



## BRETON MACDONALD

Mortgage Banker/Broker/Branch Manager, Geneva Financial LLC

174698

3155 S. Price Road, Suite 105 Chandler, Arizona 85248

Office: 949-887-7289

Mobile: 949-887-7289

[bmacdonald@genevafi.com](mailto:bmacdonald@genevafi.com)

[View My Website](#)

### A Message from BRETON MACDONALD:

"Home sales in the state were the lowest in the country since September 2007"

## Homes Sales and Prices in California May Have Hit an Affordability Tipping Point

It may be that California, where home prices have exploded over the last few years, has jumped the shark when it comes to affordability. CoreLogic's Andrew LePage writes in the company's *Insights* blog that September home sales in the state were the **lowest in the country since September 2007**.

The sales report comes in the wake of reports from several sources showing an **abrupt slowdown in home price growth** in many of the state's largest metros. CoreLogic says the state's annual gain of 4.1 percent in the median home price statewide was the lowest in more than two years. Coupled with higher mortgages rates, the lack of affordability appears to, in LePage's words, have knocked some would-be buyers to the sidelines, unable or unwilling to buy.

Sales do historically fade in September as school starts, and inventories typically shrink. This September there were 33,886 homes sold statewide, a 21.9 percent decline from August sales. The average change from August to September since 2000 has been 9.9 percent. September's sales were down 17.2 percent from September 2017, the largest annual rollback since a 23.3 percent negative change in October 2010. Sales have fallen on an annual basis in four of the last five months. The fifth month, July, saw an annual increase of only 1.2 percent.

## National Average Mortgage Rates



	Rate	Change	Points
--	------	--------	--------

### Mortgage News Daily

30 Yr. Fixed	6.89%	0.00	0.00
15 Yr. Fixed	6.33%	+0.01	0.00
30 Yr. FHA	6.33%	+0.01	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.58%	0.00	0.00

### Freddie Mac

30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00

### Mortgage Bankers Assoc.

30 Yr. Fixed	7.00%	-0.03	0.60
15 Yr. Fixed	6.63%	+0.07	0.61
30 Yr. FHA	6.87%	-0.03	0.92
30 Yr. Jumbo	7.13%	+0.02	0.38
5/1 ARM	6.22%	-0.16	0.60

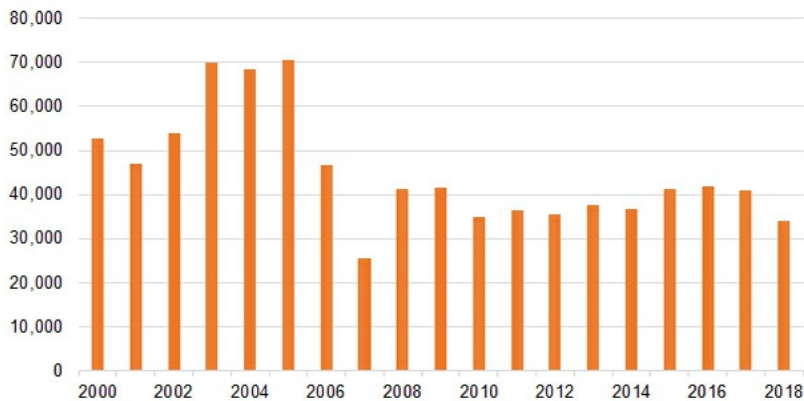
Rates as of: 7/22

## Recent Housing Data

		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

		Value	Change
Builder Confidence	Mar	51	+6.25%

**Figure 1: California Total September Home Sales for Each Year**



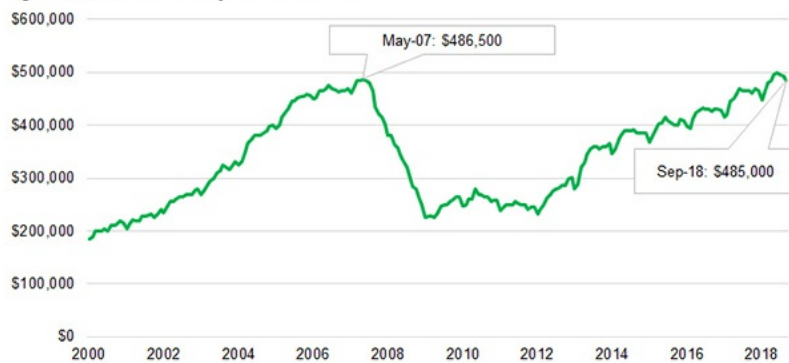
Source: CoreLogic public records.

