



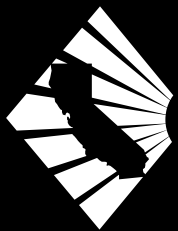
2017 Housing Market Outlook

17th Annual Kern County Economic Summit

March 15, 2017

Oscar Wei

Senior Economist



CALIFORNIA
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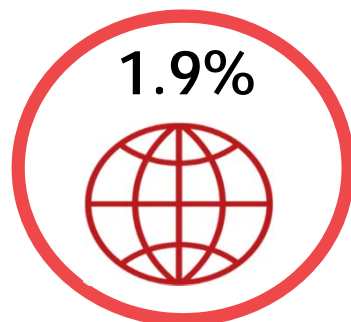
Overview

- Economy at a Glance
- Housing Market Outlook
 - U.S.
 - California
 - Kern County
- 2017 Forecast





Jumping off from a decent starting point



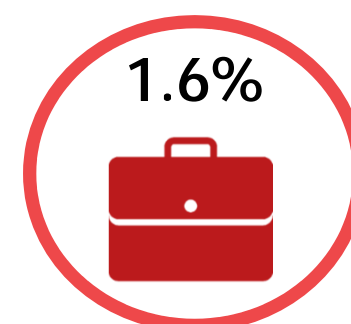
GDP 2016-Q4



Consumption
2016-Q4



Unemployment
February 2016

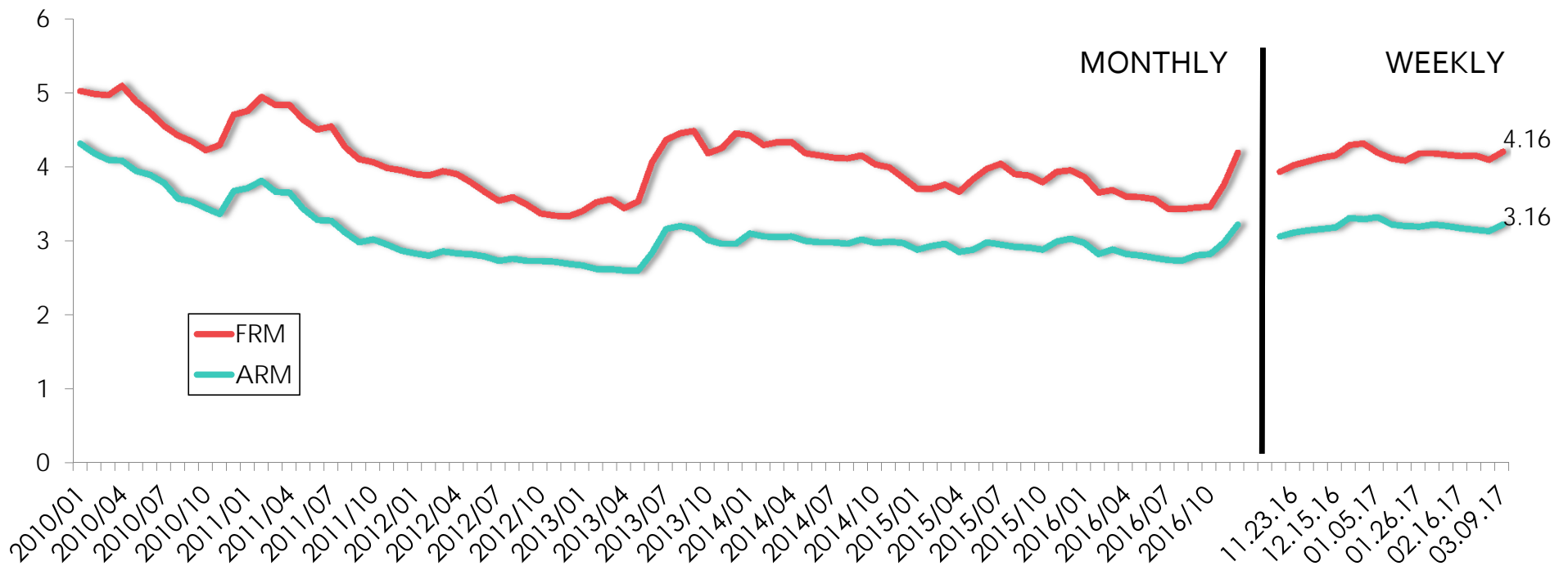


Job Growth
February 2016



Mortgage Rates: Surged after the Election But Stabilized in Recent Weeks

January 2010 – March 09, 2017



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



Post-Election Uncertainty

- Economic stimulus package/tax reform
- Dismantling Dodd-Frank
- Reform of GSE's
- Trade Policy
- Other wildcards
 - Healthcare reform
 - Immigration Policy/H1B Visa program



Housing Market Outlook



U.S. Housing Market Outlook

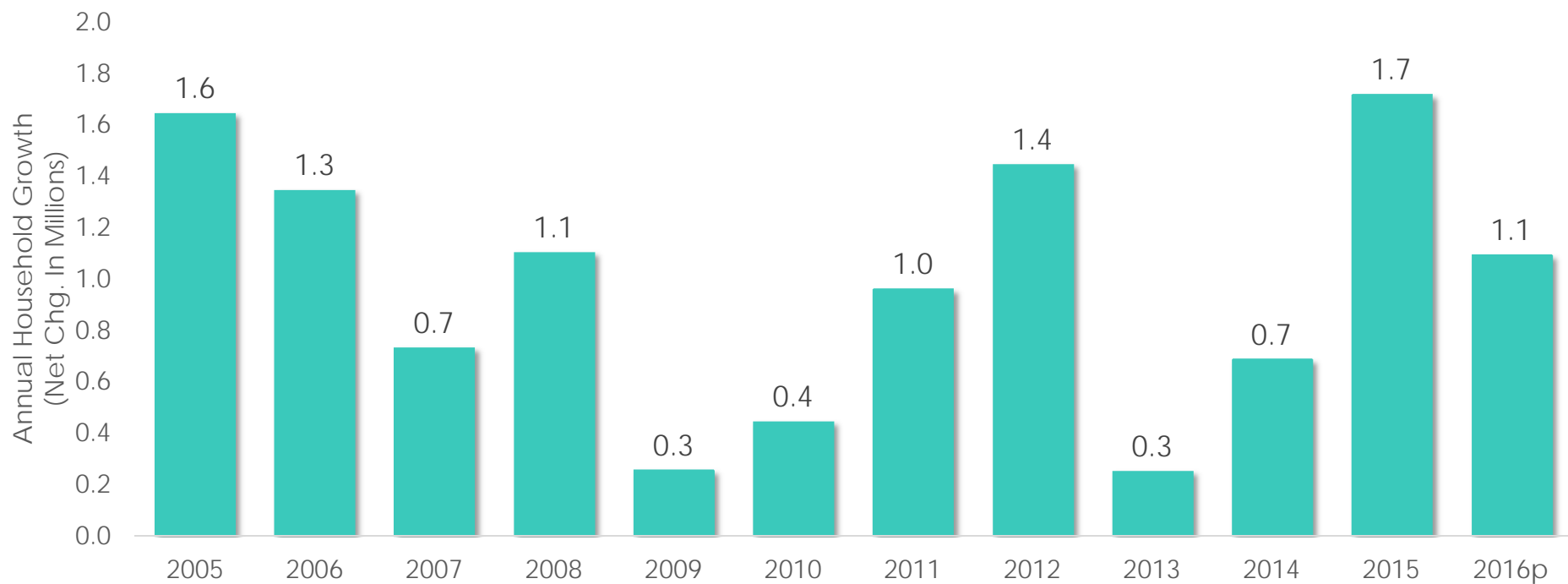


Home Sales Had a Good Start for 2017 in Most Regions

Region	Jan-17	Dec-16	Jan-16	MTM	YTY
U.S.	5,040,000	4,910,000	4,860,000	2.6%	3.7%
Northeast	670,000	640,000	630,000	4.7%	6.3%
Midwest	1,210,000	1,230,000	1,220,000	-1.6%	-0.8%
South	2,030,000	1,970,000	1,970,000	3.0%	3.0%
West	1,130,000	1,070,000	1,040,000	5.6%	8.7%



Household Growth Decelerated But Still Solid in 2016

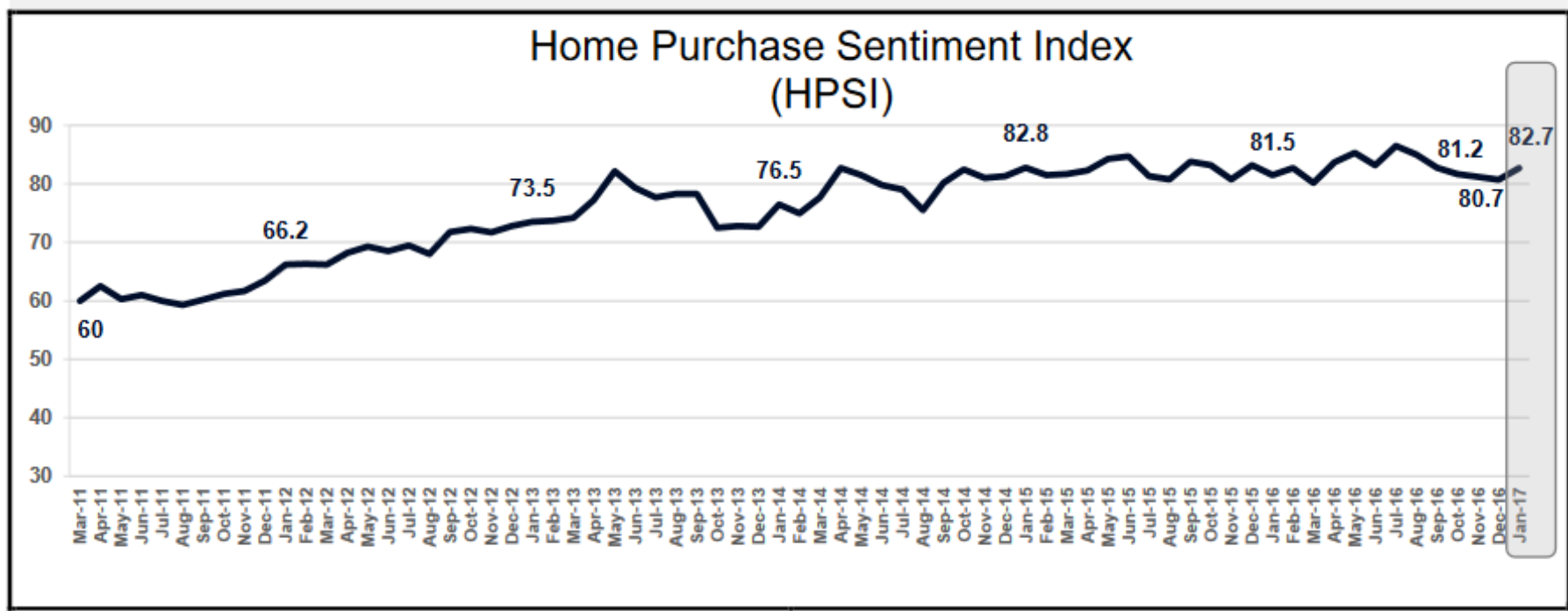


SERIES: Annual Household Growth
SOURCE: US Census Bureau – Housing Vacancy Survey



Home Purchase Index Climbed from Same Period of Last Year

At the national level, consumer sentiment remains positive.

