2017 Housing Market Forecast

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Cadence of Accountability

How did I do with last year's forecast?



- US economic and job growth expanding
- CA economy out-preforming the nation
- Rates rising in response to Fed policy
- Millennials leaving the nest as job opportunities expand
- Listings & new units remain low
- Formerly owner-occupied units now rentals
- Affordability challenges for first time & repeat buyers
- Boomers aren't moving



2016 Forecast Report Card

	2015 Actual	2016 Forecast	2016 Projected
SFH Resales (000s)	408.8	433.0	407.3
% Change	6.8%	6.3%	-0.4%
Median Price (\$000s)	\$474.4	\$491.3	\$503.9
% Change	6.2%	3.2%	6.2%
30-Yr FRM	3.9%	4.5%	3.6%
Housing Affordability Index	31%	27%	33%
U.S. Gross Domestic Product	2.4%	2.7%	1.5%



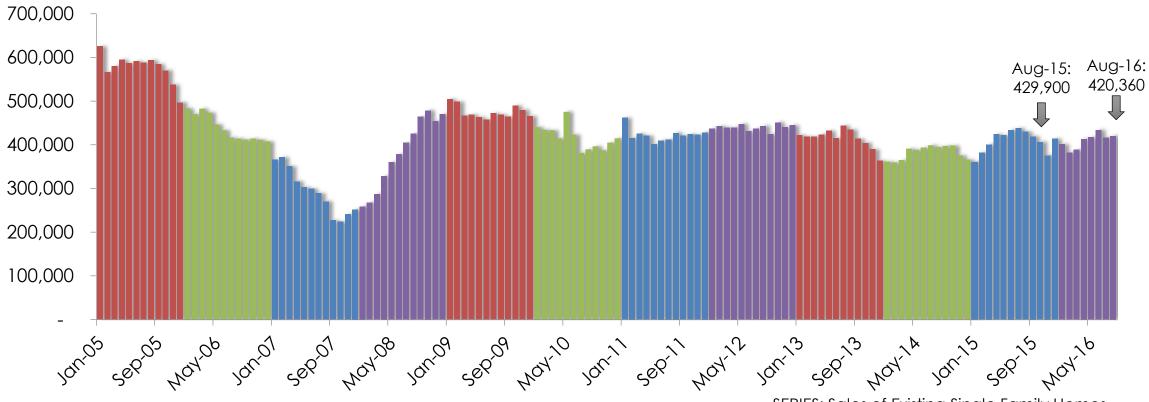
2016 Story Missed ...

- US economic activity failed to support sustained rate hikes
- Global economic turmoil China et al
- Degree to which lack of supply and affordability constrained home sales
- Demographics boomers really aren't moving, millennials are
- Out-migration
- Uncertainty (election, Fed, Brexit, "Brecession", etc.)



YTD 2016 CA sales flat compared to 2015

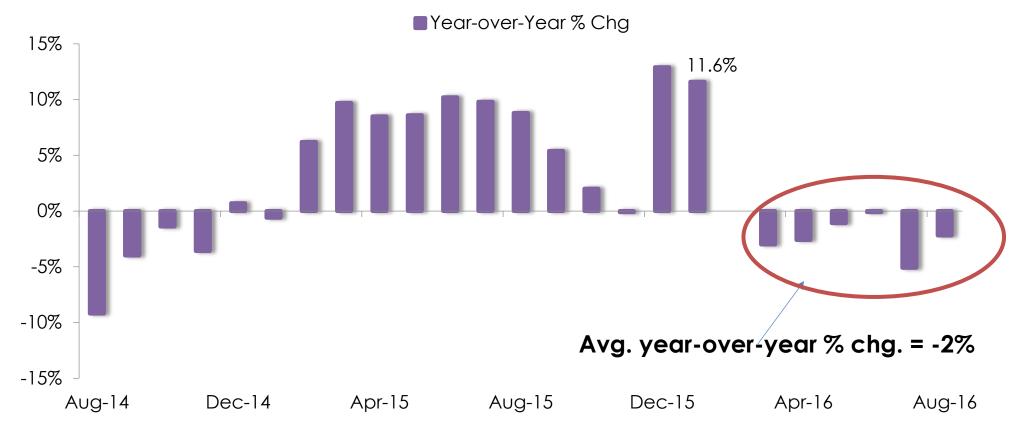
California, August 2016 Sales: 420,360 Units, -0.4% YTD, -2.2% YTY



SERIES: Sales of Existing Single Family Homes SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

*Sales are seasonally adjusted and annualized

Sales began the year strong (TRID Effect?) but lost momentum...despite strong job growth



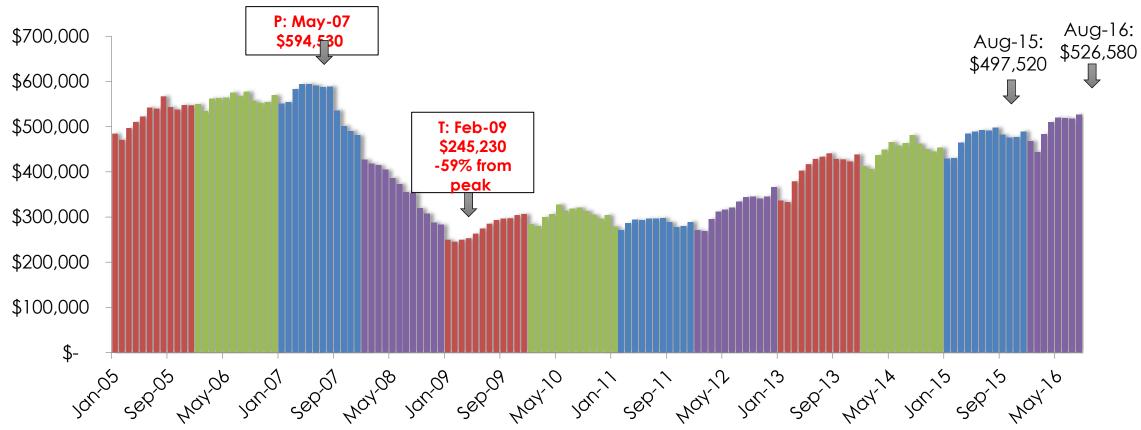
SERIES: Sales of Existing Single Family Homes SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