© 2018 CoreLogic, Inc. All rights reserved.

The author says California's housing slowdown isn't a case of falling demand given its current economic and demographic trends, but a growing lack of affordability and what he calls a gradual shift in buyer psychology. "The sense of urgency among many would-be buyers subsided in recent months as sales slowed and listings rose. Inventory - **especially more affordable inventory** - remains relatively tight in some markets but many areas have transitioned from a seller's market to a neutral market where neither buyers nor sellers have a distinct advantage."

The chart below, showing historical patterns of sales prices in the state since the turn of the century might be a little disturbing to those who remember the housing crisis and recognize that California is often considered to be a harbinger of nationwide trends. However, the overall economics today as well as **underwriting standards are quite different than 11 years ago**, and many experts have forecast this boom to experience a gradual slowdown in sales and price appreciation rather than any bursting of a bubble.

**Figure 2: California Monthly Median Sale Price**



Source: CoreLogic public records.

© 2018 CoreLogic, Inc. All rights reserved.

LePage says that **none of the state's major regions has escaped the cooldown**. The San Francisco Bay area, Sacramento and Central Valley areas, Central Coast and Southern California posted year-over-year sales declines ranging from 15.5 percent to 18.9 percent. Even adjusting for the fact that this September had one less business day for recording sales transaction than the previous one, the annual number is down 13 percent, still one of the largest in several years.

For example, September sales in the six counties that make up the Southern California region September sales were down 17.7 percent year-over-year while prices rose 3.6 percent to a median of \$523,000, the smallest annual gain for any month in more than three years.

Similarly, sales were down 18.9 percent to a total of 5,970 new and existing homes in the nine counties in San Francisco Bay. The median sale price of \$815,000, up 9.3 percent year over year - reflected the smallest annual gain in 15 months.

The median price paid for all new and existing houses and condos sold statewide in September 2018 was \$485,000, down 1.7 percent from August and up 4.1 percent from September 2017. In nominal terms the median hit an all-time high of \$500,000 this June. Adjusted for inflation, however, the median has not returned to its pre-housing-bust peak in March 2007, and this September's median was 16.3 percent below that peak.

**Figure 3: Year-Over-Year Change in California's Median Sale Price**



Source: CoreLogic public records.

© 2018 CoreLogic, Inc. All rights reserved

Even with the slowdown in appreciation, the 4.1 percent annual gain was the lowest since June 2016, **buyers still face large affordability challenges**. The monthly principal and interest payments on a median priced home purchased in September was up three times the rate of appreciation - 12.8 percent - because of approximately an 80 basis point gain in mortgage rates over that period.

## FIX Your Rate, Cash Out, Purchase, Reverse. Text or Call 949-887-7289

Breton is a Branch Manager & Sr Loan Officer at the top of his field for over 15 years. Transparency & treating people like family is how he has built a solid network of referral & repeat business over the years. Candor and expertise is how he communicates & consistently closes on time getting the best loan possible. With Geneva Financials' wide array of products & its seamless, straightforward process he will be able to find you the best mortgage structured the right way. With a positive attitude, Breton is consummate pro who is honest, upfront & shoots it to you straight. 949-887-7289

Proudly Licensed in: AZ, CA, CO, CT, DC, DE, GA, ID, HI, IN, KS, LA, MA, MD, MI, MN, ND, NH, NJ, NV, NY, OR, PA, VA, WA. Also Licensed as a Mortgage Broker BRE 02046074

**BRETON MACDONALD**