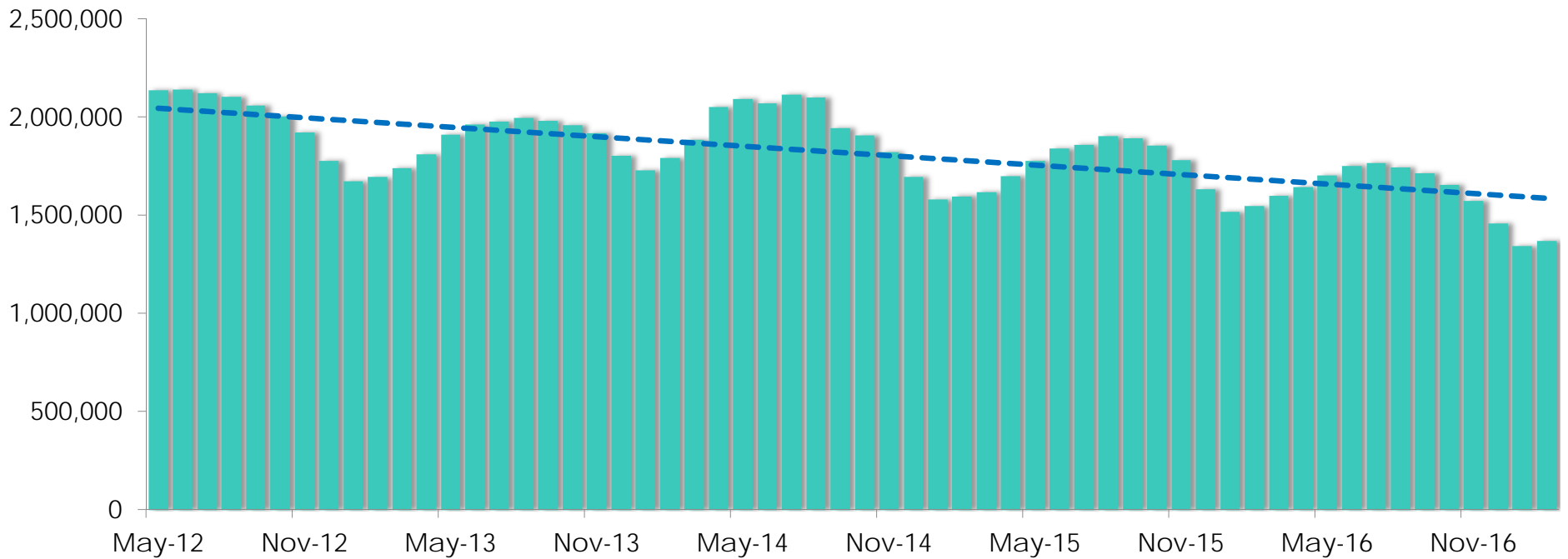




Active Listings Continued to Show a Downward Trend

US, February 2017: 1,368,246, Down 11.4% YTY

Active Listing Count





Home Prices Continued to Climb

Region	Jan-17	Dec-16	Jan-16	MTM	YTY
U.S.	\$230,400	\$234,600	\$214,800	-1.8%	7.3%
Northeast	\$253,900	\$252,500	\$248,200	0.6%	2.3%
Midwest	\$175,700	\$178,300	\$165,400	-1.5%	6.2%
South	\$205,400	\$213,500	\$188,000	-3.8%	9.3%
West	\$336,500	\$346,100	\$313,400	-2.8%	7.4%

SERIES: Existing Single Family Home Median Price
SOURCE: NATIONAL ASSOCIATION OF REALTORS®

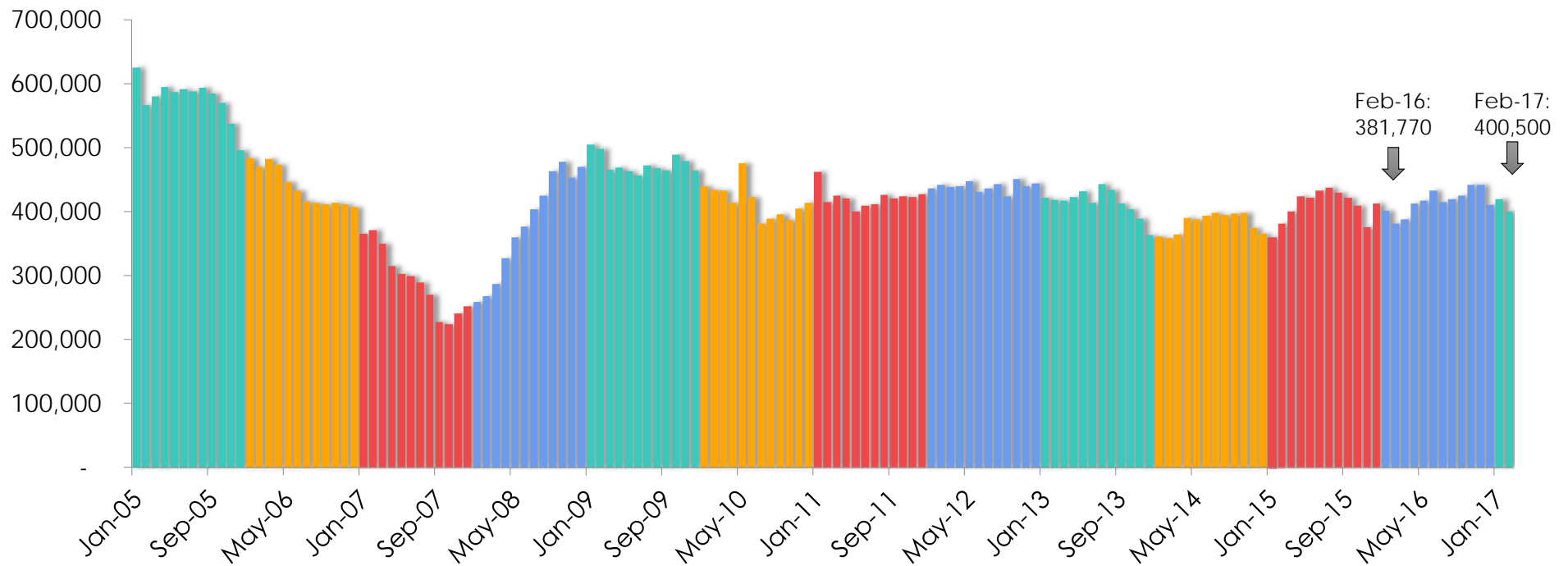


California Housing Market Outlook



Sales of Existing Detached Homes

California, Feb. 2017 Sales: 400,500 Units, +4.7% YTD, +4.9% YTY

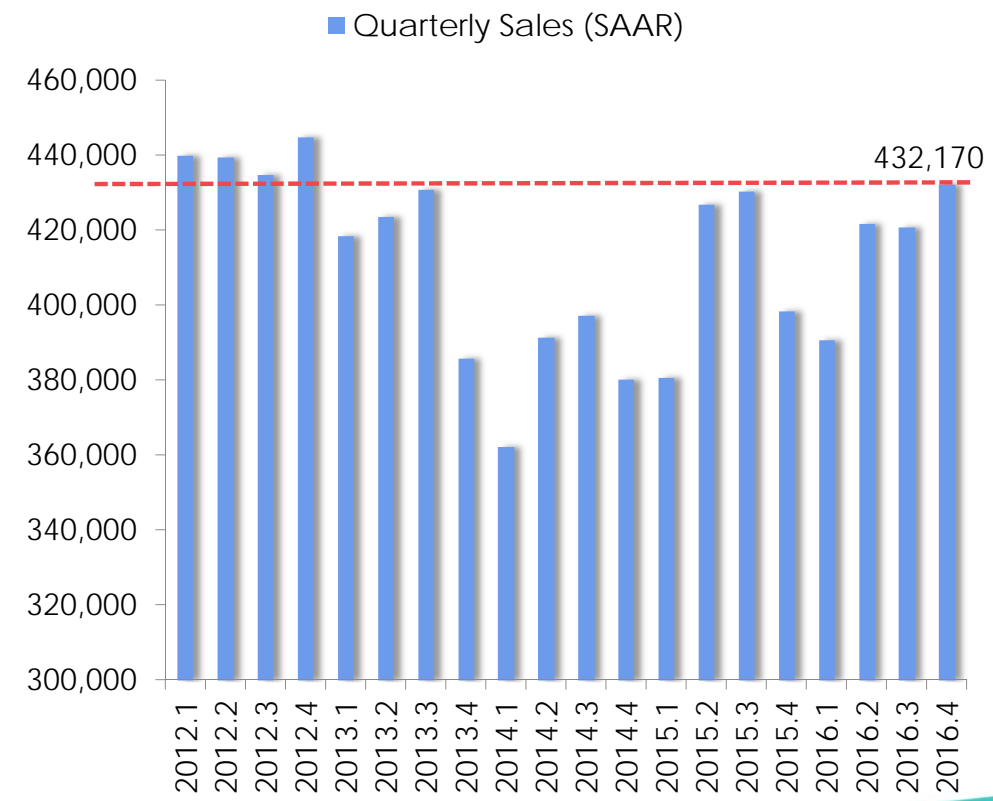
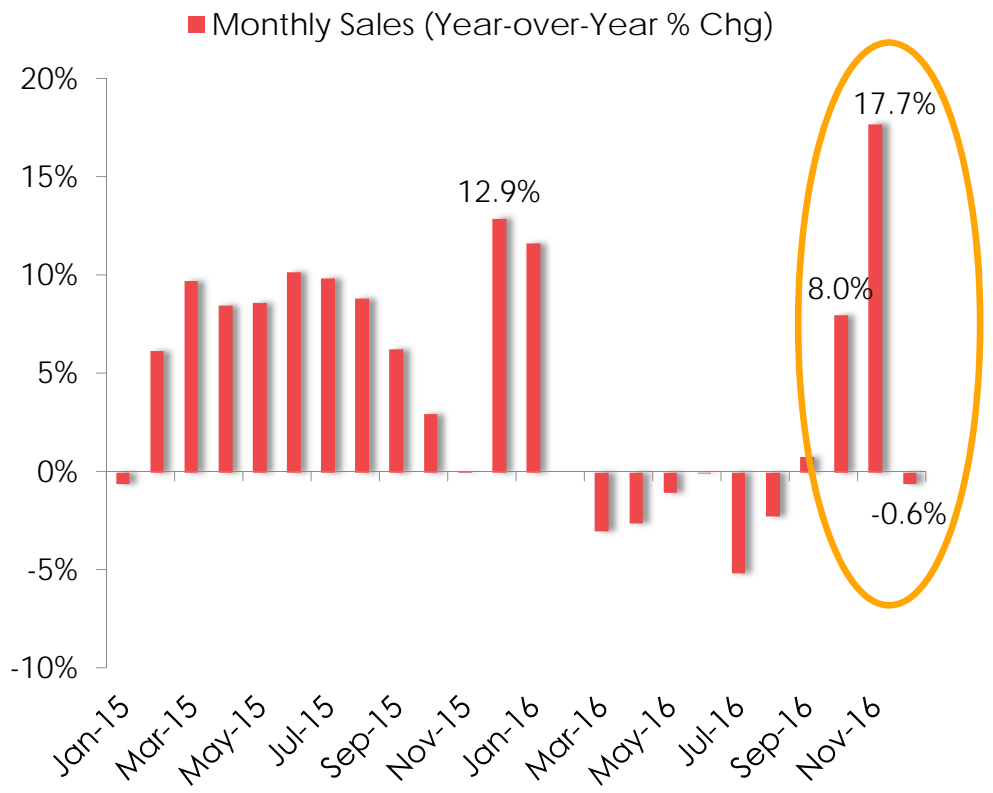