*Sales are seasonally adjusted and annualized



2016 prices highest since 2007

California, Aug. 2016: \$526,580, +1.7% MTM, +5.8% YTY



SERIES: Median Price of Existing Single Family Homes SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Peak vs. 6/16: Southern California

Region	Last Cyclical Peak Month	Last Cyclical Peak Price	Jun-16 Median	%Chg From Peak
Orange County	Jun-07	\$775,420	\$759,490	-2.1%
San Diego County	May-o6	\$622,380	\$594,430	-4.5%
Ventura Couty	Aug-o6	\$710,910	\$674,310	-5.1%
CALIFORNIA	May-07	\$594,530	\$519,440	-12.6%
Riverside County	Jun-o6	\$431,710	\$357,810	-17.1%
Los Angeles Metro	May-07	\$578,700	\$477,230	-17.5%
Inland Empire	Jun-o6	\$389,380	\$319,100	-18.0%
Los Angeles County	Sep-o7	\$625,810	\$502,190	-19.8%
San Bernardino County	Aug-o6	\$350,290	\$245,220	-30.0%

SERIES: Median Price of Existing Detached Homes SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Los Angeles County

- 538 E Colorado Ave, Glendora, CA 91740
- List: \$519,000
- 3 Bed, 2 Bath
- 1,625 Sq Ft
- Last sold in 2011 for \$357,000





Orange County

- 17450 Rockrose Circle, Yorba Linda, CA
- List: \$780,000
- 5 Bed, 2 Bath
- 2,809 Sq Ft
- Last sold in 2000 for \$400,000





Riverside County

- 25522 Buckley Drive, Murrieta, CA
- List: \$360,000
- 3 Bed, 3 Bath
- 1,700 Sq Ft
- Last sold in 2010 for \$230,000





Peak vs. 6/16 Median: Central Valley

Region	Last Cyclical Peak Month	Last Cyclical Peak Price	Jun-16 Median	%Chg From Peak
CALIFORNIA	May-07	\$594,530	\$519,440	-12.6%
Madera County	Feb-o8	\$275,000	\$234,720	-14.6%
Sacramento County	Aug-o5	\$394,450	\$332,580	-15.7%
Placer County	Aug-o5	\$527,990	\$444,590	-15.8%
Kern (Bakersfield) Count	Jun-o6	\$299,920	\$238,400	-20.5%
Kings County	Mar-o6	\$268,050	\$211,110	-21.2%
Tulare County	Dec-o5	\$269,710	\$211,820	-21.5%
Fresno County	Jun-o6	\$313,510	\$242,240	-22.7%
San Benito County	May-o5	\$671,190	\$511,500	-23.8%
Merced County	Oct-05	\$344,610	\$207,580	-39.8%



Sacramento County

- 5109 Ocean Ln Elk Grove, CA 95757
- List: \$329,900
- 3 Bed, 2 Bath
- 1,425 Sq Ft
- Last sold in 2010 for \$184,000





Peak vs. 6/16 Median: Bay Area

Region	Last Cyclical Peak Month	Last Cyclical Peak Price	Jun-16 Median	%Chg From Cyclical Peak
San Francisco County	May-o7	\$972 , 010	\$1,350,000	38.9%
San Mateo County	Oct-07	\$1,020,000	\$1,306,250	28.1%
Santa Clara County	Apr-07	\$865,000	\$1,050,000	21.4%
Alameda County	May-o7	\$709,420	\$803,000	13.2%
San Francisco Bay Area	May-o7	\$789,250	\$841,960	6.7%
Marin County	Jun-07	\$1,149,390	\$1,218,500	6.0%
Sonoma County	Jan-o6	\$650,330	\$608,000	-6.5%
CALIFORNIA	May-07	\$594,530	\$519,440	-12.6%
Napa County	Aug-o6	\$729,170	\$619,000	-15.1%
Solano County	Jun-o6	\$492,800	\$390,000	-20.9%
Contra Costa County	May-o7	\$923,150	\$625,000	-32.3%

SERIES: Median Price of Existing Detached Homes SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Contra Costa County

- 2389 Brandon Miles Way, Brentwood, CA 94513
- List: \$575,000
- 4 Bed, 3 Bath
- 2,774 Sq Ft
- Last sold in 2011 for \$360,000





San Francisco

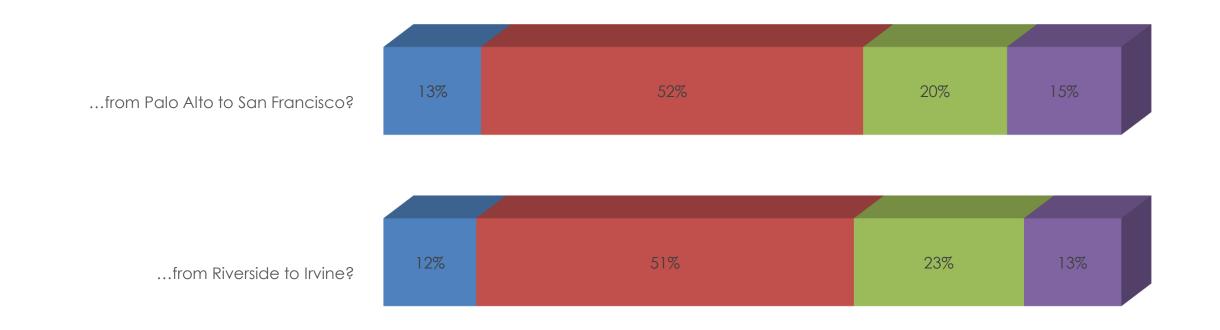
- 77 Christopher Drive, San Francisco, CA
- List: \$1,200,000
- 4 Bed, 3 Bath
- 1,890 Sq Ft
- Last sold in 2004 for \$778,000





