

# California COVID-19 Economic/Market Update

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CALIFORNIA  
ASSOCIATION  
OF REALTORS®

# overview

## 01 Fundamentals First

- Still too early for most major indicators.
- We started on a strong footing economically

## 02 Impacts of COVID-19

- Revised forecasts for economy and housing
- Lots of uncertainty and forecasts change rapidly

## 03 Outlook & Scenarios

- Rates won't be enough to offset this one
- Housing could be a bright spot after crisis

## 04 Resources for YOU

- CAR has many resources available
- Information & will connect you with ASSISTANCE



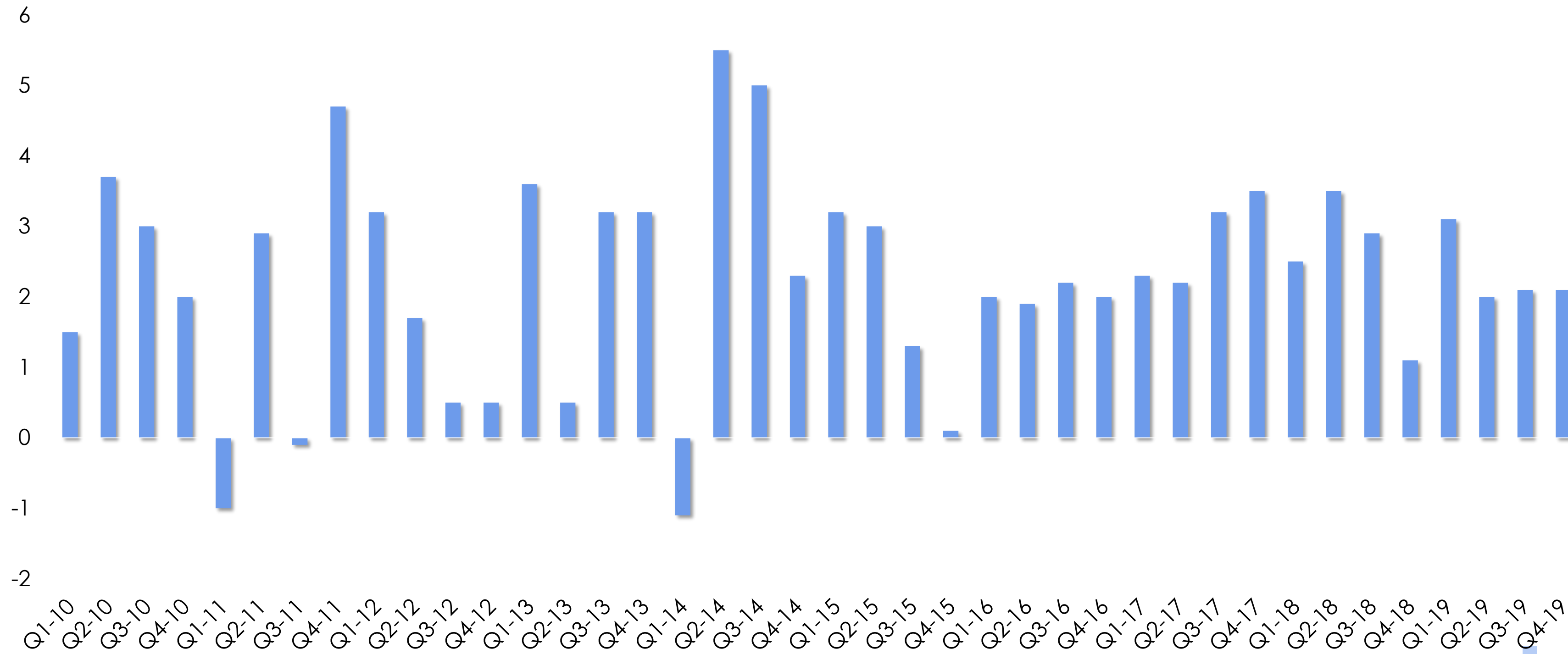


# **Review of** **Pre-Crisis Economy**



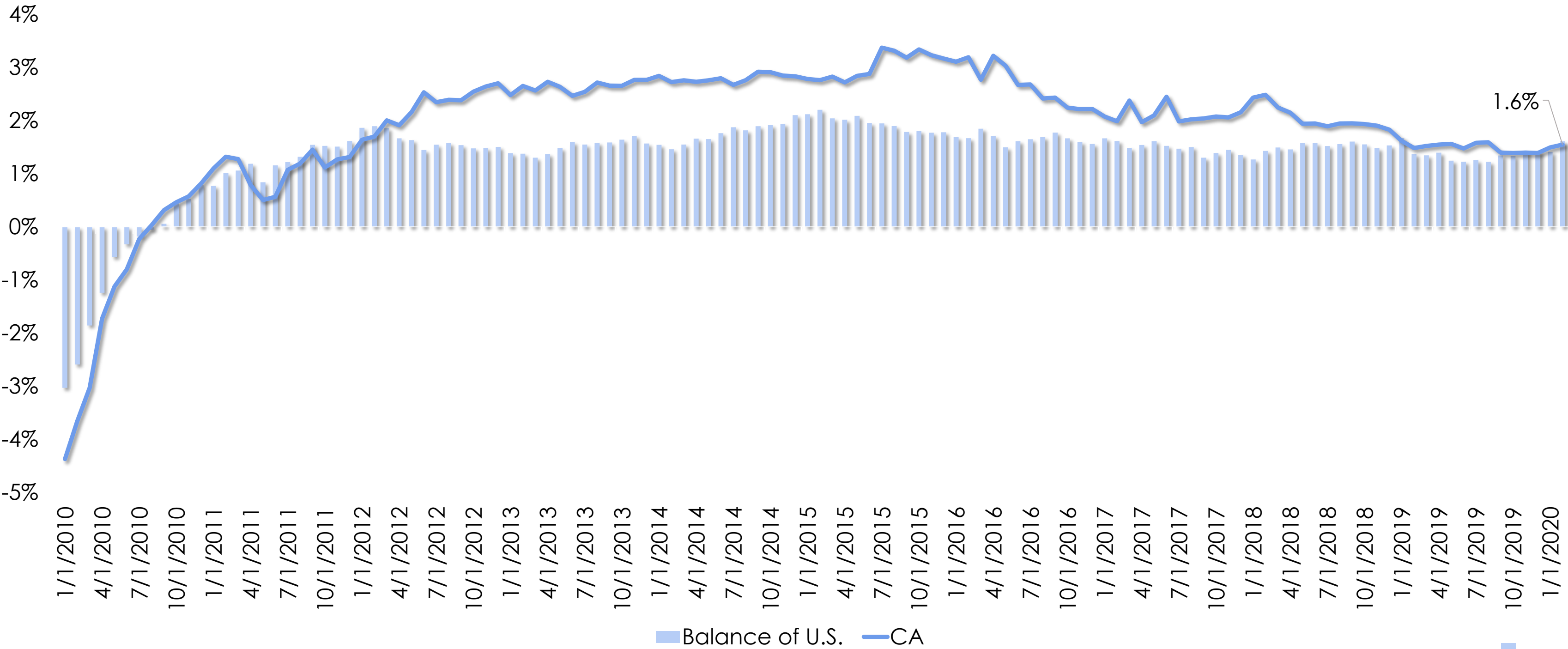
# The economy was still growing at a decent clip