SERIES: Sales of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

*Sales are seasonally adjusted and annualized



Home Sales Picked Up in Q4

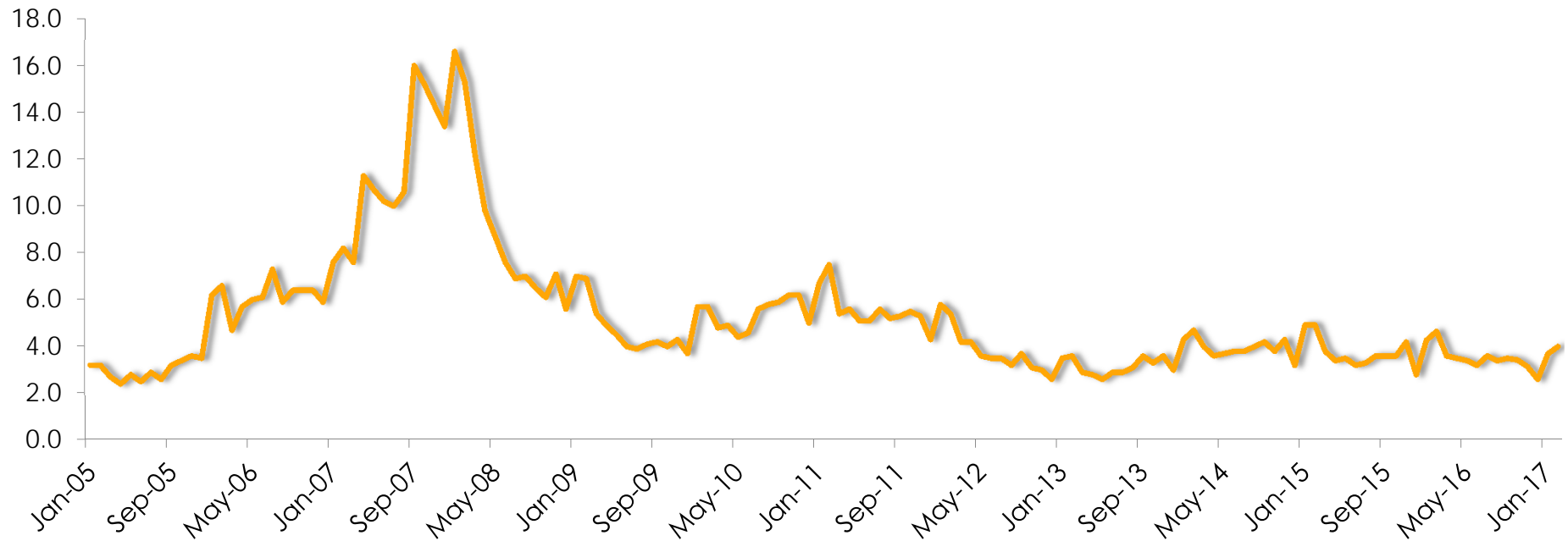


SERIES: Sales of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Supply also an Issue in California

Feb. 2016: 4.7 Months; Feb. 2017: 4.0 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.



Years Owned Home Before Selling



Long-Time Homeowners are not moving as in the past because:

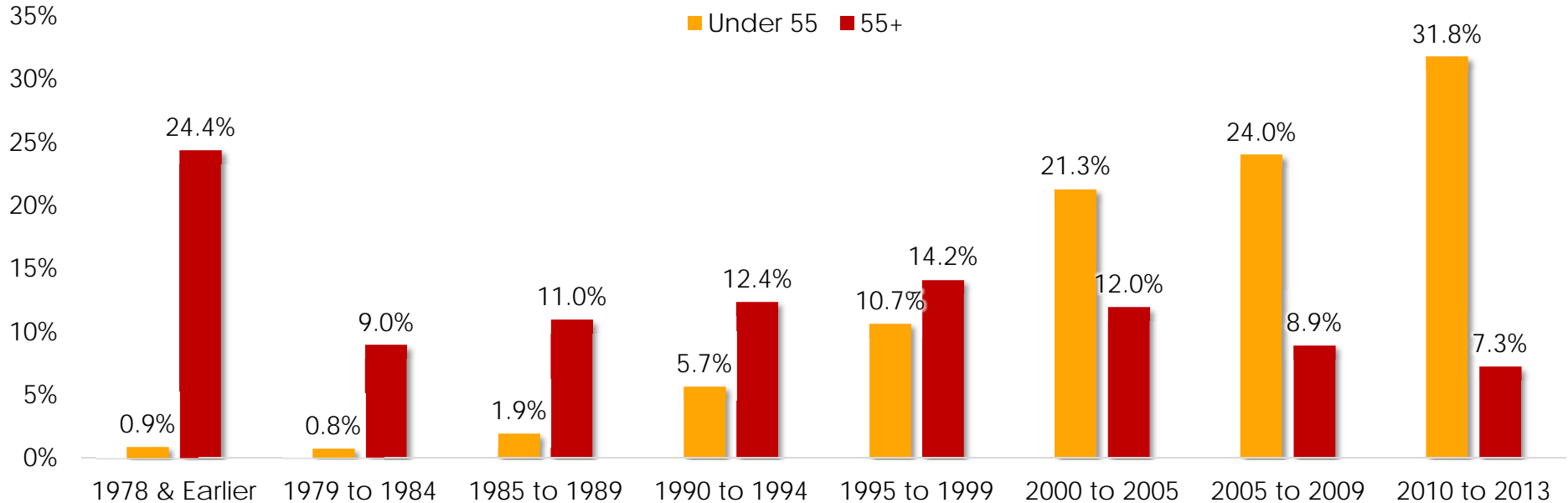
- Demographic shift
- Low rate on current mortgage
- Low property taxes
- Capital gains hit
- Where can I afford to go?



Boomers Not Moving as Often

71% of Californian's aged 55+ haven't moved since 1999

California Homeowners by Length of Tenure, 2013



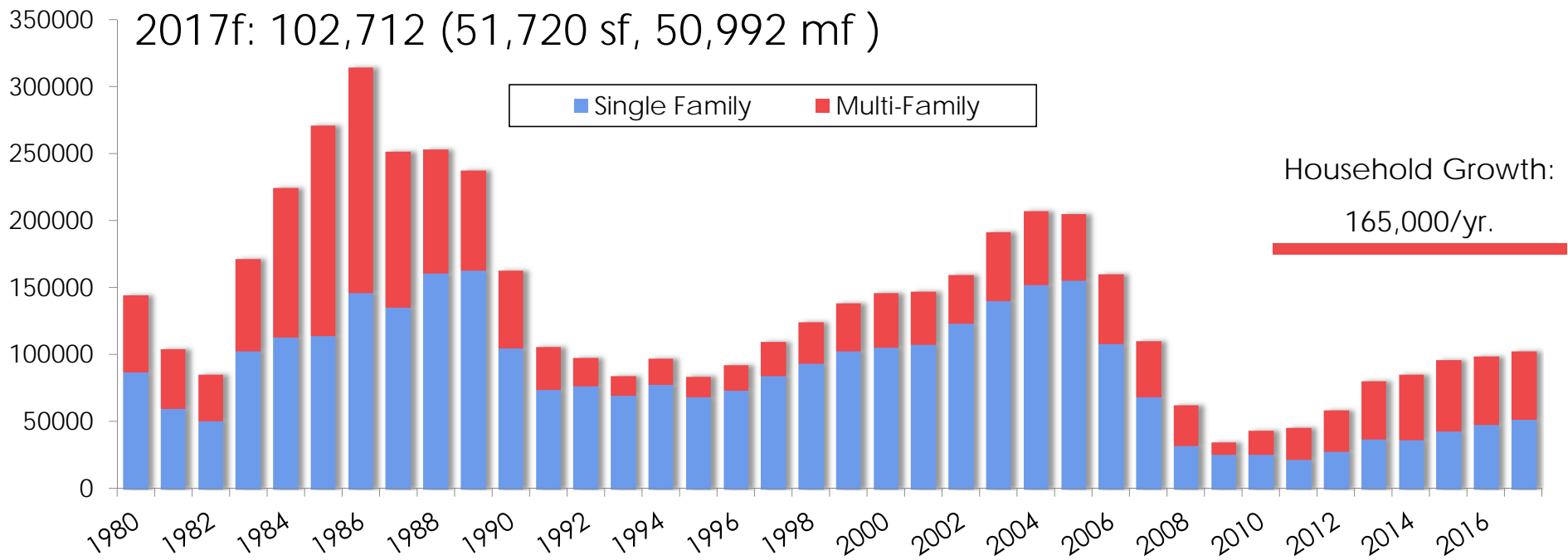
SERIES: Distribution of Home Ownership by Year Moved In
SOURCE: U.S. Census Bureau, 2013 American Housing Survey



