

LONDON

PROPERTIES

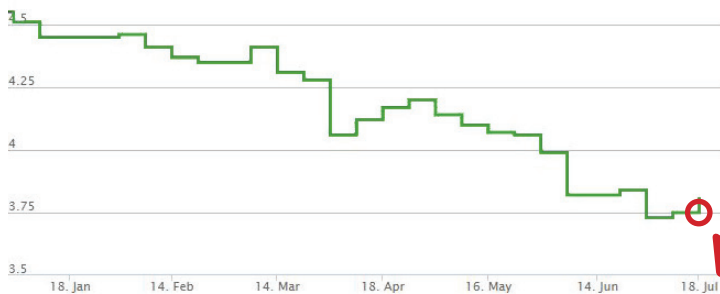
2019 SUMMER HOUSING REPORT

MARKET FACTS

We're one month into summer and our real estate market is **hot and intriguing for both buyers and sellers**. After trying to withstand gradually rising interest rates over the previous three quarters, rates began to fall this spring and are now reaching new lows, a positive for buyers and sellers.

1. "The drop in mortgage rates over the last two months is already being felt in the housing market... In the near-term, we expect the housing market to continue to improve from both a sales and price perspective." – **Sam Khater, Chief Economist at Freddie Mac**
2. **Inventory is up** – As of July 1st, local inventory was up 8.4% from one year ago within 1,321 new residential listings coming on in June alone.
3. Closed transactions were down – After first quarter (Q1) sales fell by 10.2% from Q1 last year, the gap narrowed heading into the summer with Q2 sales only 4.7% behind one year ago.
4. The Fresno/Clovis market average sales price continues to slowly increase, but may be topping out just above \$300,000.

AVERAGE 30 YEAR FIXED MORTGAGE RATE



SERIES: Average 30 Yr. Fixed Mortgage Rates
SOURCE: Freddie Mac

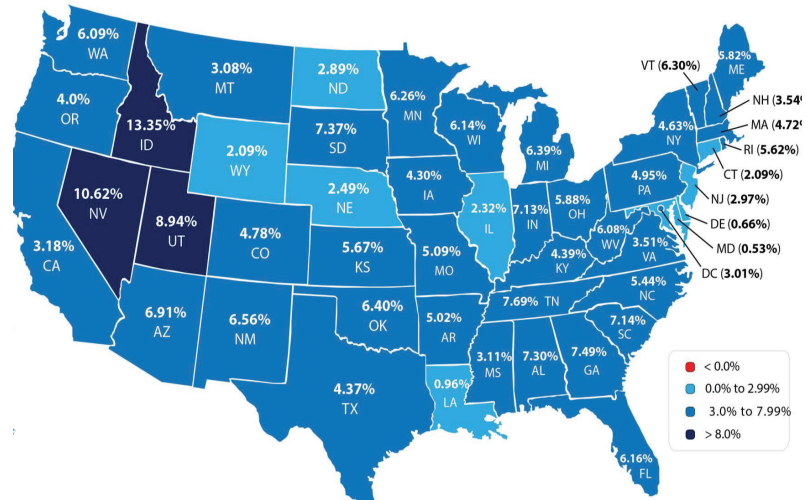
LOCALLY AS OF JULY

- Inventory is up 8.8% from last year
 - Q2 sales are down 4.9% from previous year
 - Q2 2019 median sales price is up only 5% compared to Q2 2018
 - Median sales price is \$280,000
 - As of 7-1-19, cumulative days on market is only 47
 - Interest rates continue to fall moving into Q3
 - In July, rates fell to their lowest level since Q2 2018
- See Graph

THE GOOD NEWS FOR SELLERS

1. Median net cash gain for sellers in California is at historic highs of \$200,000 per seller.
2. California's household formation is at a 10-year high.
3. Months' supply of inventory has dropped to 2.5 months.
4. Local sellers sold their homes for 98% of the final listing price.
5. **Tailwinds for our market:** Strong economy, low unemployment, wages are increasing, mortgage rates back to historic lows, and buyer confidence continues to increase.