U.S. GDP Growth



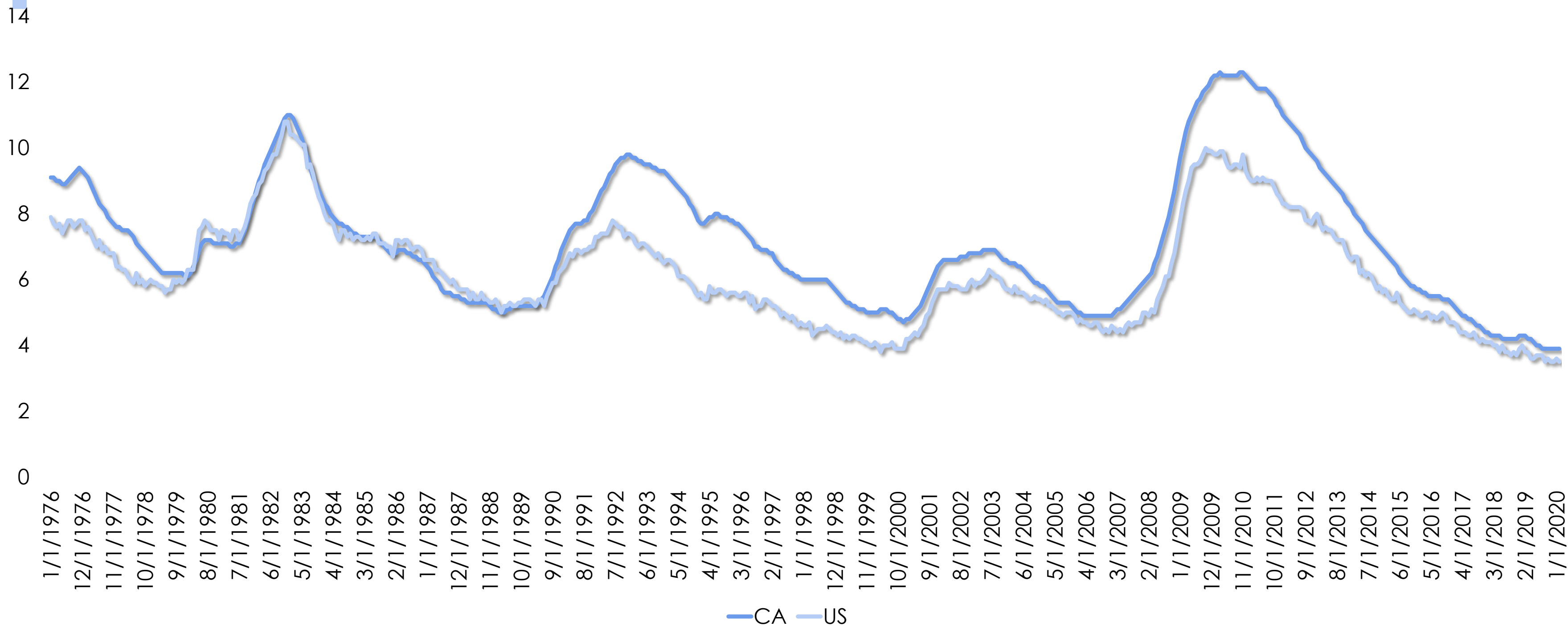
# Fastest job growth in a year

U.S. vs California Job Growth

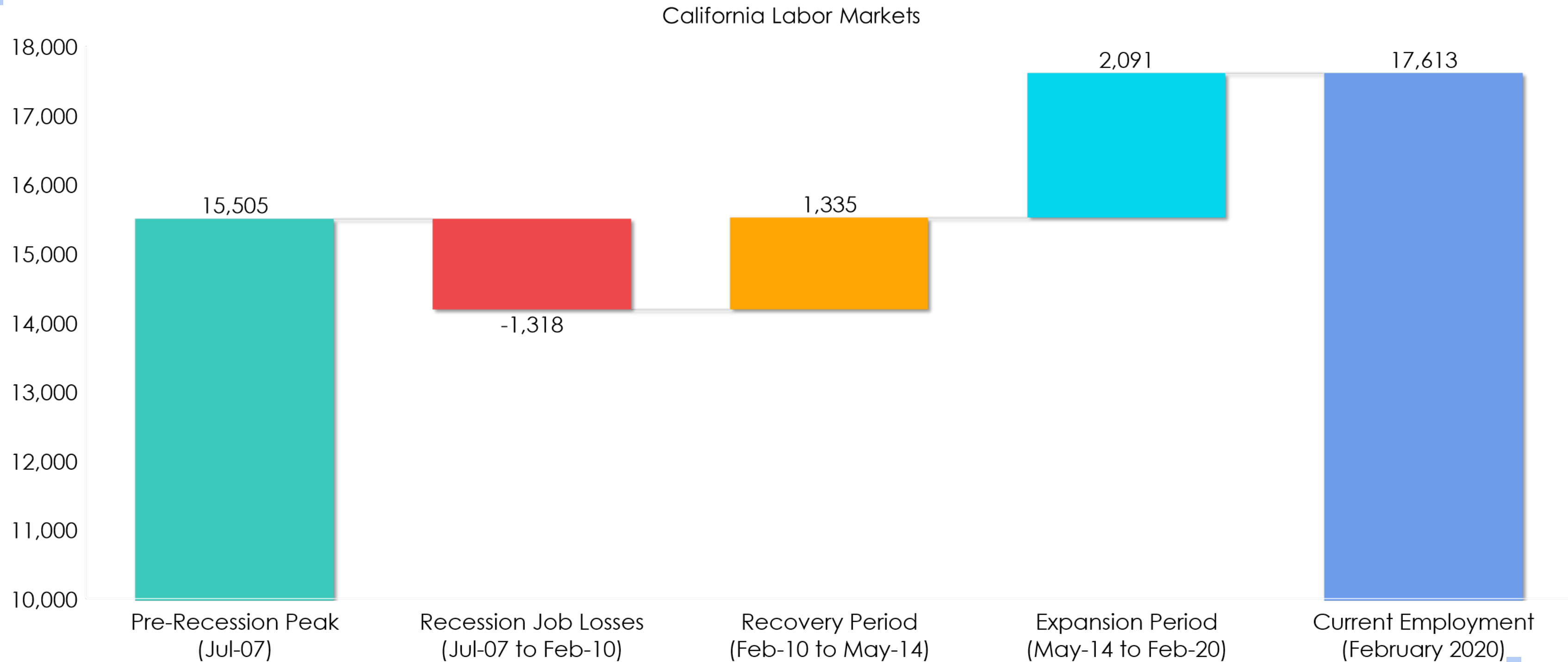


# Unemployment shrinks back to all-time low

Unemployment Rate

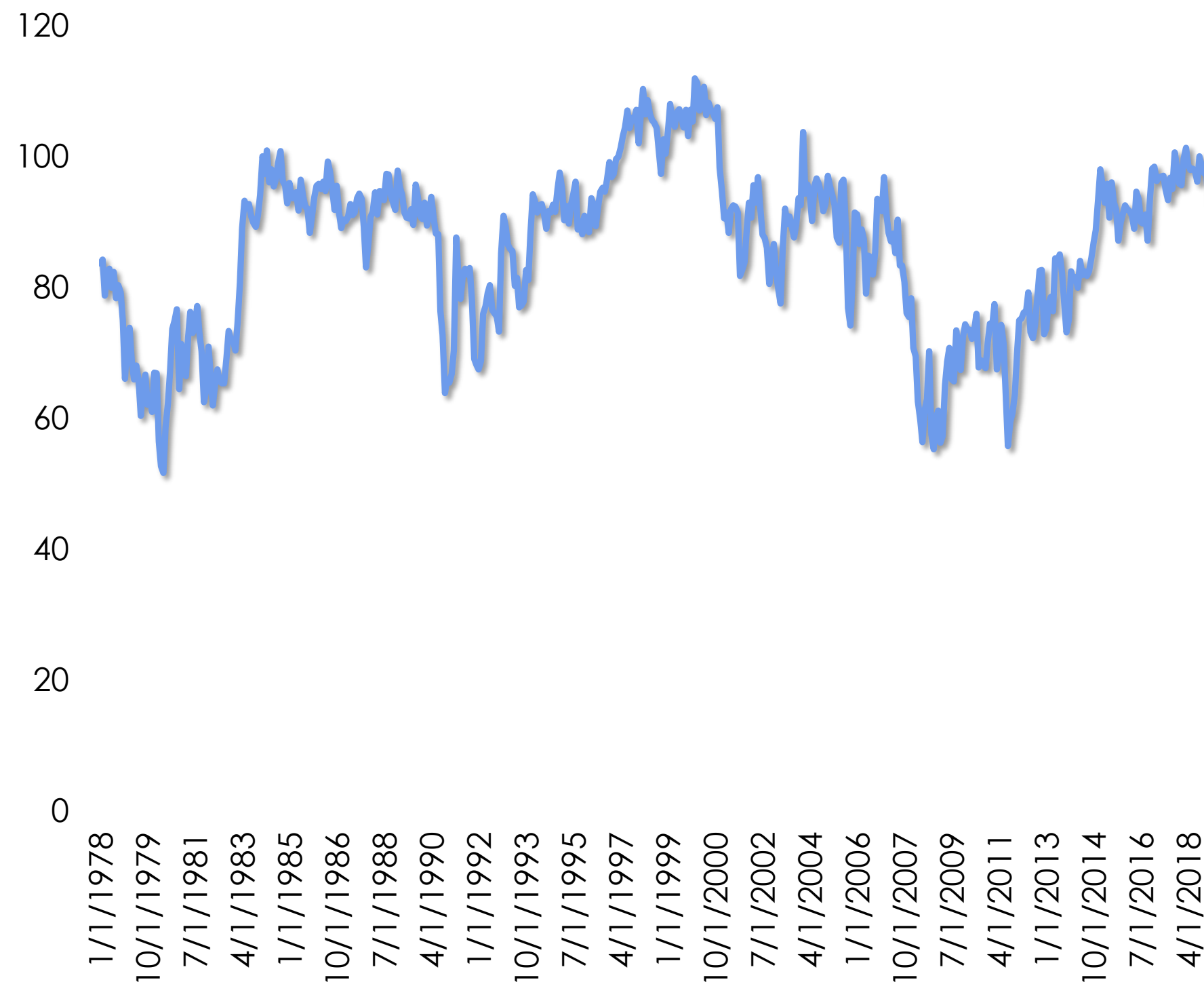


# Biggest strength also big housing weakness

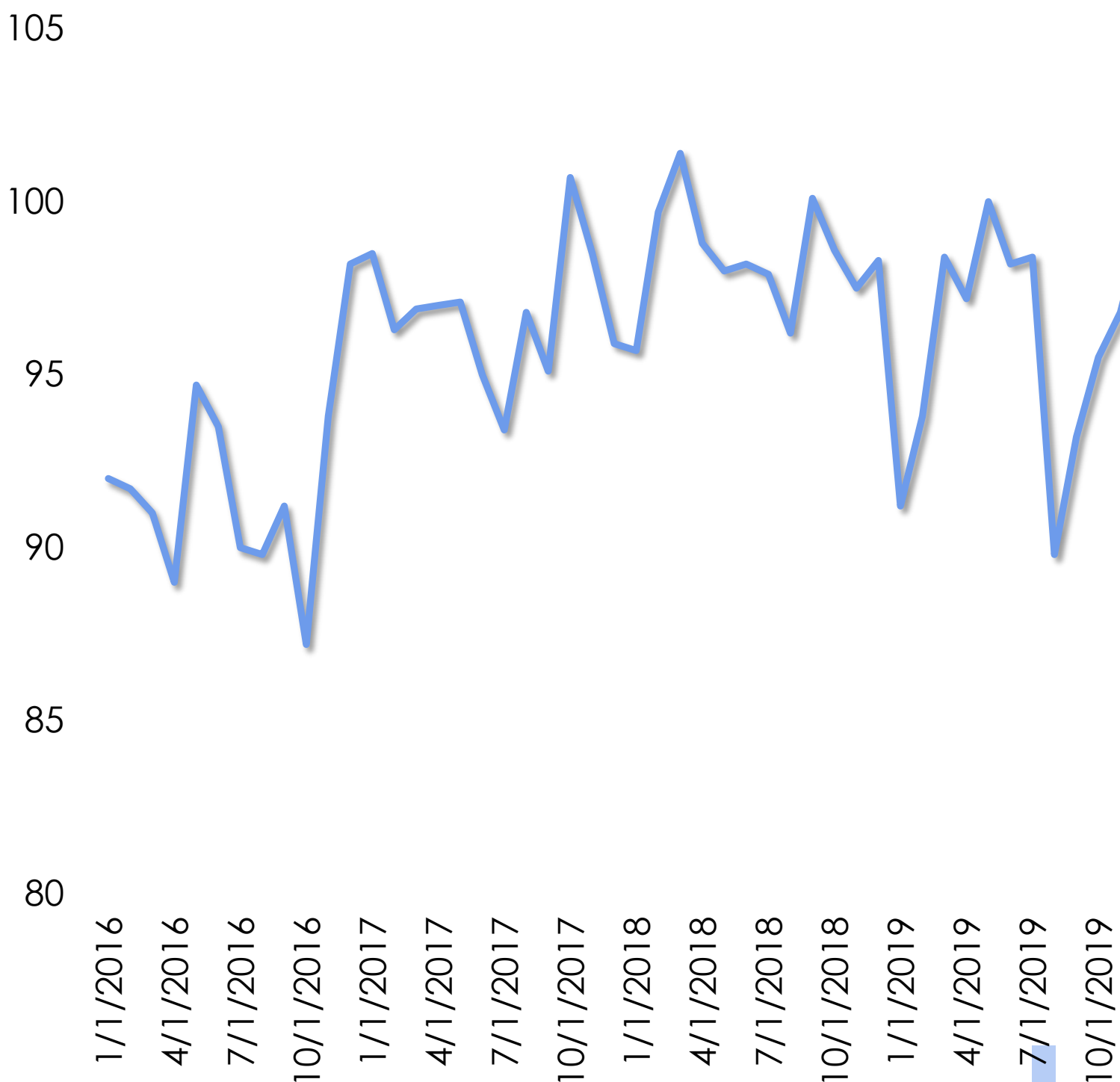


# Consumers had been relatively confident

U. Mich. Consumer Sentiment Index



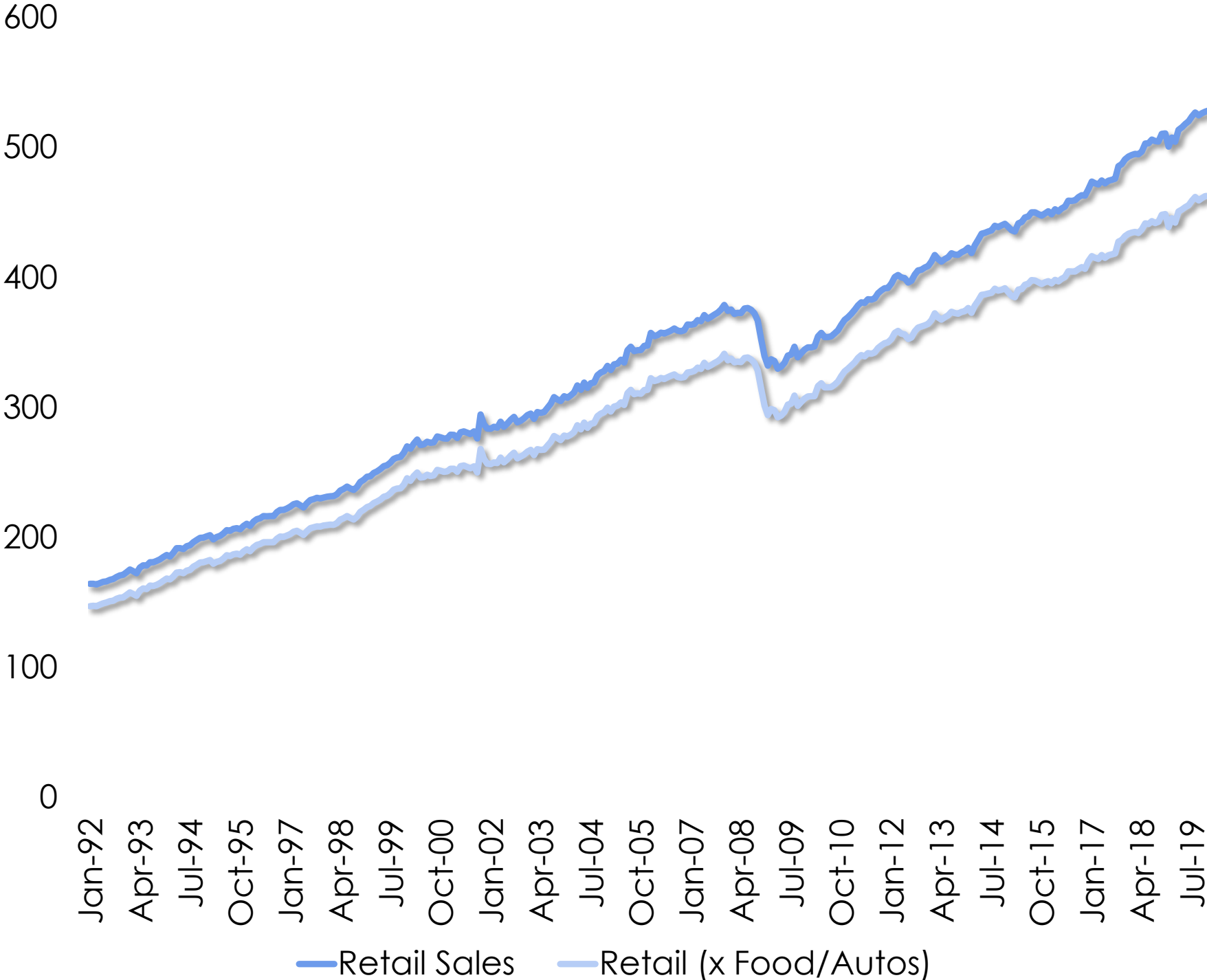
U. Mich. Consumer Sentiment Index



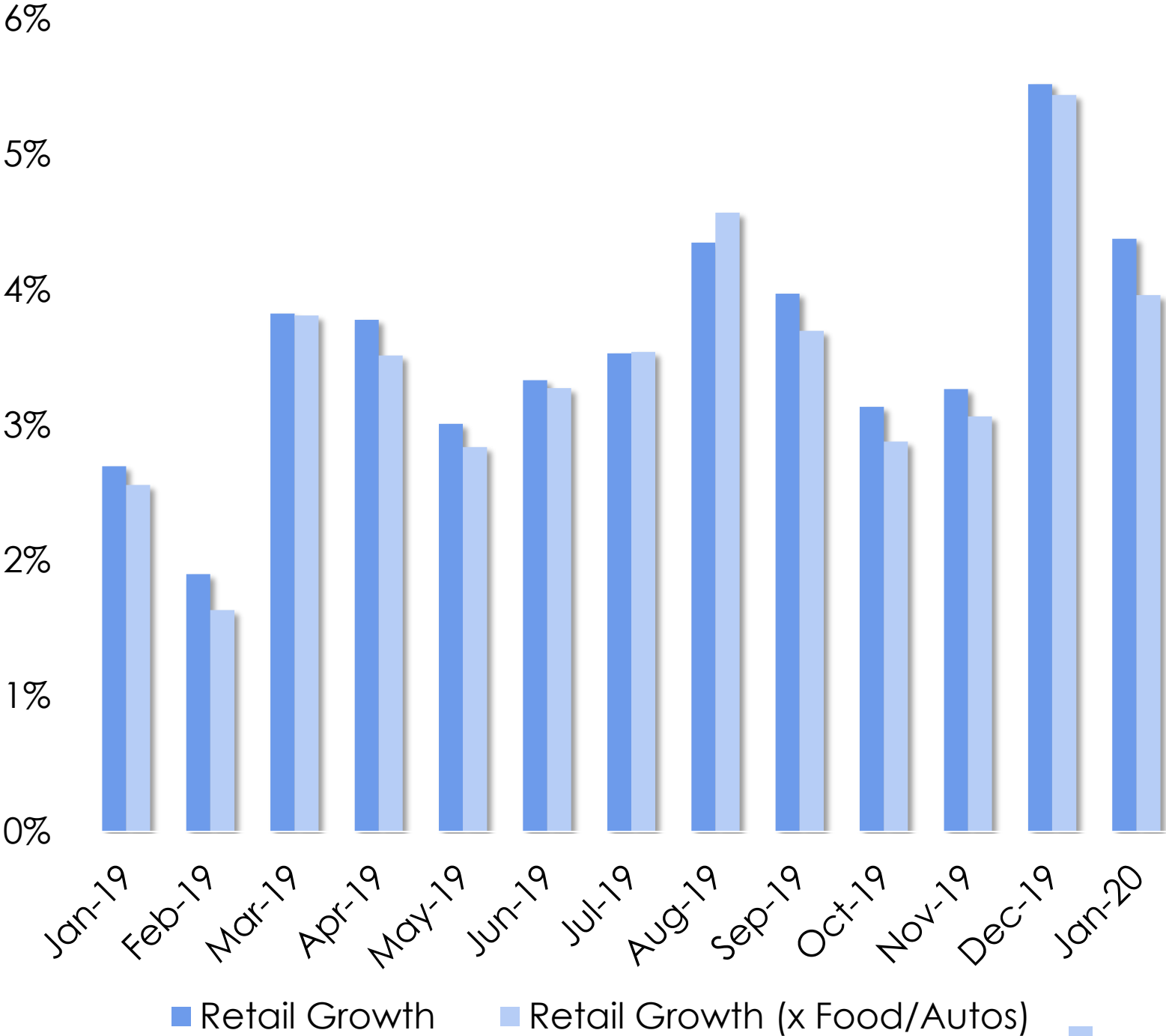


# Consumer spending was still going strong

U.S. Retail Sales

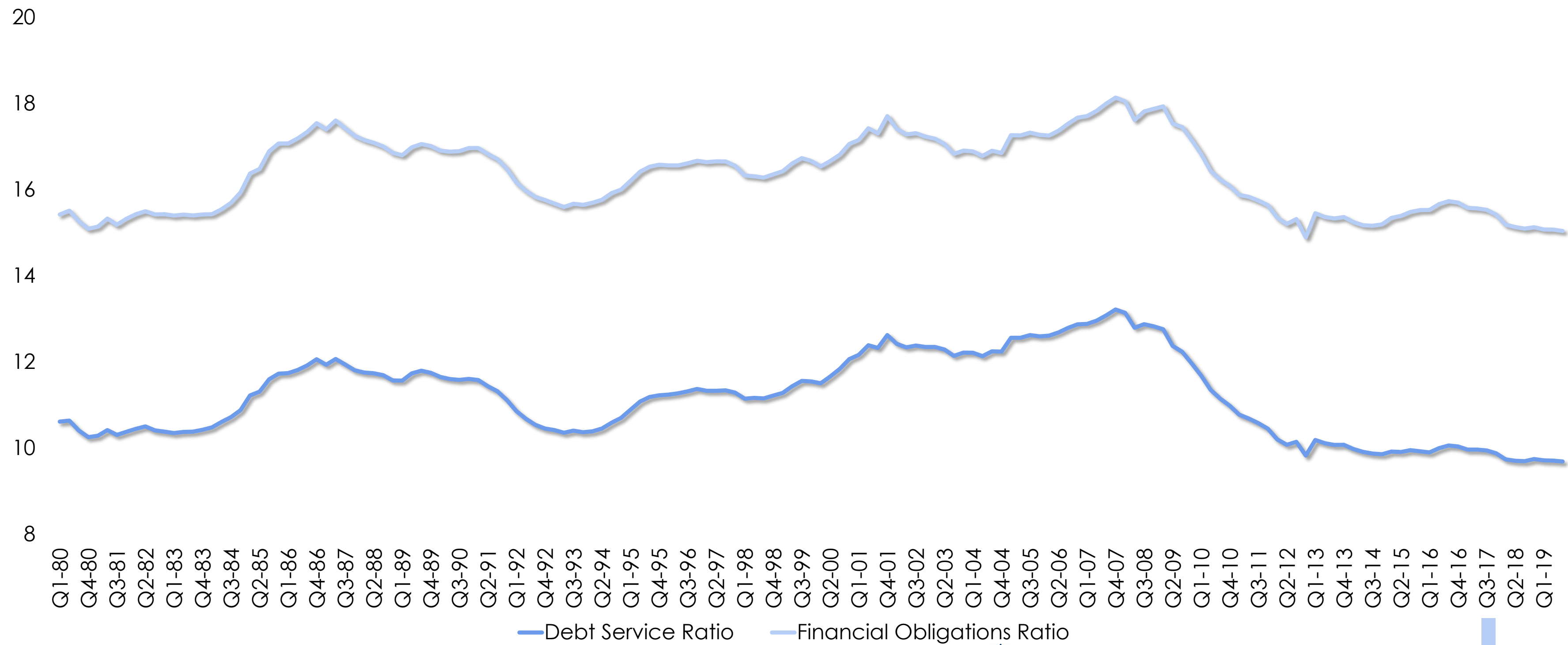


U.S. Retail Sales Growth



# Consumers were in good financial shape!

Consumer Debt and Financial Obligations



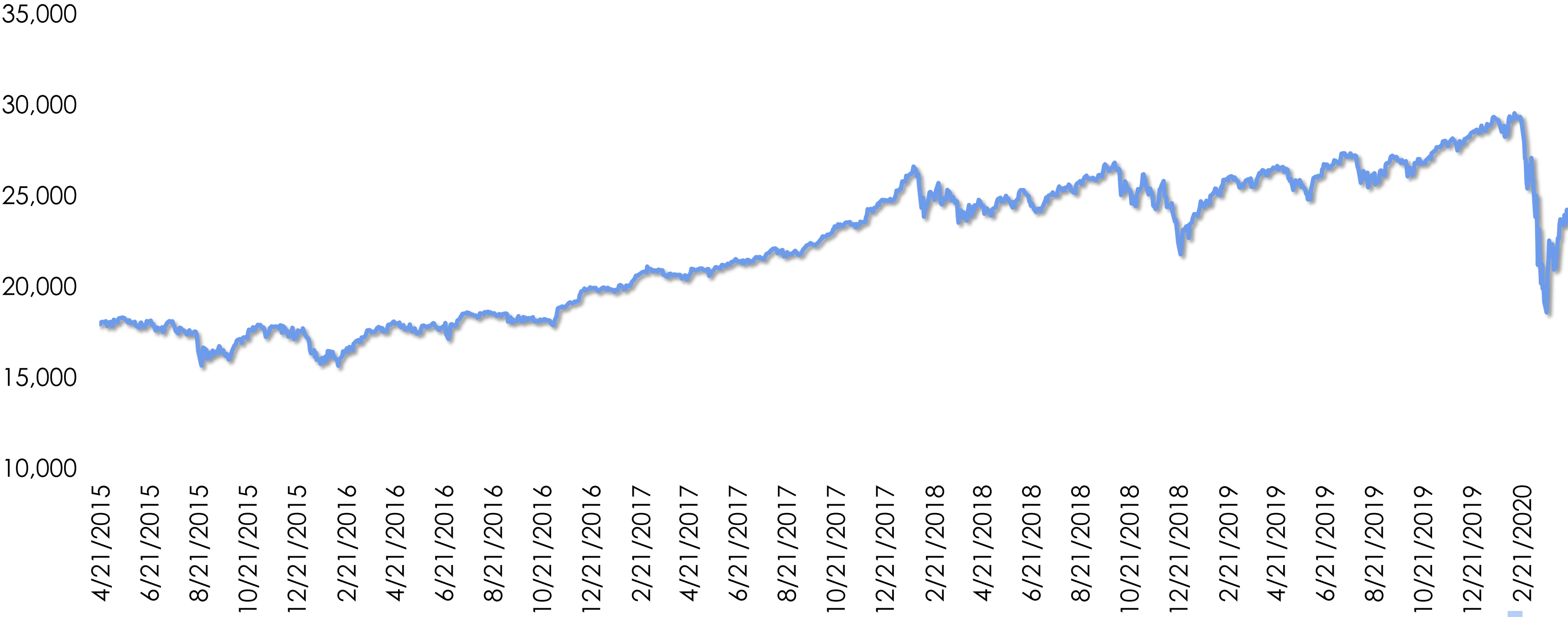


**Why This Should Be  
Taken Seriously, Economically**



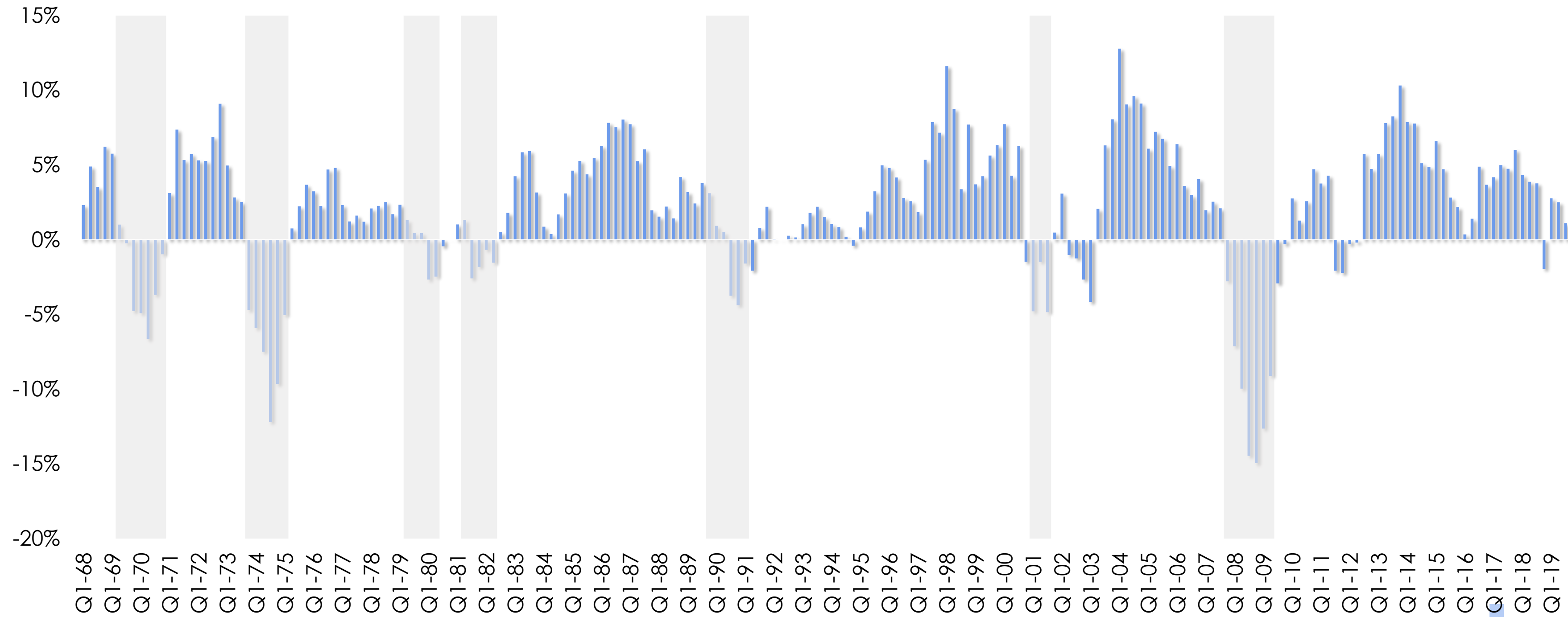
# Financial markets impact people's wealth & confidence

Dow Jones Industrial Average



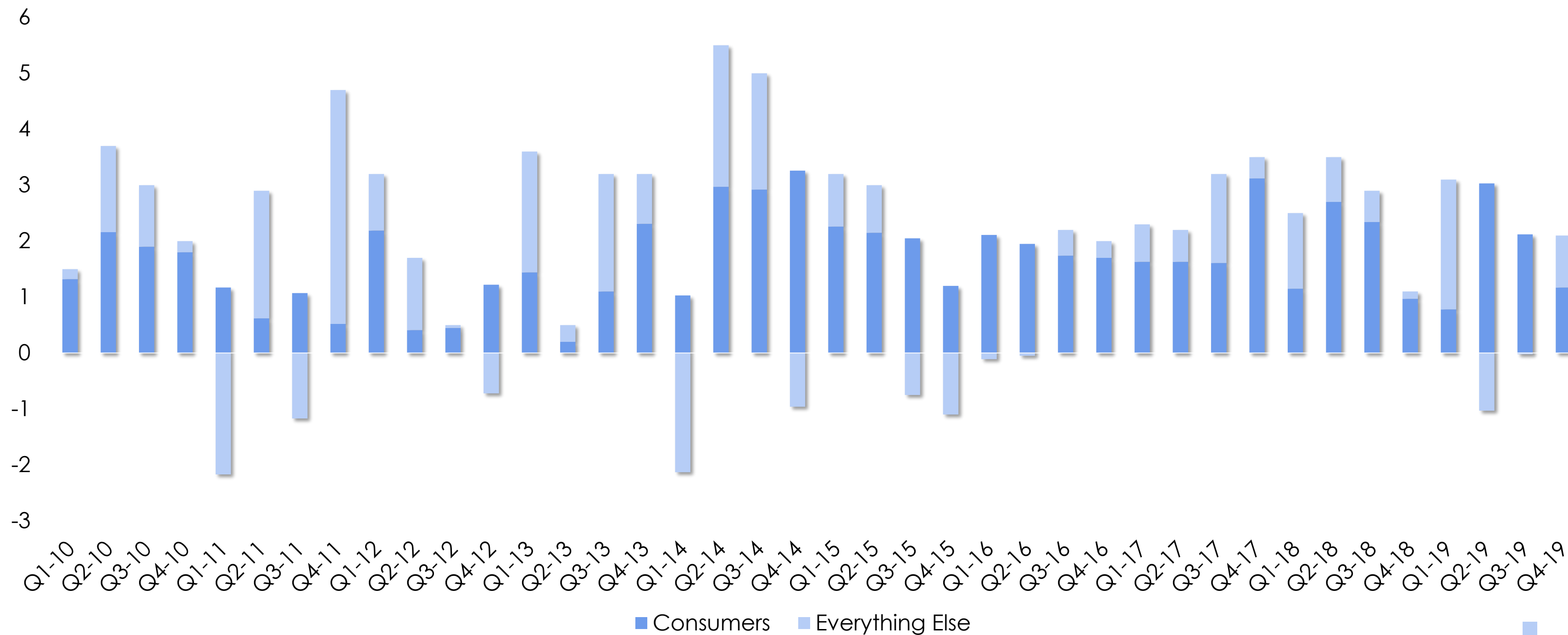
# Poorer population is a good predictor of recession

YoY % Change in U.S. Real Net Worth Per Capita



# If confidence is also impacted, not much to fall back on

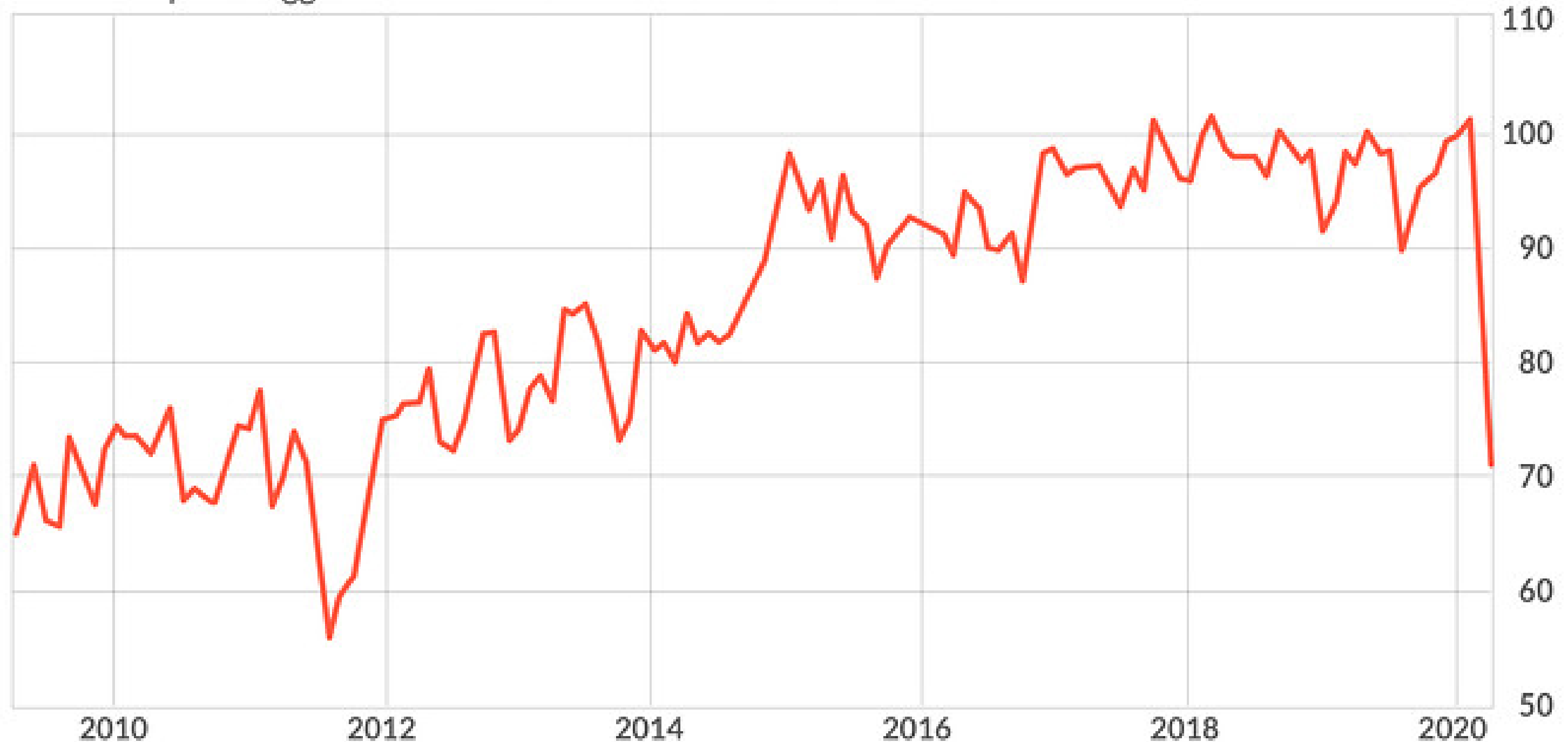
U.S. GDP Growth by Component



# Biggest monthly decline ever in consumer confidence

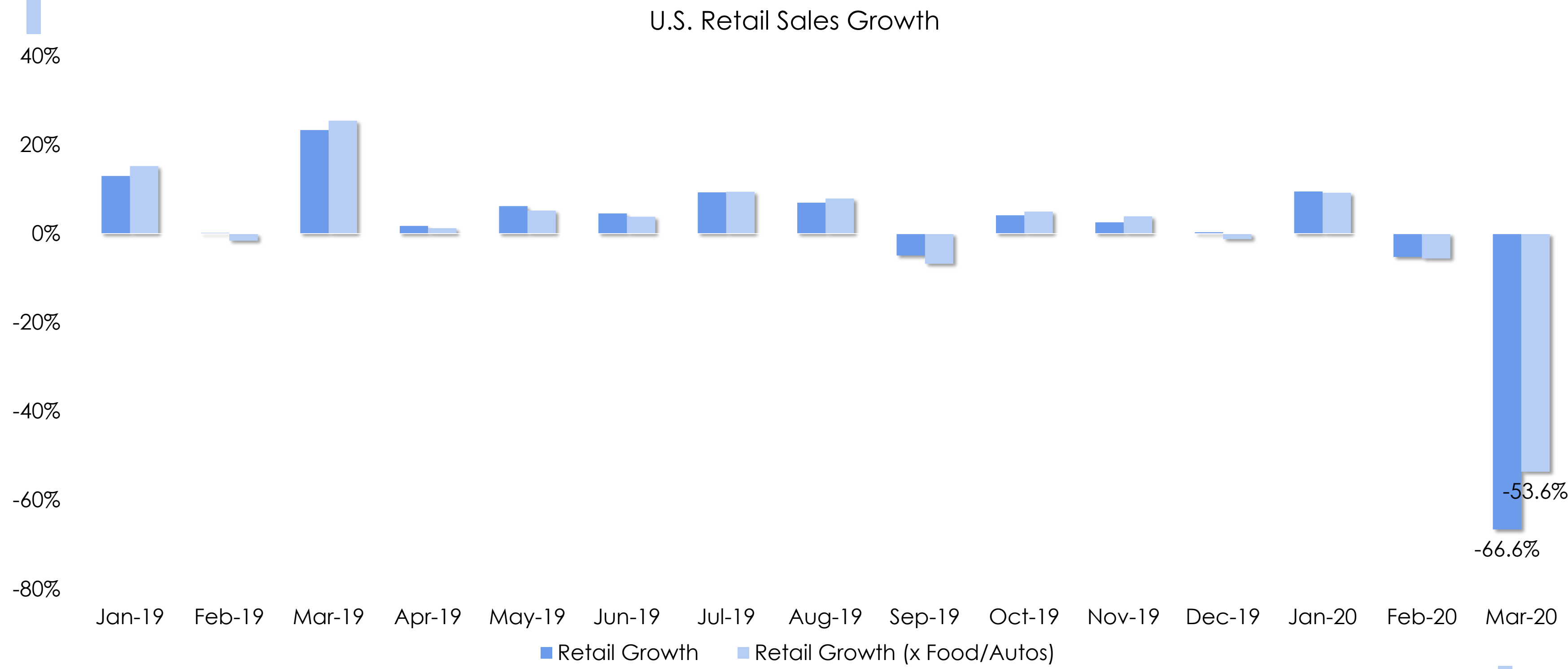
## Consumer sentiments plunges to nine-year low

Sentiment posts biggest one-month decline ever due to coronavirus



Source: University of Michigan via FRED

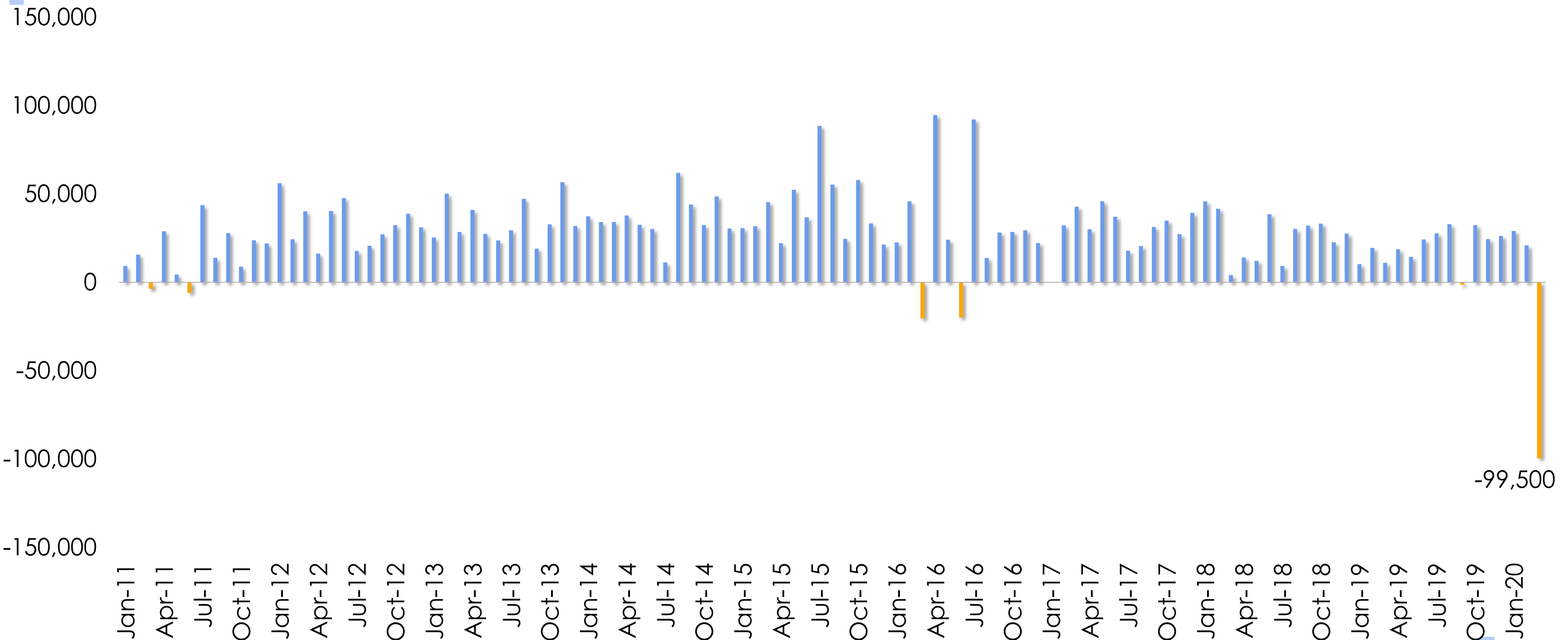
# New record for retail sales declines





# California's 10-year jobs streak comes to an end

California Nonfarm Jobs Base (Monthly Change)



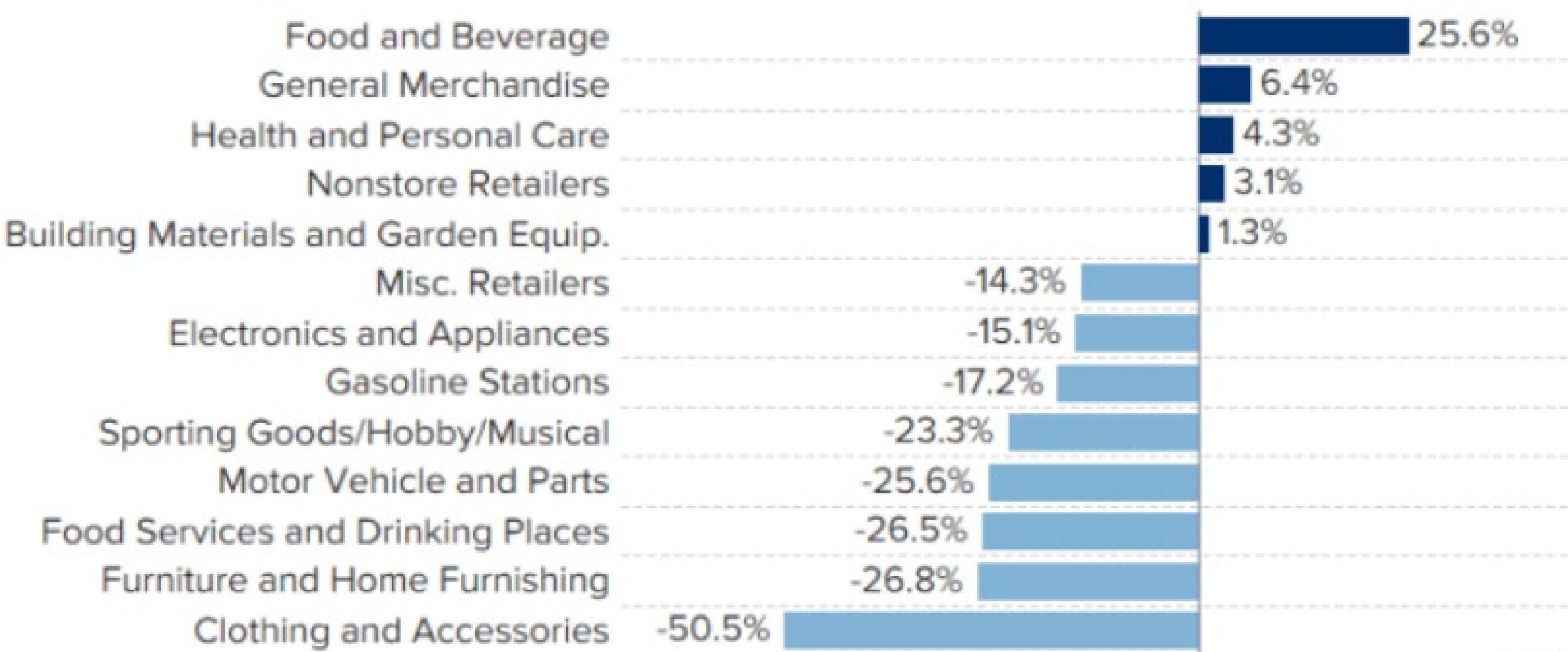
## Other records we're breaking

- Biggest drop in housing starts since 1984
- Largest decline in builder sentiment – ever
- Empire manufacturing index drops to lowest level – ever
- Industrial production at lowest level since 1946
- Philly Fed index at lowest level in 40 years
- Nearly 5 million households in forbearance



# Retail store sales by category

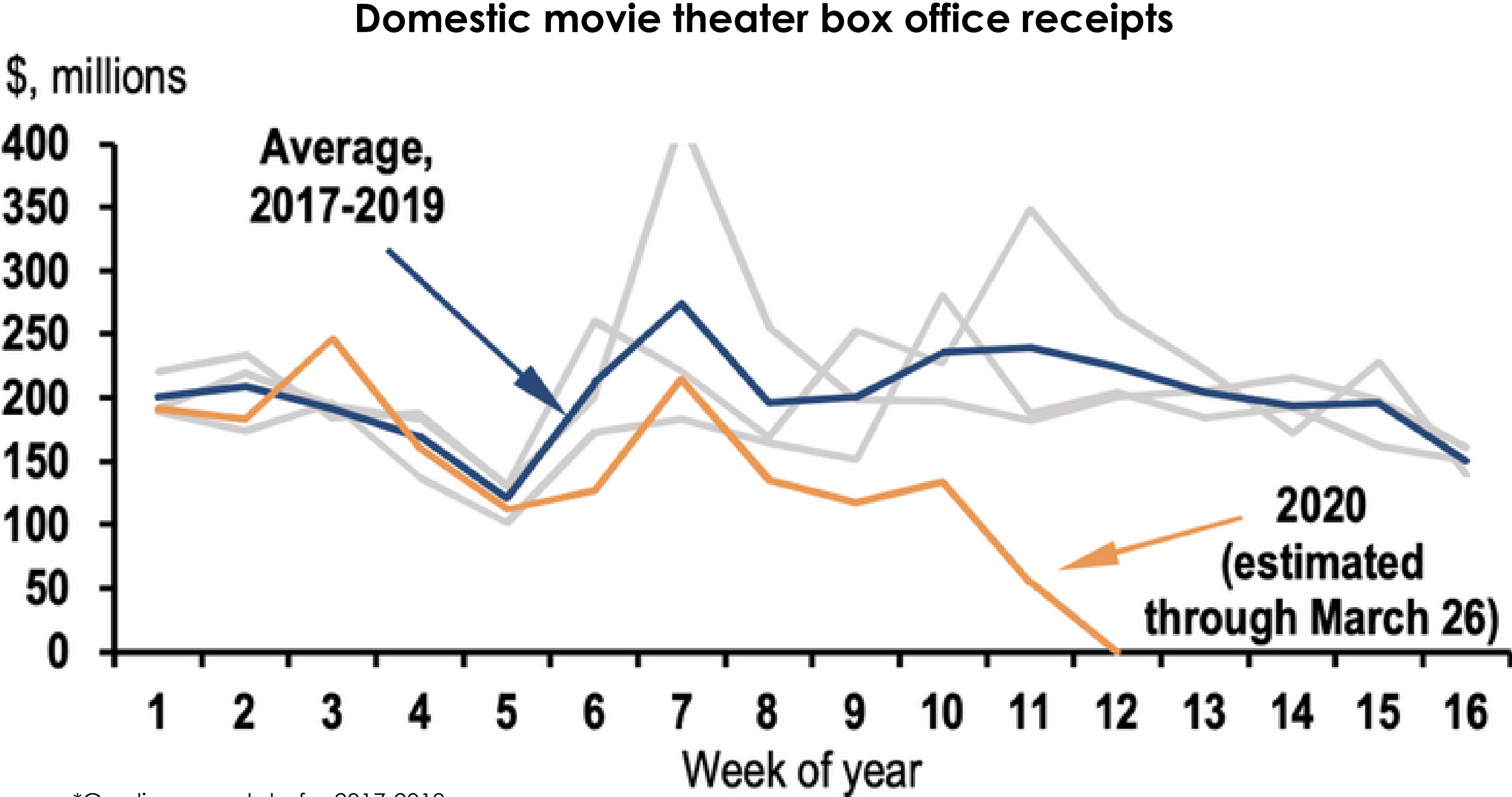
Percent change from February to March 2020. Total retail sales were down 8.7%.