"Missing" 62,000 New Units Annually

2016: 98,881 (47,889 sf, 50,992 mf)

2017f: 102,712 (51,720 sf, 50,992 mf)

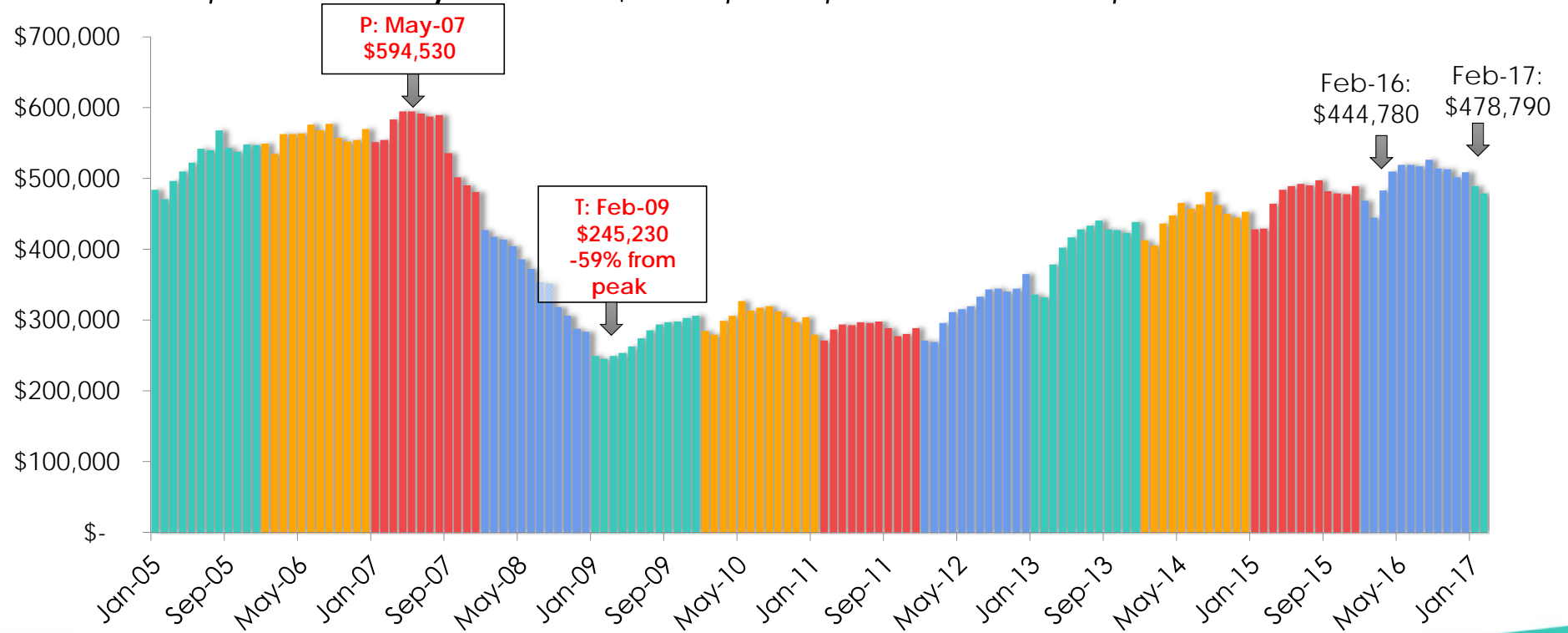


Household Growth:
165,000/yr.



Median Price of Existing Detached Homes

California, February 2017: \$478,790, -2.2% MTM, +7.6% YTY

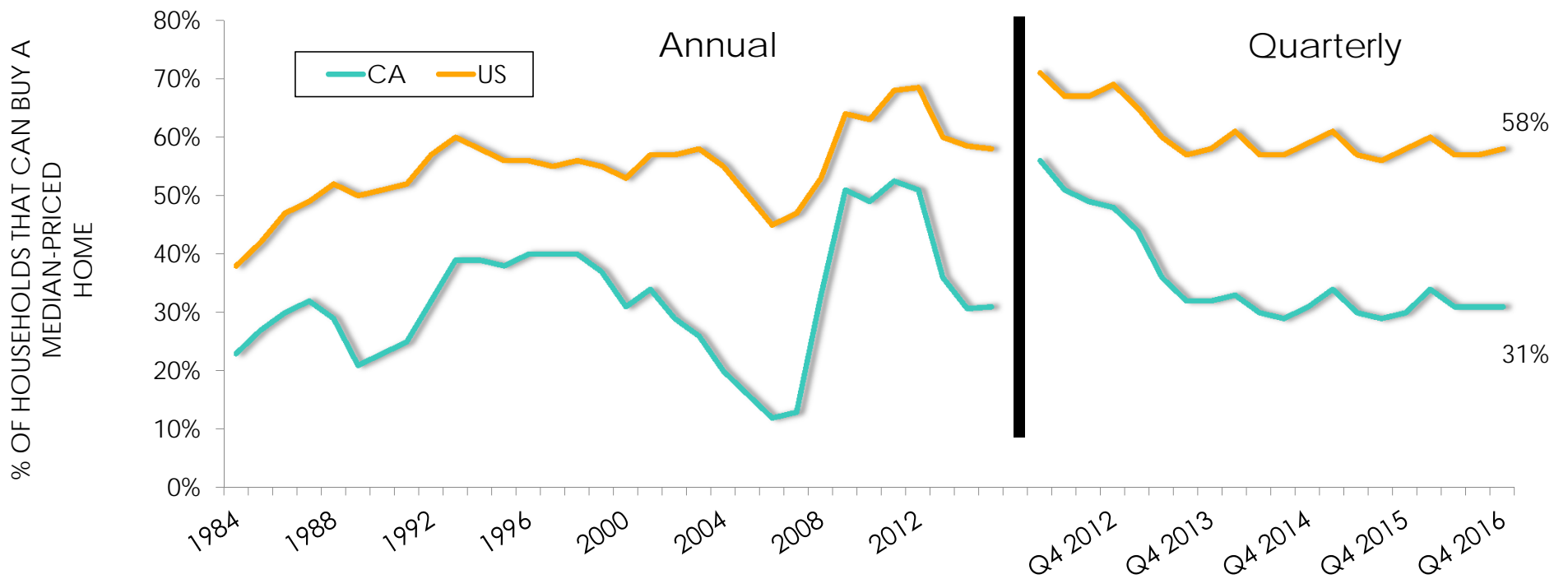


SERIES: Median Price of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Housing Affordability Peaked Q1 2012 Prices v. Low Rates and Income Growth

California vs. U.S. – 1984-2016

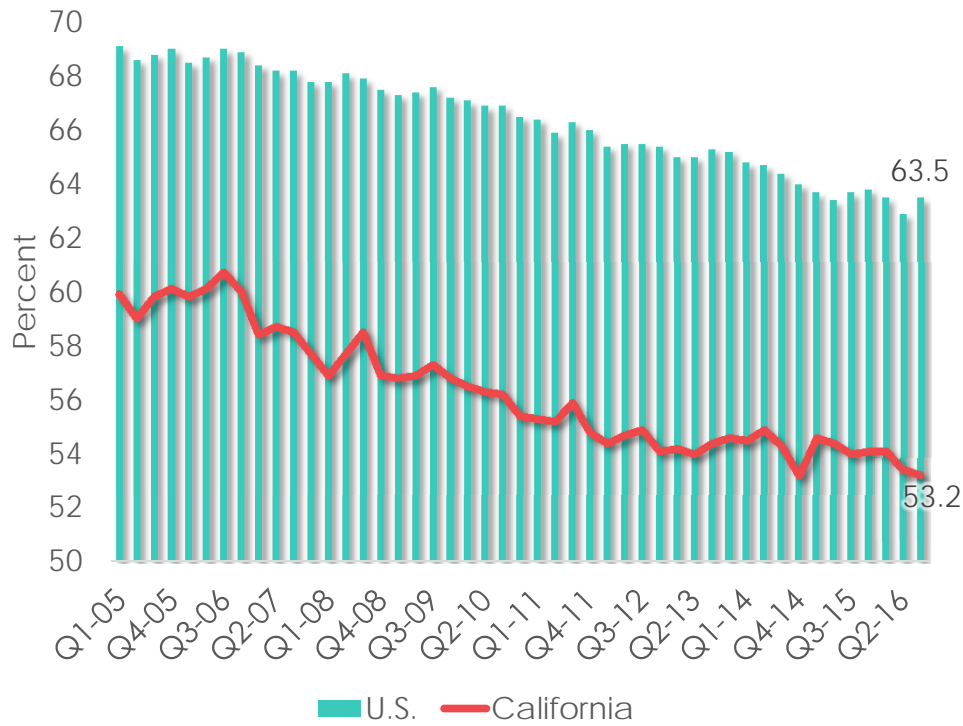


SERIES: Housing Affordability Index of Traditional Buyers
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Homeownership Dropped, Big Gap in CA

Homeownership Rate, 2005-2016



Homeownership Gap (Smoothed)



SERIES: Homeownership Rate (%)
SOURCE: U.S. Census Bureau, Housing Vacancy Survey (HVS)

