

WINDERMERE REAL ESTATE PRESENTS

# THE GARDNER REPORT

SOUTHERN CALIFORNIA | SECOND QUARTER 2017

The following analysis of the Southern California real estate market is provided by Windermere Real Estate Chief Economist Matthew Gardner. We hope that this information may assist you with making better-informed real estate decisions. For further information about the housing market in your area, please don't hesitate to contact me.



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**ABOUT MATTHEW GARDNER** Mr. Gardner is the Chief Economist for Windermere Real Estate, specializing in residential market analysis, commercial/industrial market analysis, financial analysis, and land use and regional economics. He is the former Principal of Gardner Economics, and has more than 30 years of professional experience both in the U.S. and U.K.



## ECONOMIC OVERVIEW

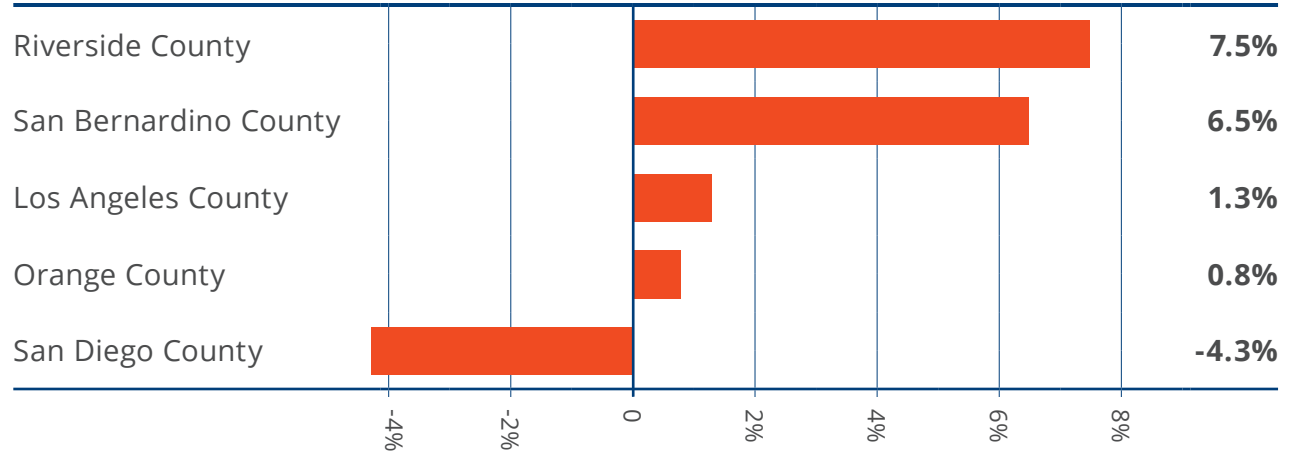
The markets covered by this report—Los Angeles, San Diego, San Bernardino, Orange, and Riverside—added 131,900 new jobs between May 2016 and May 2017. As a result, the unemployment rate dropped from 4.7% to 3.9%. Growth in the Southern California market has started to taper, but this is unsurprising given our place in the current economic expansion.

### HOME SALES ACTIVITY

- There were 54,516 home sales in the second quarter of this year. This was only 1.8% higher than the same period in 2016, but 34.4% above the level seen in the first quarter of this year.
- The average number of homes for sale remains well below what we saw a year ago (-15%), essentially matching the decline in listings in the first quarter.
- Home sales were up in most markets, with solid growth in both Riverside and San Bernardino Counties. There were very modest gains in Los Angeles County and Orange County and a fairly substantial decrease in San Diego County. This continues a trend from last quarter, which again can be attributed to woefully low levels of inventory.
- There was an average of 33,850 active listings in the second quarter, 8% higher than in early spring, but still well below the levels needed to get us to a balanced market. Although we did see a modest increase in listings in late spring, housing shortages remain constant across the entire region.