SOURCE: U.S. Census Bureau



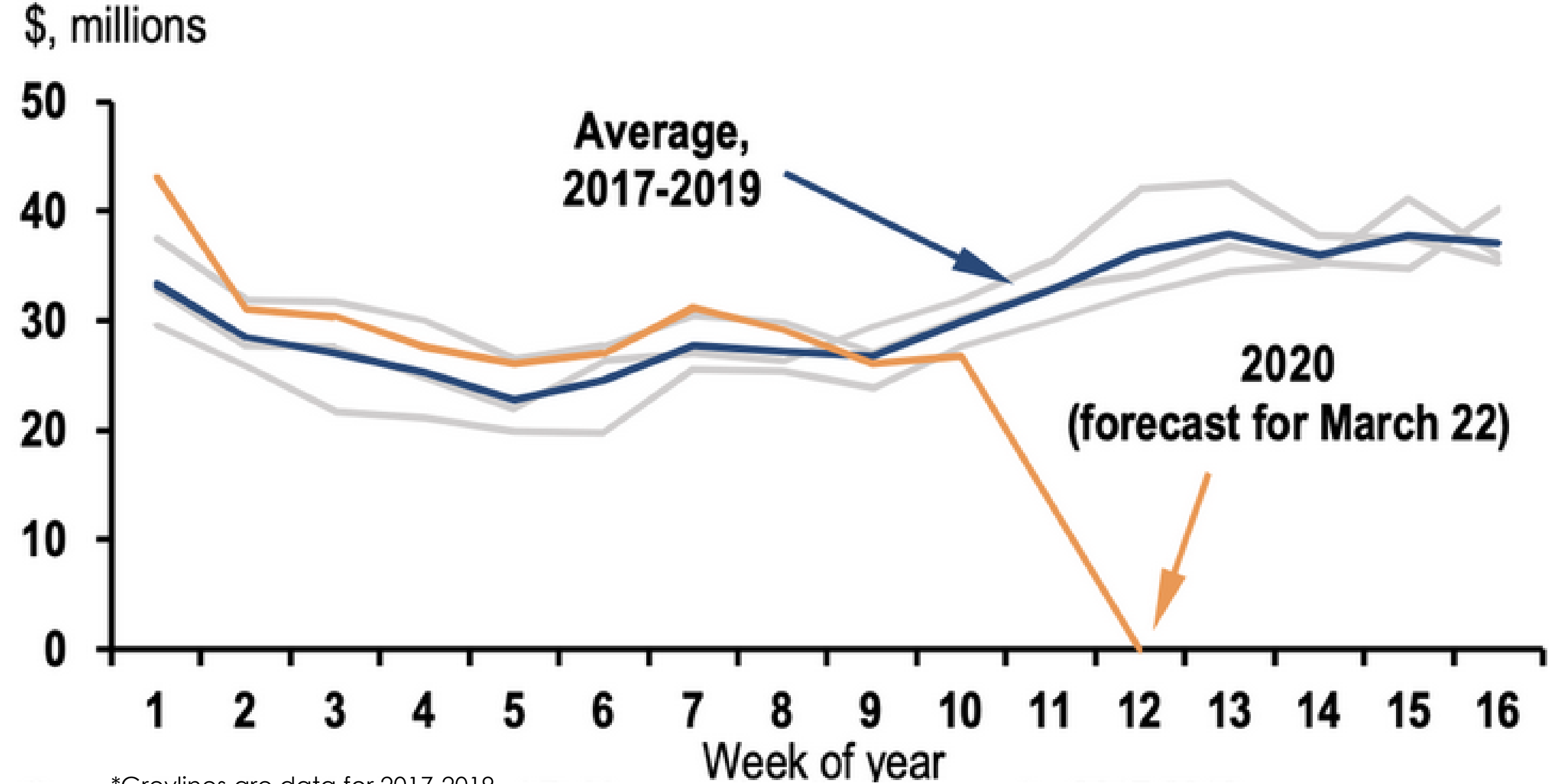
# U.S. movie theaters struggle



\*Grey lines are data for 2017-2019

# Broadway hits a new bottom

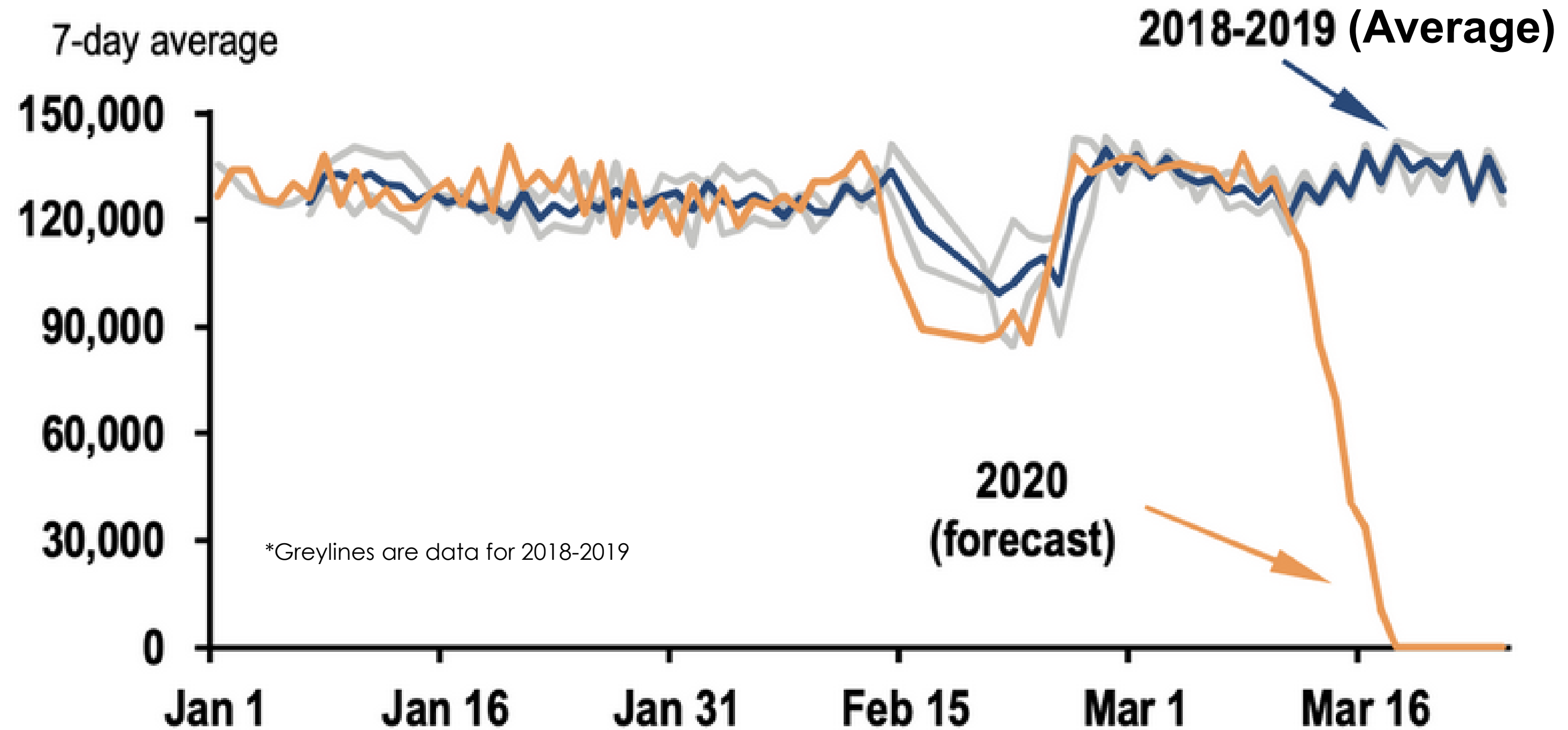
Broadway theater box office receipts



\*Greylines are data for 2017-2019

# NBA attendance drops to zero

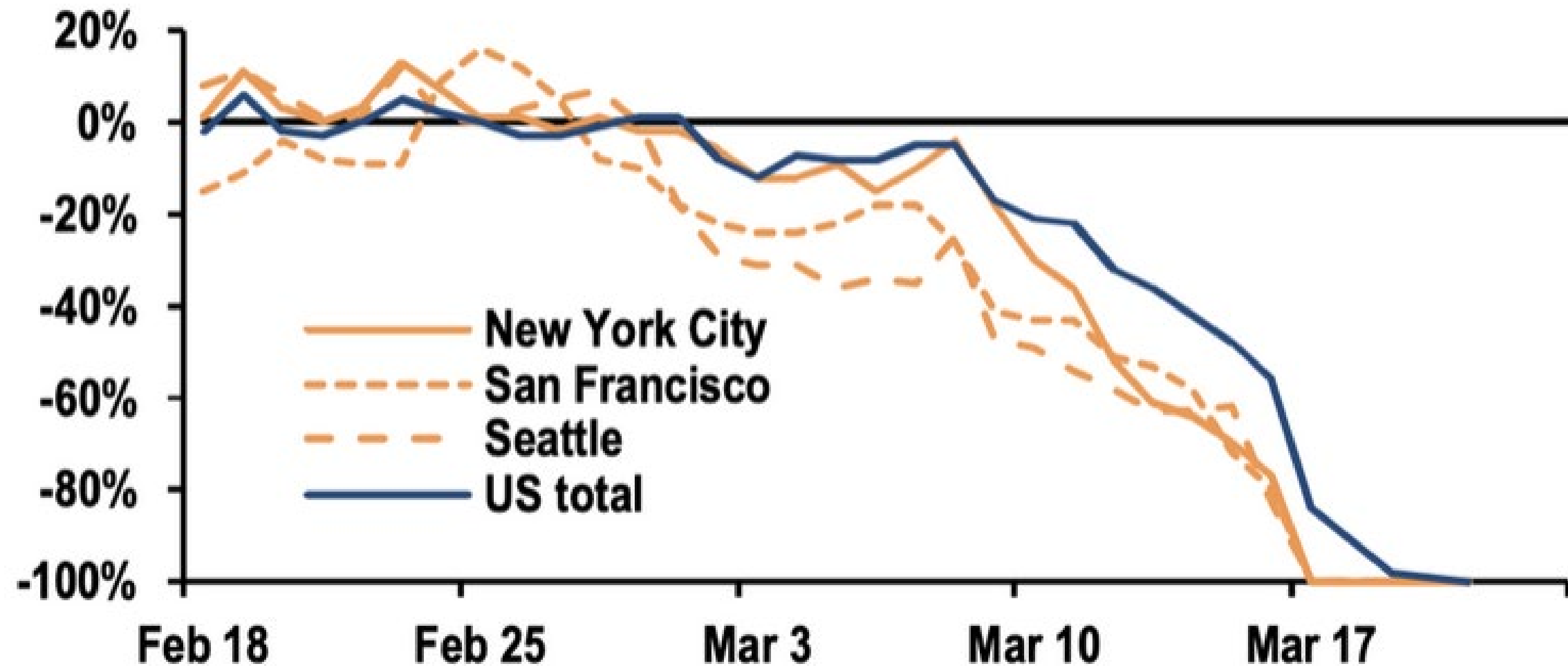
Attendance at NBA basketball games



# Restaurant bookings slide

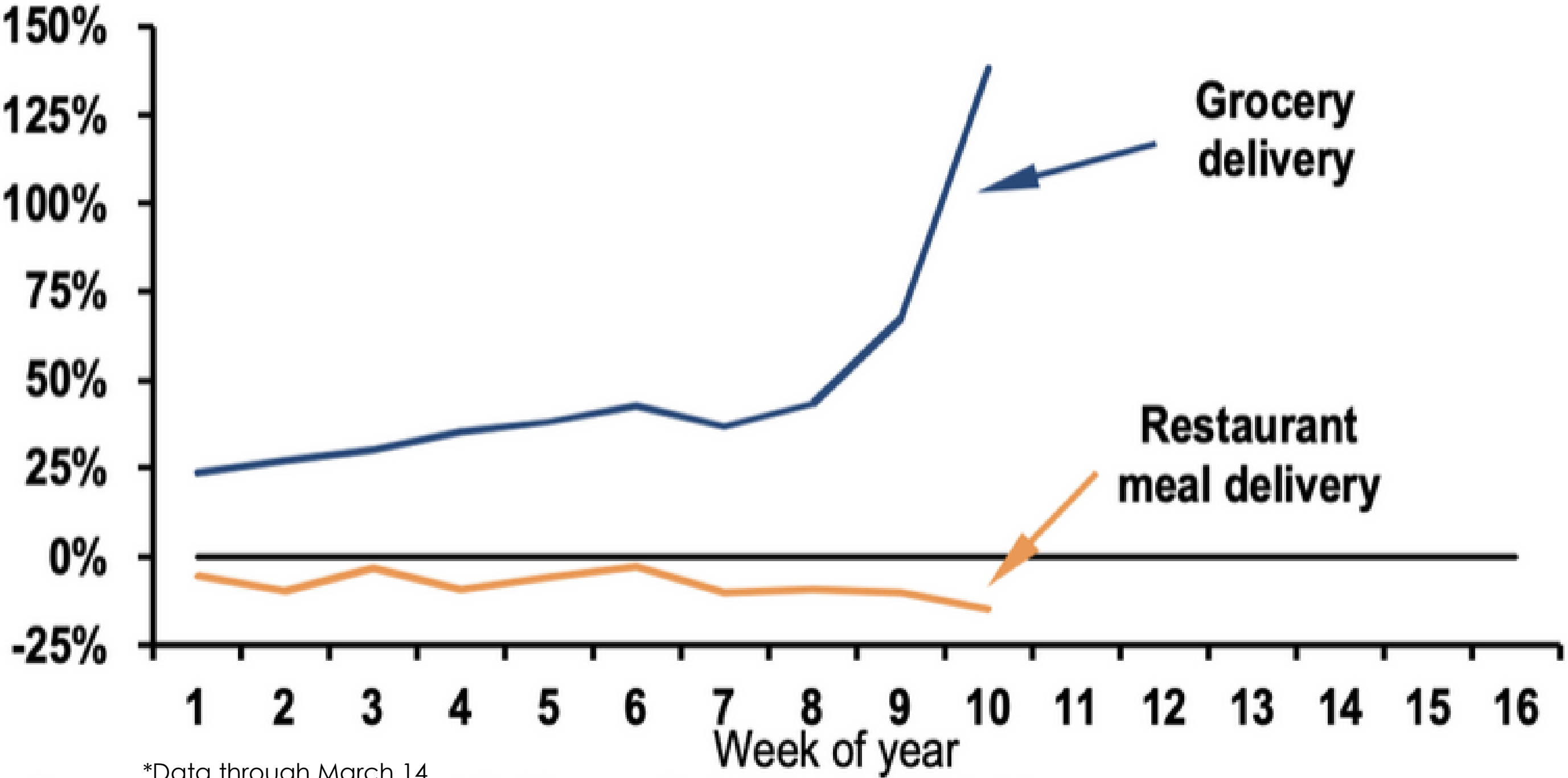
Seated restaurant diners tracked by OpenTable.com

ty% chg.



# Grocery delivery surges but food delivery fails to increase

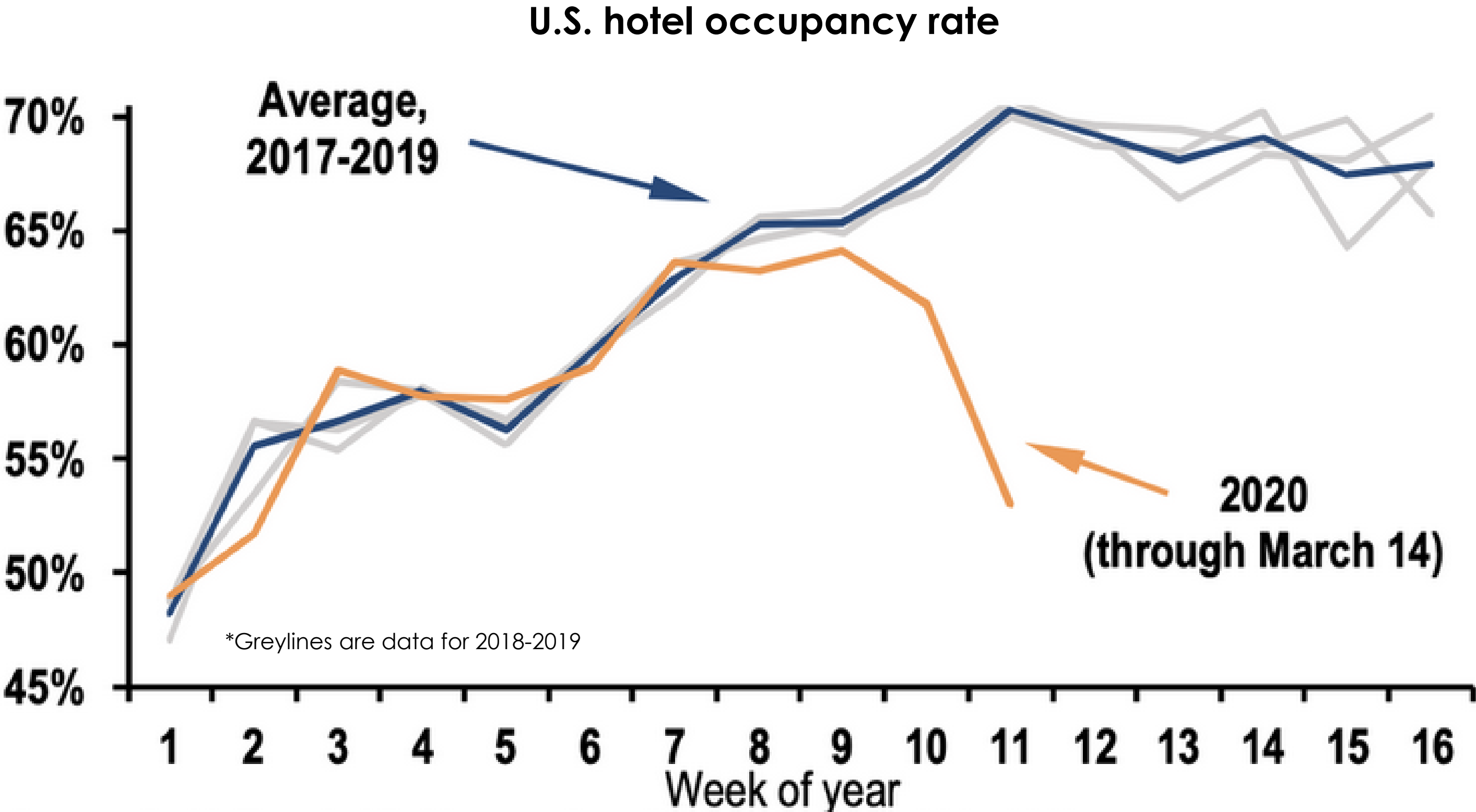
Website traffic growth over 2018-2019 average