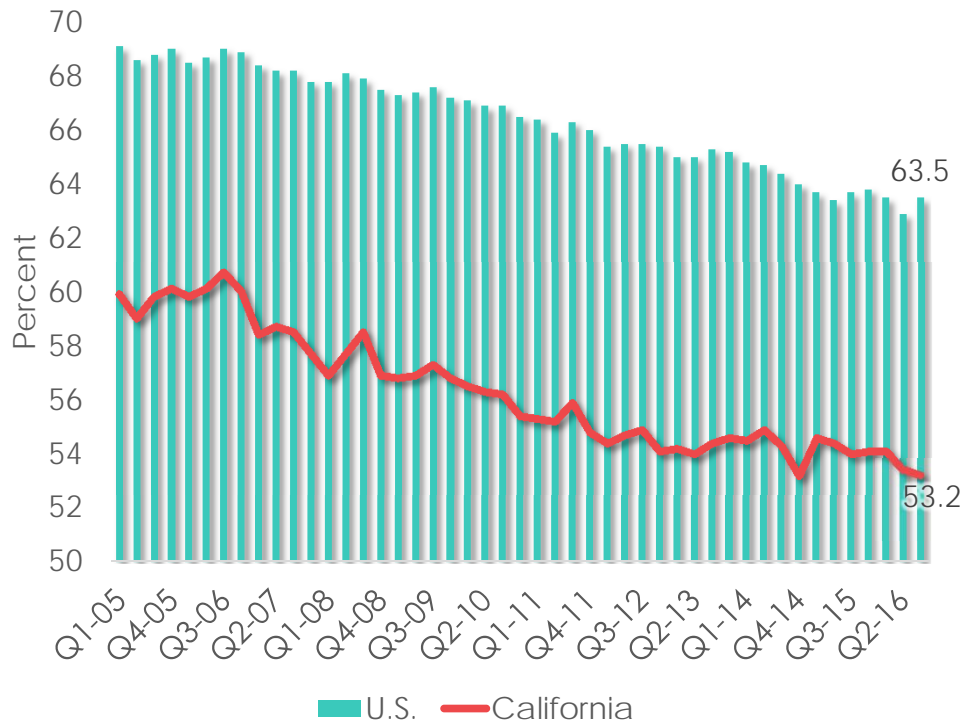


Kern County Housing Market Outlook

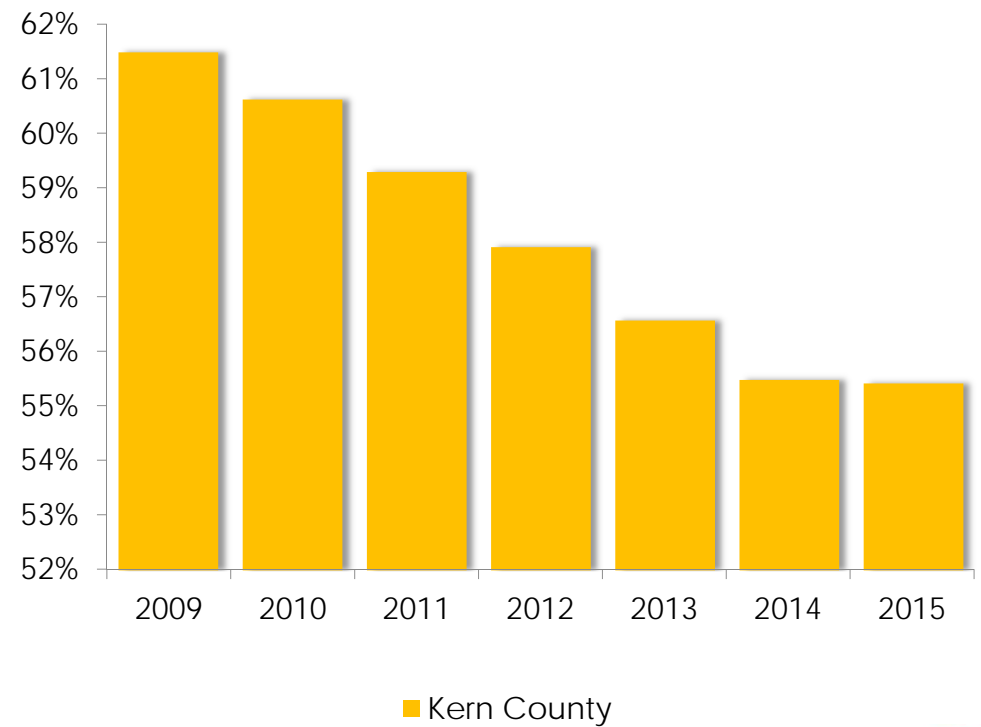


Homeownership Dropped at All Levels

Homeownership Rate, 2005-2016

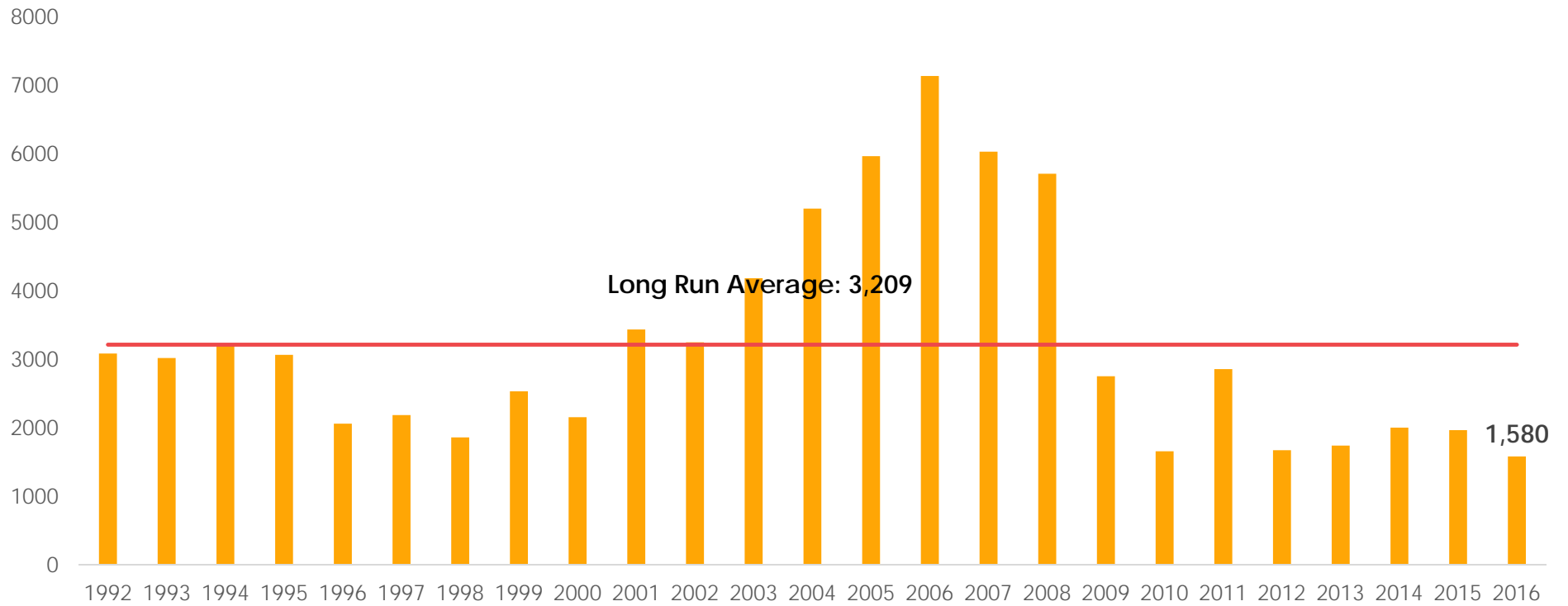


Homeownership Rate, 2009-2015





Kern County Household Formation

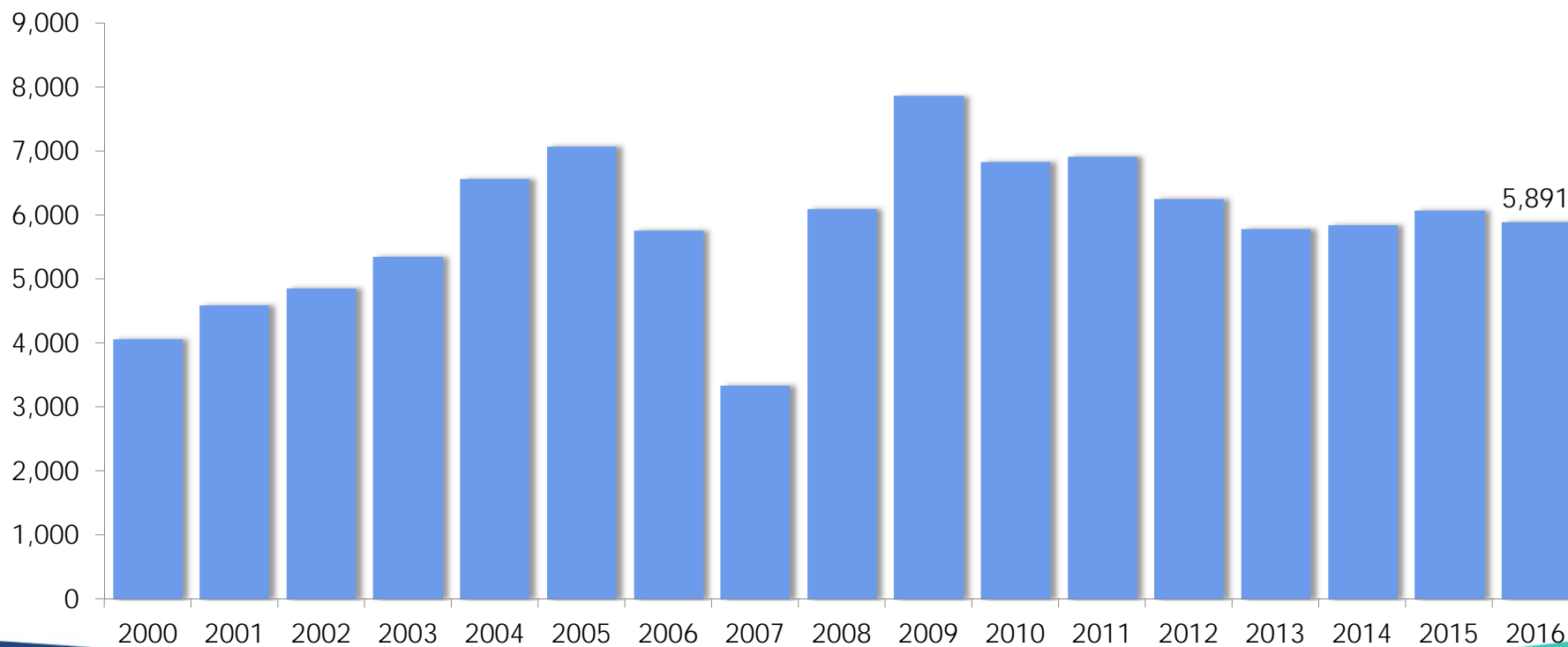


SERIES: Household Formation, Kern County
SOURCE: California Department of Finance, E8 Housing Estimates, E5 Housing Estimates