Don't Bother Commuting in Major Metros

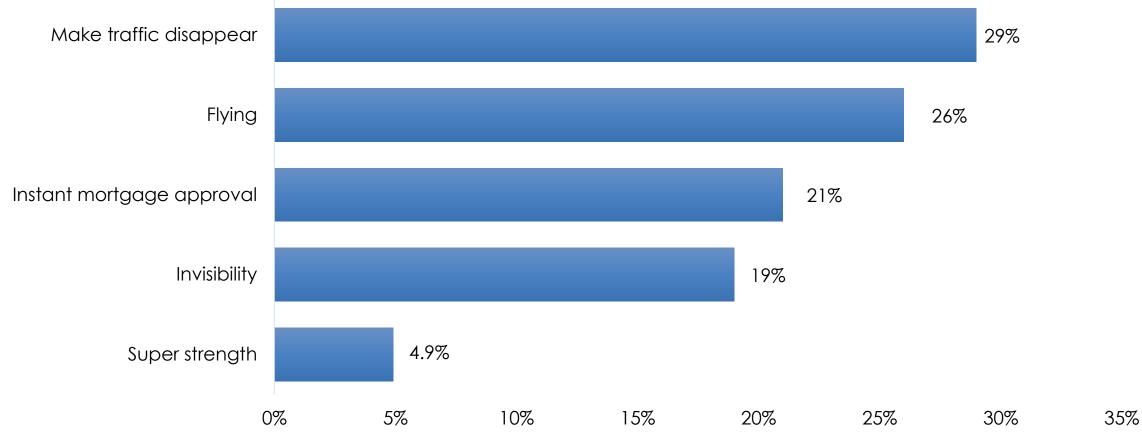
I hour 1-2 hours 2+ hours Impossible! Don't bother!



Q4 - What is the average commute time ...



Making Traffic Disappear is Most Desired Super Power

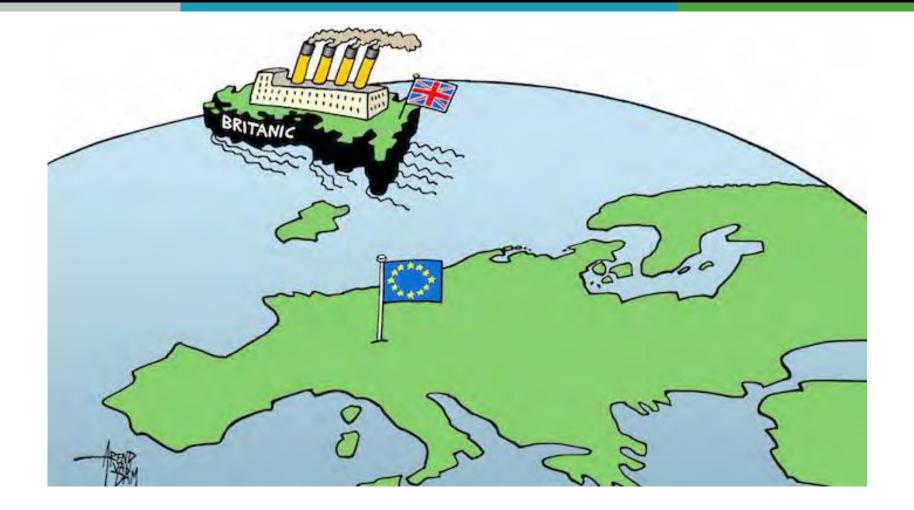


Q12 - Which super power would you like to have?

Abundance of Uncertainty



BREXIT: Markets were surprised





Brexit: Limited Direct Impact on US

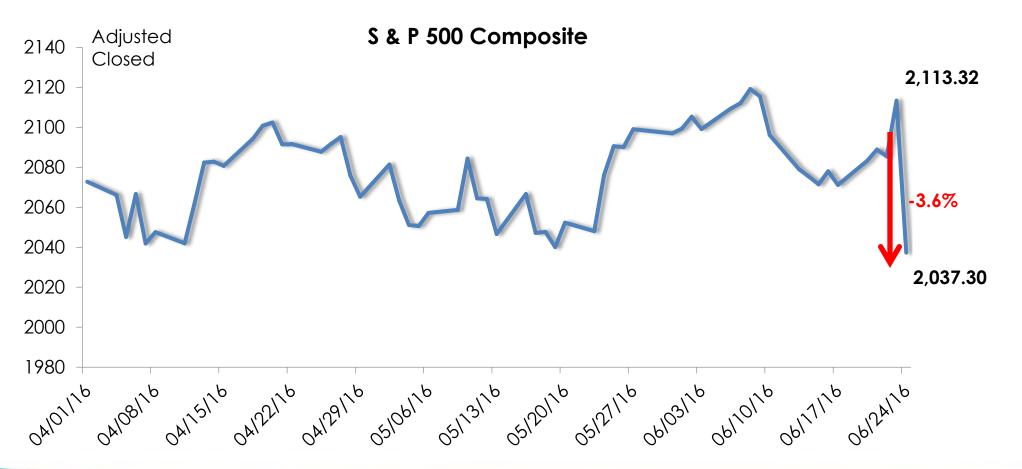


- The UK accounted for less than 4 percent of American exports of goods in 2015, equivalent to 0.4 percent of U.S. GDP
- Direct economic impact on the U.S. would be small, even if the UK economy slipped into recession.



