

# LONDON PROPERTIES



## WINTER 2019 HOUSING REPORT

### MARKET FACTS

As quick as our change of seasons, so too are we experiencing change in our national and local real estate markets. Although most of the 'flashpoints' in the last 12 months have become trends, unexpected swings like the lowering of interest rates in January are reminding us of the real opportunities to buy and sell now.

- Inventory is Up** – As of December 31st, local inventory was up to its highest level since November 2015. The mounting inventory trend began in Q2 of 2018 and climbed every single month to finish the year.
- In California, sales began to taper in the spring of 2018 (the season when we historically have an increase), and ended the year 3.2% lower than the previous year, while our Central Valley was down between 1.5 to 2%.
- Although Valley homeowners still benefited from overall price appreciation of approximately 4.5% in 2018, it appears that we hit new highs in June and July for both median (270K) and average (298K) sales prices, but by year end gave back much of those gains, median (264K) and average (287K).

### AVERAGE 30 YEAR FIXED MORTGAGE RATE



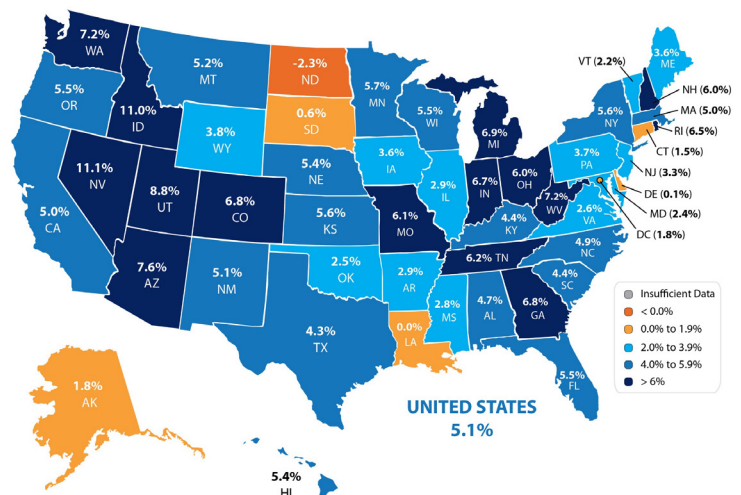
SERIES: Average 30 Yr. Fixed Mortgage Rates  
SOURCE: Mortgage News Daily

### LOCALLY AS OF JANUARY

- Inventory is up 24% from last year
- Q4 sales are down 6.2% from previous year
- Q4 2018 median sales price is up only 4.8% compared to Q4 2017
- Median sales price is \$264,000
- As of 1-1-19, cumulative days on market is 51
- After climbing, interest rates have fallen again
- In January, rates fell to lowest level since Q2, 2018

See Graph

### YEAR-OVER-YEAR % CHANGE IN PRICE 2018



### THE GOOD NEWS FOR SELLERS

1. California's household formation is at a 10-year high.
2. California's first-time buyers are hitting their highest level since 2012 with 34.8% of the buyer pool.
3. Median net cash gain for sellers is at historic highs of \$200,000 per seller.
4. Months' supply of inventory remains in seller territory at 3.2 months.
5. On average, California homeowners have remained in their homes for a record 11.5 years, significantly more than the historic 7-8 years. Increasing inventory and equity are now encouraging households to move.

## GOOD NEWS FOR BUYERS

- 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 October 2018, 74% of first-time buyers and 52% of all buyers put less than 20% down.
- The Central Valley is incredibly affordable. While only 26% of Californians can afford the state's median priced home, (\$575,000) affordability in the Central Valley by county is as follows:
 

Madera 52%	Fresno 47%
Kings 50%	Merced 42%
Tulare 48%	
- Home prices in the above counties are still lower by 10 to 14.70 % from their height in 2006.
- Fresno/Clovis prices peaked in 2006 at nearly \$330,000. As of January 1, 2019 the average sales price is \$287,000 (14% lower).
- Keep mortgage rates in perspective: The average since 1971 is over 8.10 %
- More selection - new listings to market are out-pacing sales by nearly 25%.
- Always remember that "you live in the payment and not the price." With interest rates back in the mid 4s, today's buyer can afford more home than they likely can one year from now. With every 1% increase in rate, buyers lose approximately 10% of purchasing power.

## MORTGAGE RATES

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

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 Winter 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	\$2,098	\$2,046	\$1,994	\$1,941	\$1,889
6.00	\$2,098	\$2,046	\$1,994	\$1,941	\$1,889
5.75	\$2,043	\$1,991	\$1,940	\$1,889	\$1,838
5.50	\$1,987	\$1,938	\$1,888	\$1,838	\$1,789
5.25	\$1,933	\$1,884	\$1,836	\$1,788	\$1,739
5.00	\$1,879	\$1,832	\$1,785	\$1,738	\$1,691
4.75	\$1,826	\$1,780	\$1,734	\$1,689	\$1,643
4.50	\$1,773	\$1,729	\$1,685	\$1,640	\$1,596
	\$350,000	\$341,250	\$332,500	\$323,750	\$315,000
		-2.5%	-5%	-7.5%	-10%

Principal and Interest payment  
rounded to the nearest dollar amount.



## MORE GOOD NEWS

"The deceleration in home price growth reflects improving inventories and provides buyers who experienced tight supply for much of the year with more inventory to select from."

- **Sam Khater**, Chief Economist at Freddie Mac

"We're seeing the first indications that price appreciation may be slowing, but the underlying fundamental housing market conditions support a natural moderation of price appreciation rather than a decline."

- **Mark Fleming**, Chief Economist at First American

CoreLogic recently shared that national home prices have increased by 5.6% year-over-year. Over that same time period, interest rates have remained historically low which has allowed many buyers to enter the market.

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**