Home Sales Remained Flat for the Last Few Years

Kern County, 2016: -3.1%

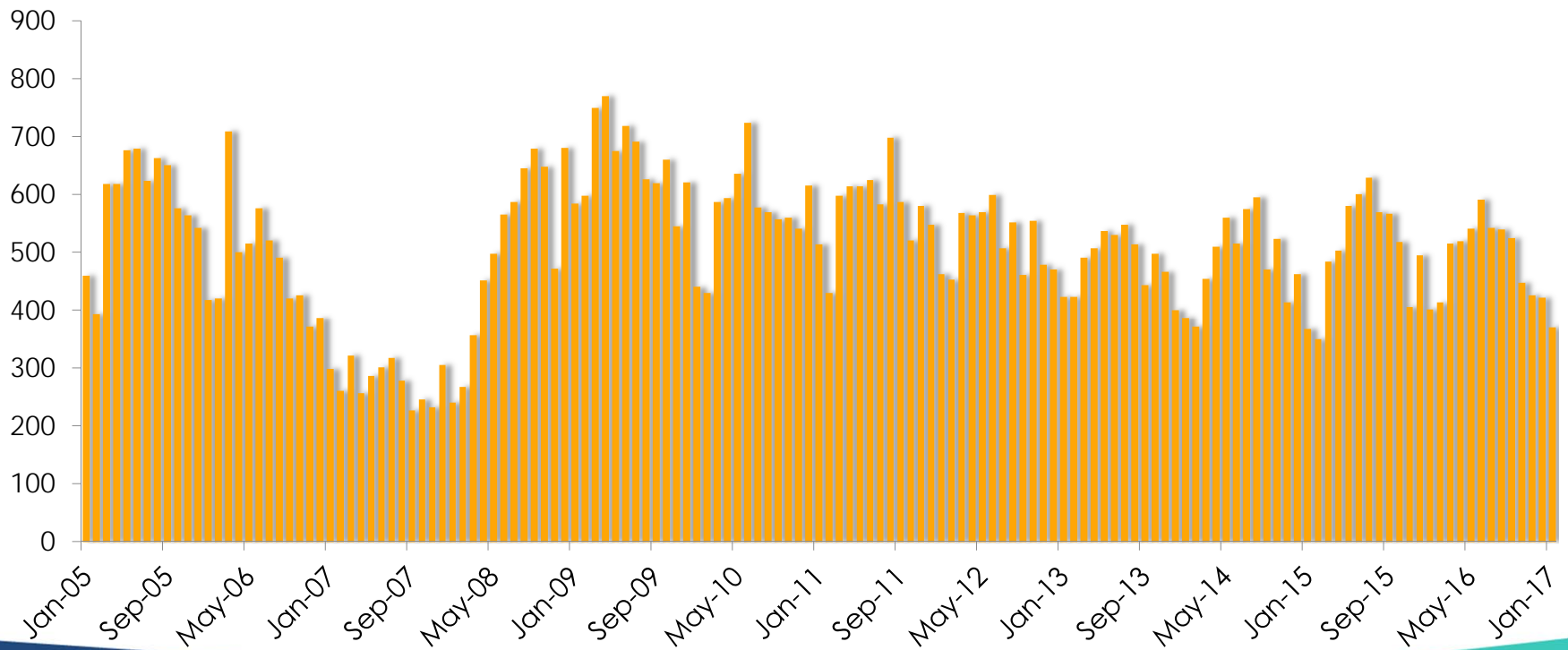


SERIES: Sales of Existing Detached Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Home Sales Have Been Slow So Far in 2017

Kern County, Feb-17 Sales: 353 Units, -14.7 YTY, -11.4% YTD



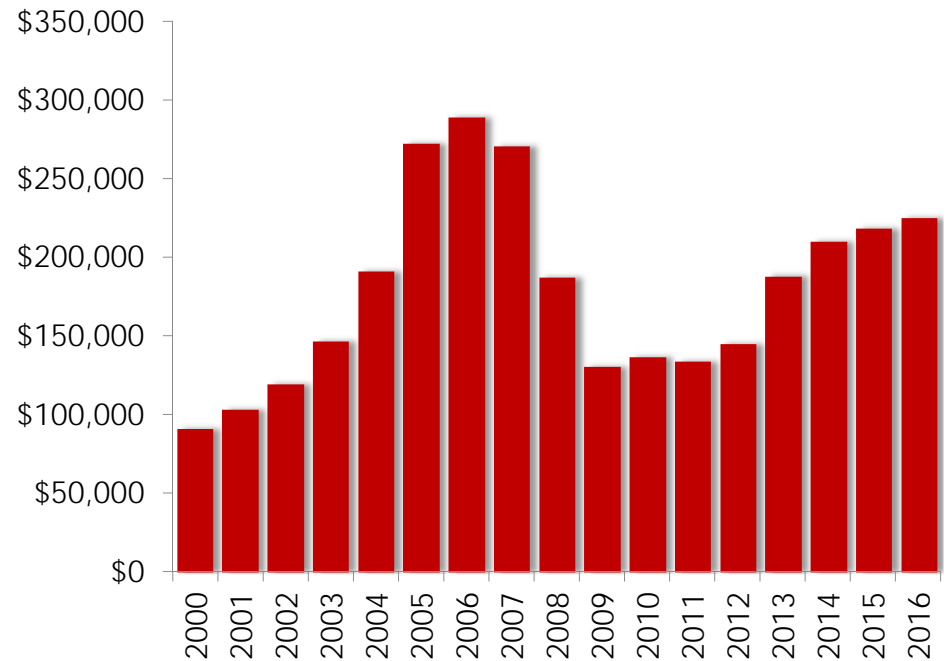
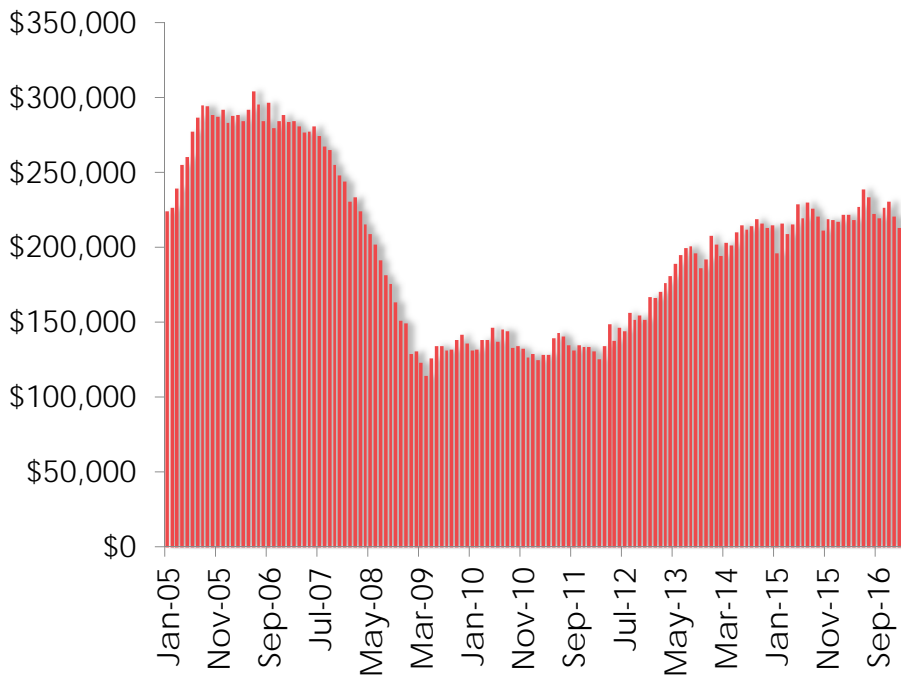
SERIES: Sales of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Median Price Up from 2015 but Leveling off