### ANNUAL CHANGE IN HOME SALES

Q2-2016 TO Q2-2017

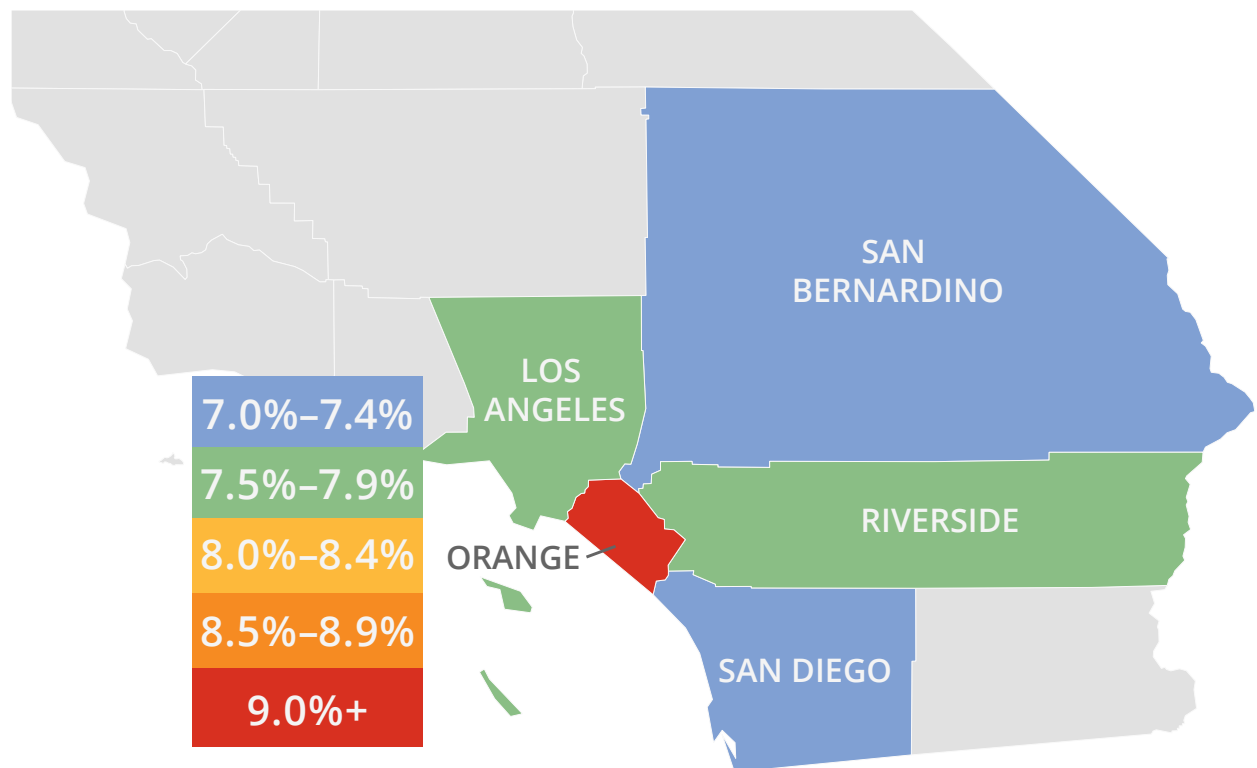
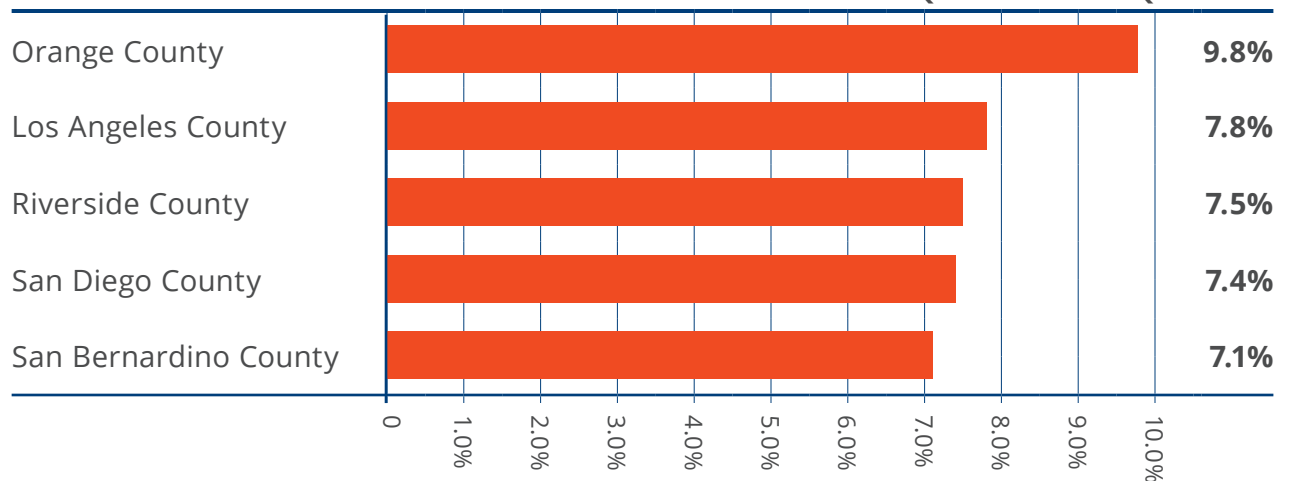