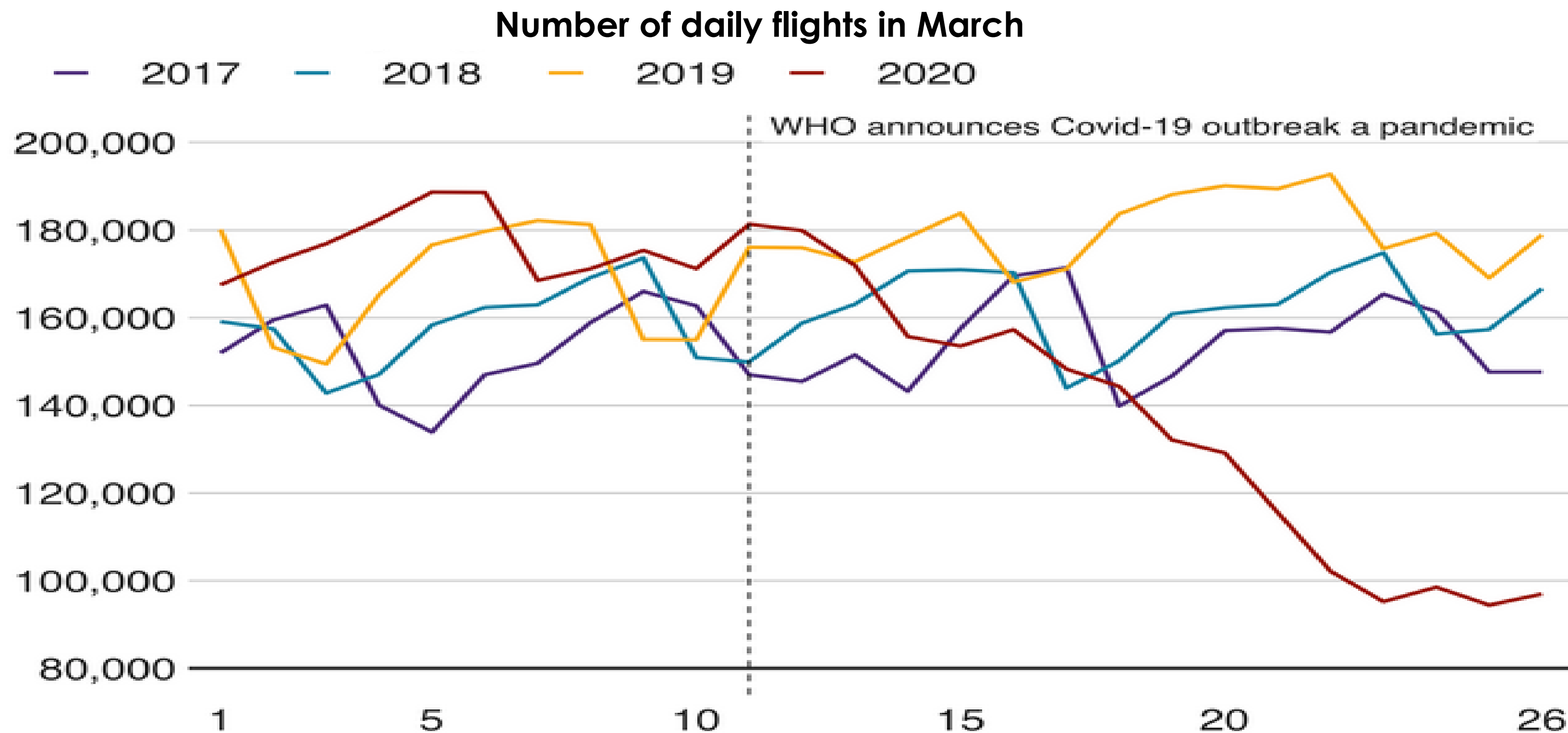
\*Data through March 14



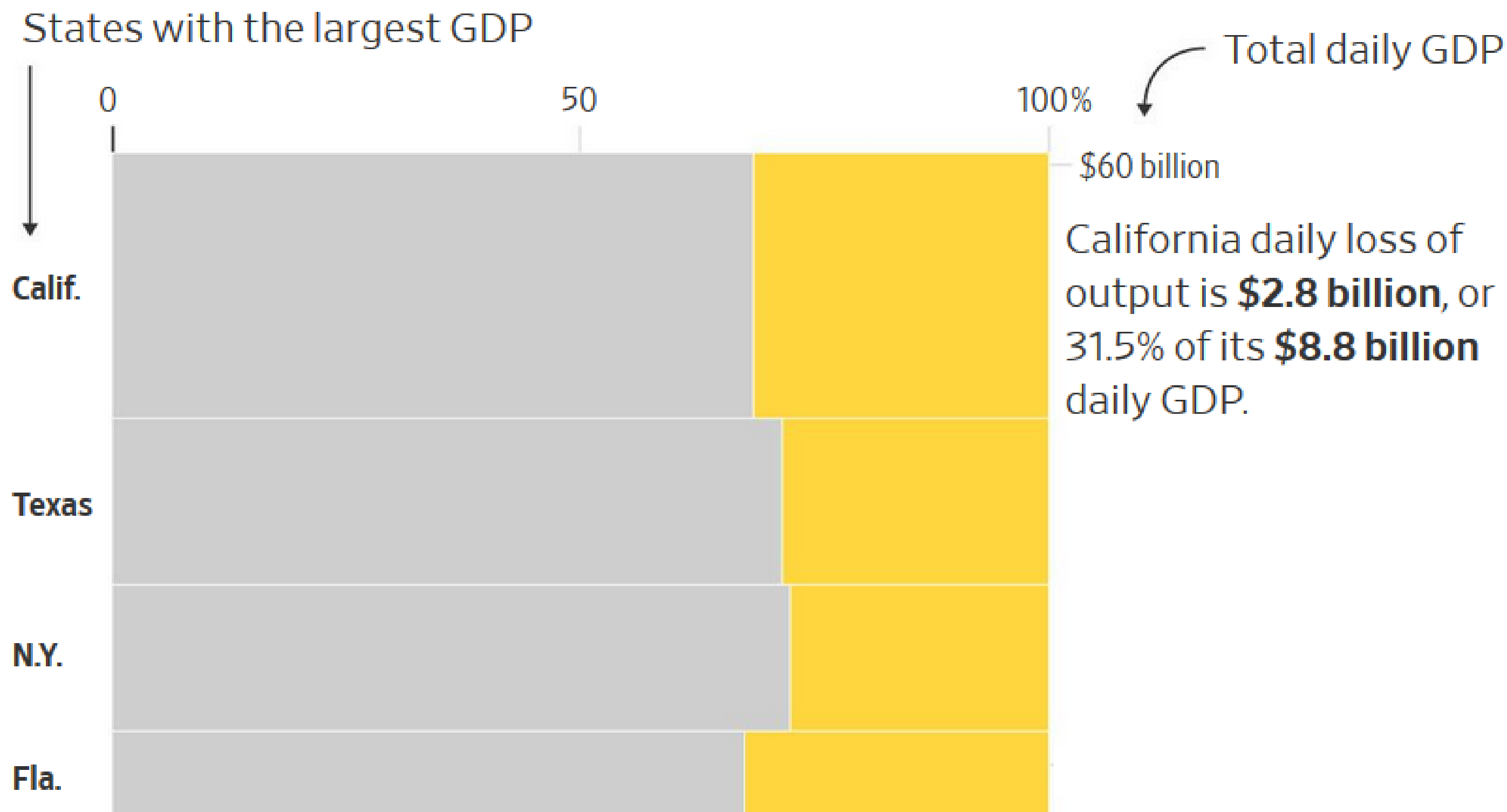
# Hotel occupancy tumbles



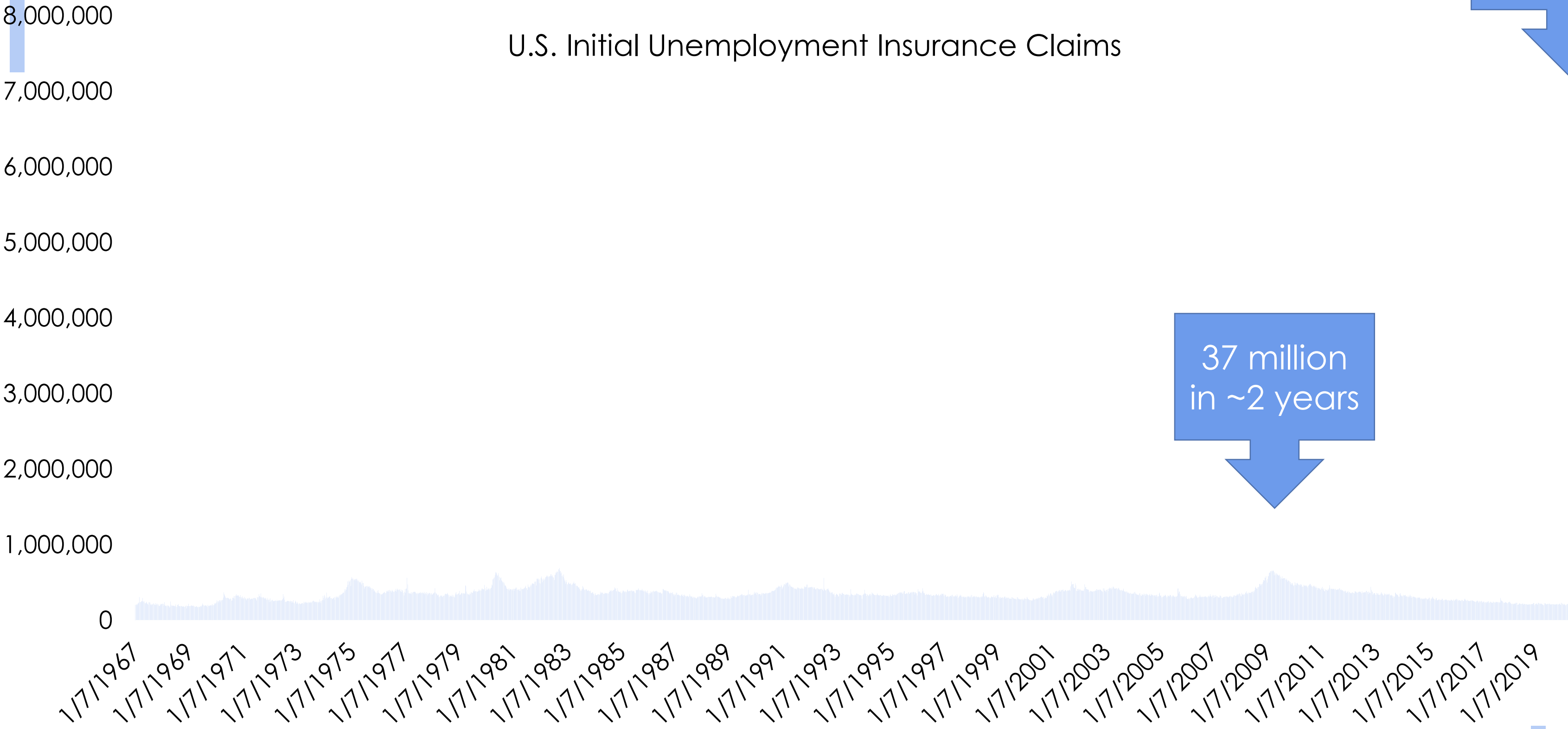
# Fewer commercial flights



# Daily GDP lost by state



# Where the rubber meets the road...



~22 million  
in 4 weeks

37 million  
in ~2 years



# **Concerns in Real Estate** **Ramped Up Quickly**



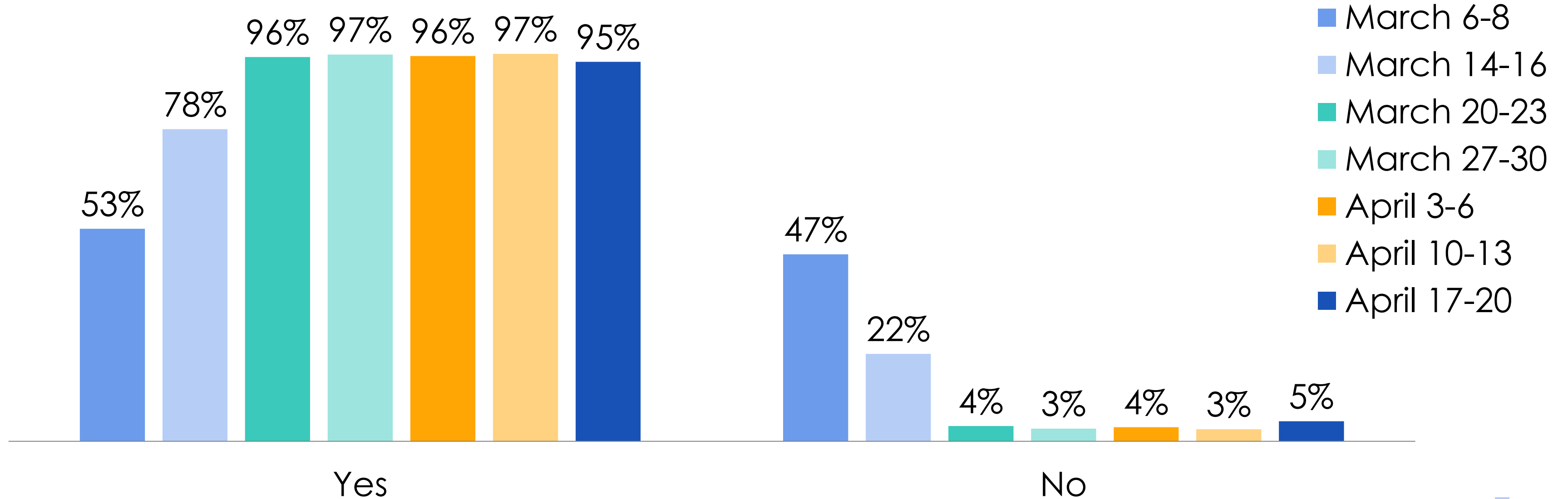
# Dates

- Week 1 (n=266): **March 6-8**
- Week 2 (n=1,085): **March 14-16**
- Week 3 (n=749): **March 20-23**
- Week 4 (n=923): **March 27-30**
- Week 5 (n=749): **April 3-6**
- Week 6 (n=722): **April 10-13**
- Week 7 (n=609): **April 17-20**



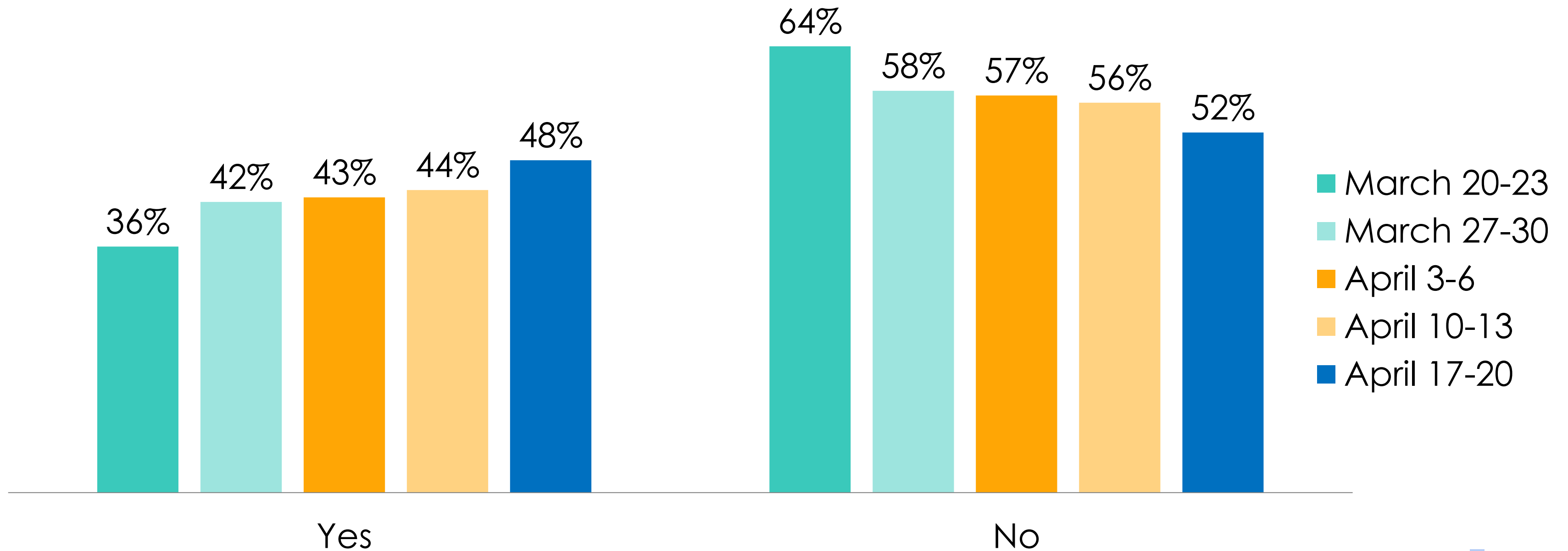
# Members continue to feel the impact

Q: Do you feel that Coronavirus has or will have a negative impact on your personal Real Estate business?



# Percent of members seeing buyers withdraw their offer remains in mid-40's

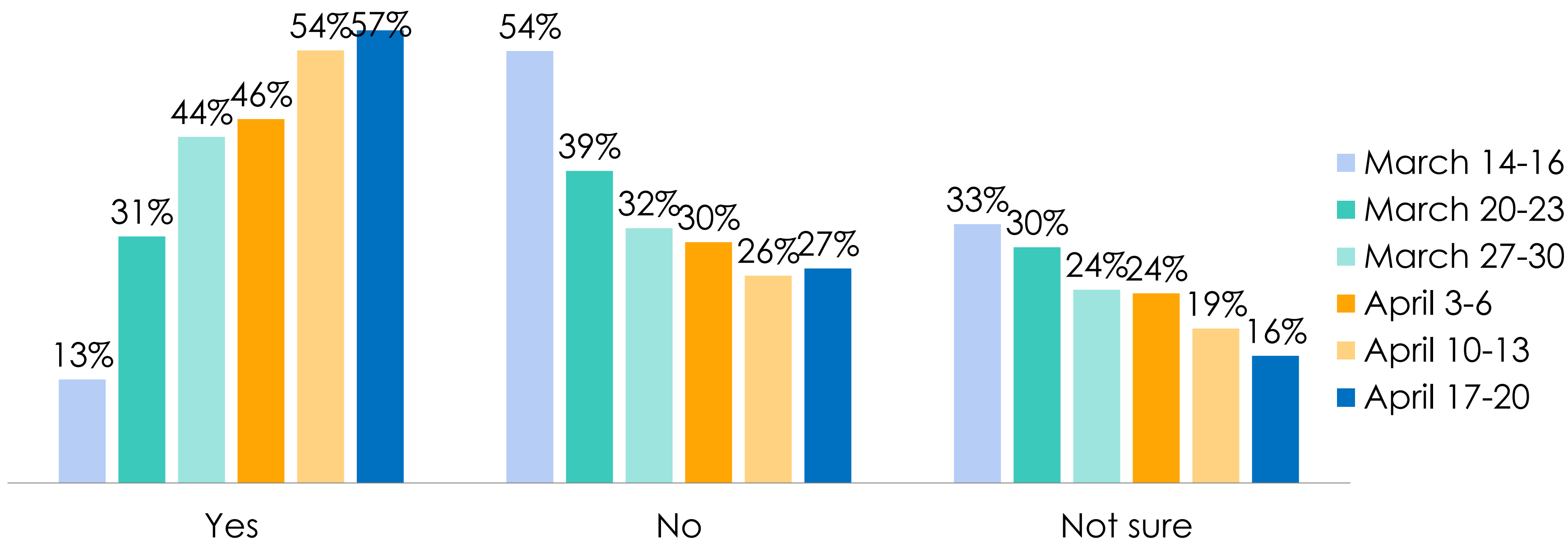
Q: Have you had any buyers withdraw an offer due to Coronavirus?





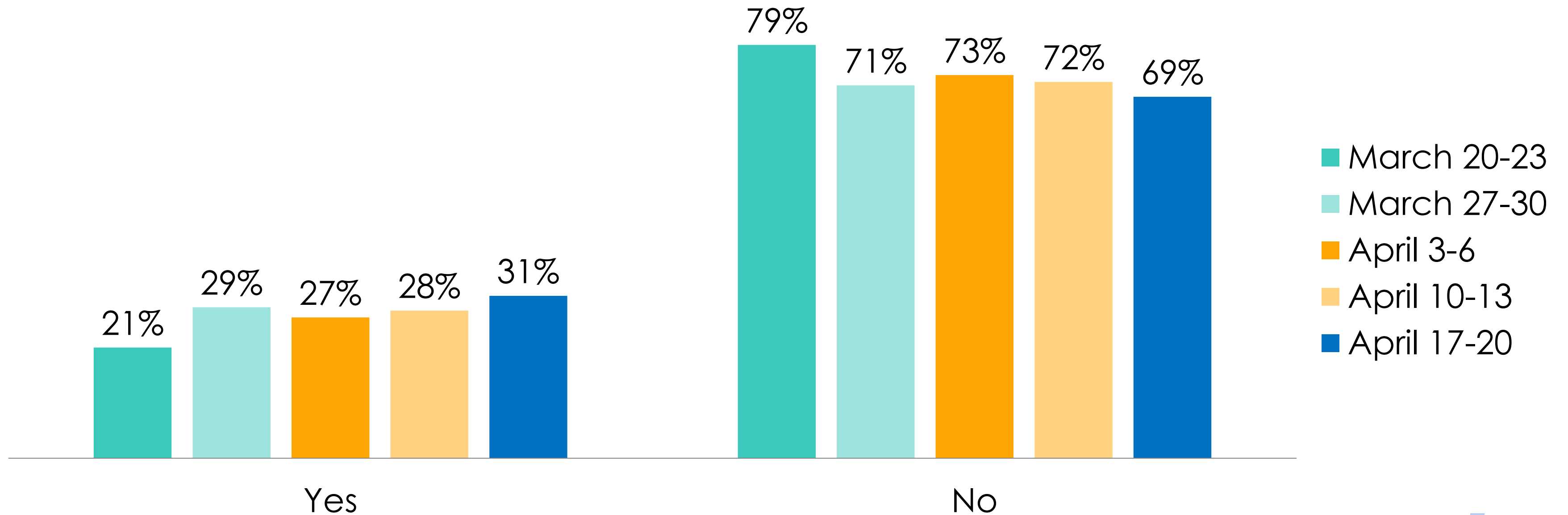
# Sellers continuing to remove homes from market

Q: Have you seen any sellers remove their home from the market completely due to Coronavirus?



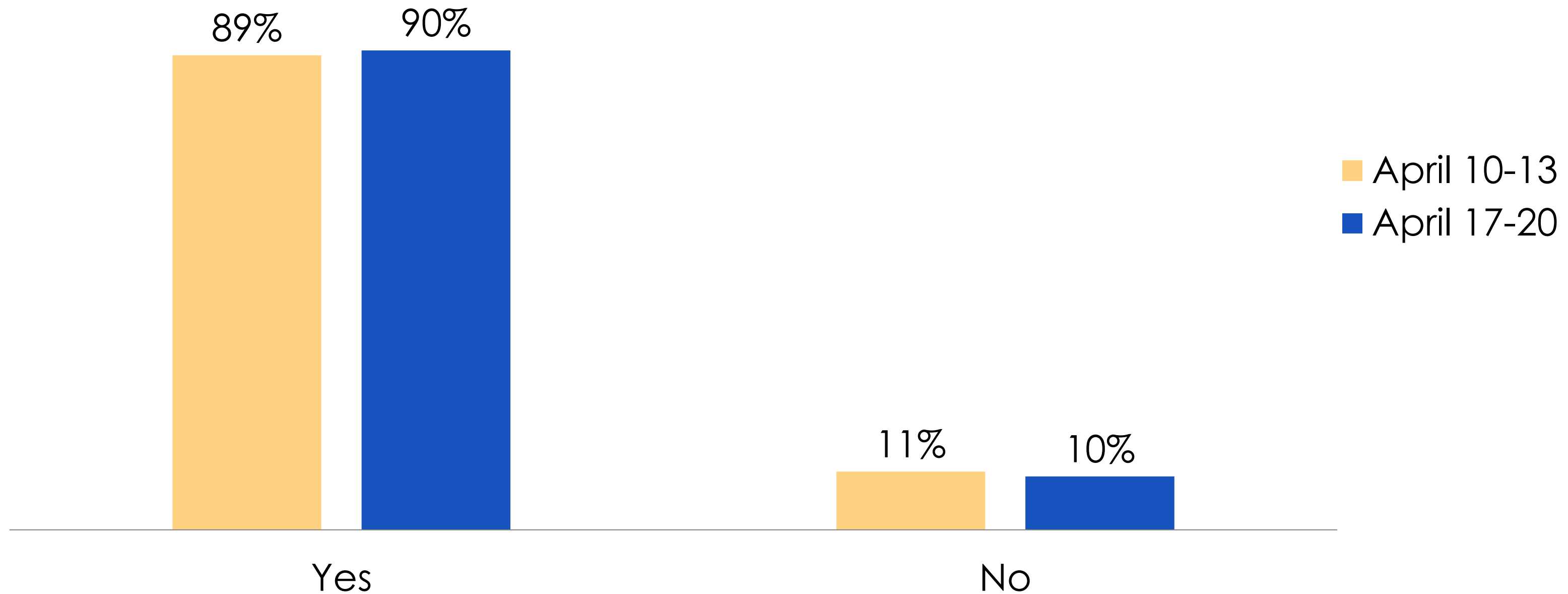
# 1 in 4 members reporting a transaction that fell out of escrow

Q: Have you had a transaction fall out of escrow due to Coronavirus?

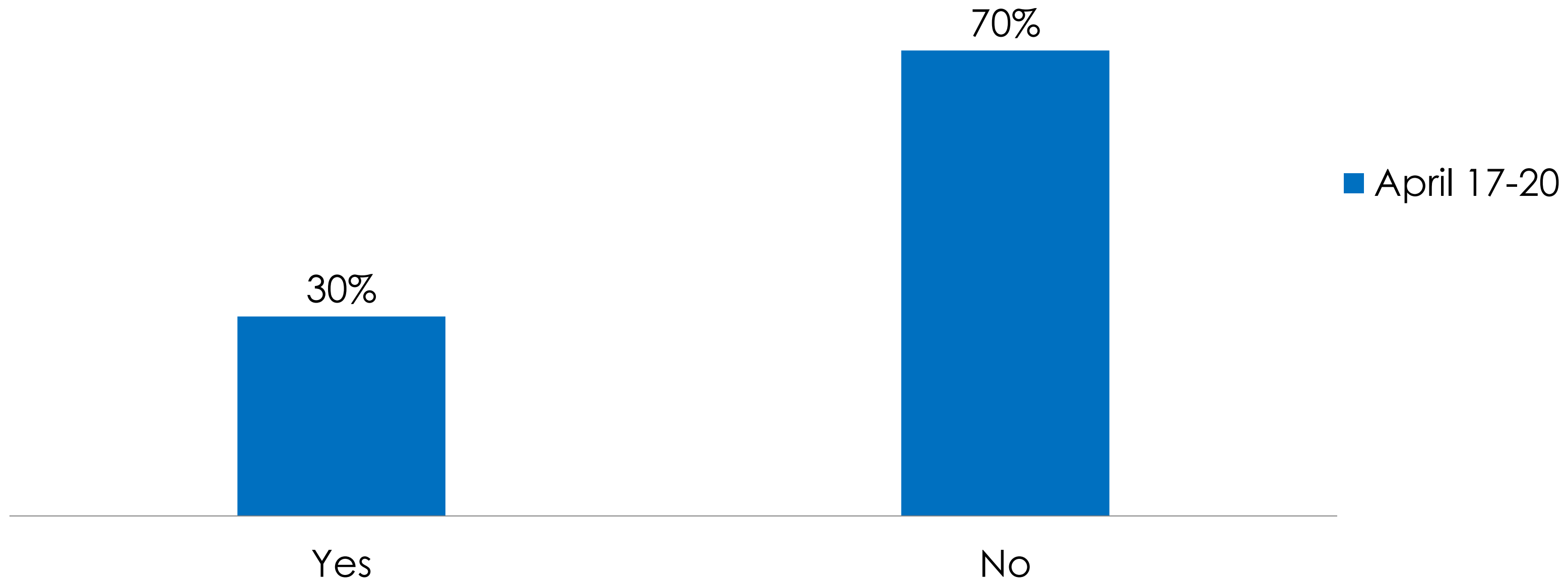


# 9 in 10 buyers now expecting lower prices

Q: In general, are home buyers expecting lower prices now?

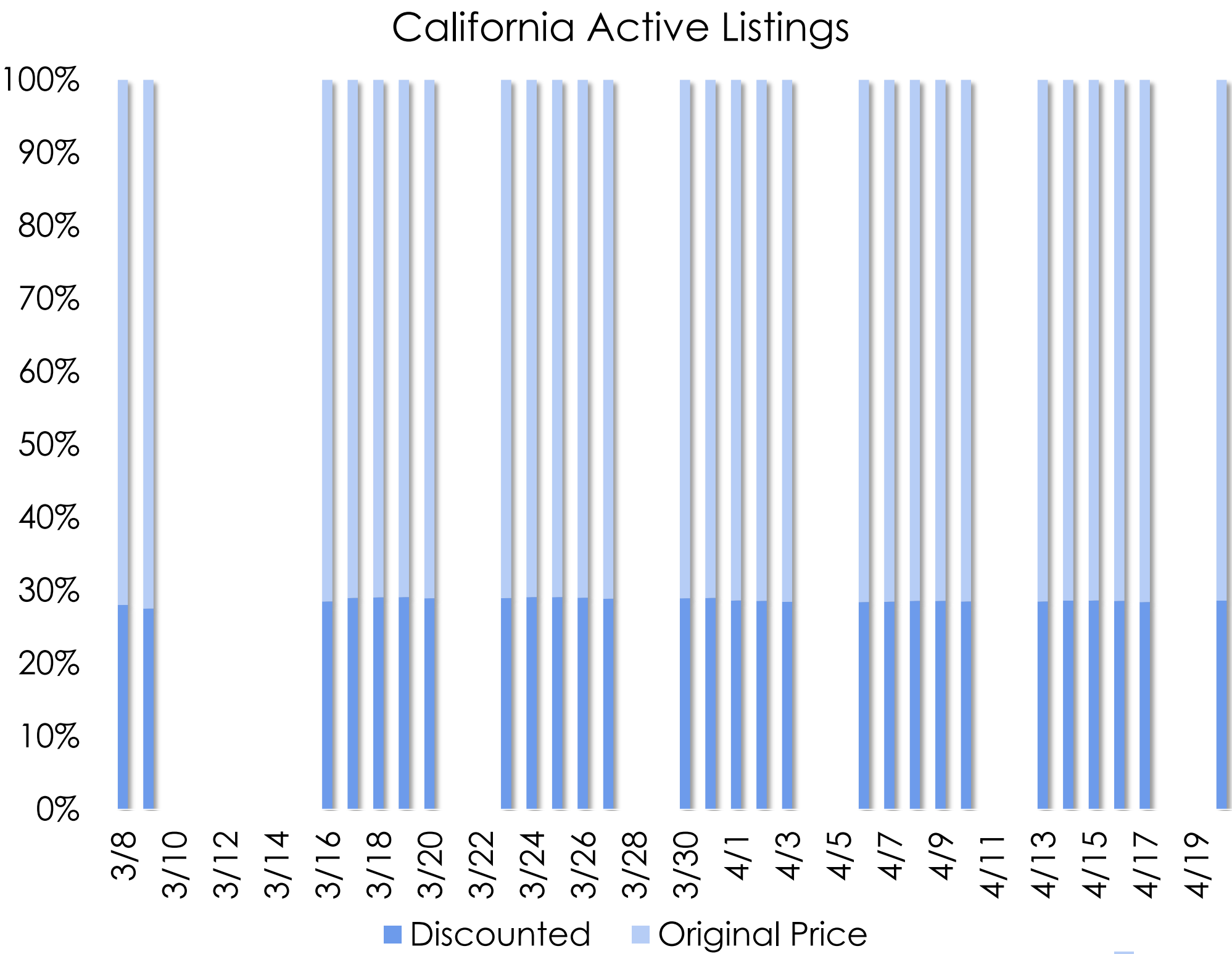
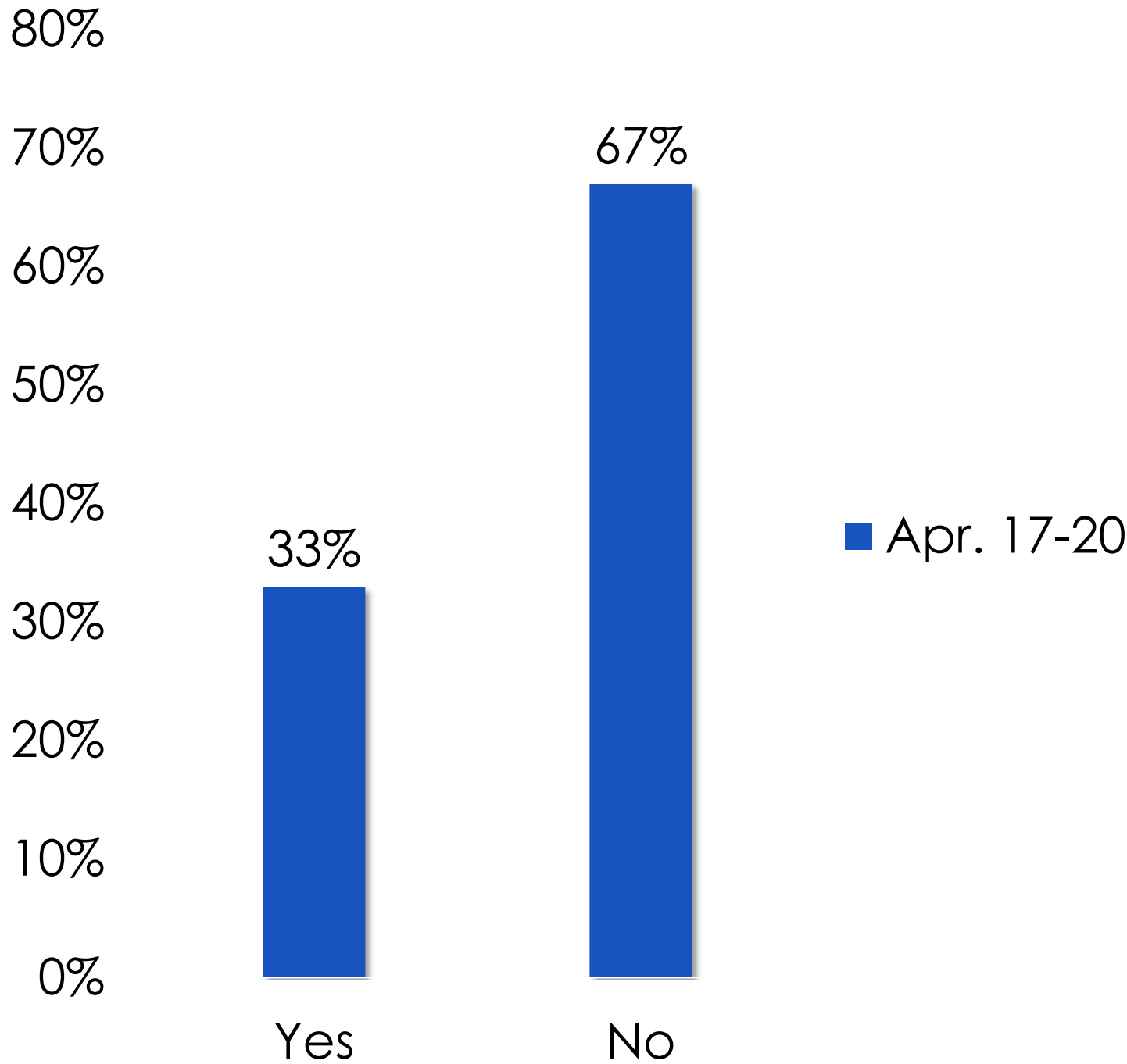


Q: Have you had a buyer attempt to renegotiate the purchase price prior to close?