Kern County, Feb. 2017: \$224,490, Up 1.3% YTY

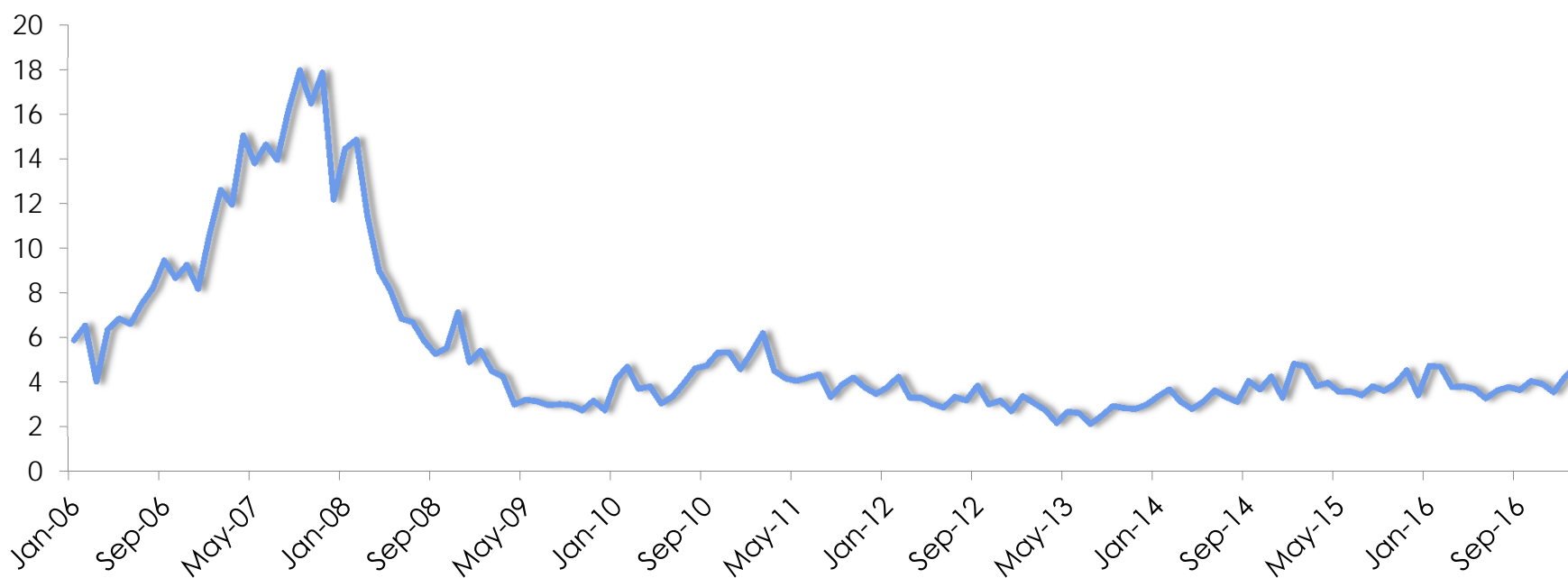
Kern County, 2016: \$225,220, Up 3.1%





Supply Up in the Last 3 Months but Seasonality Was Part of the Reason

Kern County, February 2017: 4.7 Months

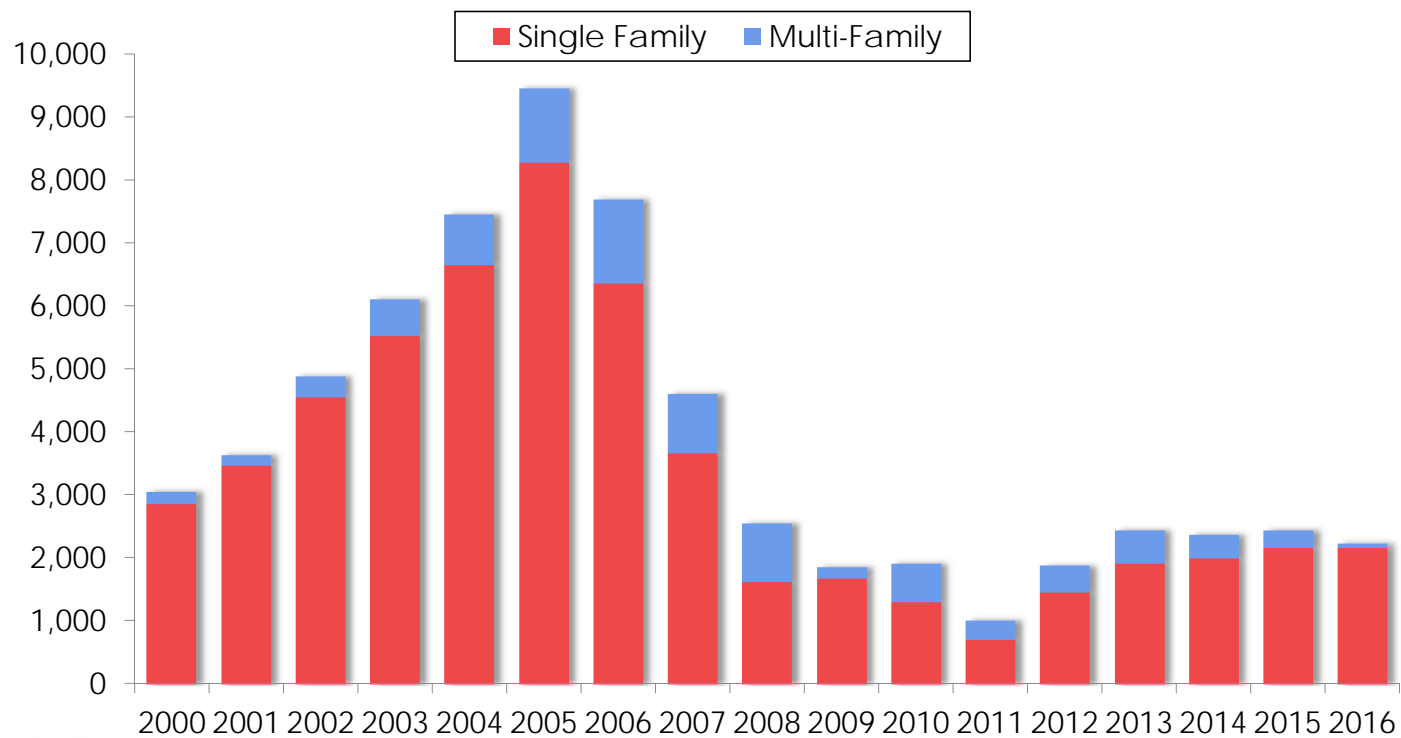


Note: The Unsold Inventory Index represents the number of months it would take to deplete the remaining inventory at the end of a particular month with the sales rate of the month in consideration. Inventory includes listings with "Active", "Pending", and "Contingent" (when available) statuses.



Kern County New Housing Permits

Kern County, 2016: 2,235 Units, -8.4% YTY

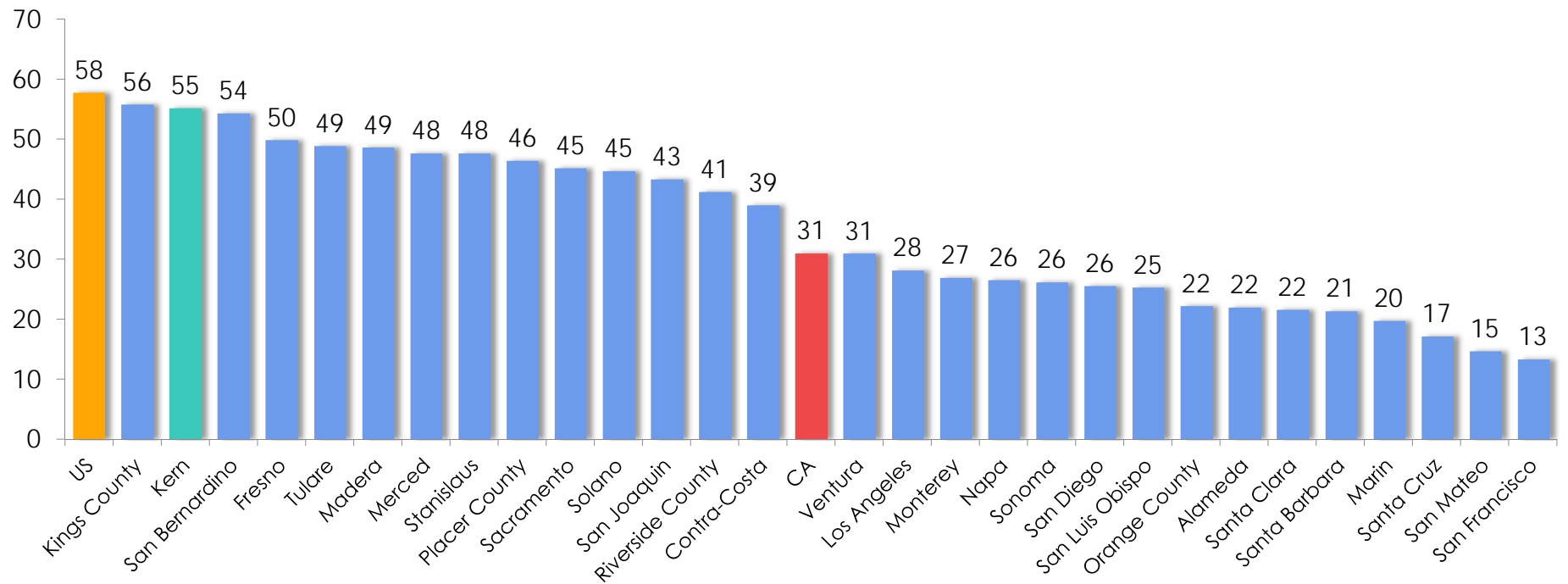


SERIES: New Housing Permits
SOURCE: Construction Industry Research Board



Housing Affordability In CA: by county

2016-Q4: % able to purchase median-priced home

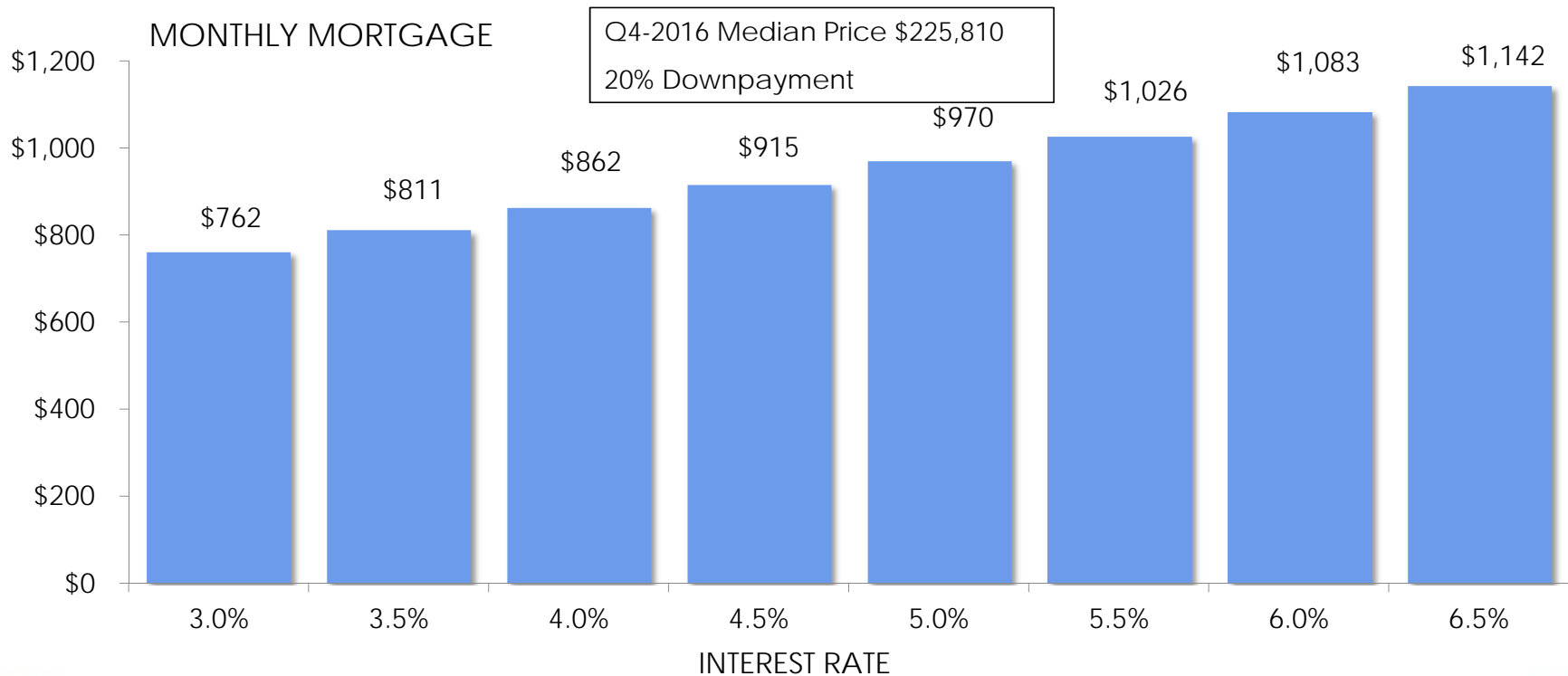


SERIES: Housing Affordability Index of Traditional Buyers
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Median Monthly Mortgage Payment – Kern County