Indirect effects are more significant

Financial markets meltdown after the Brexit vote



SOURCE: Yahoo Finance



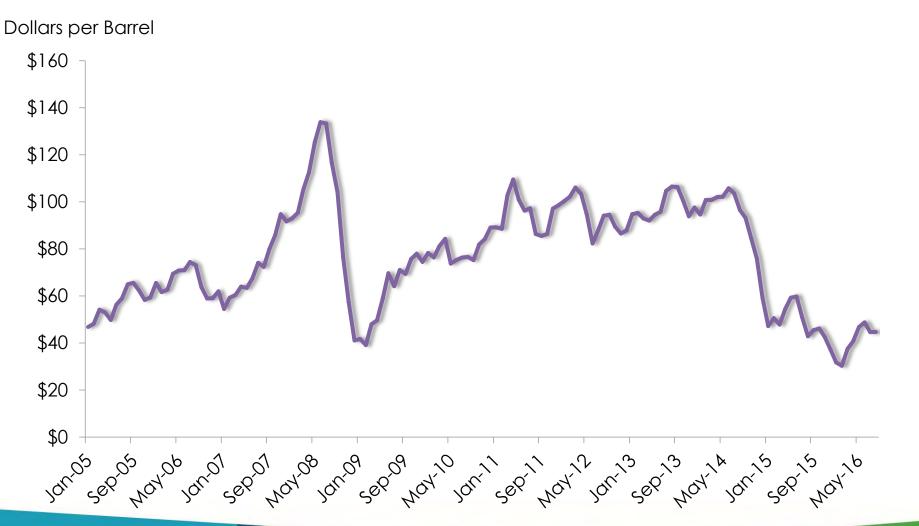
Global Production & Export Growth Weak



SOURCE: Wells Fargo Securities



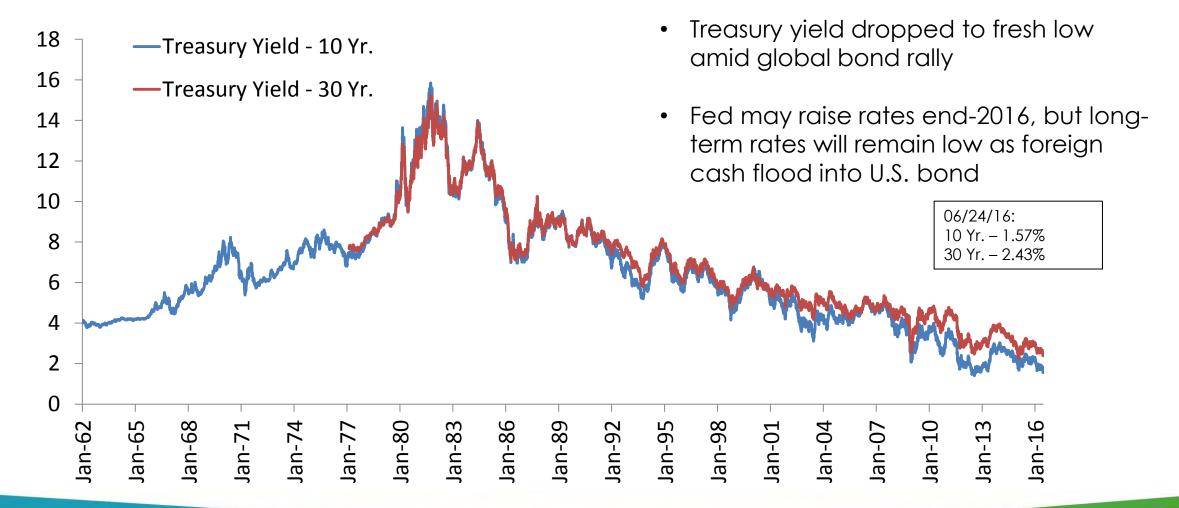
Oil Price Decline was Unexpected



SERIES: Crude Oil Prices: West Texas Intermediate SOURCE: U.S. Energy Information Administration



Silver lining for economic weakness, political turmoil and uncertainty ...





Fed holds off again – see you in December? Efficacy of Monetary Policy?





Rates remain attractive

Today's rates: FRM 3.48% ARM 2.8%



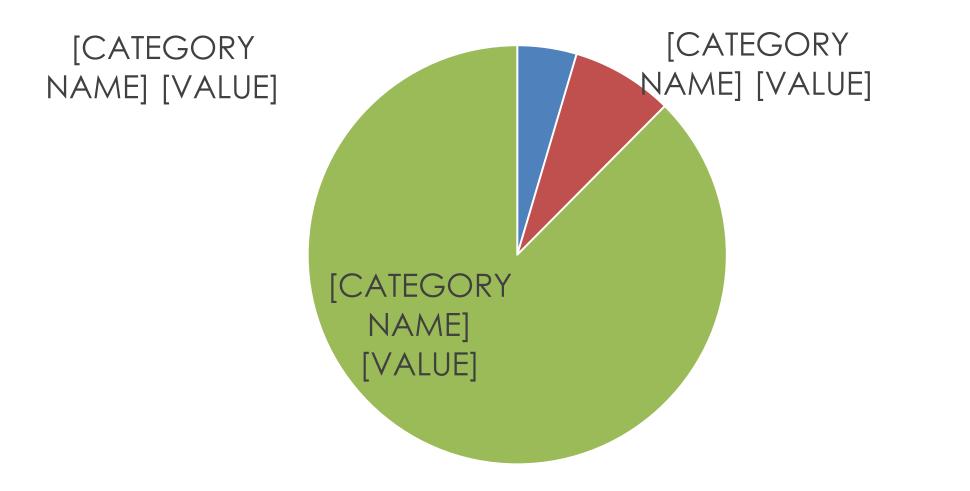
SERIES: 30Yr FRM, 5Yr ARM SOURCE: Freddie Mac





Do you plan to leave the country if...?

