federal tax incentive to own vs. rent decline from \$8,099 to \$1,334 in the first year.
- High-end buyers (\$200K income, \$1.2M home) will see federal tax incentive to own vs. rent decline from \$16,615 to \$5,725 in the first year.



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