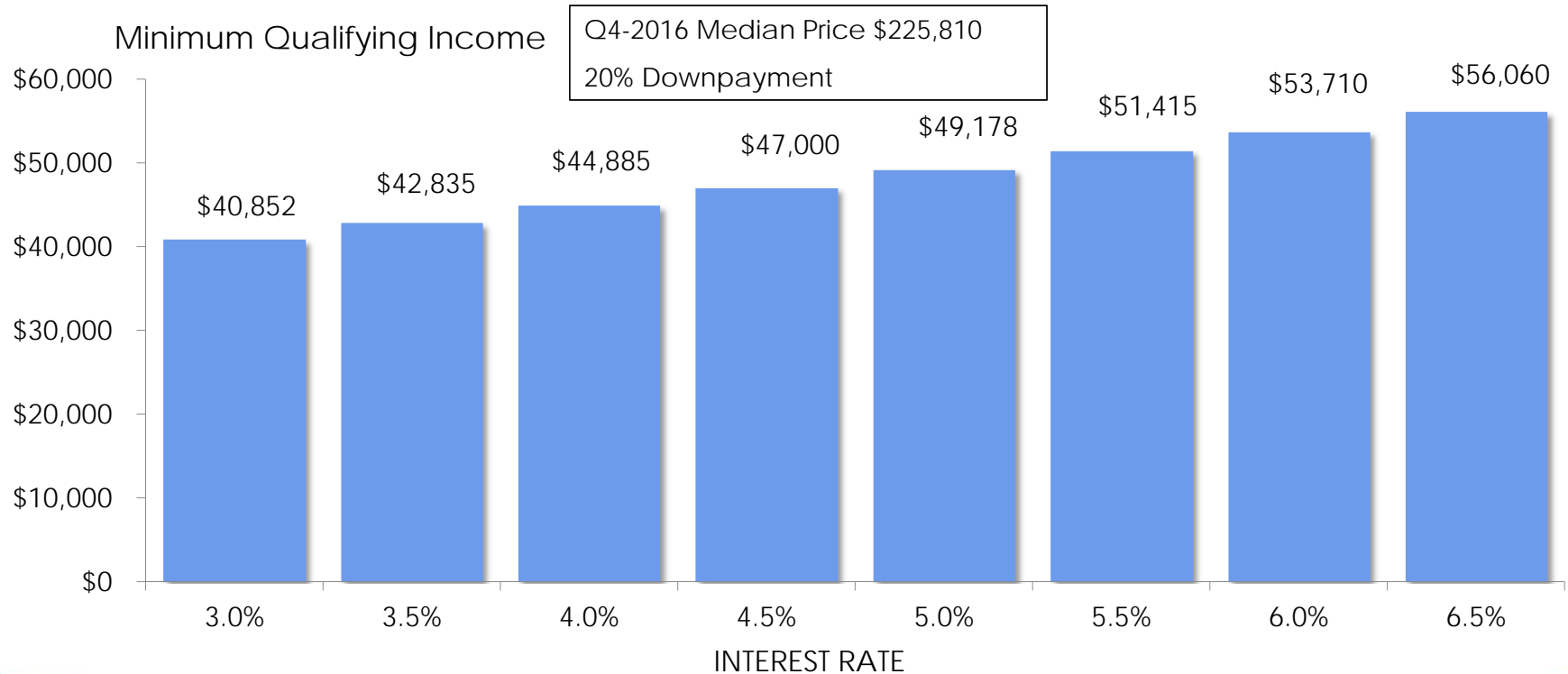
What Will Happen When Mortgage Rates Increase?





Minimum Qualifying Income – Kern County

What Will Happen When Mortgage Rates Increase?



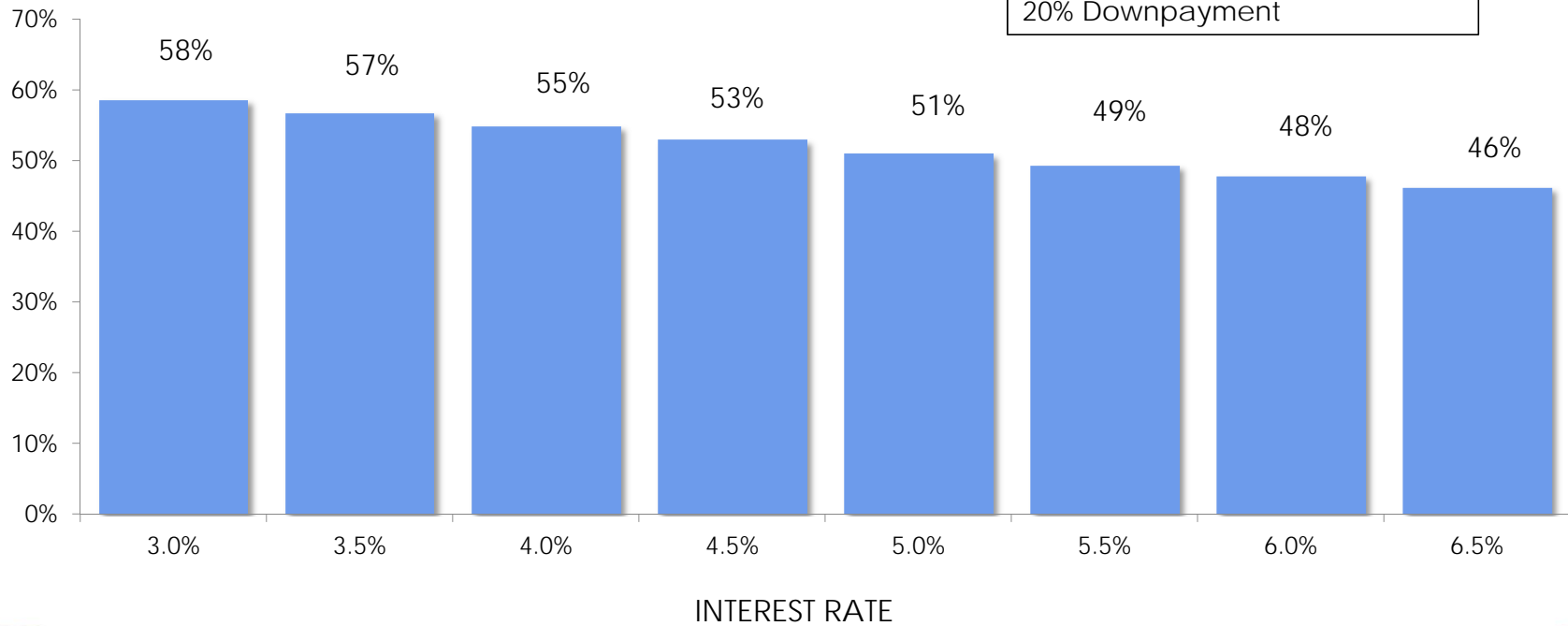


Housing Affordability Index – Kern County

What Will Happen When Mortgage Rates Increase?

% OF HOUSEHOLDS THAT CAN BUY, ALL ELSE CONSTANT

Q4-2016 Median Price \$324,300
20% Downpayment





Median Home Sales Price

Kern County – by City

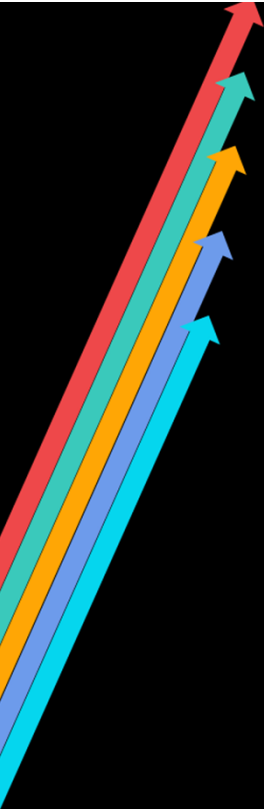
	Jan-17	Jan-16	Yearly % Change
Bakersfield	\$205,500	\$211,000	-2.6%
California City	\$115,500	\$79,000	46.2%
Delano	\$188,750	\$195,000	-3.2%
Ridgecrest	\$175,000	\$172,500	1.4%
Rosamond	\$215,000	\$185,000	16.2%
Shafter	\$180,000	\$175,000	2.9%
Tehachapi	\$117,500	\$150,250	-21.8%
Wasco	\$198,000	\$189,000	4.8%



Home Sales Kicked off 2017 with A Decent Start in Most Cities but Declined in Bakersfield

Kern County – by City

	Jan-17	Jan-16	Yearly % Change
Bakersfield	535	558	-4.1%
California City	20	17	17.6%
Delano	26	19	36.8%
Ridgecrest	43	36	19.4%
Rosamond	23	25	-8.0%
Shafter	19	11	72.7%
Tehachapi	58	41	41.5%
Wasco	26	11	136.4%



The Forecast



California Housing Market Outlook

	2011	2012	2013	2014	2015	2016	2017f
SFH Resales (000s)	422.6	439.8	414.9	382.7	409.4	416.3	419.6
% Change	1.4%	4.1%	-5.9%	-7.8%	7.0%	1.7%	0.8%
Median Price (\$000s)	\$286.0	\$319.3	\$407.2	\$446.9	\$476.3	\$502.3	\$525.4
% Change	-6.2%	11.6%	27.5%	9.8%	6.6%	5.4%	4.6%
Housing Affordability Index	53%	51%	36%	30%	31%	31%	28%
30-Yr FRM	4.5%	3.7%	4.0%	4.2%	3.9%	3.6%	4.4%



Key Takeaways

- Lots of political uncertainty
- Rising interest rate environment is expected
- Kern County sales should catch up later this year, while price could inch up slightly
- Supply and affordability will remain issues for the state, but not so much for the county



Thank You

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