# Sellers aren't on the same page

Have any of your home sellers recently reduced price to attract buyers?





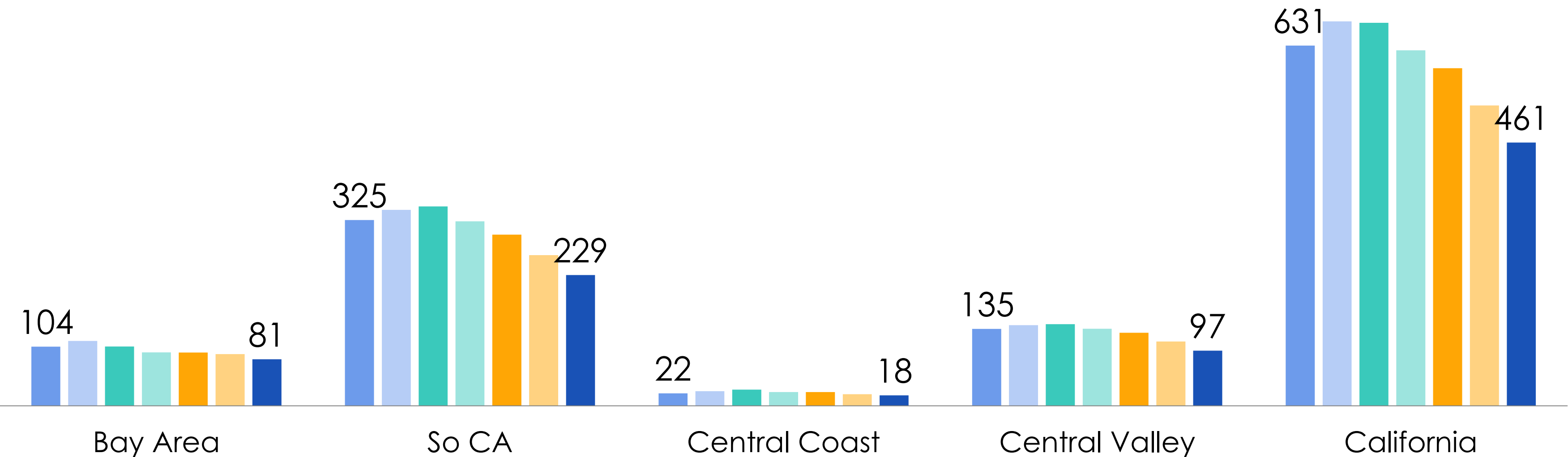
**Market Environment Will  
Remain Challenging During SIP**



# Closed sales now follow the pending sales down

Average Daily Closed Sales

■ Mar 1 - 7   ■ Mar 8 - 14   ■ Mar 15 - 21   ■ Mar 22 - 28   ■ Mar 29 - Apr 4   ■ Apr 5 - 11   ■ \*Apr 12- 17

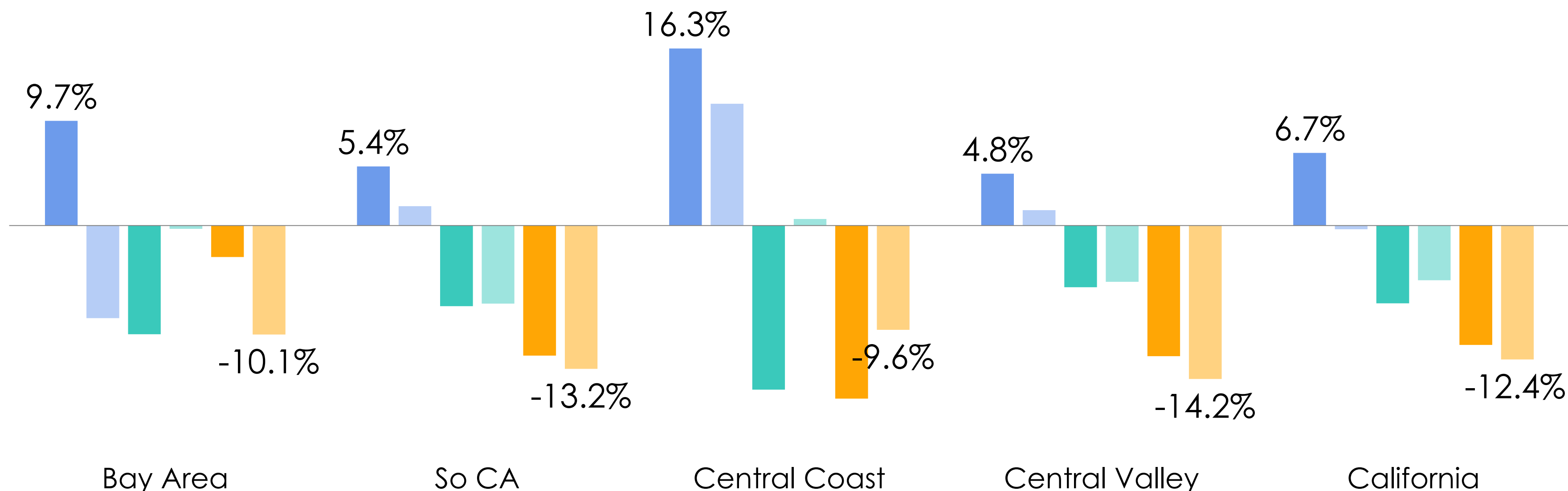


\*\*Closed sales for the latest week will likely be revised upward due to recording delays.

# Double-digit decline for the state and most regions

% Chg. in Closed Sales from Prior Week (Daily Average)

■ Mar 8 - 14   ■ Mar 15 - 21   ■ Mar 22 - 28   ■ Mar 29 - Apr 4   ■ Apr 5 - 11   ■ \*Apr 12- 17

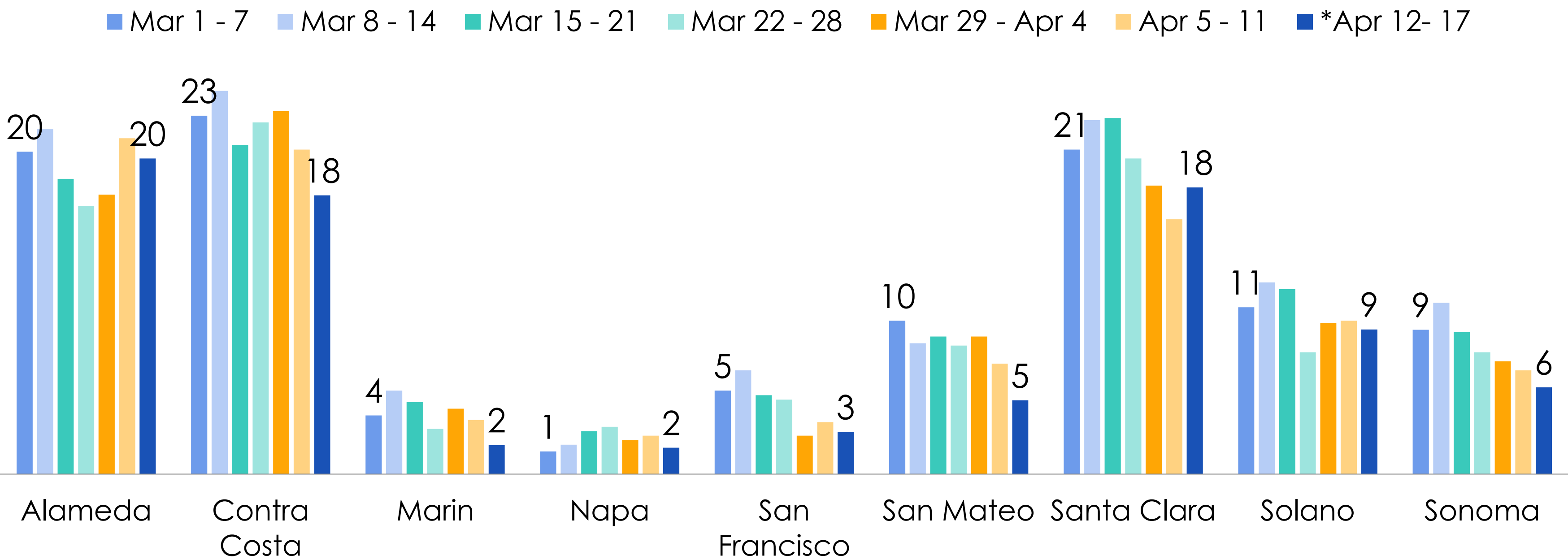


\*\*Closed sales for the latest week will likely be revised upward due to recording delays.



# Big markets leading the slide

Average Daily Closed Sales

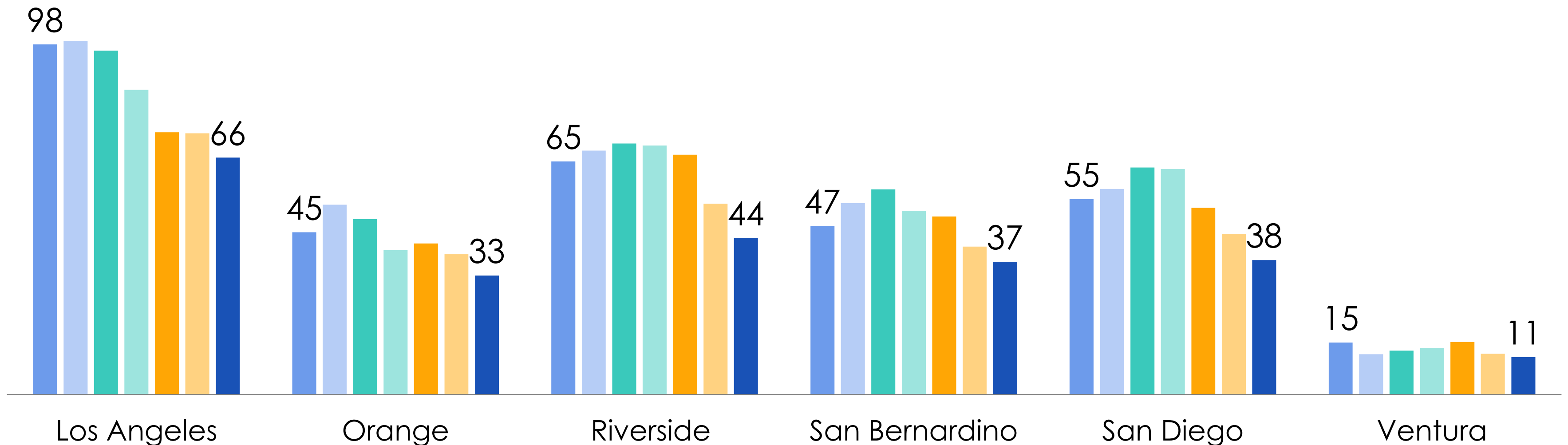


\*\*Closed sales for the latest week will likely be revised upward due to recording delays.

# Closed sales by county (Southern California)

## Average Daily Closed Sales

■ Mar 1 - 7   ■ Mar 8 - 14   ■ Mar 15 - 21   ■ Mar 22 - 28   ■ Mar 29 - Apr 4   ■ Apr 5 - 11   ■ \*Apr 12- 17

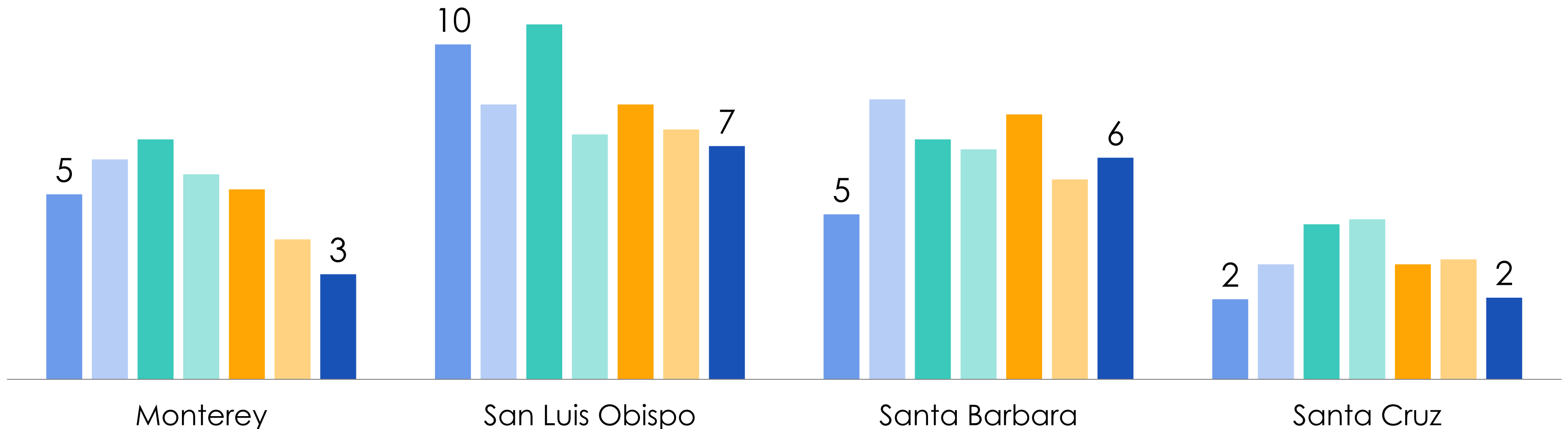


\*\*Closed sales for the latest week will likely be revised upward due to recording delays.

# Closed sales by county (Central Coast)

## Average Daily Closed Sales

■ Mar 1 - 7   ■ Mar 8 - 14   ■ Mar 15 - 21   ■ Mar 22 - 28   ■ Mar 29 - Apr 4   ■ Apr 5 - 11   ■ \*Apr 12- 17

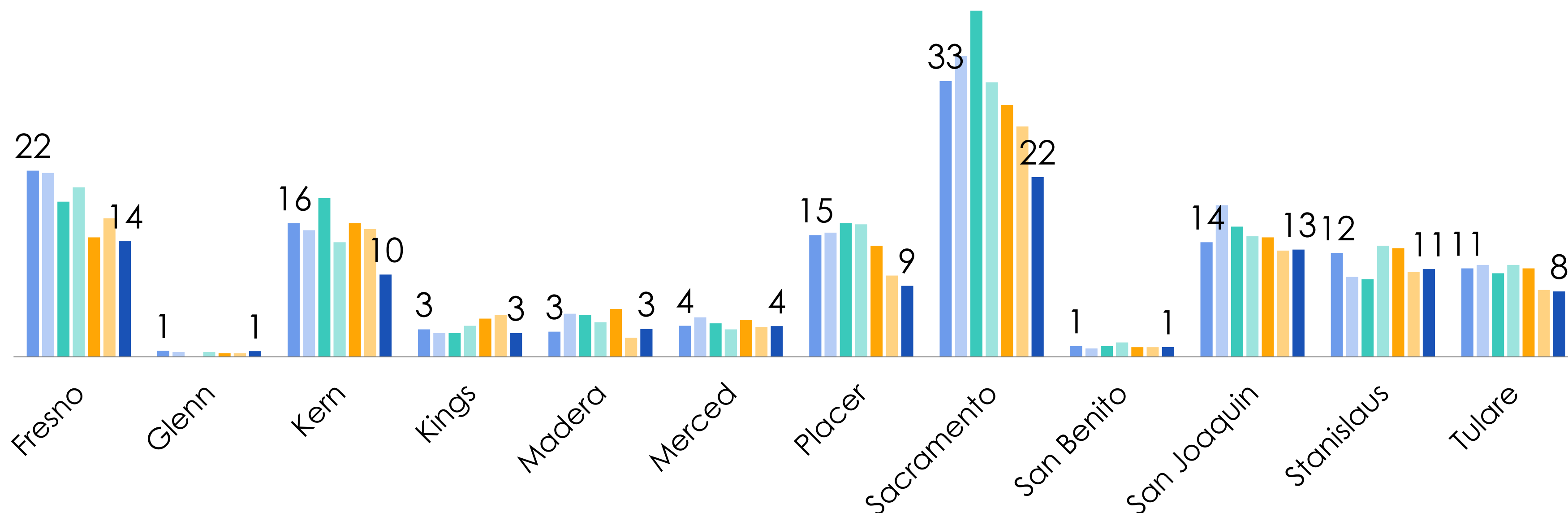


\*\*Closed sales for the latest week will likely be revised upward due to recording delays.

# Closed sales by county (Central Valley)

## Average Daily Closed Sales

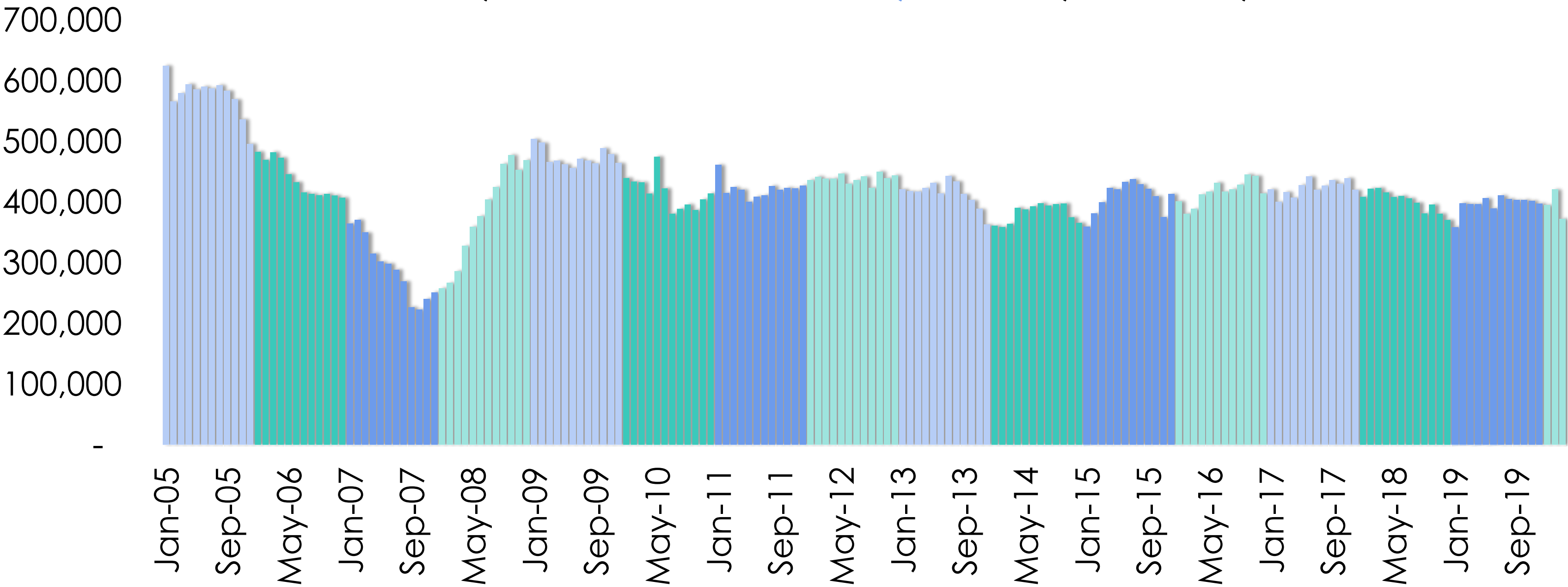
■ Mar 1 - 7   ■ Mar 8 - 14   ■ Mar 15 - 21   ■ Mar 22 - 28   ■ Mar 29 - Apr 4   ■ Apr 5 - 11   ■ \*Apr 12- 17



\*\*Closed sales for the latest week will likely be revised upward due to recording delays.

# March data was tip of the iceberg

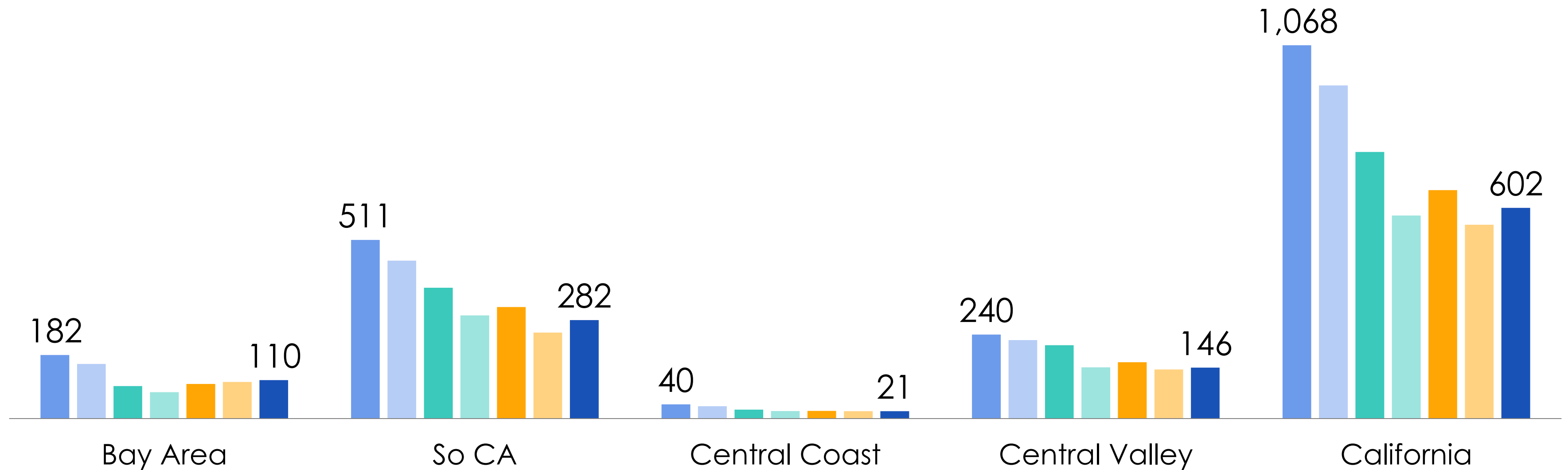
California, March 2020 Sales: **373,070 Units**, 3.1% YTD, -6.1% YTY



# New listings leveling off?

## Average Daily New Listings

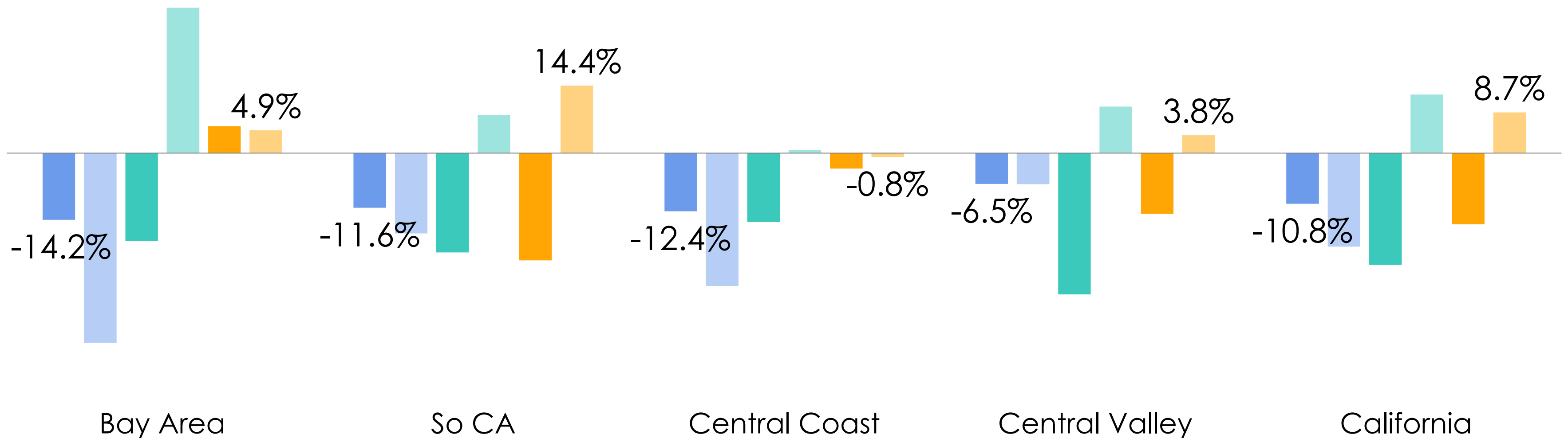
■ Mar 1 - 7   ■ Mar 8 - 14   ■ Mar 15 - 21   ■ Mar 22 - 28   ■ Mar 29 - Apr 4   ■ Apr 5 - 11   ■ \*Apr 12- 17



# More properties listed in latest week

## % Chg. in New Listings from Prior Week (Daily Average)

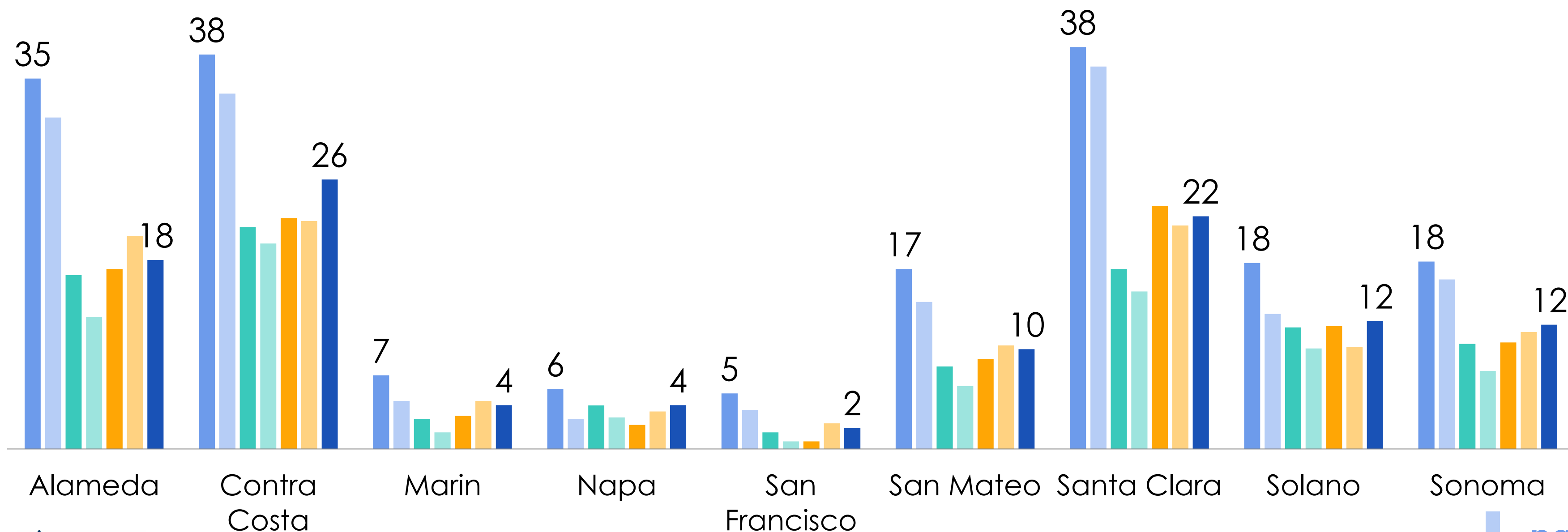
■ Mar 8 - 14   ■ Mar 15 - 21   ■ Mar 22 - 28   ■ Mar 29 - Apr 4   ■ Apr 5 - 11   ■ \*Apr 12- 17