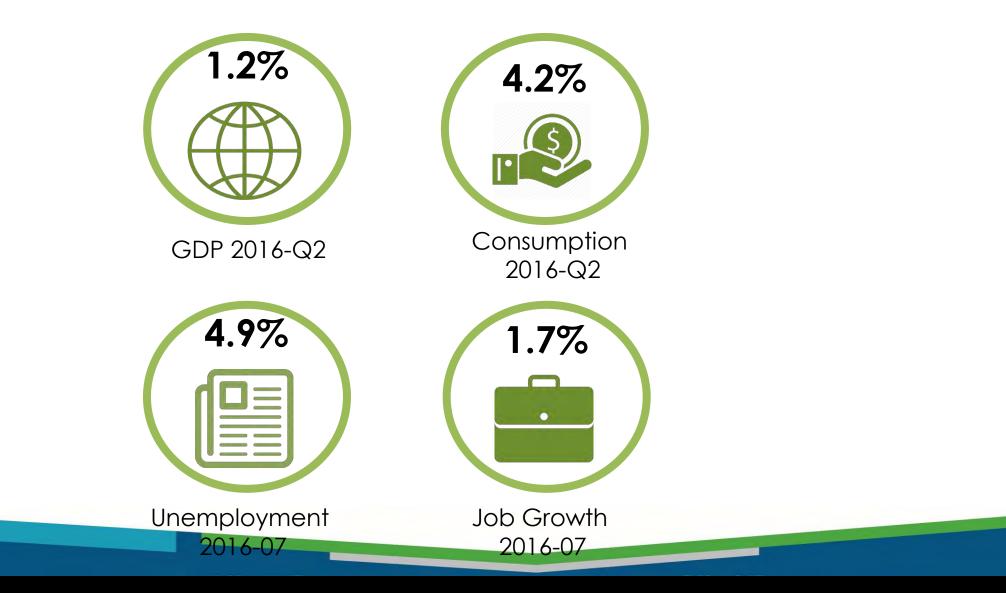




Economic Outlook

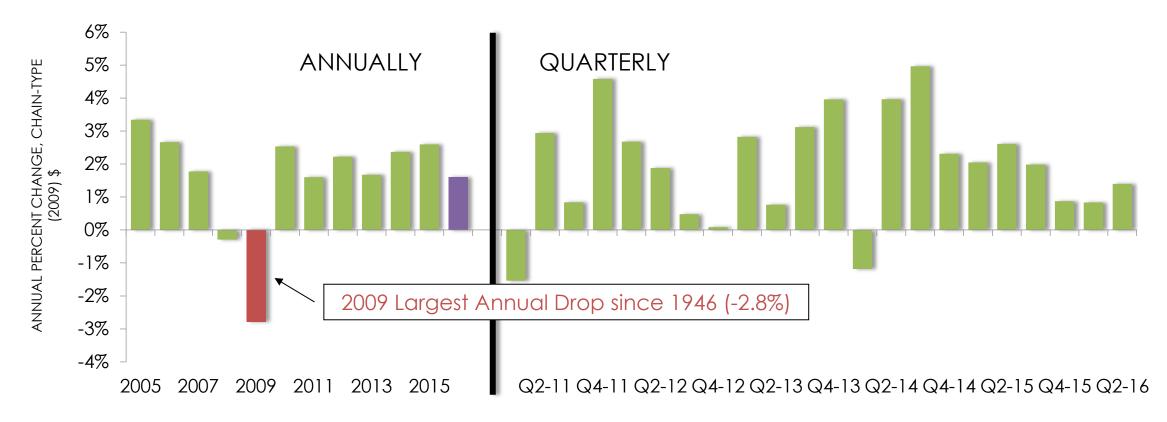


Macro Economic Summary



Economic growth painfully slow - Consumer spending recovered in Q2 Investment still weak

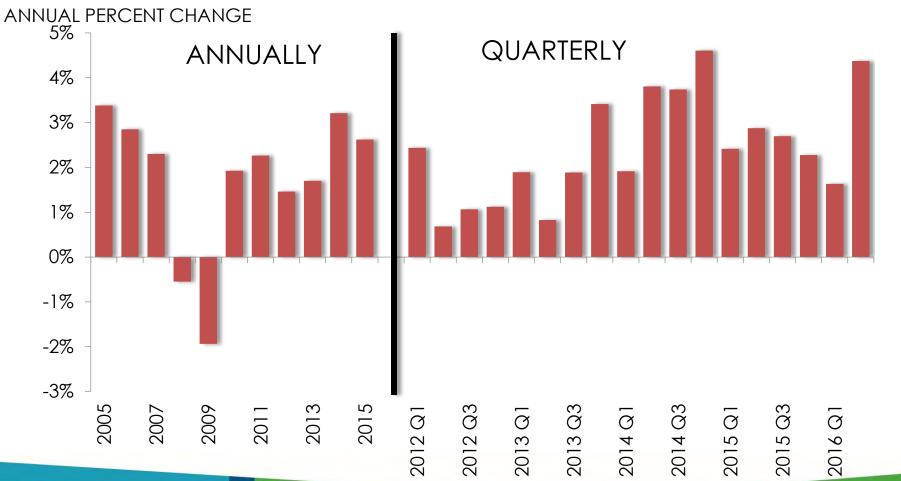
US GDP 2015: 2.6%; 2016 Q1: .8% Q2: 1.4%



SERIES: GDP SOURCE: US Dept. of Commerce, Bureau of Economic Analysis

Consumer Spending Robust Q2 EXPS August Retail Sales Weak

2015: 2.6%; 2016 Q2: 4.2%



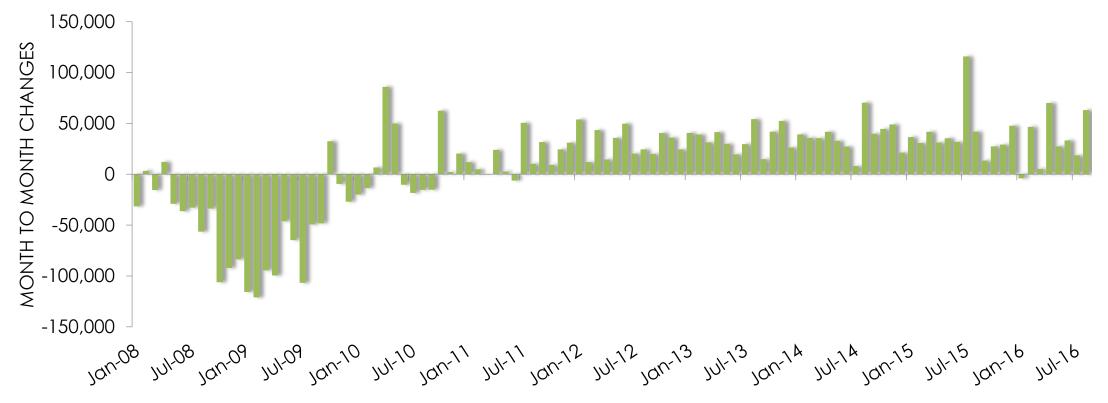
SERIES: Personal Consumption

SOURCE: US Dept. of Commerce, Bureau of Economic Analysis



CA Jobs Are Back

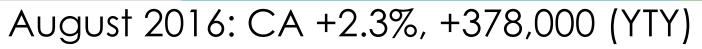
Recession Job Losses: 1.3 million, Since Jan'10: +2.2 million