## HOME PRICES

- When compared to the second quarter of 2016, average prices in the region rose by 7.3% and are 6% higher than in the first quarter of this year.
- Home prices in San Diego, Los Angeles and Orange Counties continue to approach their pre-recession peaks but I am not overly concerned—at least not yet. At some point, we have to see price appreciation taper, but this is unlikely for the time being.
- Orange County had the greatest annual appreciation in home values (+9.8%) and price increases were roughly the same across the rest of the region.
- Pending home sales continue to slow given pervasively low inventory levels. Demand is likely to remain strong and sales prices should keep rising since buyers continue to outnumber sellers.

## ANNUAL CHANGE IN HOME SALE PRICES

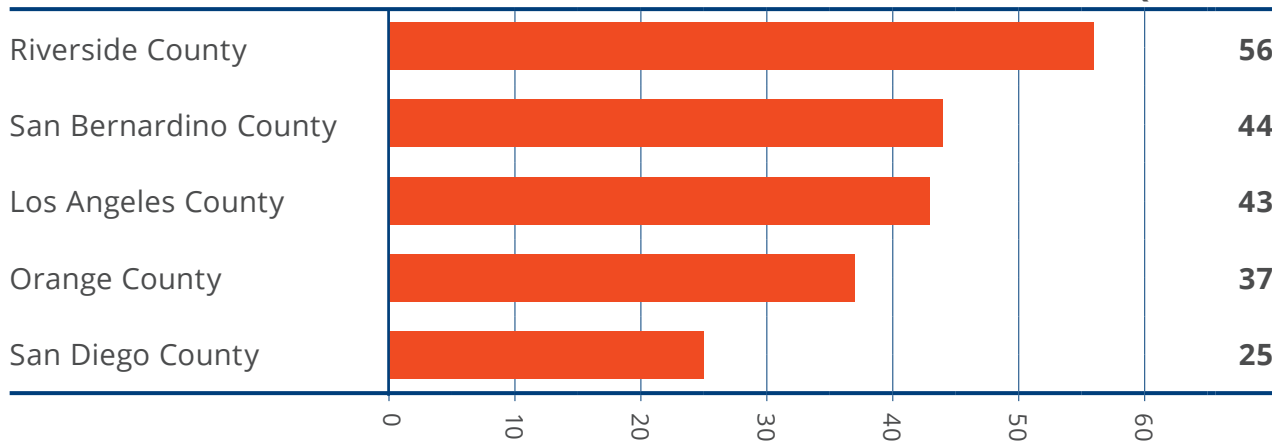
Q2-2016 TO Q2-2017



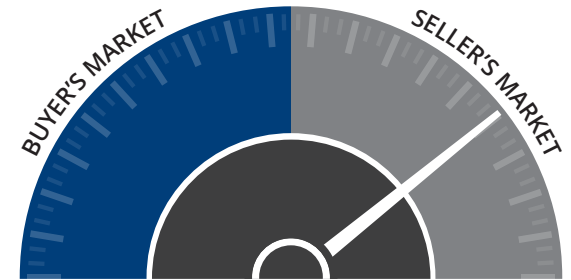
## DAYS ON MARKET

- The average time it took to sell a home in the region was 41 days. This is a drop of 16 days compared to the second quarter of 2016, and 15 days shorter compared to the first quarter of 2017.
- The biggest drop in the number of days it took to sell a home was in Orange County, where it took 25 fewer days to sell a home when compared to the same period last year.
- Homes in San Diego County continue to sell at a faster rate than other markets in the region. In the second quarter, it took an average of just 25 days to sell a home, which is four fewer days than a year ago.
- All five counties saw a drop in the amount of time it took to sell a home between the second quarter of 2016 and the second quarter of 2017.

## AVERAGE DAYS ON MARKET



## CONCLUSIONS



The speedometer reflects the state of the region's housing market using housing inventory, price gains, home sales, interest rates, and larger economic factors.

Southern California continues to add new households and job formation is still robust, which is adding to the already-high demand for housing. Mortgage rates remain relatively modest and the low level of inventory continues to drive prices higher as demand exceeds supply.

The modest spring "bump" in listings that I was hoping for did occur though it was not enough to create a balanced market. With the market continuing to strongly favor sellers, I have moved the needle a little more in their direction.