# Too early to tell, but encouraging signs

## Average Daily New Listings

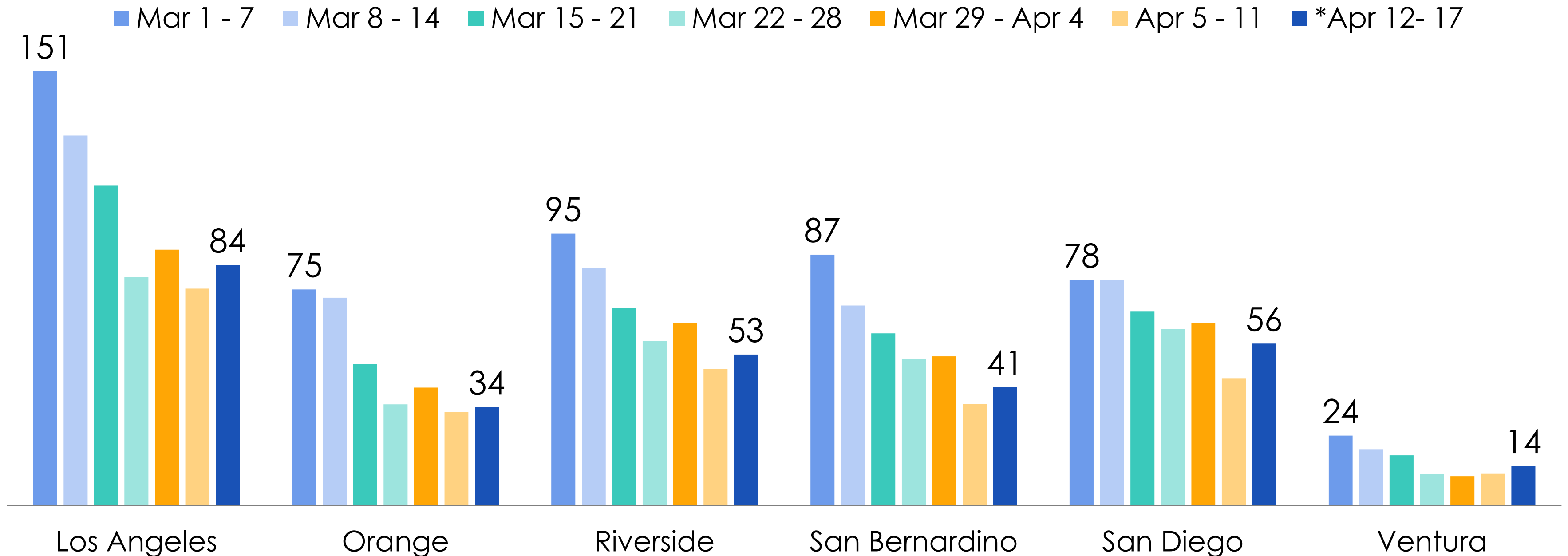
■ Mar 1 - 7   ■ Mar 8 - 14   ■ Mar 15 - 21   ■ Mar 22 - 28   ■ Mar 29 - Apr 4   ■ Apr 5 - 11   ■ \*Apr 12- 17





# New listings by county (Southern California)

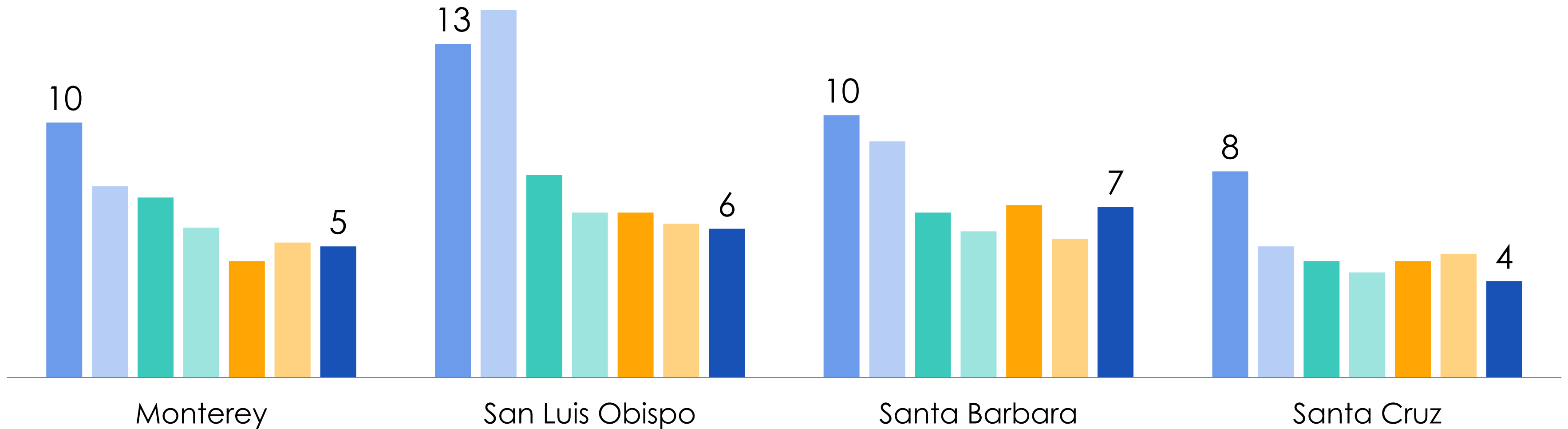
## Average Daily New Listings



# New listings by county (Central Coast)

## Average Daily New Listings

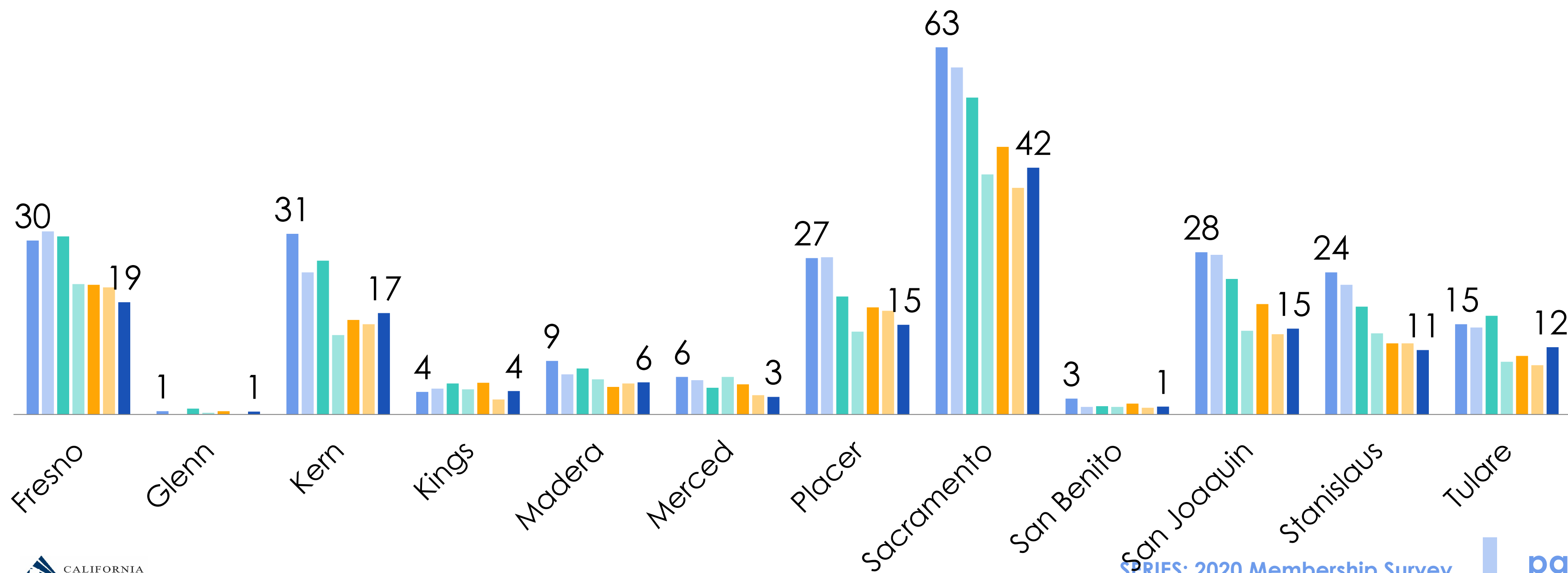
■ Mar 1 - 7   ■ Mar 8 - 14   ■ Mar 15 - 21   ■ Mar 22 - 28   ■ Mar 29 - Apr 4   ■ Apr 5 - 11   ■ \*Apr 12- 17



# New listings by county (Central Valley)

## Average Daily New Listings

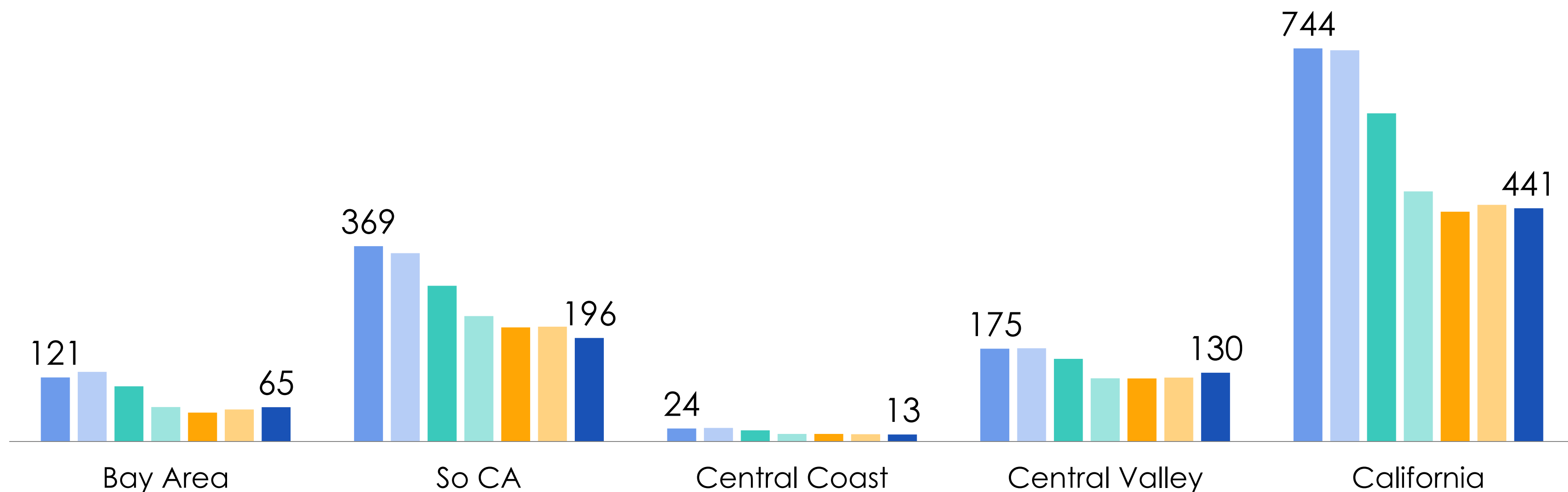
■ Mar 1 - 7   ■ Mar 8 - 14   ■ Mar 15 - 21   ■ Mar 22 - 28   ■ Mar 29 - Apr 4   ■ Apr 5 - 11   ■ \*Apr 12- 17



# Pending sales bottoming out?

## Average Daily Pending Sales

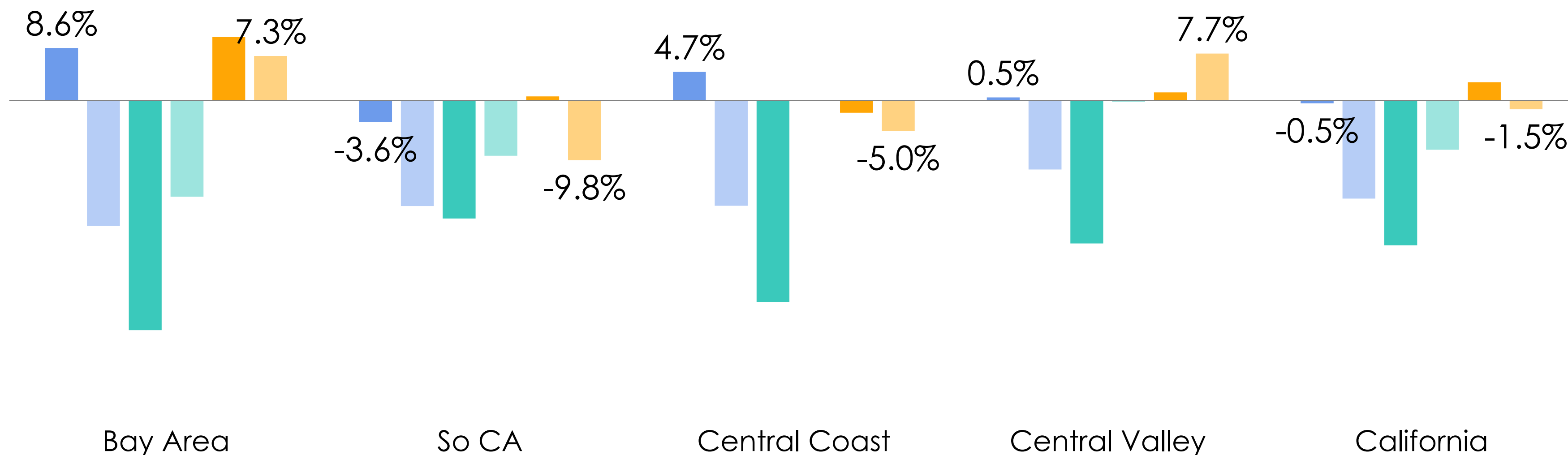
■ Mar 1 - 7   ■ Mar 8 - 14   ■ Mar 15 - 21   ■ Mar 22 - 28   ■ Mar 29 - Apr 4   ■ Apr 5 - 11   ■ \*Apr 12- 17



# Glimpse of hope in Bay Area and Central Valley

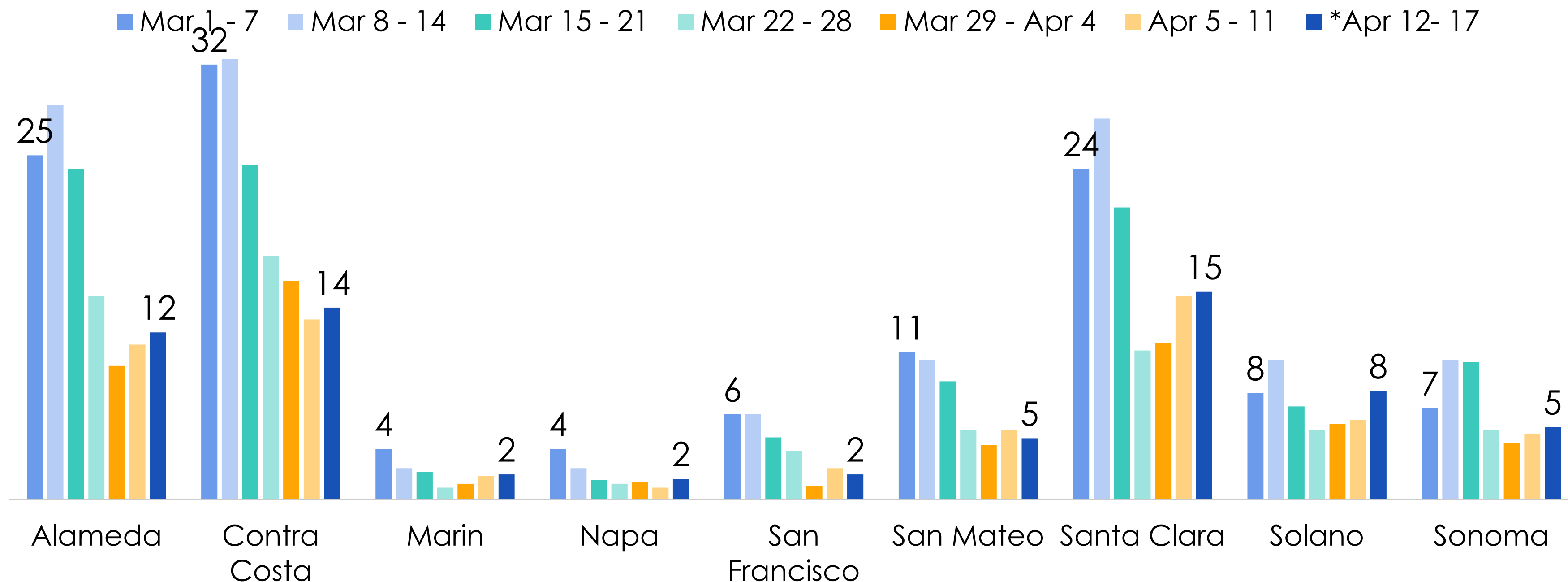
## % Chg. in Pending Sales from Prior Week (Daily Average)

■ Mar 8 - 14   ■ Mar 15 - 21   ■ Mar 22 - 28   ■ Mar 29 - Apr 4   ■ Apr 5 - 11   ■ \*Apr 12- 17



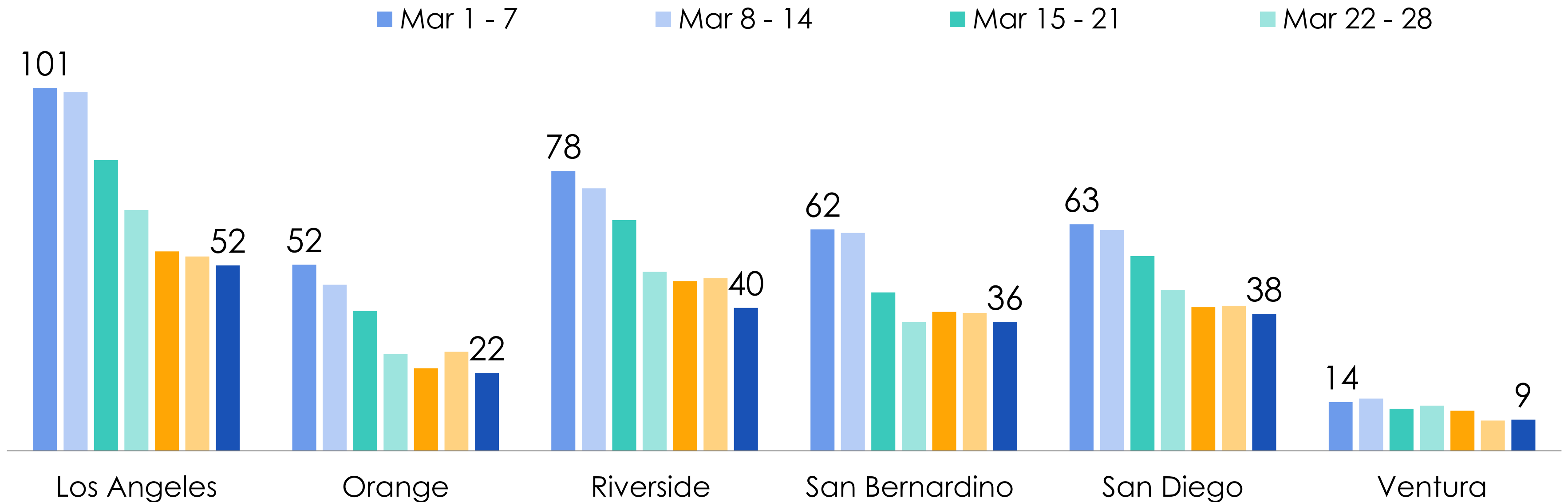
# Pending sales also show hopeful signs

**Average Daily Pending Sales**



# Pending sales by county (Southern California)

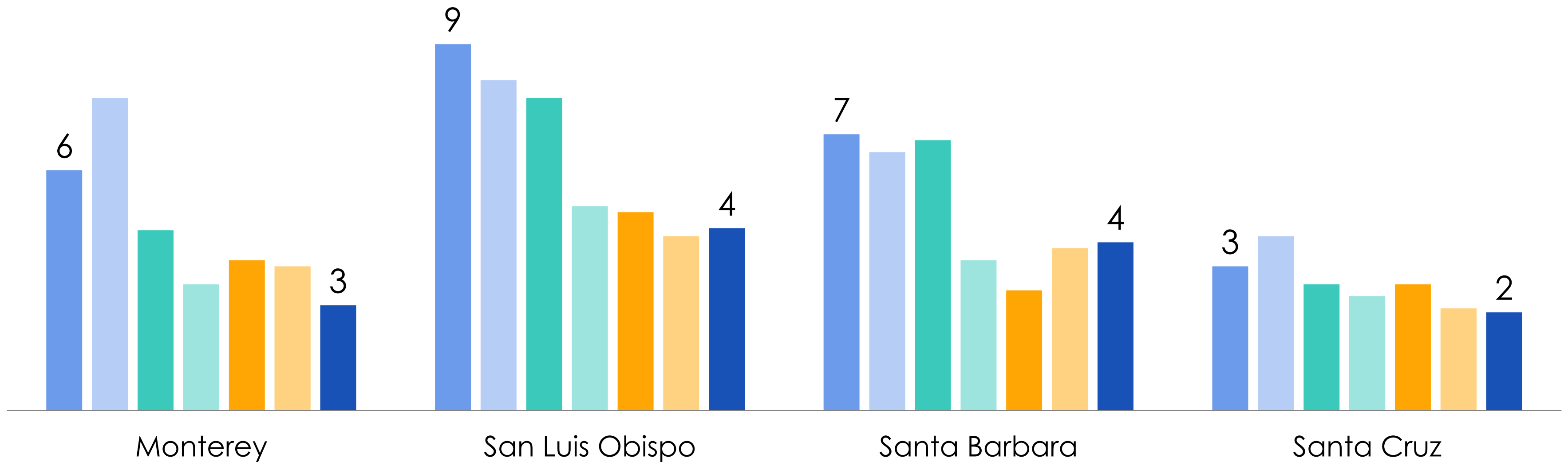
## Average Daily Pending Sales



# Pending sales by county (Central Coast)

## Average Daily Pending Sales

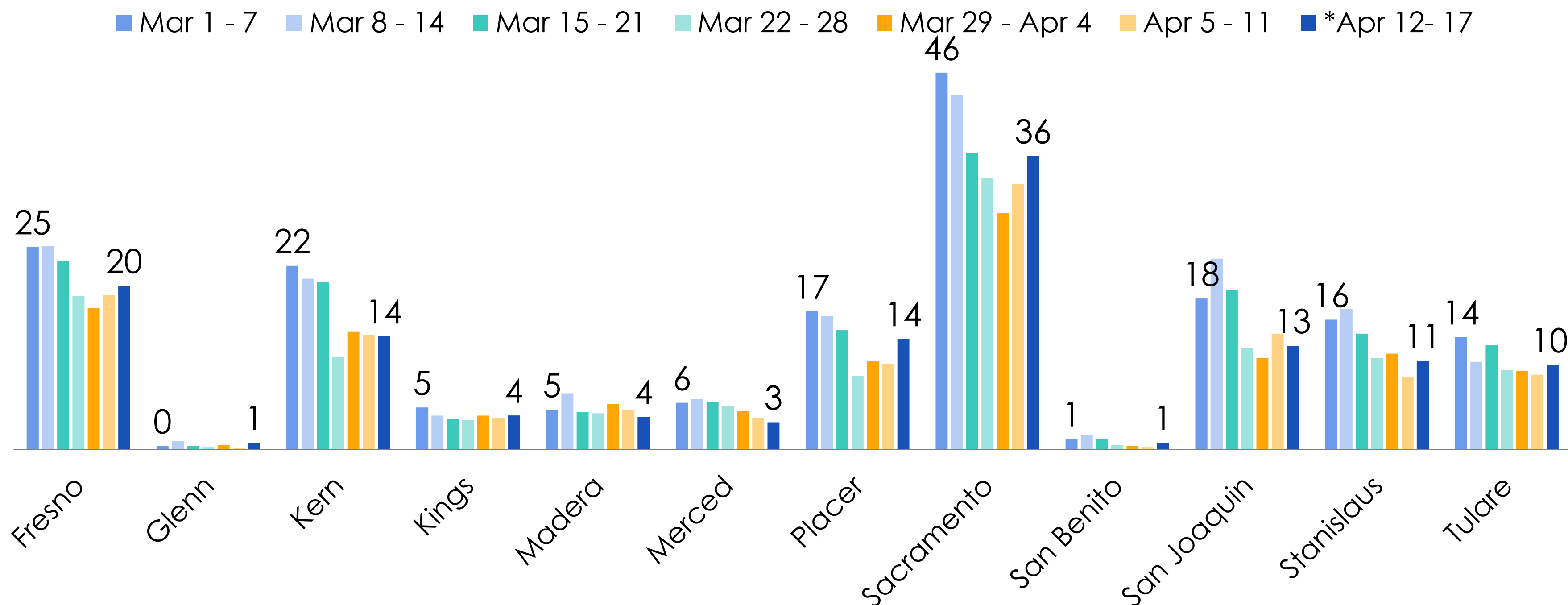
■ Mar 1 - 7   ■ Mar 8 - 14   ■ Mar 15 - 21   ■ Mar 22 - 28   ■ Mar 29 - Apr 4   ■ Apr 5 - 11   ■ \*Apr 12- 17





# Pending sales by county (Central Valley)

## Average Daily Pending Sales



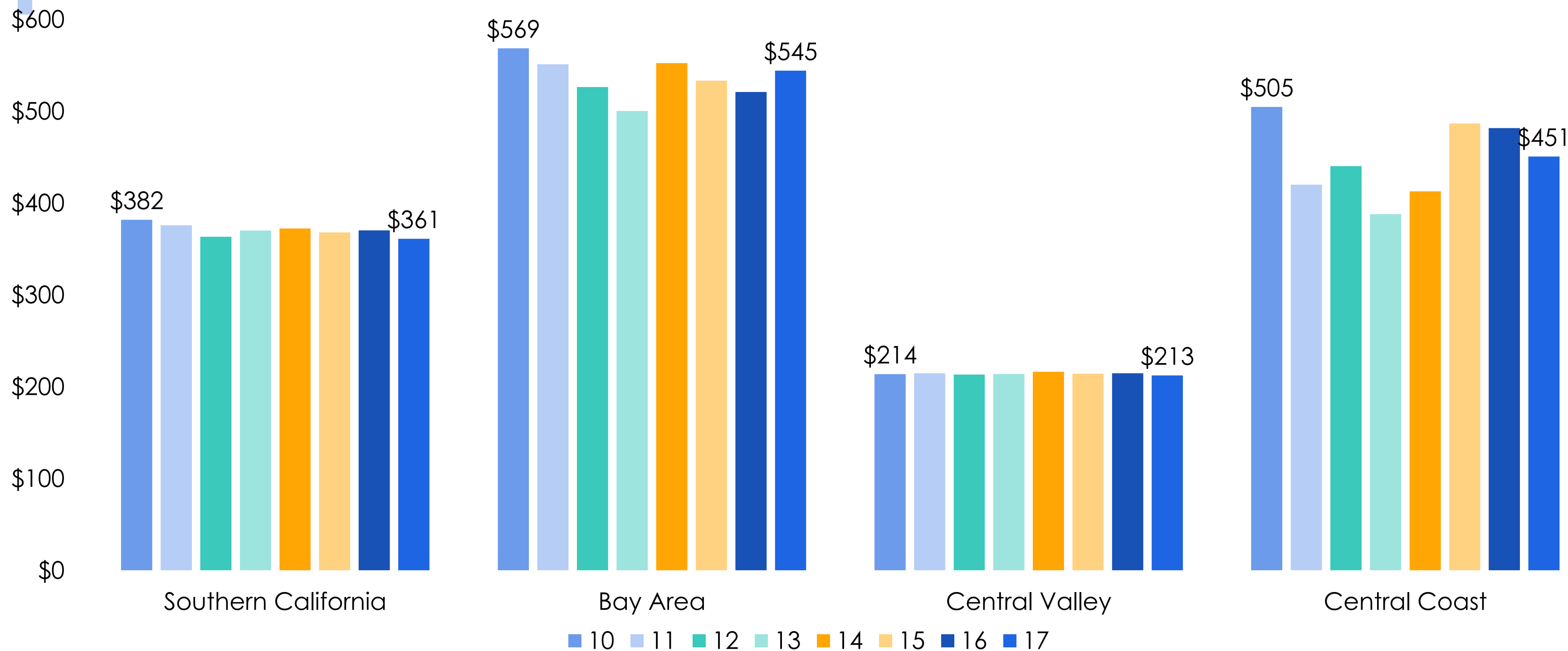
# Mortgage applications declined sharply from last year