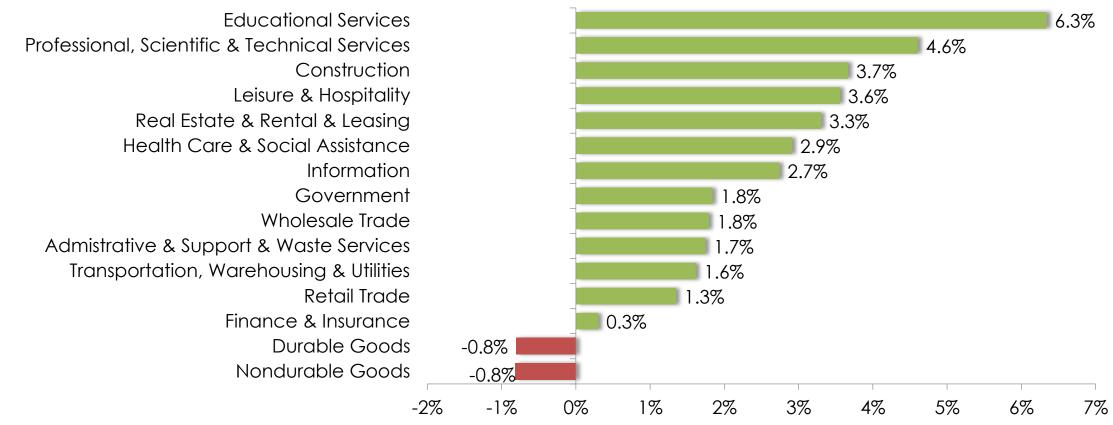


SERIES: Total Nonfarm Employment SOURCE: CA Employment Development Division

WHO'S YOUR REALTOR EXP

California Job Changes by Industry



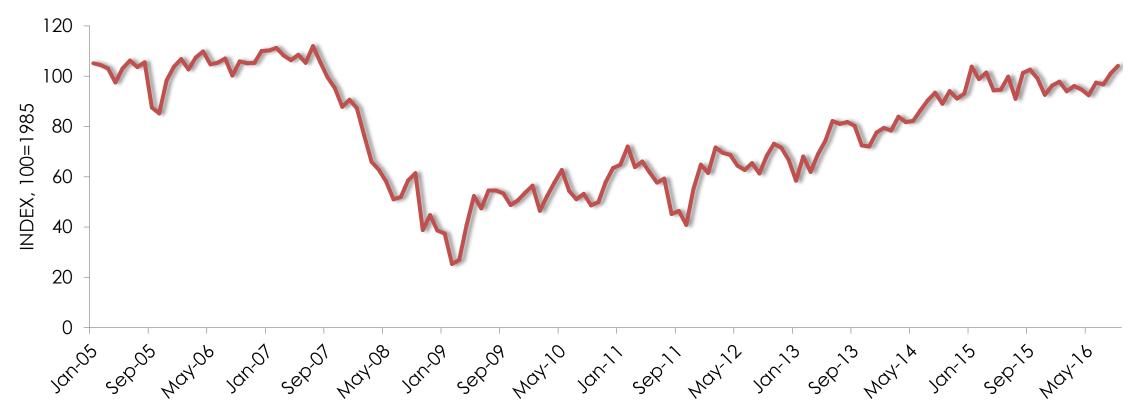


SERIES: Total Nonfarm Employment By Industry SOURCE: US Bureau of Labor Statistics, CA Employment Development Division



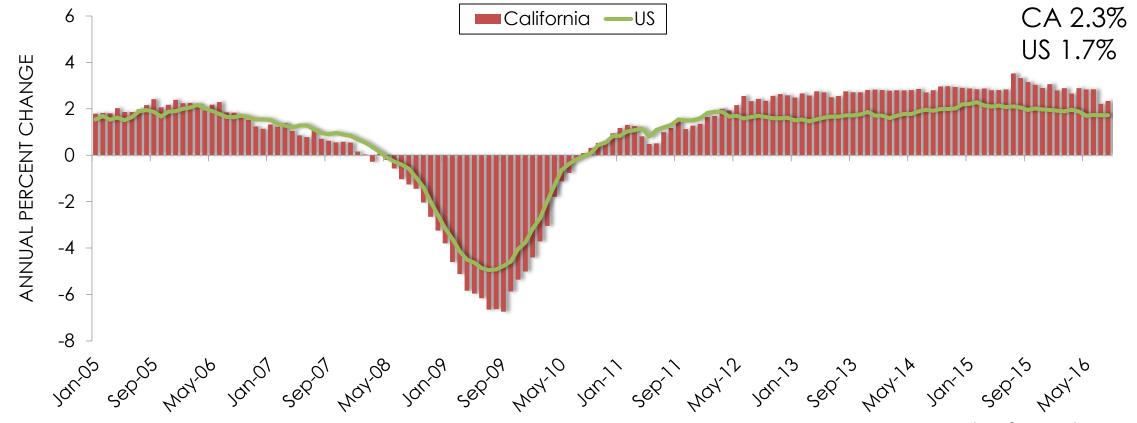
Consumer Confidence: 9 Year High

September 2016: 104.1



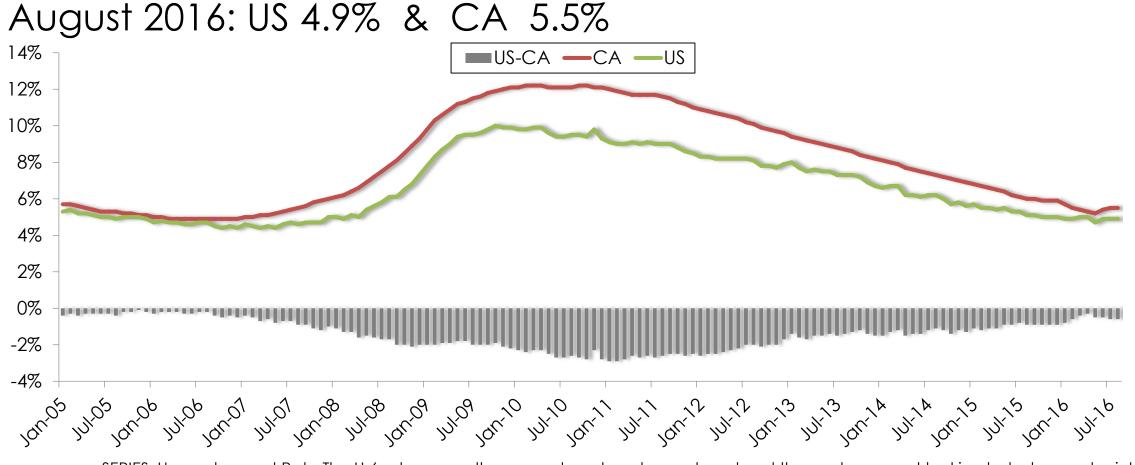
SERIES: Consumer Confidence SOURCE: The Conference Board





