

2018 Housing Market Update, 1/9/2018, Oscar Wei, Senior Economist

Key message: Strong housing demand but continued supply constraint, interest rate to climb slightly, accelerating price is a big concern, and migration to affordable areas will continue.

- California Housing Market Outlook for 2018, median price \$561K, Affordability index 26% from 29% in 2017 and 30yr Mortgage rate to 4.3%
- US Forecast for 2018 is 30 year fixed rate to 4.3%, US GDP 2.3% compared to 2.1% in 2017, unemployment 4.2%
- Economic Growth remained solid in Q3 despite hurricane's effect.
- Unemployment 4.1% (lowest in 27 years) Dec 2017
- Job growth 1.4% Dec 2017, softer than expected, retail employment fell by 20,000, but Q1 2018 should remain solid
- Supply has been on a declining trend for a while, since 2012. Fewer units turning over since the great recession. 71% of California's aged 55+ haven't moved since 1999 (from US Census Bureau)
- Market Competitiveness up in 2017 – 6 out of 10 had multiple offers. By region SF bay area had 77% with multiple offers in 2017
- Statewide median price continued to grow at the highest pace in nearly 2 years, from CAR



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®



U.S. Economic Outlook

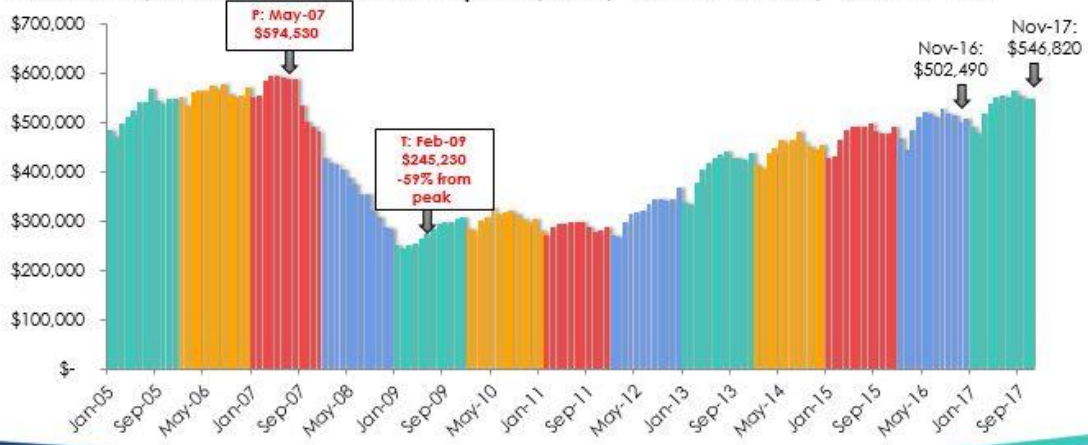
	2012	2013	2014	2015	2016	2017p	2018f
US GDP	2.2%	1.7%	2.4%	2.6%	1.6%	2.1%	2.3%
Nonfarm Job Growth	1.7%	1.7%	1.9%	2.1%	1.8%	1.4%	1.2%
Unemployment	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	4.2%
CPI	2.1%	1.5%	1.6%	0.1%	1.4%	2.0%	2.2%
Real Disposable Income, %	3.2%	-1.4%	2.7%	3.4%	2.7%	2.1%	3.0%
30-Yr FRM	3.7%	4.0%	4.2%	3.9%	3.6%	4.0%	4.3%

SERIES: U.S. Economic Outlook
 SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Statewide Median Price Continued to Grow at the Highest Pace in Nearly Two Years

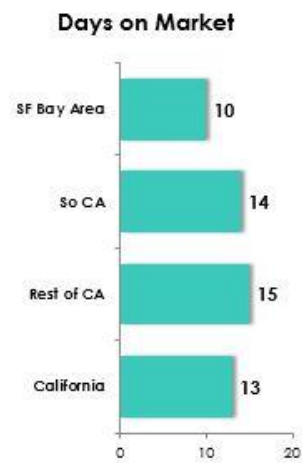
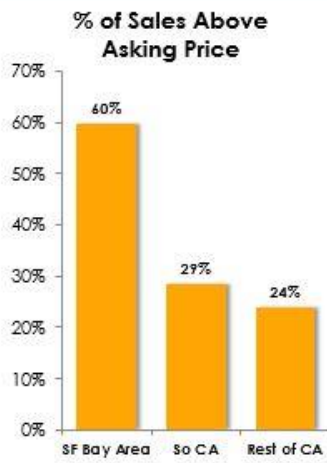
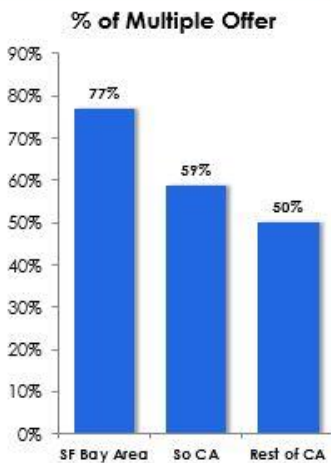
California, November 2017: \$546,820, +0.1% MTM, +8.8% YTY



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



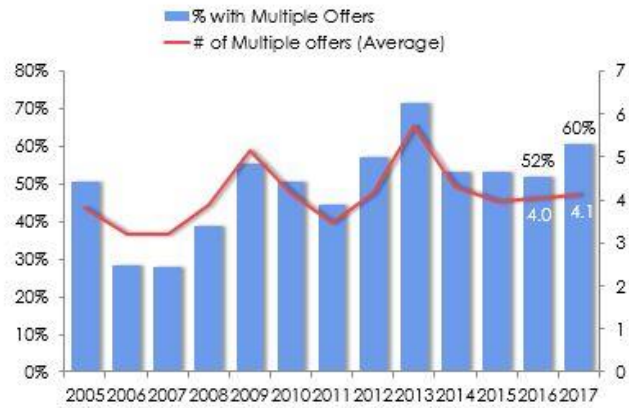
Market Competitiveness Differ by Region



SERIES: 2017 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



Market Competitiveness Up in 2017 6 out of 10 had Multiple Offers



SERIES: 2017 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®