	Week-over-week % Chg.		Year-over-Year %Chg.	
	Week ending 4/10/2020	Week ending 4/3/2020	Week ending 4/10/2020	Week ending 4/3/2020
<b>CA</b>	16.4%	-38.0%	-52.5%	-59.9%
<b>NY</b>	1.8%	-15.9%	-49.0%	-47.5%
<b>WA</b>	0.8%	-31.3%	-58.4%	-55.4%
<b>US</b>	-1.0%	-12.0%	-35.0%	-33.0%

*Note: Not seasonally adjusted, home purchase applications only*

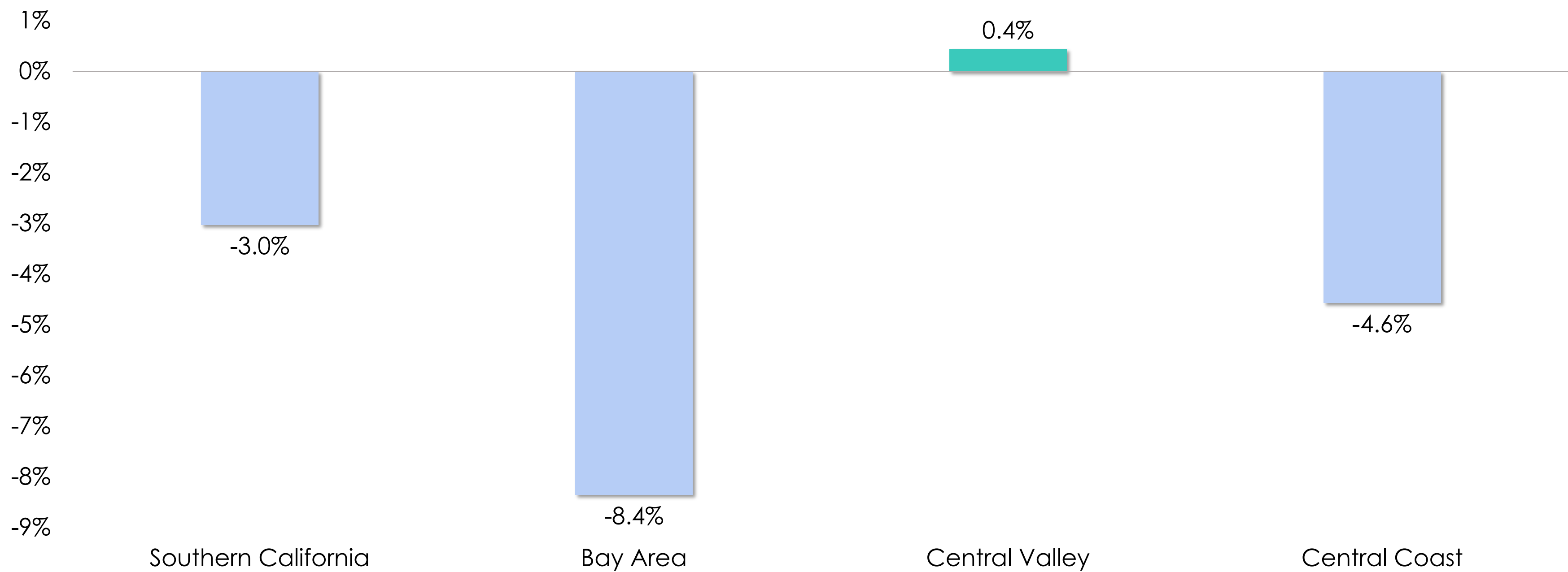
# Not much impact to prices yet

California Median Prices Per Square Foot by Week



# List prices down a little from early March

Median Price Per Sq. Ft.  
3/2-3/8 vs. 4/13-4/19



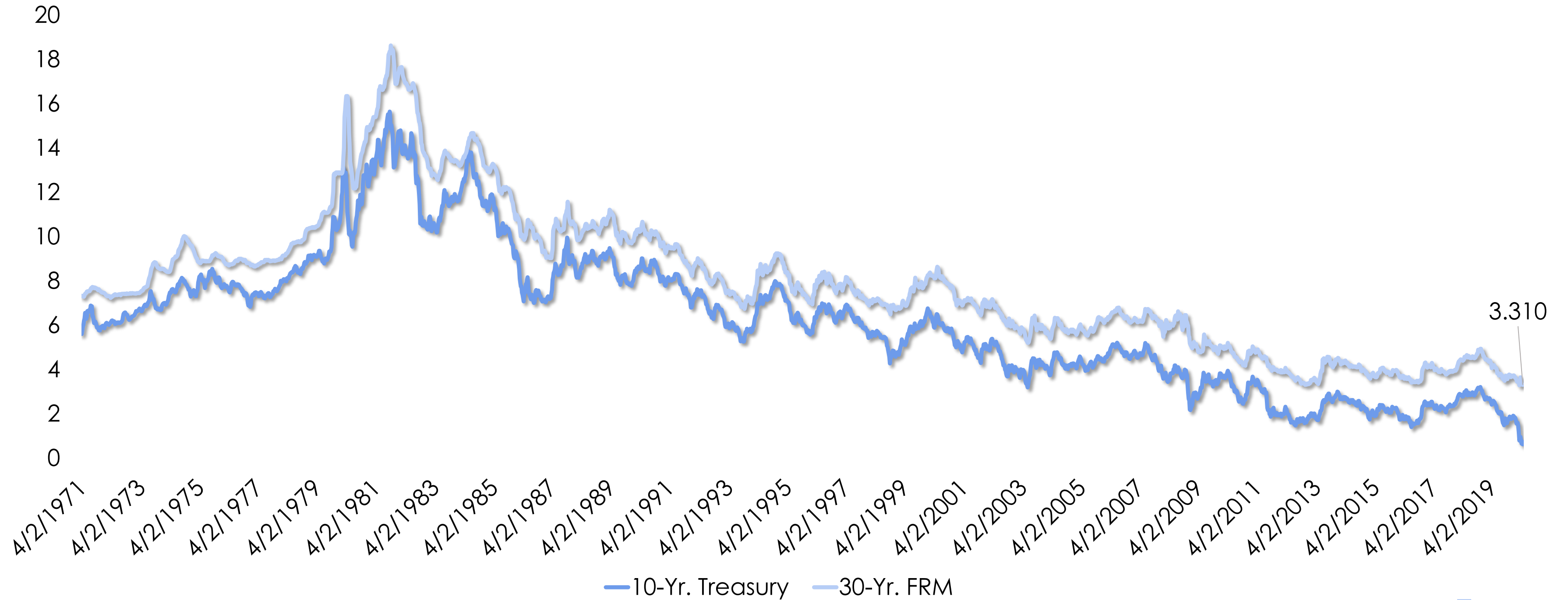


**Real Estate Poised for  
Strong, *Eventual*, Recovery**



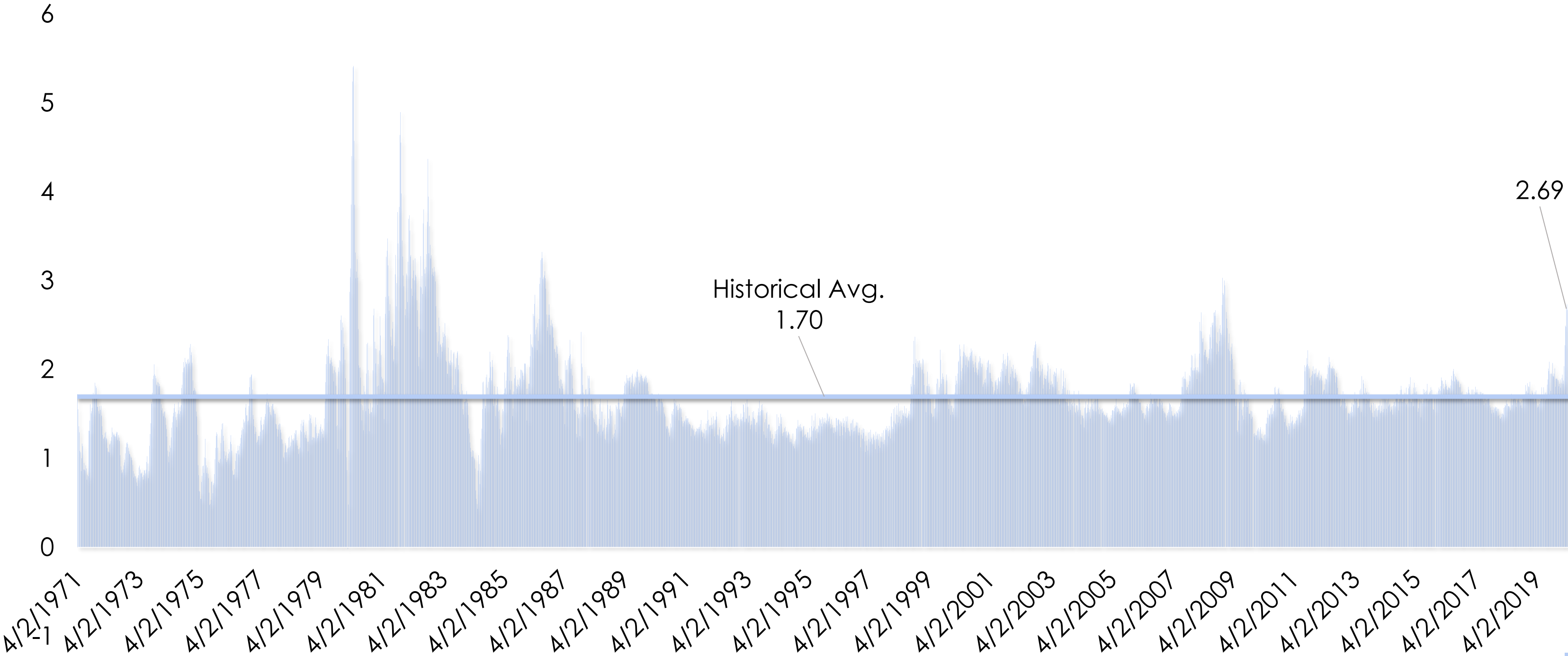
# Rates are low, and poised to remain low

Key Interest Rates



# Could eventually drop even lower

Mortgage Rate Spread (30-Yr. FRM – 10-Yr. Treasury)

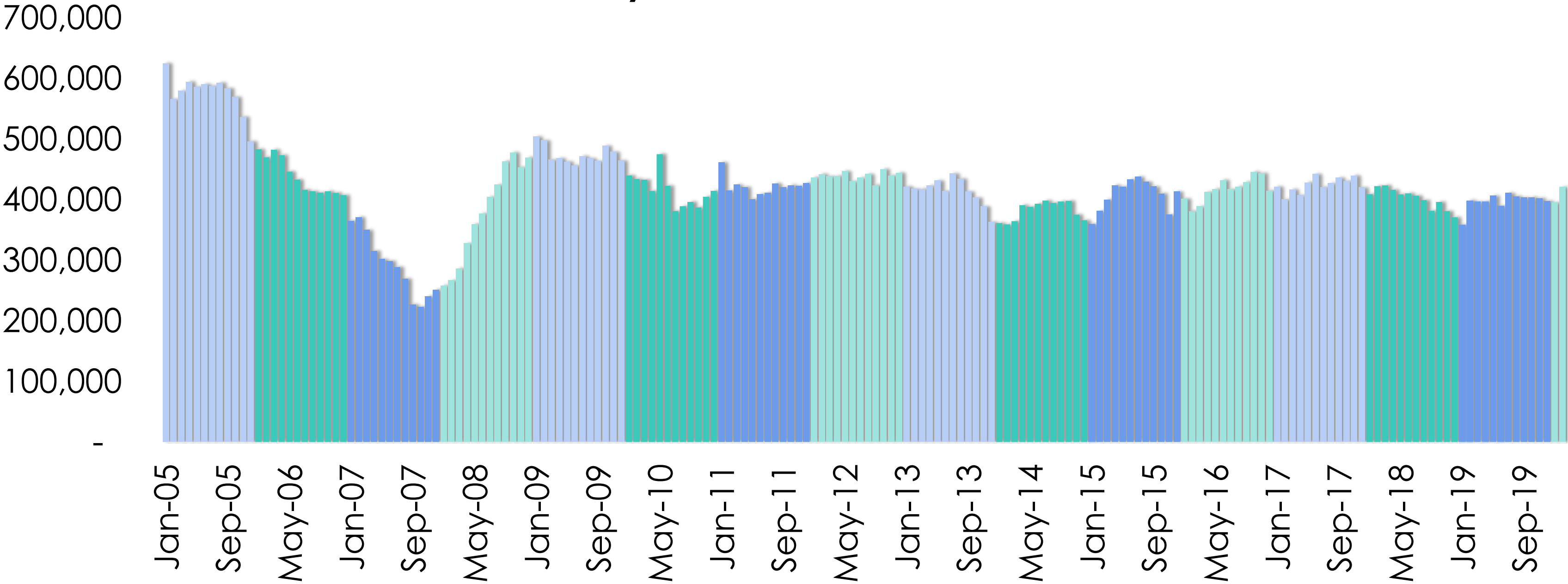






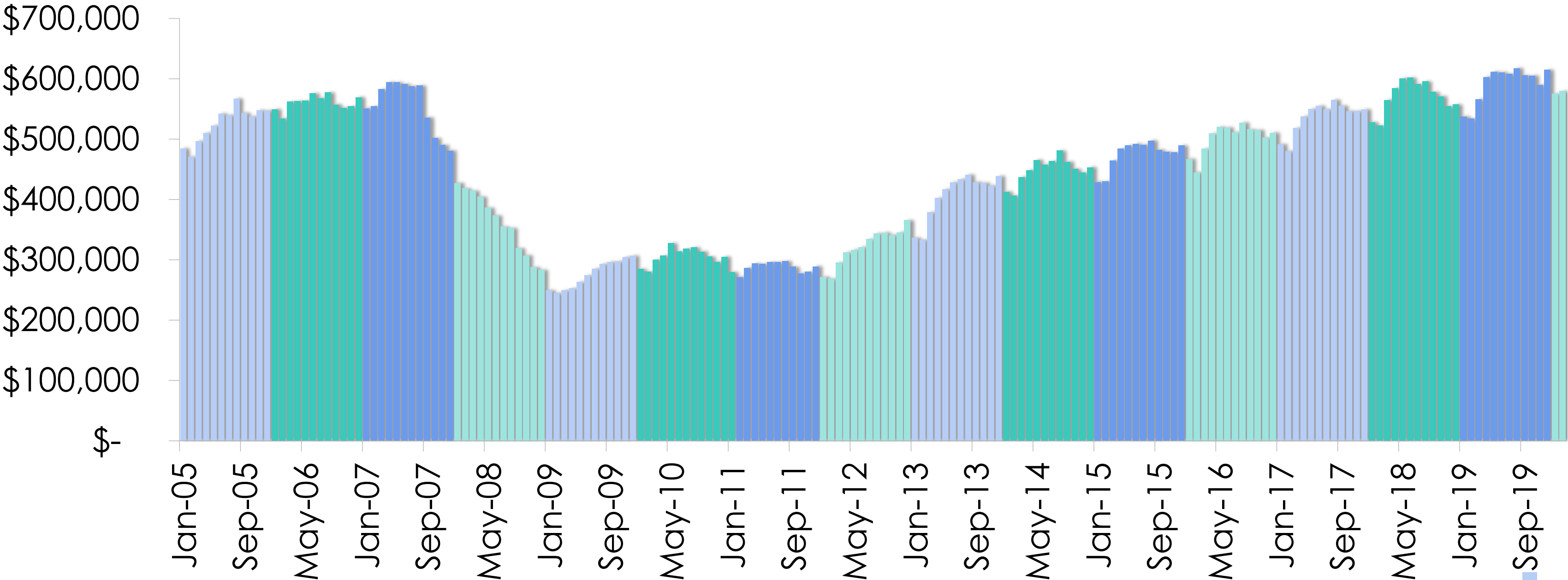
# Sales highest in nearly 2 years

California, February 2020 Sales: **421,670 Units**, 8.0% YTD, 5.9% YTY



# Median price remained below 600k but grew solidly from last year

California, February 2020: **\$579,770**, 0.8% MTM, 8.5% YTY





# The Forecast





## Gussied up guesses

	Q120	Q220	Q320	Q420	2020
Bank of America	-7.0%	-30.0%	-1.00%	30.0%	-10.4%
Barclays	0.5%	-7.0%	0.0%	2.5%	-0.6%
Goldman Sachs	-9.0%	-34.0%	19.0%	NA	-6.2%
JP Morgan	-10.0%	-25.0%	8.0%	4.0%	NA
Morgan Stanley	-3.4%	-37.9%	20.7%	15.9%	-5.5%
Federal Reserve Bank of St. Louis	NA	-50%	NA	NA	NA
UBS	-2.1%	-9.5%	2.1%	6.7%	-0.9%
UCLA	0.4%	-30.0%	-5.0%	4.0%	NA
Wells Fargo	-1.2%	-22.3%	7.2%	4.8%	-3.0%

\* Latest updates as of 04/08/2020



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# Fed has taken unprecedented action

## Federal Reserve

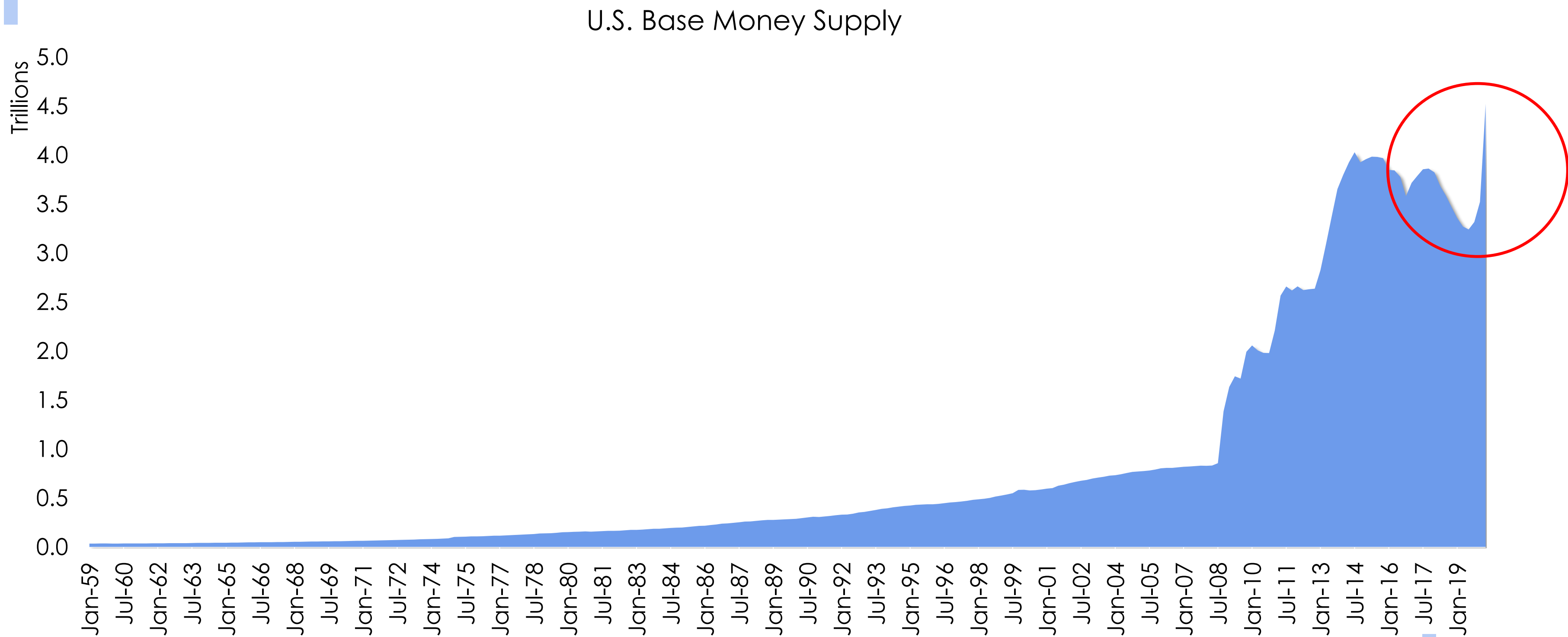
- Cut fed funds rate down to 0% - 0.25%
- Lowered discount window rate to 0.25%
- Expanded reverse repo operation, adding liquidity to the banking system
- Restarted quantitative easing
- Created multiple new programs to help preserve market liquidity

# Fiscal stimulus was a good first few steps

## Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

- **Forgivable Small Business Administration Loans** - independent contractors who take out SBA loans between Feb. 15, 2020, and June 30, 2020 to cover payroll costs, mortgage interest, rents, and utility costs during the covered period may be forgiven.
- **Pandemic Unemployment Assistance** – REALTORS® not eligible for unemployment insurance will be able to obtain unemployment assistance for up to 39 weeks if they were negatively impacted as a result of COVID-19
- **Direct Payments to REALTORS®** – REALTORS® and their families with annual incomes of up to \$75,000 will receive a rebate check of \$1,200 (\$2,400 for married couples with gross annual incomes up to \$150,000). An additional \$500 may be given per child in the household.

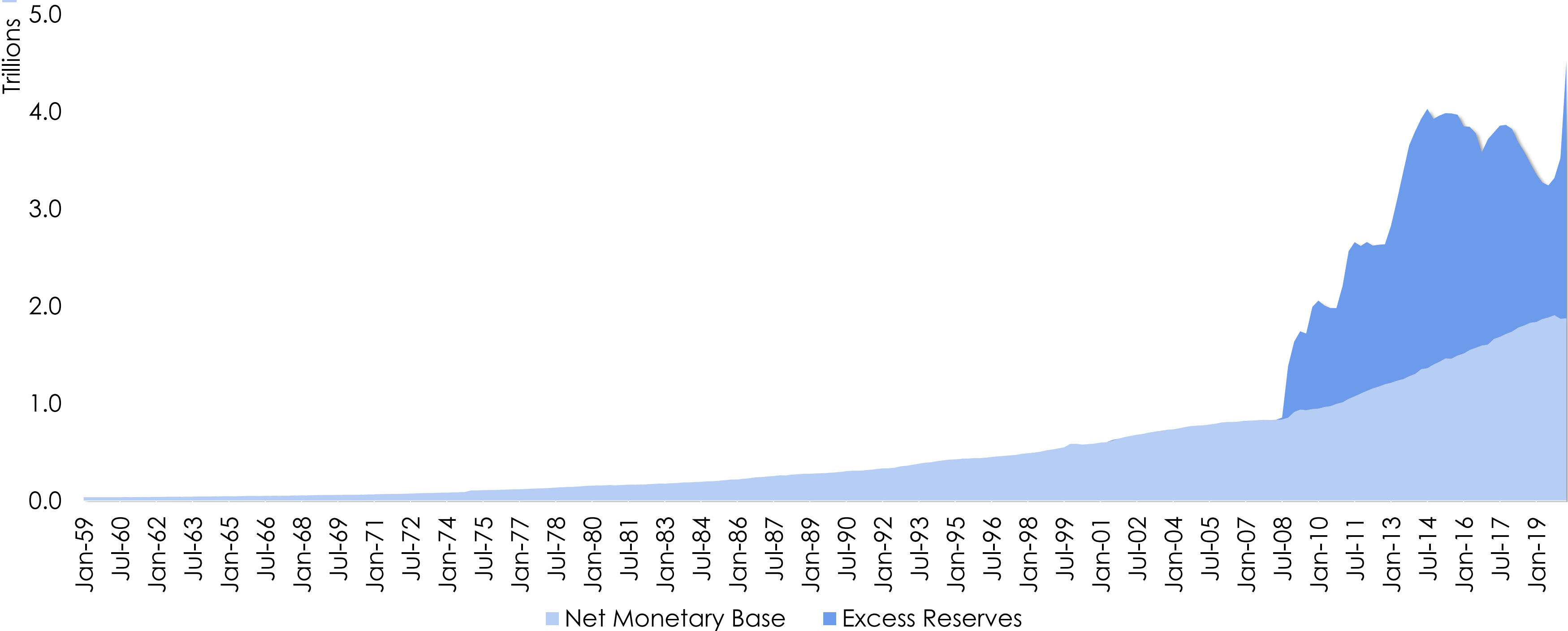
# Worried about inflation?