SERIES: Total Nonfarm Employment SOURCE: US Bureau of Labor Statistics, CA Employment Development Division

Unemployment Rates Near 8-year low



SERIES: Unemployment Rate The U-6 rate covers the unemployed, underemployed and those who are not looking but who want a job SOURCE: US Bureau of Labor Statistics, CA Employment Development Division



CA Job Gains by Region +378,000 last 12 months

	Nonfarm Employment (Thousands)									
	Aug 2016	Aug 2015	Change	% Change						
Southern California	9,007.4	8,824.1	183.3	2.1%						
Bay Area	3,574.8	3,542.4	32.4	0.9%						
Central Valley	2,171.5	2,119.4	52.1	2.5%						
Central Coast	534.4	527.2	7.2	1.4%						
North Central	143.7	140.9	2.8	2.0%						
CALIFORNIA	16,534.3	16,156.3	378.0	2.3%						

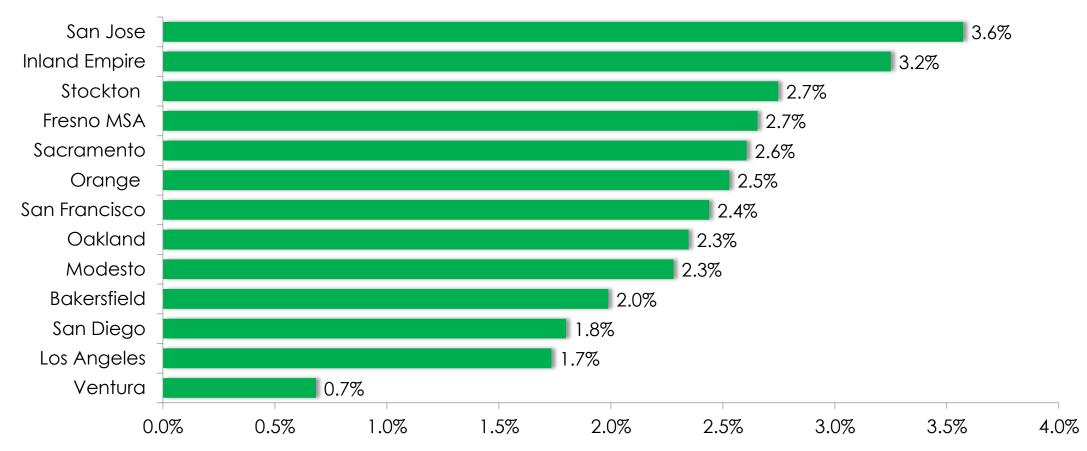
SERIES: Total Nonfarm Employment

SOURCE: CA Employment Development Division



Silicon Valley Leads Job Growth

August 2016: CA +2.3%, +378,000 (YTY)