YEAR-OVER-YEAR % CHANGE IN PRICE 2019



GOOD NEWS FOR BUYERS

- “Homeownership appears to help borrowers accumulate housing and nonhousing wealth in a variety of ways, with tax advantages, greater financial flexibility due to secured borrowing, built-in ‘default’ savings with mortgage amortization and nominally fixed payments, and the potential to lower home maintenance costs through sweat equity.” - **Laurie S. Goodman & Christopher Mayer**. *Urban Land Institute*
- According to the Realtors Confidence Index from the National Association of Realtors, 61% of first-time buyers purchased their homes with down payments below 6%. Don't disqualify yourself because you're uninformed. In 2018, 74% of first-time buyers and 52% of all buyers put less than 20% down.
- The Central Valley is incredibly affordable, and the recent drop in interest rates has made it even more affordable. While only 32% of Californians can afford the state's median priced home (\$575,000), affordability in the Central Valley by county is as follows:
 Fresno 50% Kings 57% Madera 53% Merced 48% Tulare 52%
- Home prices in the Central Valley are still lower by 8 to 12% from their record height in 2006.
- Keep mortgage rates in perspective: The average since 1971 is over 8%.
- Always remember that “**you live in the payment and not the price.**” With interest rates back to nearly 4% (and lower), today's buyer can afford more home than they could a year ago, and likely a year from now. With every 1% increase in rate, buyers lose approximately 10% of purchasing power. (See example below*)

MORTGAGE RATES

HISTORIC MORTGAGE RATES BY DECADE	
DECADE	AVERAGE RATE
1970s	8.86%
1980s	12.7%
1990s	8.12%
2000s	6.29%

MORTGAGE RATE PROJECTIONS

QUARTER	FREDDIE MAC	FANNIE MAC	MBA	NAR	Average Of All Four
2019 3Q	4.0	3.9	3.9	3.9	3.92%
2019 4Q	4.0	3.9	4.0	3.9	3.95%
2020 1Q	4.1	3.8	4.0	4.0	3.97%
2020 2Q	4.4	3.8	4.0	4.1	4.0%

Look at the actual reasons you are contemplating buying or selling to begin with. Are the reasons related to proximity to work or school, the right sized home, a better interest rate and payment, investment, scaling down, or moving up? Consider all the factors and remember just like our seasons, these factors can change. This Summer just might be the perfect time for you to make a move.

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*YOU LIVE IN THE PAYMENT, NOT THE PRICE

BUYER'S PURCHASING POWER

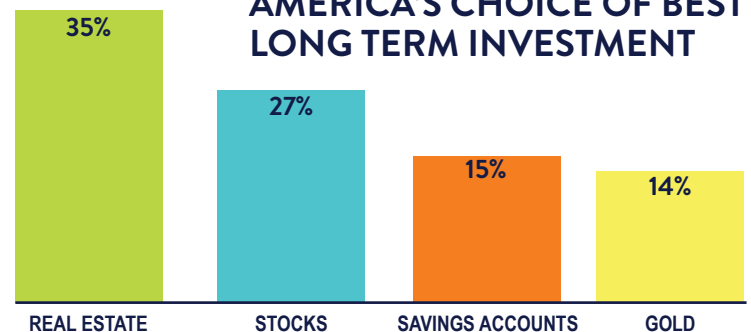
RATE	\$2,208	\$2,154	\$2,098	\$2,044	\$1,988
5.25	\$2,208	\$2,154	\$2,098	\$2,044	\$1,988
5.00	\$2,148	\$2,094	\$2,040	\$1,986	\$1,932
4.75	\$2,086	\$2,034	\$1,982	\$1,930	\$1,878
4.50	\$2,026	\$1,976	\$1,926	\$1,874	\$1,824
4.25	\$1,968	\$1,919	\$1,869	\$1,820	\$1,771
4.00	\$1,910	\$1,862	\$1,814	\$1,766	\$1,719
3.75	\$1,852	\$1,806	\$1,760	\$1,714	\$1,667

\$400,000 \$390,000 \$380,000 \$370,000 \$360,000

-2.5% -5% -7.5% -10%

Principal and Interest payment (rounded to the nearest dollar amount.)

AMERICA'S CHOICE OF BEST LONG TERM INVESTMENT



MORE GOOD NEWS

“We see that the inventory totals have steadily improved, and will provide more choices for those looking to buy a home...When placing their home on the market, home sellers need to be very realistic and aware of the current conditions.” - **Lawrence Yun**, *Chief Economist at NAR*

“Sellers have to think about the competition in a way they haven't before. Getting ahead of other potential sellers could be even more of a bigger advantage this year given market conditions.” - **Danielle Hale**, *Chief Economist at Realtor.com*

“Modestly weaker consumer spending and manufacturing data...caused interest rates to decline... While signals from the financial markets are flashing caution signs, the real economy remains on solid ground with steady job growth and five-decade low unemployment rates, which will drive up home sales this summer.” - **Freddie Mac**

“The economy is doing well. It has steady growth, low unemployment, and little inflation. That's called the Goldilocks economy because it's neither too hot nor too cold.” - **The Balance**

As a seller, you will be most concerned about ‘short-term price’ – where home values are headed over the next six months. As a buyer, however, you must not be concerned about price, but instead about the ‘long-term cost’ of the home. - **CoreLogic**