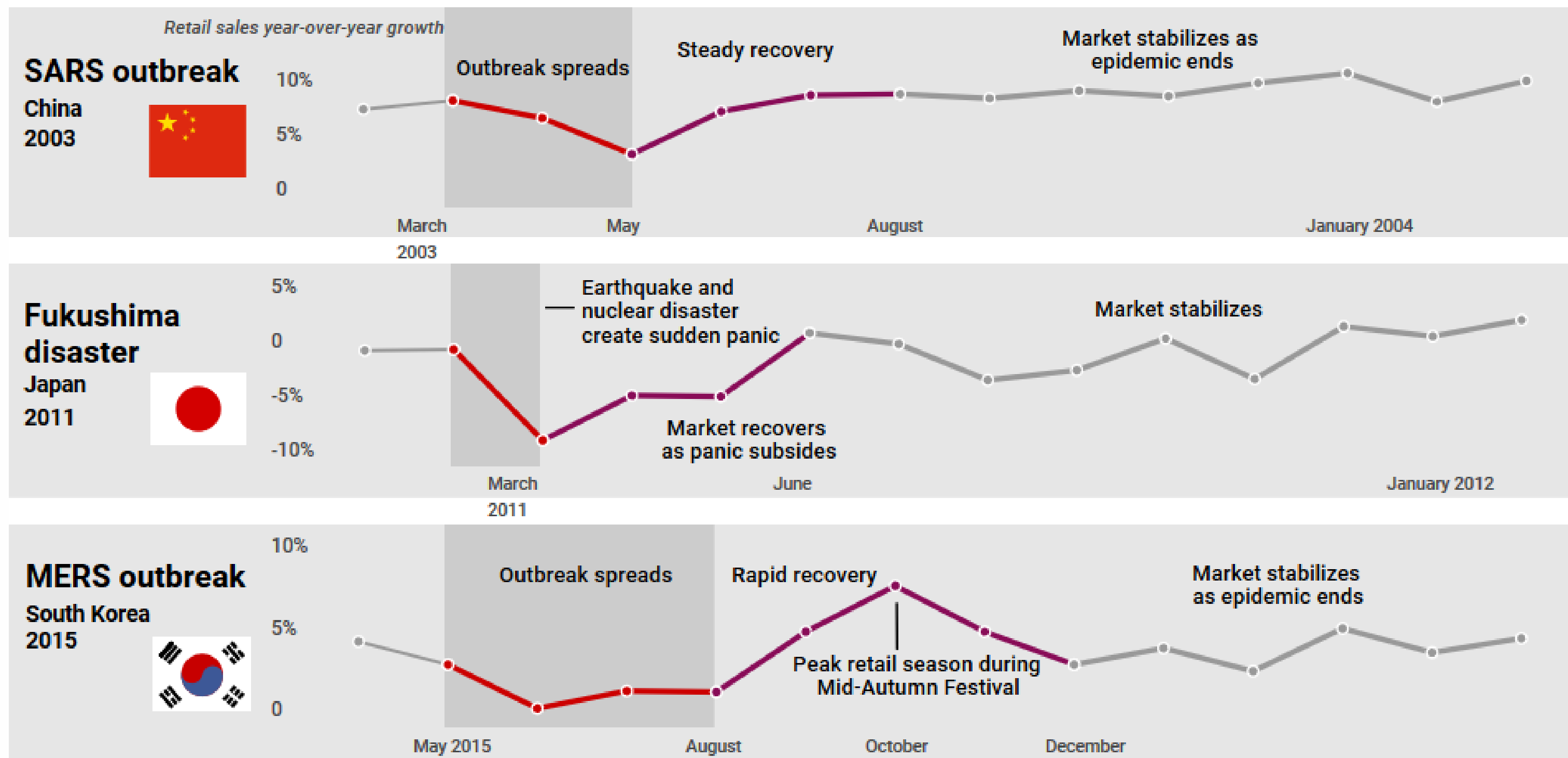


# Not a major concern **right now**

Decomposition of Base Money Supply

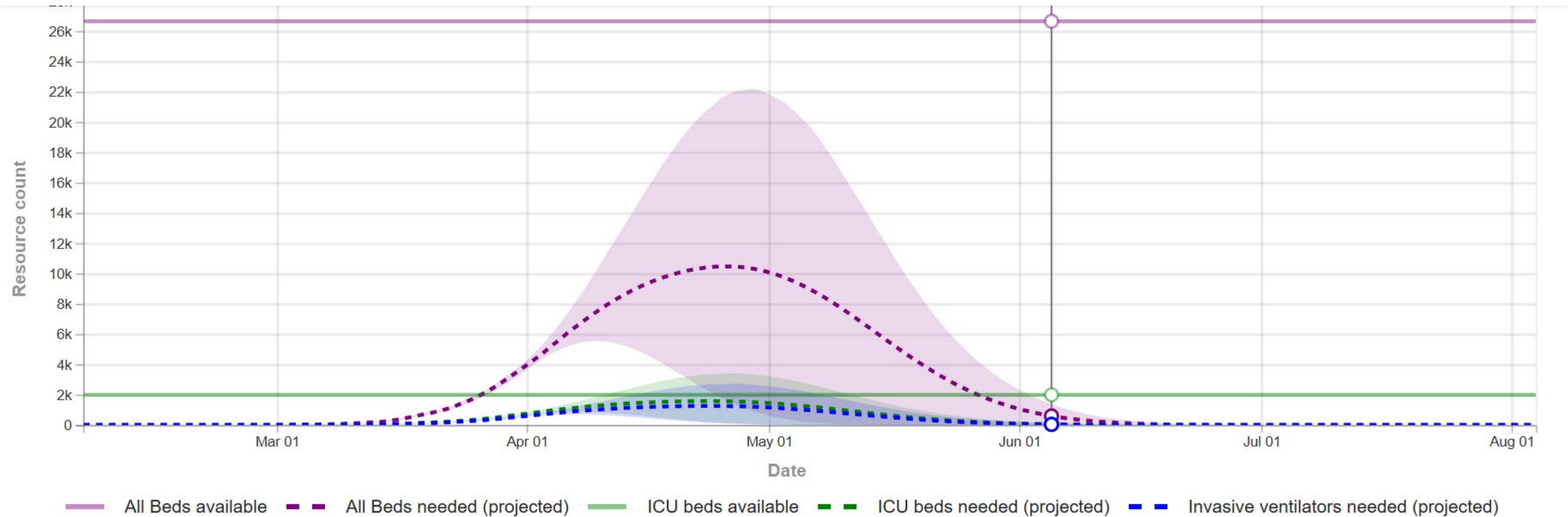


# Retail markets dip during a crisis but stabilize eventually



Sources: China National Bureau of Statistics; Japan Ministry of Economy, Trade and Industry; South Korea government statistics

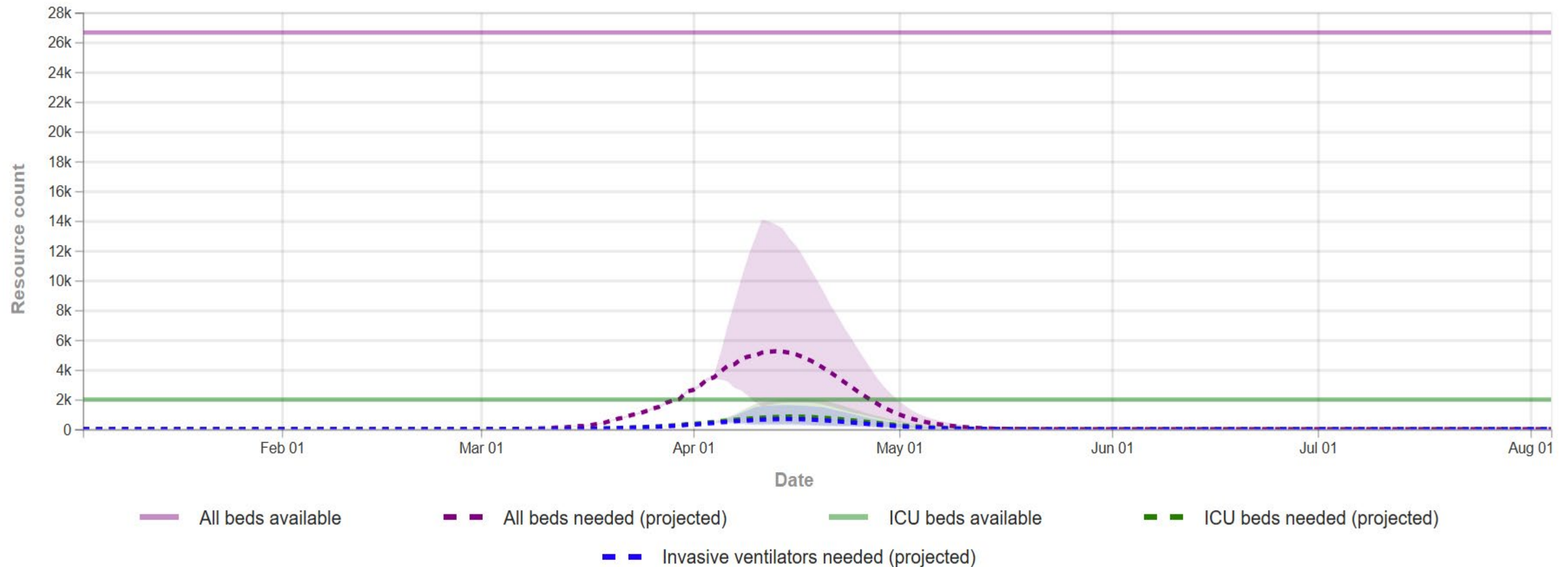
# Covid-19 projections in California (Mar 31, 2020)



Note: The projections assume the continuation of strong social distancing measures and other protective measures.

SOURCE: Institute for Health Metrics and Evaluation (IHME)

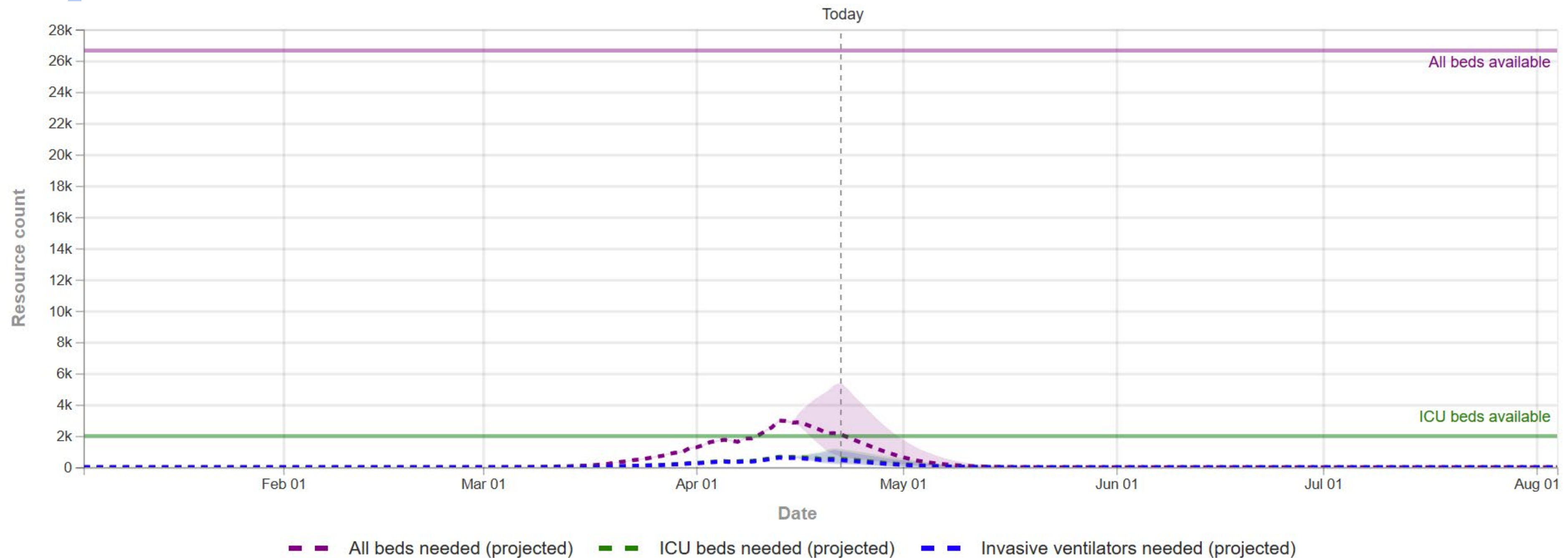
# Covid-19 projections in California (Apr 12, 2020) – the curve has been flattened



Note: The projections assume the continuation of strong social distancing measures and other protective measures.

SOURCE: Institute for Health Metrics and Evaluation (IHME)

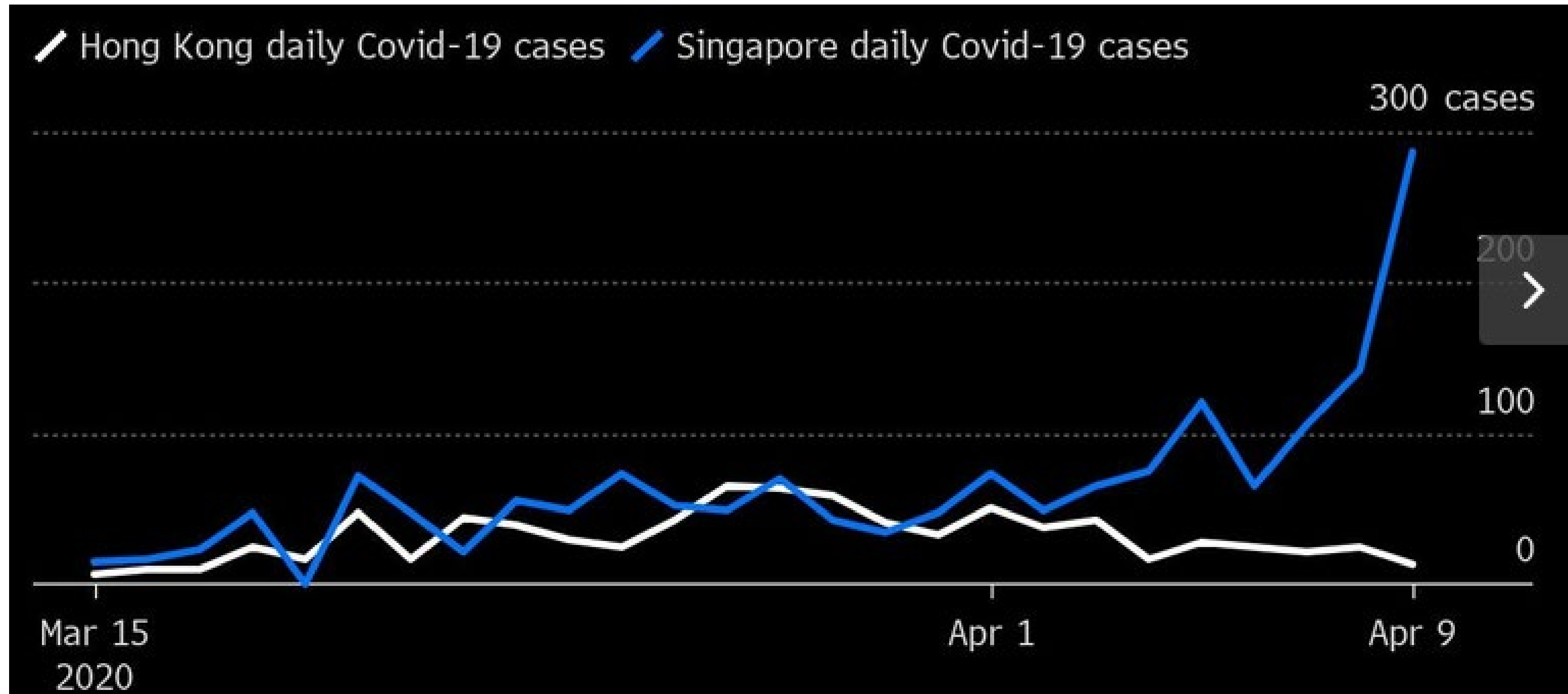
# Covid-19 projections in California (Apr 21, 2020) – the curve has been flattened



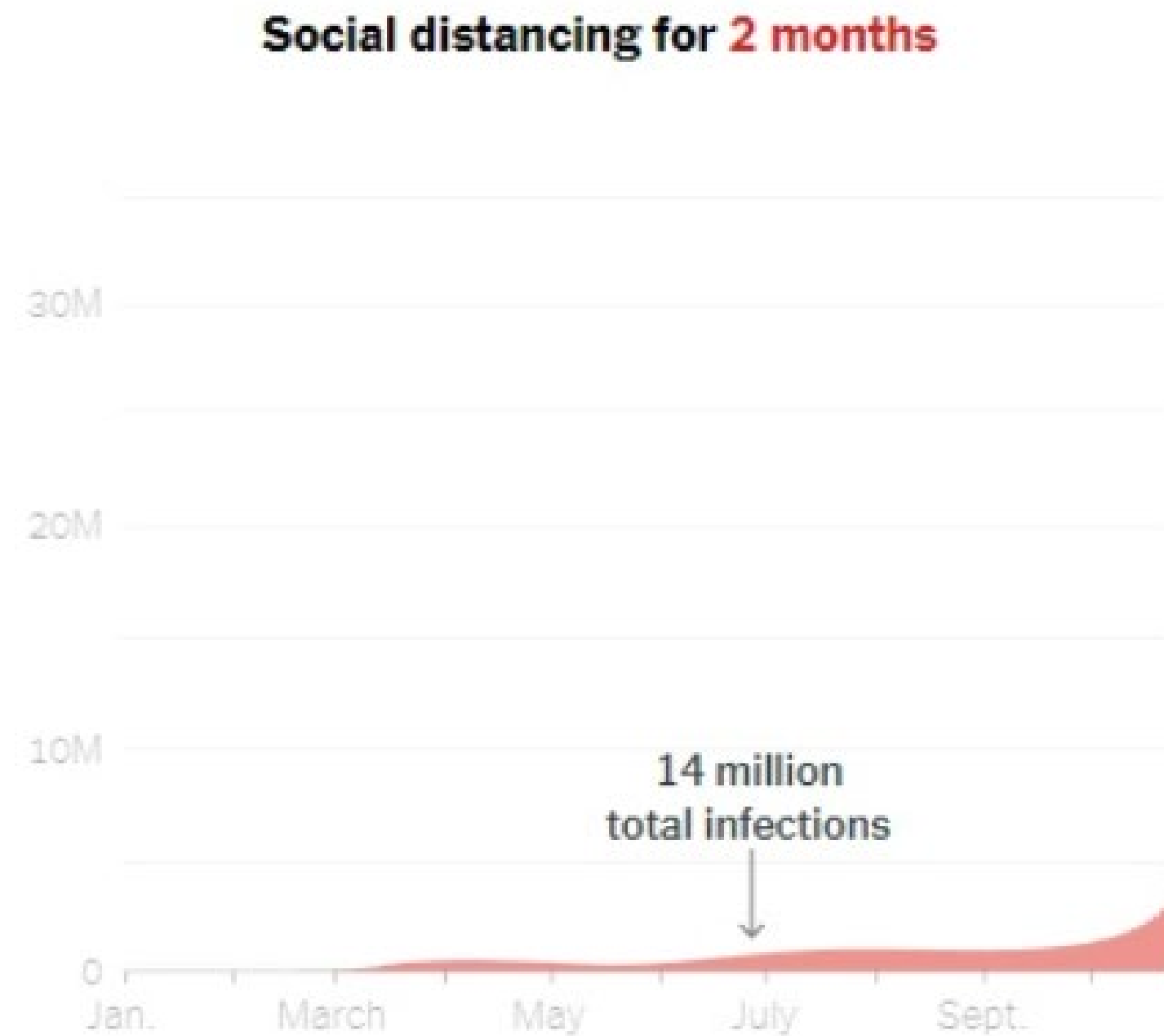
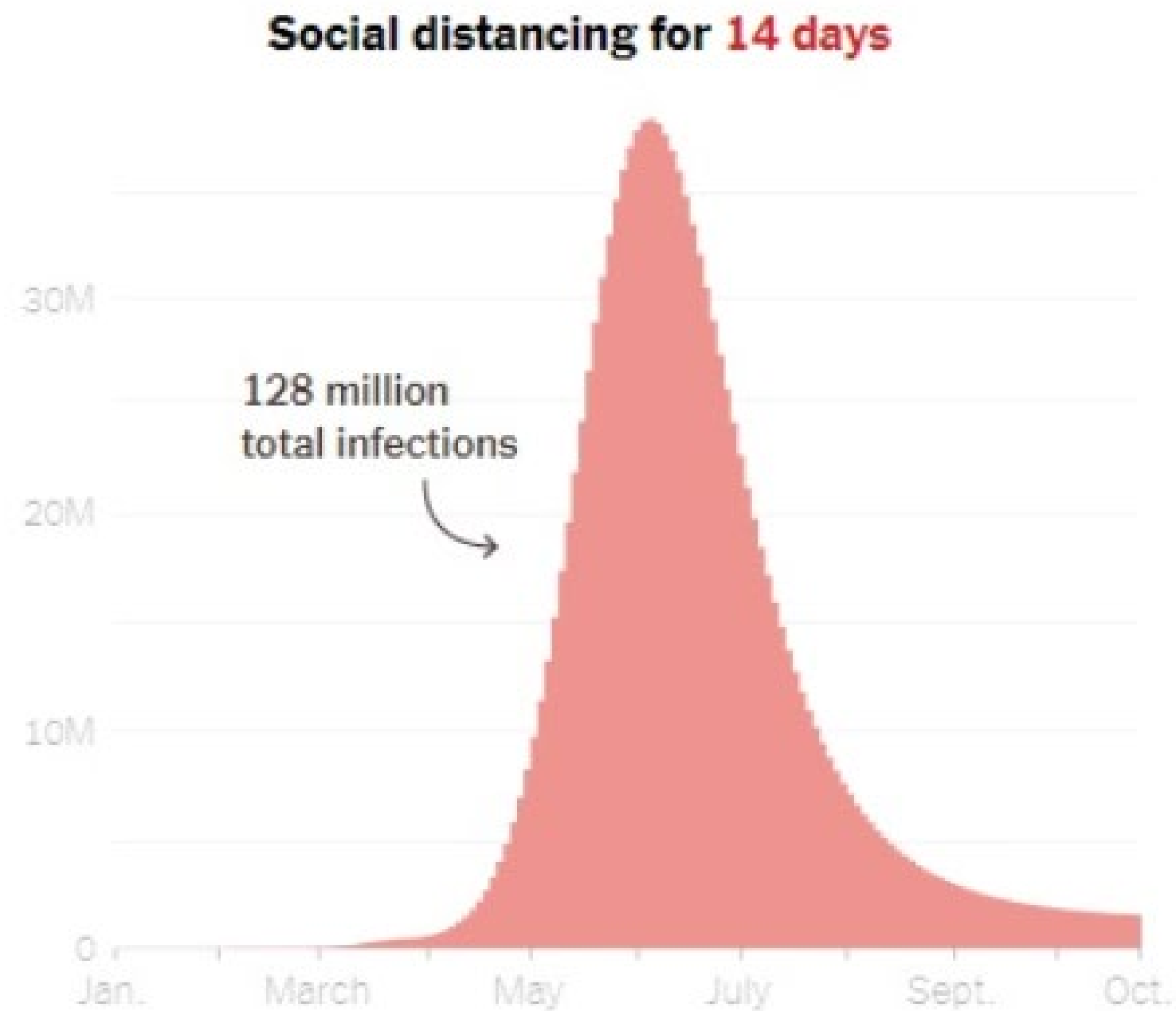
Note: The projections assume the continuation of strong social distancing measures and other protective measures.

SOURCE: Institute for Health Metrics and Evaluation (IHME)

# Going hard **early works**

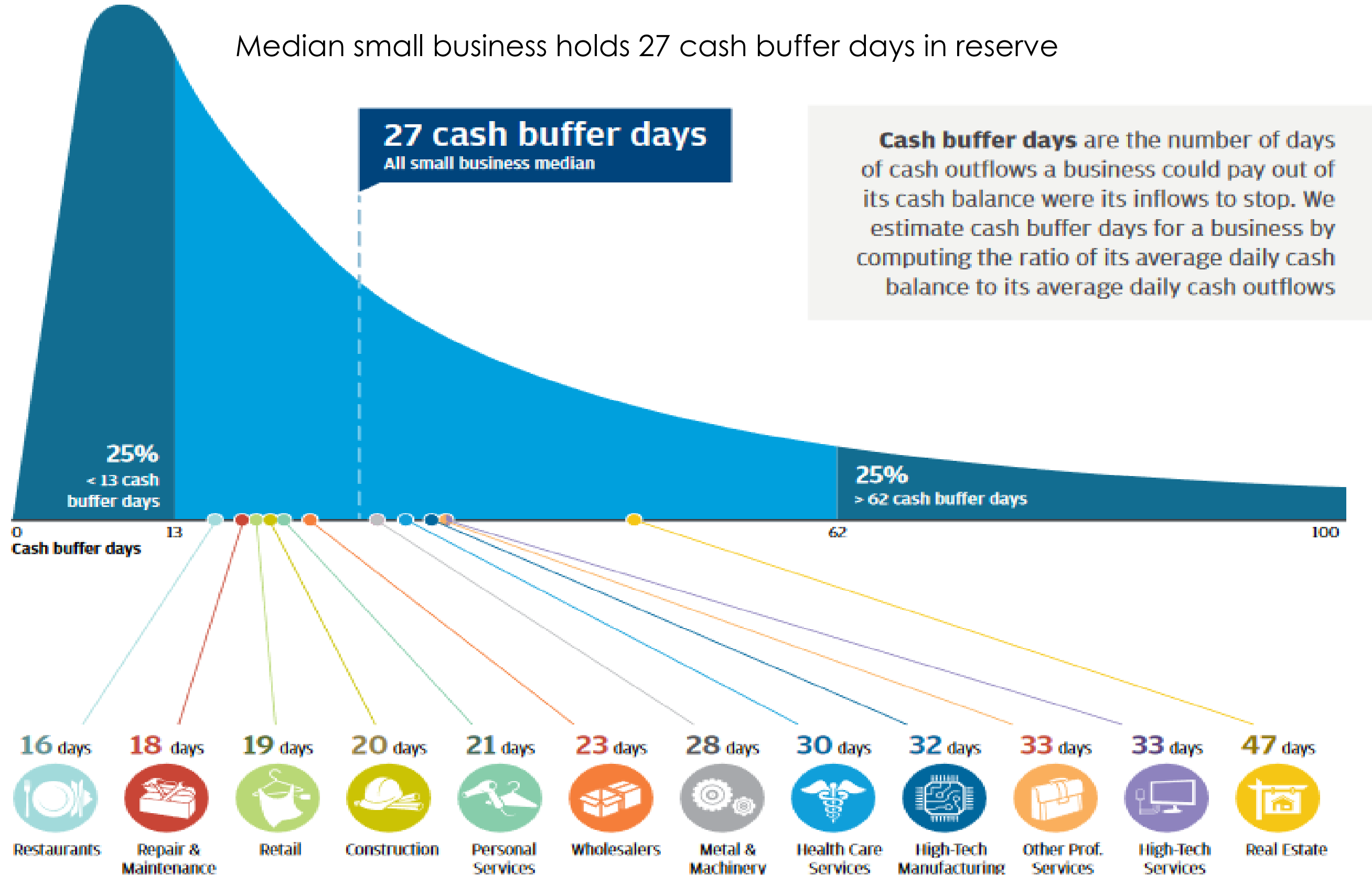


# Rush to normalcy could increase the severity





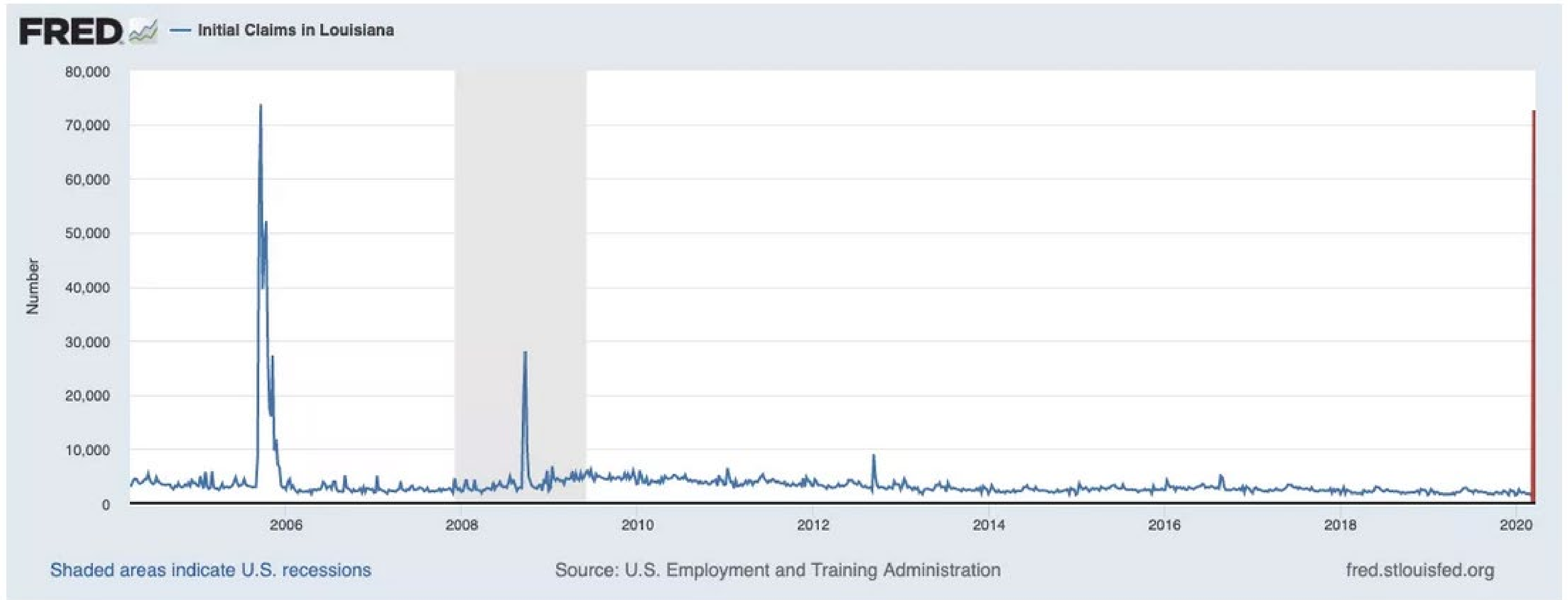
# Timing is everything for small businesses & economy





# Jobs market: more like a natural disaster than recession

## Jobless claims in Louisiana



# Concluding remarks



1. Economy was in good shape prior to the outbreak
2. BUT, the virus has changed everything for 2020
3. Unprecedented in terms of size and economic scope
4. Data still rolling in and weeks seem like months
5. Unemployment is and will drive negative impacts
6. Already seeing the effects on housing
7. Key question hinges on how long the SIP lasts
8. Severe pullback may be best chance for quick recovery

## Resources for REALTORS®

- CARES ACT Relief for REALTORS®
- Real Estate as an Essential Service
- New FORMS for REALTORS®
- Electronic Closings
- Online Notary Services
- Coronavirus Microsite
- COVID Relief Hotline
- Legal Hotline & Legal Webinars
- Transaction Rescue™ Hotline
- Ombudsman Hotline



# Thank You

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