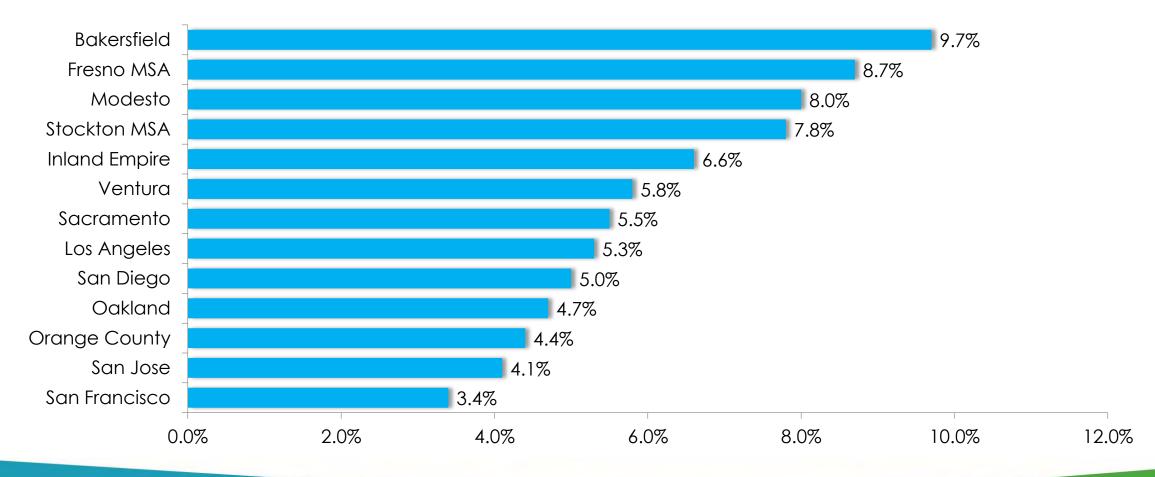


SOURCE: US Bureau of Labor Statistics, CA Employment Development Division



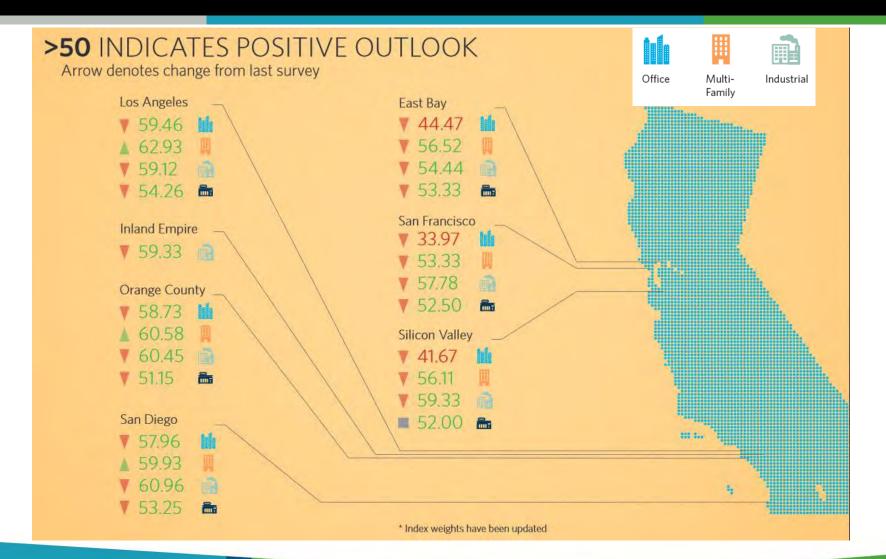
Unemployment by Metro Area

August 2016: California 5.5%





Commercial Markets Developers' Sentiment



SOURCE: Allen Matkins/UCLA Anderson Forecast Commercial Real Estate Survey



REALTORS[®] CRE Outlook

Exhibit 4.2: Commercial Real Estate Vacancy Forecast (%)															
-	2015.Q1	2015.Q2	2015.Q3	2015.Q4	2016.Q1	2016.Q2	2016.03	2016,04	2017.01	2017.02	2017.03	2017,Q4	2015	2015	201
Office	15.1	15.9	16.0	14.3	13.4	12.3	11.9	11.5	11,1	10.8	10,4	9,9	14.3	12.3	10.6
Industrial	11.3	10.8	11.5	11.4	11.1	9.8	9.4	9.4	9.1	8.9	8.7	8.4	11.4	9.9	8.8
Retail	13.7	13.2	13.0	12.9	12.5	11.8	11,5	11.2	11.1	10.8	10,5	10.3	12.9	11.8	10.7
Multifamily	8.4	6.6	7.4	6.2	7.8	5.0	5.9	5.8	5.6	6,3	6,1	5.8	6.2	6.1	6.2



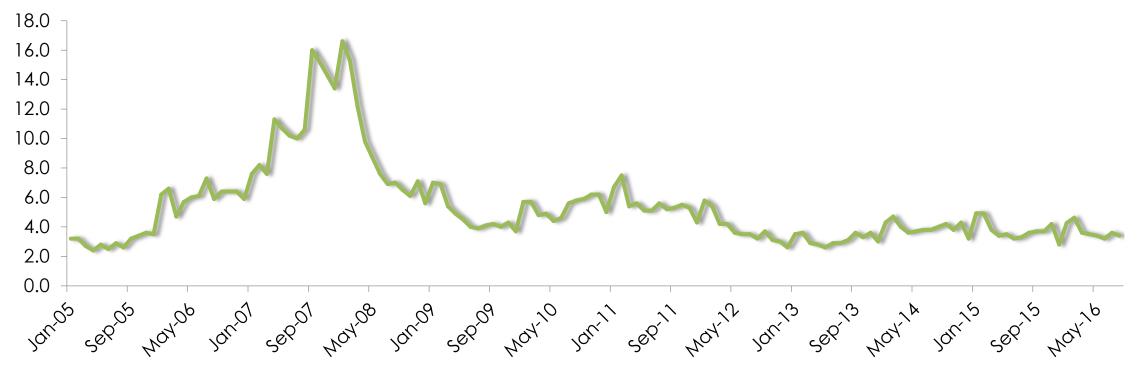
A Tale of Two Markets: The "New" Normal

- High-end: discretionary & slowing
- Low/Moderate-end: demand continues unabated
- Urban coastal CA slowing
- Inland and Central and Northern CA growing
- Migration patterns mirror housing affordability and jobs

Supply

Supply Remains an Issue; Unsold Inventory Stays Below the Norm

August 2016: 3.4 Months, August 2015: 3.6 Months;

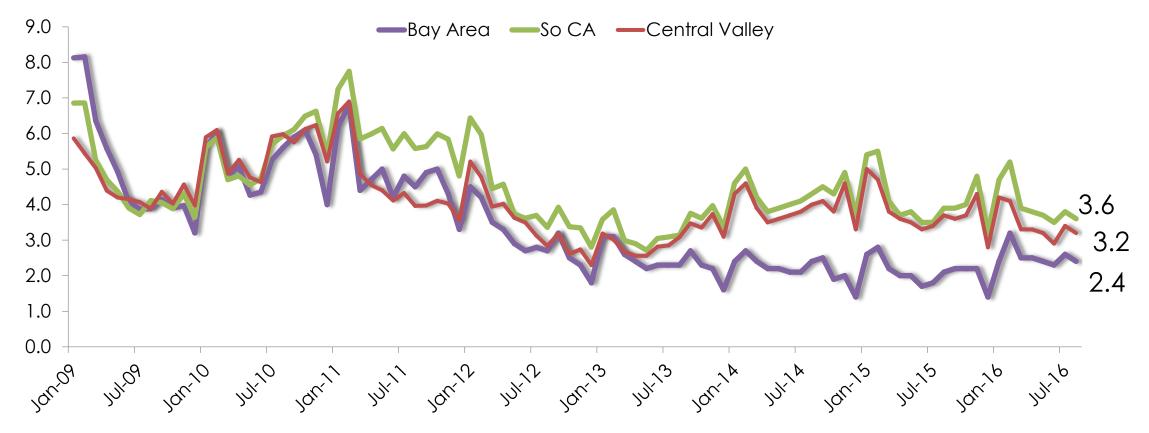


Note: "Unsold Inventory Index" represents the number of months it would take to sell the remaining inventory for the month in question. The remaining inventory for the month is defined as the number of properties that were "Active", "Pending", and "Contingent" (when available) and divide the sum by the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

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



Inventory Tightest in the Bay Area



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.

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Supply Tighter at the More Affordable Price Ranges ...

