

C.A.R. 2020 housing market forecast

C.A.R. releases its 2020 California Housing Market Forecast

Economic uncertainty and affordability issues to subdue California home sales

LOS ANGELES (Sept. 26) – Low mortgage interest rates will support California’s housing market in 2020 but economic uncertainty and affordability issues will mute sales growth, according to a housing and economic forecast released today by the **CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.)**.

C.A.R.’s “2020 California Housing Market Forecast” sees a small uptick in existing single-family home sales of 0.8 percent next year to reach 393,500 units, up from the projected 2019 sales figure of 390,200. The 2019 figure is 3.1 percent lower compared with the pace of 402,800 homes sold in 2018.

The California median home price is forecast to increase 2.5 percent to \$607,900 in 2020, following a projected 4.1 percent increase from last year to \$593,200 in 2019.

“With interest rates expected to remain near three-year lows, buyers have more purchasing power than in years past, but they may be reluctant to get off the sidelines because of economic and market uncertainties,” said C.A.R. President Jared Martin. “Additionally, an affordability crunch will cut into demand in some regions such as the Bay Area, where affordability is significantly below state and national levels. These factors together will subdue sales growth next year.”

C.A.R.’s forecast projects growth in the U.S. gross domestic product of 1.6 percent in 2020, after a projected gain of 2.2 percent in 2019. With California’s 2020 nonfarm job growth rate at 1.0 percent, down from a projected 1.5 percent in 2019, the state’s unemployment rate will tick up to 4.5 percent in 2020 from 2019’s 4.3 projected figure.

The average for 30-year, fixed mortgage interest rates will dip to 3.7 percent in 2020, down from 3.9 percent in 2019 and 4.5 percent in 2018 and will remain low by historical standards.

“California’s housing market will be challenged by changing migration patterns as buyers search for more affordable housing markets, particularly by first-time buyers, who are the hardest hit, moving out of state,” said C.A.R. Senior Vice President and Chief Economist Leslie Appleton-Young. “With California’s job and population growth rates tapering, the state’s affordability crisis is having a negative impact on the state *economically* as we lose the workers we need most such as service and construction workers, and teachers.”

In fact, according to C.A.R.’s 2019 State of the Housing Market Study, nearly a third (30 percent) of those sellers who planned on repurchasing said that they will buy their next home in another state outside of California — the highest level since 2005. Older generations were more likely to buy outside of California as 37 percent of baby boomers and silent generation planned on repurchasing in another state, but only 30 percent of Millennial sellers planned to do the same.

2020 CALIFORNIA HOUSING FORECAST

	2015	2016	2017	2018	2019p	2020f
SFH Resales (000s)	409.4	417.7	424.9	402.8	390.2	393.5
% Change	7.00%	2.00%	1.70%	-5.20%	-3.10%	0.80%
Median Price (\$000s)	\$476.30	\$502.30	\$537.90	\$570.00	\$593.20	\$607.90
% Change	6.60%	5.40%	7.10%	6.00%	4.10%	2.50%
Housing Affordability Index*	31%	31%	29%	28%	32%	32%
30-Yr FRM	3.90%	3.60%	4.00%	4.50%	3.90%	3.70%

p = projected

f = forecast

* = % of households who can afford median-priced home

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